



Meezan
Gold Fund

Meezan Gold Fund (MGF)

Meezan Gold Fund is Pakistan's first Shariah compliant Gold Fund. It invests in gold instruments in the most efficient manner, to provide maximum exposure to prices of Gold in a Shariah compliant (Islamic) manner. This is done by investing a significant portion of the Fund's net assets in deliverable gold based contracts available on the Pakistan Mercantile Index (PMEX).

**ONLY SHARIAH
COMPLIANT
GOLD FUND MANAGER**



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. Mohammad Furquan R Kidwai	Independent Director
Mr. Ijaz Farooq	Nominee Director - MBL
Mr. Moin M. Fudda	Independent Director
Ms. Saima Kamila Khan	Independent Director
Mr. Arshad Majeed	Nominee Director - MBL
Mr. Naeem Abdul Sattar	Nominee Director - PKIC
Syed Amir Ali Zaidi	Nominee Director - PKIC

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Ariful Islam	Chairman
Mr. Moin M. Fudda	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

Bank Al Habib Limited- Islamic Banking	Dubai Islamic Bank Limited
Faysal Bank Limited	Meezan Bank Limited
Sindh Bank Limited	
UBL Ameen - Islamic Banking	

LEGAL ADVISER

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

TRANSFER AGENT

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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited

REPORT OF THE FUND MANAGER

Meezan Gold Fund (MGF)

Type of Fund

Shariah compliant commodity fund that invests in physical gold to earn a return based on the commodity's price fluctuation, based on PMEX prices.

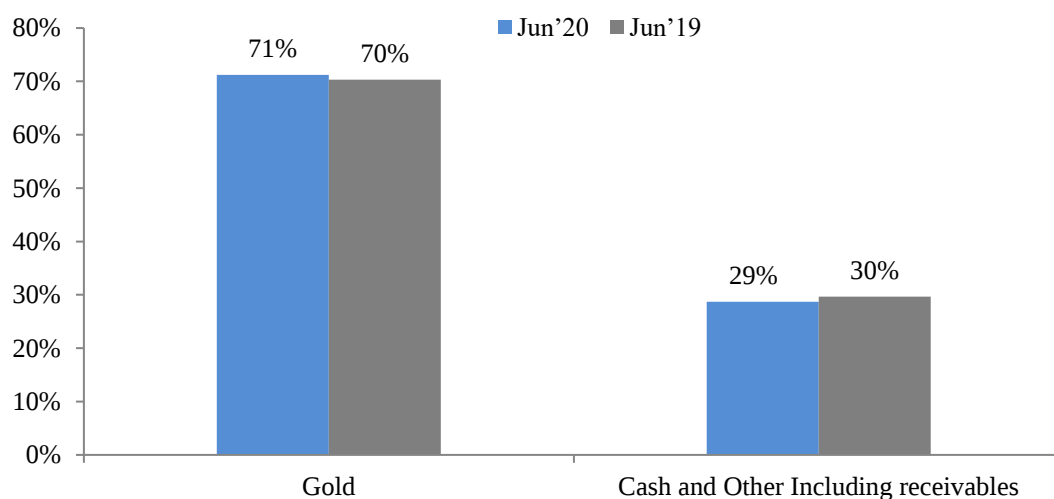
Investment Policy and Strategy

The objective of MGF is to provide maximum exposure to prices of Gold in a Shariah Compliant manner, by investing a significant portion of the Fund's net assets in deliverable gold based contracts available on Pakistan Mercantile Exchange (PMEX). The fund has a long-term time horizon whereby the investors are advised to invest for a tenor of three to five years.

To meet the Fund's investment objective, at least seventy percent (70%) of Fund's net assets, will remain invested in deliverable gold based contracts, based on quarterly average investment calculated on daily basis, while the remaining net assets of the Fund shall be invested in cash and near cash instruments which include cash in bank accounts of Islamic banks and licensed Islamic banking windows of conventional banks (excluding TDR). However, at least 10% of the net assets of the Fund shall remain invested in cash and near cash instruments, based on monthly average calculated on daily basis.

Asset Allocation

As on June 30, 2020, the fund's gold exposure was 71.21%, while 28.73% of the Net Assets was invested in cash.



Performance Review

Meezan Gold Fund posted a total income of Rs. 108 million during FY19 as compared to total Income Rs. 96 million last year. Total income comprised of realized and unrealized gains on investments in gold of Rs. 8 million and Rs. 79 million respectively while profit on saving accounts with bank of Rs. 9 million. Price Adjustment Charges contributed 13 million in the net income. After accounting for expenses of Rs. 16 million, the fund posted a net income of Rs. 92 million. The net assets of the Fund as at June 30, 2020 were Rs. 548 million as compared to Rs. 478 million at the end of last year depicting an increase of 15%.

During the fiscal year 2020, Meezan Gold Fund provided a return 23.76% to its investors due to rise in international gold prices and PKR depreciation.

	MGF	Benchmark
Net Asset Value as on June 30, 2019	68.14	
Net Asset Value as on June 30, 2020	84.18	
Return During the Period - Net	23.76%	21.31%
Outperformance – Net	2.45%	

Benchmark: Combination of 70% PKR base closing price of physical gold and 30% 3 Month average deposit rates of 3 AA rated Islamic Banks

Distribution

There is NIL distribution by the Fund during the fiscal year ended June 30, 2020.

Breakdown of unit holdings by size:

(As on June 30, 2020)

Range (Units)	No. of Investors
1 - 9,999	762
10,000 - 49,999	73
50,000 - 99,999	9
100,000 - 499,999	8
500,000 and above	2
Total	854

PERFORMANCE TABLE	2020	2019	2018
Net assets (Rs in '000) (ex-distribution)	547,946	477,561	243,084
Net assets value per unit as at 30 June (Rs.) (ex-distribution)	84.183	68.141	56.668
Offer price per unit as at 30 June (Rs.) (ex-distribution)	86.927	70.362	58.515
Highest offer price per unit (Rs.)	86.927	78.011	59.419
Lowest offer price per unit (Rs.)	69.550	54.845	45.990
Highest redemption price per unit (Rs.)	84.183	75.548	56.968
Lowest redemption price per unit (Rs.)	67.354	53.114	44.480
Distribution (%)			
- Interim	-	11.80%	-
Date of distribution			
- Interim	0	June 28, 2019	0
Income distribution (Rs. in '000)	0	38120	0
Total return (%)	23.76	30.4	12
Average annual return as at June 30, 2020 (%)	One year 23.76	Two year 27	Three year 21.81



Meezan Bank
The Premier Islamic Bank

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

August 4, 2020/ Dhu'l-Hijjah 13, 1441

Alhamdulillah, the period from July 1, 2019 to June 30, 2020 was the Fifth year of operations of Meezan Gold Fund (MGF) under management of Al Meezan Investment Management Limited (Al Meezan). We, Meezan Bank Limited, are the *Shariah* advisors of the Fund and are issuing the report in accordance with clause 3.7.1 of the Offering Document of the Fund. The scope of the report is to express an opinion on the *Shariah* compliance of the Fund's activity.

In the capacity of *Shari'ah* Advisor, we have prescribed criteria and procedure to be followed in ensuring *Shari'ah* compliance in every investment.

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MGF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MGF by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MGF for the year ended June 30, 2020 have been in compliance with *Shari'ah* principles.

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

Dr. Muhammad Imran Ashraf Usmani

For and on behalf of Meezan Bank
Shariah Advisor

Head Office

CDC House, 99-B, Block 'B'
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TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN GOLD FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Gold Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 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.

Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 24, 2020

INDEPENDENT AUDITOR'S REPORT

To the Unit holders of Meezan Gold Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meezan Gold Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund 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, 2020, and of its financial performance and its cash flows 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 is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	Net Asset Value (Refer notes 5 and 6 to the financial statements)	
	Investments and balances with banks constitute the most significant component of the net asset value. Investments of the Fund as at June 30, 2020 amounted to Rs 390.225 million and balances with banks aggregated to Rs 157.431 million. The existence and proper valuation of investments and existence of balances with banks for the determination of NAV of the Fund as at June 30, 2020 was considered a high risk area and therefore we considered this as a key audit matter.	Our audit procedures amongst others included the following: - 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, 2020 and traced 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; and - Obtained bank reconciliation statements and tested reconciling items on a sample basis.

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Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>



Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Salman Hussain

Chartered Accountants

Karachi

Date: September 22, 2020

MEEZAN GOLD FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2020



Meezan
Gold Fund

	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
Assets			
Balances with banks	5	157,431	86,014
Investment in gold	6	390,225	364,344
Receivable against conversion of units		397	18,716
Advances and other receivables	7	9,680	15,142
Total assets		557,733	484,216
Liabilities			
Payable to Al Meezan Investment Management Limited - Management Company	8	1,431	776
Payable to Central Depository Company of Pakistan Limited - Trustee	9	101	131
Payable to Securities and Exchange Commission of Pakistan	10	99	224
Payable against conversion and redemption of units		311	288
Payable to Meezan Bank Limited		-	6
Accrued expenses and other liabilities	11	7,845	5,230
Total liabilities		9,787	6,655
NET ASSETS		547,946	477,561
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		547,946	477,561
CONTINGENCIES AND COMMITMENTS	13		
NUMBER OF UNITS IN ISSUE		6,508,989	7,008,422
		(Rupees)	
NET ASSET VALUE PER UNIT		84.1829	68.1410

The annexed notes from 1 to 31 form an integral part of these financial statements.

For Al-Meezan Investment Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

**MEEZAN GOLD FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
Income			
Profit on balances with banks		8,653	2,714
Realised gain on sale of investments - net		7,699	14,271
Price adjustment charges	12	13,243	12,633
		29,595	29,618
Net unrealised appreciation on re-measurement of investments in gold	6.1.3	78,671	66,672
Total income		108,266	96,290
Expenses			
Remuneration of Al Meezan Investment Limited- Management Company	8.1	4,935	2,993
Sindh Sales Tax on remuneration of the Management Company	8.2	642	389
Allocated expenses	16	493	299
Selling and marketing expenses	17	1,974	1,018
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	839	509
Sindh Sales Tax on remuneration of the Trustee		109	66
Annual fees to Securities and Exchange Commission of Pakistan	10	99	224
Brokerage expense		49	60
Auditors' remuneration	14	286	296
Fees and subscription		350	348
Printing expense		-	1
Custodian fee		3,961	2,569
Bank and settlement charges		756	973
Provision for Sindh Workers' Welfare Fund	11.1	1,875	1,731
Total expenses		16,368	11,476
Net income for the year before taxation		91,898	84,814
Taxation	18	-	-
Net income for the year after taxation		91,898	84,814
Allocation of net income for the year			
Net income for the year after taxation		91,898	84,814
Income already paid on units redeemed		(16,025)	(13,667)
		75,873	71,147
Accounting income available for distribution			
- Relating to capital gains		75,873	71,147
- Excluding capital gains		-	-
		75,873	71,147

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

Chief Executive

Chief Financial Officer

Director

**MEEZAN GOLD FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020**



**Meezan
Gold Fund**

	2020 (Rupees in '000)	2019 (Rupees in '000)
Net income for the year after taxation	91,898	84,814
Other comprehensive income for the year	-	-
Total comprehensive income for the year	91,898	84,814

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

Chief Executive

Chief Financial Officer

Director

MEEZAN GOLD FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2020

	2020			2019		
	Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Total
	------(Rupees in '000)-----			------(Rupees in '000)-----		
Net assets at beginning of the year	434,630	42,931	477,561	233,180	9,904	243,084
Issue of 8,564,609 units (2019: 10,852,091 units)						
- Capital value (at net asset value per unit at the beginning of the year)	583,601	-	583,601	613,198	-	613,198
- Element of income	74,370	-	74,370	90,794	-	90,794
Total proceeds on issuance of units	657,971	-	657,971	703,992	-	703,992
Redemption of 9,064,042 units (2019: 8,680,649 units)						
- Capital value (at net asset value per unit at the beginning of the year)	617,632	-	617,632	490,148	-	490,148
- Element of loss	45,827	16,025	61,852	50,514	13,667	64,181
Total payments on redemption of units	663,459	16,025	679,484	540,662	13,667	554,329
Total comprehensive income for the year	-	91,898	91,898	-	84,814	84,814
Issue of 547,329 bonus units, for the year ended June 30, 2019	-	-	-	38,120	(38,120)	-
Net income for the year less distribution	-	91,898	91,898	38,120	46,694	84,814
Net assets at end of the year	429,142	118,804	547,946	434,630	42,931	477,561
Undistributed income brought forward						
- Realised income		(23,741)			(19,027)	
- Unrealised income		66,672			28,931	
		42,931			9,904	
Accounting income available for distribution						
- Relating to capital gains	75,873			71,147		
- Excluding capital gains	-			-		
	75,873			71,147		
Interim bonus distribution during the year ended June 30, 2019 at Rs 5.9 per unit i.e. 11.8% of the par value of Rs. 50 each (June 28, 2019)		-			(38,120)	
Undistributed income carried forward		118,804			42,931	
Undistributed income carried forward						
- Realised income/ (loss)		40,133			(23,741)	
- Unrealised income		78,671			66,672	
		118,804			42,931	
	(Rupees)			(Rupees)		
Net assets value per unit at beginning of the year	68.1410			56.6676		
Net assets value per unit at end of the year	84.1829			68.1410		

The annexed notes from 1 to 31 form an integral part of these financial statements.

For Al-Meezan Investment Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

**MEEZAN GOLD FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2020**



**Meezan
Gold Fund**

	2020	2019
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	91,898	84,814
Adjustments for:		
Unrealised appreciation on re-measurement of investment in gold	(78,671)	(66,672)
	13,227	18,142
Decrease / (increase) in assets		
Investments - net	52,790	(85,807)
Advances and other receivables	5,462	(13,100)
	58,252	(98,907)
Increase / (decrease) in liabilities		
Payable to Al Meezan Investment Management Limited - Management Company	655	465
Payable to Central Depository Company of Pakistan Limited - Trustee	(30)	94
Payable to Securities and Exchange Commission of Pakistan	(125)	(50)
Payable to Meezan Bank Limited	(6)	(3)
Accrued expenses and other liabilities	2,615	2,470
	3,109	2,976
Net cash generated from / (used in) operating activities	74,588	(77,789)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts against conversion of units	676,290	688,792
Payment against redemption and conversion of units	(679,461)	(554,321)
Net cash (used in) / generated from financing activities	(3,171)	134,471
Net increase in cash and cash equivalents during the year	71,417	56,682
Cash and cash equivalents at the beginning of the year	86,014	29,332
Cash and cash equivalents at the end of the year	5 157,431	86,014

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

Chief Executive

Chief Financial Officer

Director

MEEZAN GOLD FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Meezan Gold Fund is an open ended mutual fund constituted under a Trust Deed entered into on October 15, 2014 between Al Meezan Investment Management Company as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The Fund is registered as a Notified entity under Non-Banking Finance Companies and Notified Entities Regulations, (NBFC Regulations) issued through S.R.O.1203(I)/2008 on November 21, 2008. The Fund commenced its operations from August 18, 2015. The registered office of the Management Company is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shariah-e-Faisal, Karachi 74400, Pakistan.
- 1.2** The Fund is an open-ended Shariah Compliant (Islamic) Commodity Fund that aims to provide maximum exposure to prices of Gold in a Shariah Compliant (Islamic) manner by investing a significant portion of the Fund's net assets in deliverable gold based contracts available on Pakistan Mercantile Exchange Limited (PMEX). Furthermore, all investments of the Fund's property shall be in accordance with the Shariah as advised by the Shariah Advisor. The Fund shall also be subject to the rules and regulations framed by the State Bank of Pakistan with regard to the foreign investments made by the Fund and investments made in the Fund from outside Pakistan in foreign currency. The investments in Gold contracts listed at the Commodity Exchange shall be subject to the PMEX Regulations and / or rules and regulations of the pertinent Commodity Exchange, if the Commodity Exchange is other than PMEX. All pertinent contracts, agreements and documents of PMEX shall be approved by Shariah advisor. Under the Trust Deed, all the conducts and acts of the fund are based on Shariah. The management company has appointed Meezan Bank Limited as its Shariah advisor to ensure that the activities of the fund are in compliance with the principles of Shariah. The investment objectives and policies are explained in the Fund's Offering document.
- 1.3** The Fund has been categorised as a Shariah compliant Commodity Scheme by the Board of Directors of the Management Company pursuant to the provisions contained in Circular 7 of 2009. The units of the Fund were initially offered for public subscription at a par value of Rs 50 per unit. Thereafter, the units are being offered for public subscription on a continuous basis from August 13, 2015 and are transferable and redeemable by surrendering them to the Fund.
- 1.4** The Management Company has been assigned a quality rating of AM1 by VIS dated December 31, 2019 (2019: AM1 dated December 29, 2018) and PACRA dated June 26, 2020. The rating reflects the Company's experienced management team, structured investment process and sound quality of systems and processes.
- 1.5** Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund. The fund is listed on Pakistan Stock Exchange Limited.

2 BASIS OF PRESENTATION

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

3 BASIS OF PREPARATION

3.1 Statement of compliance

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

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

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

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

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2019. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements.

3.3 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective

The following amendments would be effective from the dates mentioned below against the respective amendment:

Amendments	Effective date (accounting periods beginning on or after)
- IAS 1 - 'Presentation of financial statements' (amendment)	January 1, 2020
- IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendment)	January 1, 2020

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

There are certain other standards, amendments and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2020 but are considered not to be relevant or will not have any significant effect on the Fund's operations and are therefore not disclosed in these financial statements.

3.4 Critical accounting estimates and judgments

The preparation of financial statements in accordance with the accounting and reporting 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 4.3 and 6) and taxation (note 18).

3.5 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments in gold which is stated at its fair values.

3.6 Functional and presentation currency

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 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.

4.2 Cash and cash equivalents

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

4.3 Financial assets

4.3.1 Classification and subsequent measurement

4.3.2 Debt instruments

IFRS 9 has provided a criteria for debt securities whereby these debt securities are either classified as:

- amortised cost;
- at fair value through other comprehensive Income (FVOCI);
- at fair value through profit or loss (FVTPL) based on the business model of the Entity.

The financial assets of the Fund which are held for collection are measured at amortised cost.

4.3.3 Impairment

The fund assesses on a forward looking basis the expected credit loss (ECL) associated with its financial assets (other than debt instruments) carried at amortised cost and FVOCI. The fund recognises loss allowances for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

4.3.4 Regular way contracts

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

4.3.5 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.

4.3.6 Derivatives

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.

4.4 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.

4.5 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.

4.6 Investment in Gold

Investment in Gold is initially recognized at fair value less cost to sell. Subsequent to initial recognition, these are measured at fair value using spot rate (i.e. immediately next day after expired contract) fixed by Pakistan Mercantile Exchange Limited (PMEX). Gain or loss arising from changes in fair value less cost to sell are recognized in Income Statement in the period of change.

4.7 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.

4.8 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.

4.9 Issuance and redemption of units

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

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

4.10 Distributions to unit holders

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

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

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

Element of income represents the difference between Net Asset Value (NAV) per unit on the issuance or redemption date, as the case may be, of units and the NAV per unit at the beginning of the relevant accounting period. Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend NAV of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

4.12 Revenue recognition

- Gains / (losses) arising on sale of gold are recorded at the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of gold are included in the Income Statement in the period in which they arise.
- Profit on balances with banks is recognised on a time proportion basis using the effective yield method.

4.13 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.

4.14 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.

Deferred

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

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

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. 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 of the Second Schedule to the Income Tax Ordinance, 2001. Moreover, super tax introduced in the Finance Act, 2015 is also not applicable on funds (Section 4B of the Income Tax Ordinance, 2001).

4.15 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income / (loss) of the year after 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.

4.16 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.

	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
5 BALANCES WITH BANKS			
Balances with banks in:			
Savings accounts	5.1	157,337	85,920
Current account		94	94
		<u>157,431</u>	<u>86,014</u>
5.1	The balance in saving account have expected profit rates ranging from 1.50% to 7.50% per annum (2019: 6.30% to 11.85% per annum).		
6 INVESTMENT IN GOLD			
Investment in gold	6.1	<u>390,225</u>	<u>364,344</u>

6.1 Investment in gold

Commodity	As at July 01, 2019	Purchased during the year	Sold during the year	As at June 30, 2020 (note 6.1.3)	Carrying value as at June 30, 2020	Market value as at June 30, 2020	Unrealised gain note (6.1.3)	Percentage in relation to net assets of the fund on the basis of market value of investments
	-----Tola-----				(Rupees in '000)			%
TOLAGOLD	4,400	1,519	2,244	3,675	310,316	388,639	78,323	70.93
MITOLA	15,000	-	-	15,000	1,238	1,586	348	0.29
Total as at June 30, 2020					311,554	390,225	78,671	
Total as at June 30, 2019					297,672	364,344	66,672	

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

6.1.2 The investment in gold of Rs.390.225 million (2019: Rs. 364.344 million) has been measured at fair value based on the quoted market price prevailing in the active markets.

	Note	2020 (Rupees in '000)	2019
6.1.3 Net unrealised appreciation on re-measurement of investments in gold			
Market value of investments	6.1	390,225	364,344
Carrying value of investments	6.1	311,554	297,672
		<u>78,671</u>	<u>66,672</u>

7 ADVANCES AND OTHER RECEIVABLES

Profit receivable on balances with banks	1,449	227
Receivable against sale of investments	881	3,065
Advance against investment	7,350	11,850
	<u>9,680</u>	<u>15,142</u>

8 PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED- MANAGEMENT COMPANY - RELATED PARTY

Management fee payable	8.1	528	297
Sindh Sales Tax on remuneration of the Management Company	8.2	69	39
Allocated expenses payable	16	53	30
Selling and marketing expenses payable	17	598	373
Sales load payable		162	33
Sindh Sales Tax on sales load payable		21	4
		<u>1,431</u>	<u>776</u>

8.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the Offering Document subject to the total expense ratio limit. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 1% (2019: 1%) per annum of the average net assets of the Fund during the year ended June 30, 2020. The remuneration is payable to the Management Company monthly in arrears.

8.2 During the year, an amount of Rs. 0.642 million (2019: Rs 0.389 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011, and an amount of Rs. 0.612 million (2019: Rs.0.376 million) has been paid to the Management Company which acts as a collecting agent.

	Note	2020	2019
		(Rupees in '000)	
9 PAYABLE TO CENTRAL DEPOSITORY COMPANY - TRUSTEE			
Trustee fee payable	9.1	89	116
Sindh Sales Tax payable on trustee fee		12	15
		<u>101</u>	<u>131</u>

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

On net assets:

- up to Rs 1 billion	0.17% per annum of net assets
- from Rs 1 billion to Rs.5 billion	Rs 1.7 million plus 0.085% per annum of net assets exceeding Rs 1 billion.
- exceeding Rs.5 billion	Rs 5.1 million plus 0.07% per annum of net assets exceeding Rs 5 billion.

During the year, an amount of Rs 0.109 million (2019: Rs 0.066 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 0.112 million (2019: Rs.0.056 million) was paid to the Trustee which acts as a collecting agent.

10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

In accordance with the NBFC Regulations, 2008, a collective investment scheme is required to pay annual fee to the Securities and Exchange Commission of Pakistan.

Effective from July 1, 2019, the SECP vide SRO No. 685(I)/2019 dated June 28, 2019, revised the rate of annual fee to 0.02% of net assets, applicable on all categories of CISs. Previously, the rate of annual fee applicable to commodity fund was 0.075%. Accordingly, the Fund has charged SECP Fee at the rate of 0.02% of net assets during the current year.

	Note	2020	2019
		(Rupees in '000)	
11 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration payable		175	175
Custodian fee payable		883	257
Shariah advisor fee payable		159	159
Payable against purchase of investments		685	684
Withholding tax payable		7	21
Capital gain tax payable		184	51
Provision for Sindh Workers' Welfare Fund	11.1	5,041	3,166
Zakat payable		-	6
Provision for Federal Exercise Duty and related			
Sindh sales tax on management fee	11.2	414	414
Provision for Federal Exercise Duty and related			
Sindh sales tax on sales load	11.2	297	297
		<u>7,845</u>	<u>5,230</u>

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

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, 2020, the net asset value of the Fund as at June 30, 2020 would have been higher by Re. 0.77 per unit (2019: Re 0.45 per unit).

- 11.2** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16% 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.

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

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

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 1, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 0.711 million is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision not been made, the NAV per unit of the Fund would have been higher by Re 0.11 (June 30, 2019: Re 0.10) per unit.

12 PRICE ADJUSTMENT CHARGES

Securities and Exchange Commission of Pakistan (SECP) vide a circular no.40 SCD/AMCW/ MGF/63/2017 dated June 14, 2017, allowed the fund to charge price adjustment charges. Price adjustment charge is a difference between the offer price and the bid price from the closing price of the gold transactions (contract) available at PMEX, which is added to and deducted from the NAV to determine offer and redemption prices respectively. Such charges form part of Fund Property.

Currently, price adjustment charges added/ deducted to form NAV of the fund to determine offer / redemption price is 1% of NAV.

13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2020 and June 30, 2019.

	2020	2019
	(Rupees in '000)	
14 AUDITORS' REMUNERATION		
Annual audit fee	150	160
Half yearly review of condensed interim financial information	81	80
Fee for other certifications	40	43
Out of pocket expenses	15	13
	<u>286</u>	<u>296</u>

15 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2020 is 3.32% which includes 0.55% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund (if any), sales taxes, annual fee to the SECP, etc. (June 2019: 3.78% and 0.8%). This ratio is within the maximum limit of 3% prescribed under the NBFC Regulations for a collective investment scheme categorised as Commodity Scheme.

16 ALLOCATED EXPENSES

In accordance with Regulation 60 of the NBFC Regulations, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).

Until June 19, 2019 there was a maximum cap of 0.1% of the average annual net assets of the scheme or actual whichever is less, for allocation of such expense to the Fund. However, the SECP vide its SRO 639 dated June 20, 2019 removed the maximum cap of 0.1%.

The management company based on its own discretion has currently fixed a maximum capping of 0.1% of the average annual net assets of the scheme for allocation of such expenses to the Fund for the year ended June 30, 2020.

17 SELLING AND MARKETING EXPENSES

The SECP has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of 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.

During the current year, the SECP through its circular 11 dated July 5, 2019 has revised the conditions for charging of selling and marketing expenses to a Fund. As per the revised guidelines, the maximum cap of 0.4% per annum has been lifted and now the asset management company is required to set a maximum limit for charging of such expense to the Fund and the same should be approved by the Board as part of annual plan. Furthermore, the time limit of three years has also been removed in the revised conditions.

Accordingly, the Management Company, based on its own discretion has currently determined a capping of 0.4% of the average annual net assets of the fund for charging of selling and marketing expenses to the Fund which has also been approved by the Board.

18 TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. No provision for taxation has been made in these financial statements during the year since the income of the fund only pertains to capital gains (realised and unrealised).

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

19 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 19.1** Connected persons include Al Meezan Investment Management Limited being the Management Company, the Central Depository Company of Pakistan (CDC) being the Trustee, Meezan Bank Limited being the holding company of the Management Company, Directors and executives of the Management Company, other collective investment schemes managed by the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company, Al Meezan Investment Management Limited - Employees Gratuity Fund and unit holders holding 10 percent or more of the Fund's net assets.
- 19.2** 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.
- 19.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, and the Trust Deed.
- 19.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.

19.5 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:

Balances	2020	2019
	(Rupees in '000)	
Al Meezan Investment Management Limited - Management Company		
Management fee payable	528	297
Sindh Sales Tax on remuneration of the Management Company	69	39
Allocated expenses payable	53	30
Selling and marketing expenses payable	598	373
Sales load payable	162	33
Sales tax on sales load	21	4
Meezan Bank Limited		
Sales load payable	-	5
Sindh Sales tax on sales load	-	1
Bank balance	31,954	38,321
Profit on balances with bank	106	11
Investment of 1,084,712 units (June 30, 2019: 1,084,712 units)	91,314	73,060
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee payable	89	116
Sindh Sales Tax payable on trustee fee	12	15
Directors and their close family members and key management personnel of the Management Company		
Investment of 331,325 units (June 30, 2019: 284,327 units)	27,892	19,374
Unitholders holding 10% or more of units of the Fund		
Investment of 1,272,869 units (June 30, 2019: 1,236,347 units)	107,154	84,246
Transactions during the year	For the year ended June 30,	
	2020	2019
Al Meezan Investment Management Limited - Management Company		
Remuneration charged	4,935	2,993
Sindh Sales Tax on remuneration of the Management Company	642	389
Allocated expenses	493	299
Selling and marketing expenses	1,974	1,018
Meezan Bank Limited		
Profit on balances with bank	2,429	671
Issue of Nil (2019: 84,712) units	-	5,900
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	839	509
Sindh Sales Tax on remuneration of the Trustee	109	66
Directors and their close family members and key management		
Issue of 300,736 units (2019: 1,432,301 units)	22,892	95,416
Redemption of 253,722 units (2019: 1,345,712 units)	18,990	89,730

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

20 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

Balances with banks
Receivable against conversion of units
Advances and other receivables

2020		
At amortised cost	At fair value through profit or loss	Total
------(Rupees in '000)-----		
157,431	-	157,431
397	-	397
9,680	-	9,680
167,508	-	167,508

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company
Payable to the Central Depository Company of Pakistan Limited - Trustee
Payable to Meezan Bank Limited
Payable against conversion and redemption of units
Accrued expenses and other liabilities

2020		
At fair value through profit or loss	At amortised cost	Total
------(Rupees in '000)-----		
-	1,431	1,431
-	101	101
-	-	-
-	311	311
-	1,902	1,902
-	3,745	3,745

Financial assets

Balances with banks
Receivable against conversion of units
Advances and other receivables

2019		
At amortised cost	At fair value through profit or loss	Total
------(Rupees in '000)-----		
86,014	-	86,014
18,716	-	18,716
15,142	-	15,142
119,872	-	119,872

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company
Payable to the Central Depository Company of Pakistan Limited - Trustee
Payable to Meezan Bank Limited
Payable against conversion and redemption of units
Accrued expenses and other liabilities

2019		
At fair value through profit or loss	At amortised cost	Total
------(Rupees in '000)-----		
-	776	776
-	131	131
-	6	6
-	288	288
-	1,275	1,275
-	2,476	2,476

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Risks managed and measured by the Fund are explained below:

21.1 Market risk

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

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

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

(i) Profit rate risk

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

Cash flow profit rate risk

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

During the year ended June 30, 2020, the net income would have increased / decreased by Rs. 1.573 million (June 30, 2019 Rs. 0.859 million) had the profit rates on profit and loss saving accounts increased / (decreased) by 100 basis points.

Fair value profit rate risk

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

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

2020						
Effective interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total	
	Up to three months	More than three months and up to one year	More than one year			
(Rupees in '000)						
Financial assets						
Balances with banks	1.50% - 7.50%	157,337	-	-	94	157,431
Receivable against conversion of units		-	-	-	397	397
Advances and other receivables		-	-	-	9,680	9,680
		157,337	-	-	10,171	167,508
Financial liabilities						
Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	1,431	1,431
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	101	101
Payable to Meezan Bank Limited		-	-	-	-	-
Payable against conversion and redemption of units		-	-	-	311	311
Accrued expenses and other liabilities		-	-	-	1,902	1,902
		-	-	-	3,745	3,745
On-balance sheet gap (a)		157,337	-	-	6,426	163,763
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total profit rate sensitivity gap (a+b)		157,337	-	-		
Cumulative profit rate sensitivity gap		157,337	157,337	157,337		

2019					
Effective interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

(Rupees in '000)

Financial assets

Balances with banks	3.00% - 12.35%	85,920	-	-	94	86,014
Receivable against conversion of units		-	-	-	18,716	18,716
Advances and deposits		-	-	-	15,142	15,142
		85,920	-	-	33,952	119,872

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	776	776
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	131	131
Payable to Meezan Bank Limited		-	-	-	6	6
Payable against conversion and redemption of units		-	-	-	288	288
Accrued expenses and other liabilities		-	-	-	1,275	1,275
		-	-	-	2,476	2,476

On-balance sheet gap (a)

85,920	-	-	31,476	117,396
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Off-balance sheet financial instruments

-	-	-	-	-
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Off-balance sheet gap (b)

-	-	-	-	-
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Total profit rate sensitivity gap (a+b)

85,920	-	-		
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Cumulative profit rate sensitivity gap

85,920	85,920	85,920		
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(ii) Currency risk

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

(iii) Price risk

The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The primary objective of the Fund is to provide the maximum return to the unitholders by investing a significant portion of the Fund's net assets in deliverable gold based contracts in a Shariah compliant manner available on Pakistan Mercantile Exchange Limited (PMEX). The Fund's market risk is managed on a daily basis by the investment committee in accordance with the policies and procedures laid down by the SECP. Further, it is managed by monitoring exposure to gold and by complying with the internal risk management policies and regulations laid down in NBFC Regulations.

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

21.2 Liquidity risk

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

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

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

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

In addition to unitholder fund, analysis of the Fund's financial assets and financial liabilities into relevant maturity grouping as at June 30, 2020 is tabulated below:

2020						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total

(Rupees in '000)

Financial assets

Balances with banks	157,431	-	-	-	-	157,431
Receivable against conversion of units	397	-	-	-	-	397
Advances and deposits	9,680	-	-	-	-	9,680
	167,508	-	-	-	-	167,508

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company	1,431	-	-	-	-	1,431
Payable to the Central Depository Company of Pakistan Limited - Trustee	101	-	-	-	-	101
Payable to Meezan Bank Limited	-	-	-	-	-	-
Payable against conversion and redemption of units	311	-	-	-	-	311
Accrued expenses and other liabilities	685	1,217	-	-	-	1,902
	2,528	1,217	-	-	-	3,745

Net assets / (liabilities)

164,980	(1,217)	-	-	-	-	163,763
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2019						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total

(Rupees in '000)

Financial assets

Balances with banks	86,014	-	-	-	-	86,014
Receivable against conversion of units	18,716	-	-	-	-	18,716
Advances and deposits	15,142	-	-	-	-	15,142
	119,872	-	-	-	-	119,872

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company	776	-	-	-	-	776
Payable to the Central Depository Company of Pakistan Limited - Trustee	131	-	-	-	-	131
Payable to Meezan Bank Limited	6	-	-	-	-	6
Payable against conversion and redemption of units	288	-	-	-	-	288
Accrued expenses and other liabilities	684	591	-	-	-	1,275
	1,885	591	-	-	-	2,476

Net assets / (liabilities)

117,987	(591)	-	-	-	-	117,396
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21.3 Credit risk

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

Credit risk arises from balances with banks, profit accrued on balances with banks and receivable against conversion of units.

Credit risk arising on financial assets is monitored through a regular analysis of financial position of brokers and other parties. In accordance with the risk management policy of the Fund, the Investment Committee monitors the credit position on a daily basis which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

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

The table below analyses the Fund's maximum exposure to credit risk:

	2020		2019	
	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	157,431	157,431	86,014	86,014
Receivable against conversion of units	397	397	18,716	18,716
Advances and deposits	9,680	9,680	15,142	15,142
	167,508	167,508	119,872	119,872

21.3.2 Credit quality of financial assets

The Fund's significant credit risk arises mainly on account of its placements in banks and profit accrued on bank balances thereon, cheques in hand, dividend receivable and receivable against sale of units and against investments. The credit rating profile of balances with banks is as follows:

Rating	% of financial assets exposed to credit risk	
	2020	2019
AAA	15.61%	1.83%
AA+	20.37%	98.15%
AA	64.02%	-
A+	-	0.02%
	100.00%	100.00%

21.3.3 Concentration of credit risk

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

22 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

Fair value hierarchy

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

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

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

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

Investments in gold are non-financial assets and are recognised at fair value as disclosed in note 6.1 to these financial statements.

23 UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund's objectives when managing unit holders funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets under management. The Fund has no restrictions on the subscription and redemption of units.

As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

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

In accordance with the risk management policies as stated in note 21, 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.

24 COMMODITY RISK MANAGEMENT

24.1 Commodity risk

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

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

In case of 1% increase / decrease in the price of gold fixed by Pakistan Mercantile Exchange Limited (PMEX) as on June 30, 2020, with all other variables held constant, the total income of the Fund for the year would increase / decrease by Rs 3.902 million (2019: Rs 3.643 million) and the net assets of the Fund would increase / decrease by the same amount as a result of change in the fair value thereof.

25 UNIT HOLDING PATTERN OF THE FUND

Category	2020			2019		
	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	848	423,633	77.31	653	345,447	64.44
Bank / DFIs	1	91,314	16.66	1	73,913	23.32
Private limited companies	4	29,348	5.36	1	55,243	0.00
Others	1	3,651	0.67	3	2,958	0.93
	854	547,946	100.00%	658	477,561	100.00%

26 LIST OF TOP BROKERS BY PERCENTAGE OF COMMISSION PAID

----- 2020-----		----- 2019 -----	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
IGI Finex Securities Limited	19%	Top Line Securities (Private) Limited	21%
Shajar Capital Limited	18%	Shajar Capital Limited	18%
Top Line Securities (Private) Limited	17%	Arif Habib Limited	17%
Arif Habib Limited	16%	IGI Finex Securities Limited	16%
Fortune Securities Limited	10%	Fortune Securities Limited	11%
BIPL Securities Limited	10%	BIPL Securities Limited	9%
AKD Securities Limited	11%	AKD Securities Limited	8%

26.1 The Fund has traded with only the above mentioned 7 brokers / dealers during the year ended June 30, 2020 (2019: 7 brokers / dealers).

27 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	Overall experience
Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	Thirty years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Twenty four years
Mr. Taha Javed	Head of Equities	CFA / MBA	Thirteen years
Mr. Ahmed Hassan	SVP Investments	CFA / MBA	Thirteen years
Mr. Ali Khan	VP Product Development	CFA / FRM /MBA	Ten years
Mr. Faizan Saleem	Head of Fixed Income	CFA level II / MBA	Thirteen years
Mr. Asif Imtiaz	AVP Investments	CFA / MBA - Finance	Twelve years
Mr. Imad Ansari	Head of Risk Management	B.S Actuarial Sciences & Risk Management / MBA - Finance	Fifteen years
Mr. Ali Asghar	VP / Head of Research	CFA / MBA (in progress)	Nine years

The Fund Manager of the Fund is Mr. Ali Khan. The Fund Manager is not managing any other fund.

28 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 of Directors	Designation	Meeting held on				
		Aug 19, 2019	Oct 15, 2019	Feb 10, 2020	Apr 15, 2020	Jun 25, 2020
Mr. Ariful Islam	Chairman	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib, CFA	Chief Executive Officer	Yes	Yes	Yes	Yes	Yes
Mr. Moin M. Fudda	Director	Yes	Yes	Yes	Yes	Yes
Ms. Saima Shaukat Khan (Kamila)	Director	Yes	Yes	Yes	Yes	Yes
Mr. Furquan Kidwai	Director	Yes	Yes	Yes	Yes	Yes
Mr. Ijaz Farooq	Director	Yes	No	Yes	Yes	No
Mr. Arshad Majeed	Director	Yes	Yes	Yes	Yes	Yes
Mr. Muhammad Abdullah	Director	Yes	Yes	Yes	Yes	Yes
Mr. Naeem Abdul Sattar	Director	Yes	Yes	Yes	Yes	Yes
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes

29 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.

30 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on **August 13, 2020**.

31 GENERAL

31.1 Regulatory reliefs due to COVID - 19

The COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The Securities and Exchange Commission of Pakistan (SECP) has provided the following relaxations to the asset management companies operating in Pakistan for a specific period:

- The time period to regularize the exposure limits breach under Regulation 55(13) of the NBFC Regulations has been extended from four months to six months;
- Maximum limit for application of discretionary discount as per the Annexure-I, Chapter 3 of Circular 33 of 2012 has been enhanced;
- The time period for classification of a debt security to non-performing category has been extended from 15 days to 180 days as per the requirements of Annexure-II of Circular 33 of 2012;
- Time period to ensure compliance with minimum fund size for Open End Schemes under Regulation 54(3b) of the NBFC regulations has been increased to 180 days for Open End Schemes;
- Time for announcement of daily NAV as per the regulatory requirement is extended from 18:30 pm to the start of the next working day.

31.2 Operational Risk Management

The Management Company is closely monitoring the situation and has invoked required actions to ensure safety and security of the staff and an uninterrupted service to the customers. Business Continuity Plans (BCP) for respective areas are in place and tested. The Management Company has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Management Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

The Management Company has made an assessment of Covid-19 on the credit risk and liquidity risk and believes that there is no significant impact on the Fund.

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

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

Chief Executive

Chief Financial Officer

Director



Meezan
Islamic Income Fund

Meezan Islamic Income Fund (MIIF)

Meezan Islamic Income Fund is Pakistan's first Shariah compliant income fund scheme. The purpose of Meezan Islamic Income Fund is to provide investors with a high and stable rate of current income consistent with long term preservation of capital in a Shariah compliant way.



**HIGHEST MANAGEMENT
QUALITY RATING OF AM1**
— BY PACRA & VIS

AM1
Rating by VIS and PACRA

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. Mohammad Furquan R Kidwai	Independent Director
Mr. Ijaz Farooq	Nominee Director - MBL
Mr. Moin M. Fudda	Independent Director
Ms. Saima Shaikat Khan (Kamila)	Independent Director
Mr. Arshad Majeed	Nominee Director - MBL
Mr. Naeem Abdul Sattar	Nominee Director - PKIC
Syed Amir Ali Zaidi	Nominee Director - PKIC

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Ariful Islam	Chairman
Mr. Moin M. Fudda	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

Allied Bank Limited	MCB Bank Limited
Al Baraka Islamic Bank B.S.C (E.C)	MCB Islamic Bank Limited
Askari Bank Limited - Islamic Banking	Meezan Bank Limited
Bank Al Habib Limited - Islamic Banking Bank	National Bank of Pakistan - Islamic Banking
Alfalah Limited	Samba Bank Limited
Bank Islami Pakistan Limited	Sindh Bank Limited
Dubai Islamic Bank Pakistan Limited	Soneri Bank Limited - Islamic Banking
Faysal Bank Limited - Islamic Banking	The Bank Of Punjab - Islamic Banking
Habib Bank Limited -Islamic Banking	The Bank Of Khyber - Islamic Banking
Habib Metropolitan Bank Limited - Islamic Banking	UBL Ameen - Islamic Banking

LEGAL ADVISER

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

TRANSFER AGENT

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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited

REPORT OF THE FUND MANAGER

Meezan Islamic Income Fund (MIIF)

Type of Fund

Open end mutual fund which falls under the Income Fund category.

Objective

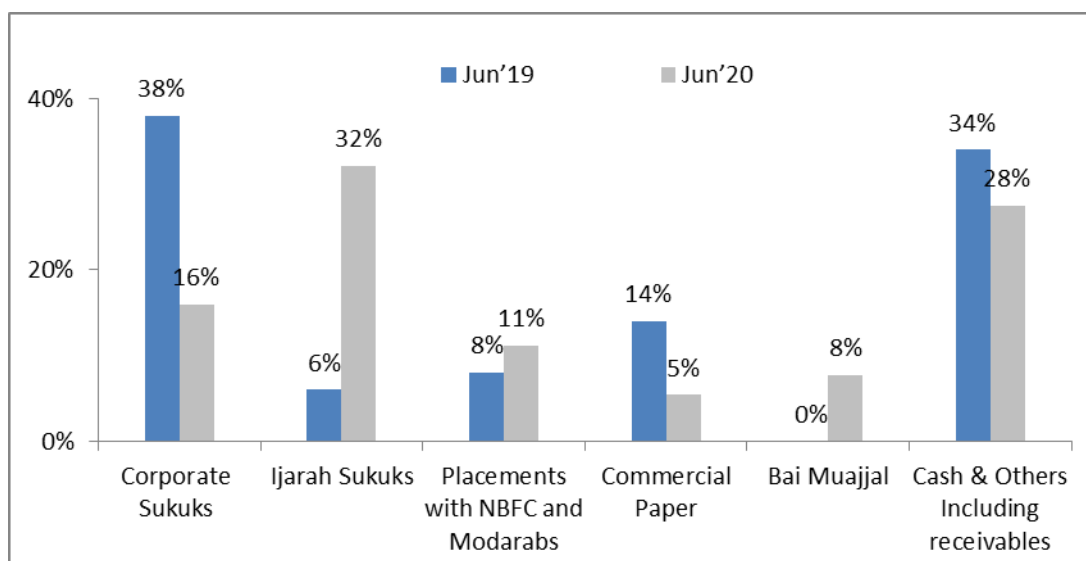
The Fund's primary objective is to provide investors with a competitive and stable rate of current income in a Shariah compliant way. A secondary objective is to take advantage of opportunities to realize capital appreciation. The Fund shall seek to provide investors with a rate of total return consistent with a broadly diversified portfolio of long, medium and short term high quality Islamic Income instruments.

Strategy, Investment policy and asset allocation

MIIF invests in Corporate and Sovereign Sukuks (Islamic Bonds), Musharaka and Murabaha instruments, Shariah Compliant spread transactions, Certificate of Islamic Investments, Islamic bank deposits, and other Islamic Income products.

During the year, the focus was on proactive and continuous reallocation between high yield instruments, so as to maximize fund yield, while maintaining a balance within the risk management constraints. Term Deposits were also placed in order to lock in relatively higher profit rates.

Sector Allocation as on June 30, 2019 and 2020



Performance Review

During FY20, Meezan Islamic Income Fund (MIIF) provided a full year return of 11.57% as compared to its benchmark return of 6.33%. The fund manager remained on a continuous look out for deployment opportunities in high quality corporate Sukuks and investments were made in Sukuks issued by companies in the Chemicals, Pharmaceuticals, Fertilizer, Textile and Power sector during the year. In line with monetary easing expectations, TDRs above three months' tenor were placed during the year. The fund has three non performing Sukuks currently (Sukuks of Eden Housing Limited, Security Leasing Company Limited and Arzoo Textile Mills Limited) but it is pertinent to note that these stand fully provided for; a case for Arzoo Textile Mills Limited Sukuks is already under contestation in the courts, for Eden Housing Limited, Bank Islami is currently in the process of filing a case against the company since rescheduling terms could not be agreed and for Security Leasing Company Limited, negotiations have not been very fruitful so it appears that the most likely way forward will be procession of legal proceedings

against the company but the Sukuks holders are yet to reach a conclusion on the matter. As at year end, the fund was invested 53% in Islamic Sukuks, 19% in Modarabas and DFIs and other 28% in Islamic Bank Deposits including other receivables.

The Fund earned a gross income of Rs. 2,658 million, which was primarily due to profit on Sukuks certificates amounting worth Rs. 952 million. Profit on saving accounts at Islamic banks contributed Rs. 1,332 million, profit on musharakah certificates Rs. 130 million, Profit on Bai Muajjal Rs. 194 million while realized gain on sale of Sukuks certificates was Rs. 29 million. On the other side, the fund incurred unrealized appreciation worth Rs. 18 million. The fund also incurred expenses totalling to Rs. 386 million, which brought the net income figure to Rs. 2,272 million. The net assets of the Fund as at June 30, 2020 were Rs. 27,776 million as compared to Rs. 9,471 million at the end of last year depicting an increase of 193%. The net asset value per unit as at June 30, 2020 was Rs. 51.47 (Ex-Dividend) as compared to Rs. 51.44 per unit as on June 30, 2019.

	MIIF	Benchmark
Net Asset Value as on June 30, 2019	51.44	
Net Asset Value as on June 30, 2020	51.47	
Return for the year	11.57%	6.33%
Outperformance	5.23%	

Fund Rating

VIS Credit Rating Company has assigned Stability Rating of A (f) to Meezan Islamic Income Fund.

Distributions

The interim distribution in the form of cash dividend by the Fund during the fiscal year ended June 30, 2020 was Rs. 5.89 per unit (11.77%). Total distribution made by the fund was Rs. 2,826 million.

Breakdown of unit holdings by size:

(As on June 30, 2020)

Range (Units)	No. of investors
1 - 9,999	11,495
10,000 - 49,999	3,798
50,000 - 99,999	819
100,000 - 499,999	673
500,000 and above	115
Total	16,900

PERFORMANCE TABLE

	2020	2019	2018	2017	2016
Net assets (Rs '000) (ex-distribution)	27,776,365	9,471,322	10,165,914	11,781,426	9,051,417
Net assets value / redemption price per unit as at June 30 (Rs) (ex-distribution)	51.4656	51.4367	51.3914	51.3912	51.2812
Offer price per unit as at June 30 (Rs) (ex-distribution)	51.7563	51.7273	51.6818	51.6800	51.6248
Distribution (%)					
- Interim					
- First quarter	-	0	0	0	0
- Second quarter	-	0	0	0	0
- Third quarter	-	0	0	0	0
- Fourth quarter	11.77%	8.09%	0	5.00%	5.00%
- Annual	-	0	4.40%	0	0
Dates of distribution (interim)					
- First quarter	-	0	0	0	0
- Second quarter	-	0	0	0	0
- Third quarter	-	0	0	0	0
- Fourth quarter	June 26, 2020	June 28, 2019	0	June 21, 2017	June 24, 2016
Dates of distribution (annual)	-	0	July 6, 2018	0	0
Income distribution (Rupees in '000)	-	0	0	0	0
Growth distribution (Rupees in '000)	-	0	0	0	0
Highest offer price per unit (Rs)	57.6066	55.7518	53.8896	54.1300	54.1300
Lowest offer price per unit (Rs)	51.7273	51.6976	51.6945	51.5000	51.3500
Highest redemption price per unit (Rs)	57.2830	55.4386	53.5868	53.8300	53.7700
Lowest redemption price per unit (Rs)	51.4367	51.4072	51.4041	51.2100	51.0100
Total return (%)	11.57%	7.92%	4.26%	5.09%	5.76%
Weighted Average Portfolio Duration (years)	3.99	2.18	2.08	0.9	1.6
	One year	Two year	Three year	Four year	Five year
Average annual return (%) as at June 30, 2020	11.57%	9.74%	7.92%	7.21%	6.92%



Meezan Bank
The Premier Islamic Bank

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

August 4, 2020/ Dhu'l-Hijjah 13, 1441

Alhamdulillah, the period from July 01, 2019 to June 30, 2020 was the Thirteenth year of operations of Meezan Islamic Income Fund (MIIF) under management of Al Meezan Investment Management Limited (AMIM). We, Meezan Bank Limited, are the *Shariah* advisors of the Fund and are issuing the report in accordance with clause 7.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shariah* compliance of the Fund's activity.

In the capacity of *Shari'ah* Advisor, we have prescribed criteria and procedure to be followed in ensuring *Shari'ah* compliance in every investment.

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MIIF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MIIF by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MIIF for the year ended June 30, 2020 have been in compliance with *Shari'ah* principles.

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

Dr. Muhammad Imran Ashraf Usmani

For and on behalf of Meezan Bank

Shariah Advisor

Head Office

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TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN ISLAMIC INCOME FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Islamic Income Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 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.

Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 25, 2020

INDEPENDENT AUDITOR'S REPORT

To the Unit holders of Meezan Islamic Income Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meezan Islamic Income Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund 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, 2020, and of its financial performance and its cash flows 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 is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	Net Asset Value (Refer notes 5 and 6 to the financial statements)	
	Investments and balances with banks constitute the most significant component of the net asset value. Investments of the Fund as at June 30, 2020 amounted to Rs 20,666.58 million and balances with banks aggregated to Rs 6,857.317 million. The existence and proper valuation of investments and existence of balances with banks for the determination of NAV of the Fund as at June 30, 2020 was considered a high risk area and therefore we considered this as a key audit matter.	Our audit procedures amongst others included the following: - 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, 2020 and traced 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; and - Obtained bank reconciliation statements and tested reconciling items on a sample basis.

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A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>



Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

MIL



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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


Chartered Accountants

Karachi

Date: September 22, 2020

MEEZAN ISLAMIC INCOME FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2020



Meezan
Islamic Income Fund

		2020	2019
	Note	Rupees in '000	
Assets			
Balances with banks	5	6,857,317	2,971,017
Investments	6	20,666,580	6,454,219
Receivable against conversion of units		425,168	3,802
Deposits, prepayments and other receivables	7	299,311	258,982
Total assets		28,248,376	9,688,020
Liabilities			
Payable to Al Meezan Investment Management Limited - Management Company	8	34,512	19,857
Payable to Central Depository Company of Pakistan Limited - Trustee	9	1,993	838
Payable to Securities and Exchange Commission of Pakistan	10	4,264	7,822
Payable to Meezan Bank Limited		2,886	399
Payable against conversion and redemption of units		83,924	45,063
Accrued expenses and other liabilities	11	344,432	142,719
Total liabilities		472,011	216,698
NET ASSETS		<u>27,776,365</u>	<u>9,471,322</u>
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		<u>27,776,365</u>	<u>9,471,322</u>
CONTINGENCIES AND COMMITMENTS	12		
NUMBER OF UNITS IN ISSUE		<u>539,707,519</u>	<u>184,135,657</u>
NET ASSET VALUE PER UNIT		<u>51.4656</u>	<u>51.4367</u>

The annexed notes from 1 to 29 form an integral part of these financial statements.

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

MEEZAN ISLAMIC INCOME FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		----- Rupees in '000 -----	
Income			
Profit on sukuk certificates		952,303	513,505
Profit on term deposits		-	30,170
Profit on musharakah certificates		130,177	97,158
Profit on Bai Muajjal		193,977	-
Net realised gain / (loss) on sale of sukuk certificates		29,054	(31,107)
Profit on saving accounts with banks		1,331,790	365,570
Other income		2,766	3,361
		2,640,067	978,657
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.2	17,758	(18,871)
Total income		2,657,825	959,786
Expenses			
Remuneration of Al Meezan Investment Management Limited - Management Company	8.1	172,759	83,862
Sindh Sales Tax on remuneration of the Management Company	8.2	22,459	10,902
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	15,991	8,901
Sindh Sales Tax on remuneration of the Trustee	9.2	2,079	1,157
Annual fee to Securities and Exchange Commission of Pakistan	10	4,264	7,823
Auditors' remuneration	13	630	644
Fees and subscription		1,283	1,406
Printing charges		-	160
Brokerage expense		1,541	798
Bank and settlement charges		1,195	569
Selling and marketing expenses	16	85,284	12,175
Allocated expenses	15	31,663	10,431
Provision for Sindh Workers' Welfare Fund (SWWF)	11.1	46,374	16,419
Total expenses		385,522	155,247
Net income for the year before taxation		2,272,303	804,539
Taxation	17	-	-
Net income for the year after taxation		2,272,303	804,539
Allocation of net income for the year			
Net income for the year after taxation		2,272,303	804,539
Income already paid on units redeemed		(1,158,723)	(362,599)
		1,113,580	441,940
Accounting income available for distribution			
- Relating to capital gains		46,812	-
- Excluding capital gains		1,066,768	441,940
		1,113,580	441,940

The annexed notes from 1 to 29 form an integral part of these financial statements.

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

**MEEZAN ISLAMIC INCOME FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020**



Meezan
Islamic Income Fund

	2020	2019
	----- Rupees in '000 -----	
Net income for the year after taxation	2,272,303	804,539
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>2,272,303</u>	<u>804,539</u>

The annexed notes from 1 to 29 form an integral part of these financial statements.

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

Chief Executive

Chief Financial Officer

Director

MEEZAN ISLAMIC INCOME FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2020

	2020			2019		
	Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Total
	(Rupees in '000)			(Rupees in '000)		
Net assets at the beginning of the year	9,297,919	173,403	9,471,322	9,755,035	410,879	10,165,914
Issuance of 1,172,125,350 units (2019: 374,693,447 units)						
- Capital value (at ex-net asset value per unit at the beginning of the year)	60,290,260	-	60,290,260	19,256,021	-	19,256,021
- Element of income	3,693,233	-	3,693,233	668,853	-	668,853
Total proceeds on issuance of units	63,983,493	-	63,983,493	19,924,874	-	19,924,874
Redemption of 816,553,488 units (2019: 380,266,928 units)						
- Capital value (at ex-net asset value per unit at the beginning of the year)	42,000,817	-	42,000,817	19,542,450	-	19,542,450
- Element of loss	1,964,752	1,158,723	3,123,475	407,031	362,599	769,630
Total payments on redemption of units	43,965,569	1,158,723	45,124,292	19,949,481	362,599	20,312,080
Total comprehensive income for the year	-	2,272,303	2,272,303	-	804,539	804,539
Distribution for the year ended June 30, 2018	-	-	-	-	(245,803)	(245,803)
Distribution for the year ended June 30, 2019	-	-	-	-	(433,613)	(433,613)
Distribution for the year ended June 30, 2020	-	(1,052,042)	(1,052,042)	-	-	-
Refund of Capital for the year ended June 30, 2018	-	-	-	(170,684)	-	(170,684)
Refund of Capital for the year ended June 30, 2019	-	-	-	(261,825)	-	(261,825)
Refund of Capital for the year ended June 30, 2020	(1,774,419)	-	(1,774,419)	-	-	-
Total distribution during the year	(1,774,419)	(1,052,042)	(2,826,461)	(432,509)	(679,416)	(1,111,925)
Net assets at the end of the year	27,541,424	234,941	27,776,365	9,297,919	173,403	9,471,322
Undistributed income brought forward						
- Realised income		192,274			441,879	
- Unrealised loss		(18,871)			(31,000)	
		173,403			410,879	
Accounting income available for distribution (after adjusting income already paid on units redeemed)						
- Relating to capital gains		46,812			-	
- Excluding capital gains		1,066,768			441,940	
		1,113,580			441,940	
Final distribution during the year at Rs. 2.1954 per unit i.e. 4.39% of the par value of Rs. 50/- each (July 6, 2018)		-			(245,803)	
Interim distribution during the year at Rs. 4.0472 per unit i.e. 8.09% of the par value of Rs. 50/- each (June 28, 2019)		-			(433,613)	
Interim distribution during the year at Rs. 5.8863 per unit i.e. 11.77% of the par value of Rs. 50/- each (June 26, 2020)		(1,052,042)			-	
Undistributed income carried forward		234,941			173,403	
Undistributed income carried forward						
- Realised income		217,183			192,274	
- Unrealised income / (loss)		17,758			(18,871)	
		234,941			173,403	
		(Rupees)			(Rupees)	
Net assets value per unit at the beginning of the year		51.4367			53.5868	
Net assets value per unit at the end of the year		51.4656			51.4367	

The annexed notes from 1 to 29 form an integral part of these financial statements.

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

**MEEZAN ISLAMIC INCOME FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2020**



Meezan
Islamic Income Fund

	Note	2020	2019
		----- Rupees in '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before taxation		2,272,303	804,539
Adjustments for:			
Net unrealised (appreciation) / diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.2	(17,758)	18,871
		2,254,545	823,410
(Increase) in assets			
Investments - net		(14,194,603)	(1,609,143)
Deposits, prepayments and other receivables		(40,329)	(142,587)
		(14,234,932)	(1,751,730)
Increase / (Decrease) in liabilities			
Payable to Al Meezan Investment Management Limited - Management Company		14,655	12,114
Payable to Central Depository Company of Pakistan Limited - Trustee		1,155	55
Payable to Securities and Exchange Commission of Pakistan		(3,558)	(385)
Payable to Meezan Bank Limited		2,487	(1,309)
Accrued expenses and other liabilities		201,713	66,057
		216,452	76,532
Net cash used in operating activities		(11,763,935)	(851,788)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts against issuance and conversion of units		61,787,708	19,617,826
Payments against redemption and conversion of units		(45,085,431)	(20,316,476)
Dividend paid		(1,052,042)	(679,416)
Net cash generated from / (used) in financing activities		15,650,235	(1,378,066)
Net increase / (decrease) in cash and cash equivalents		3,886,300	(2,229,854)
Cash and cash equivalents at the beginning of the year		2,971,017	5,200,871
Cash and cash equivalents at the end of the year	5	6,857,317	2,971,017

The annexed notes from 1 to 29 form an integral part of these financial statements.

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

Chief Executive

Chief Financial Officer

Director

MEEZAN ISLAMIC INCOME FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Meezan Islamic Income Fund (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on September 13, 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) notified through S.R.O. 1203 (I) / 2008 on November 21, 2008. The Management Company has been licensed by the SECP to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.2** The Fund has been formed to provide the unitholders safe and stable stream of halal income on their investments and to generate superior long-term risk adjusted returns. The Fund shall also keep an exposure in short-term instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns, if available, at any given point of time. Under the Trust Deed all conducts and acts of the Fund are based on Shariah principles. Meezan Bank Limited acts as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah. The investment objectives and policies are explained in the Fund's offering document.
- 1.3** The Fund is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund is categorised as an Open End Shariah Compliant (Islamic) Income Scheme in accordance with Circular 7 of 2009 issued by the SECP.
- 1.4** The Management Company has been assigned a quality rating of AM1 by VIS dated December 31, 2019 (2019: AM1 dated December 29, 2018) and by PACRA dated June 26, 2020. The rating reflects the Company's experienced management team, structured investment process and sound quality of systems and processes. The Fund has been given a stability rating of A(f) by VIS Credit Rating Company Limited.
- 1.5** The title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.

2 BASIS OF PRESENTATION

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

3 BASIS OF PREPARATION

3.1 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 IFRSs, 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.

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

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2019. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements.

3.3 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective

The following amendments would be effective from the dates mentioned below against the respective amendment:

Amendments	Effective date (accounting periods beginning on or after)
- IAS 1 - 'Presentation of financial statements' (amendment)	January 1, 2020
- IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendment)	January 1, 2020

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

There are certain other standards, amendments and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2020 but are considered not to be relevant or will not have any significant effect on the Fund's operations and are therefore not disclosed in these financial statements.

3.4 Critical accounting estimates and judgments

The preparation of financial statements in accordance with the accounting and reporting 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 4.3 and 6).

3.5 Accounting convention

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

3.6 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 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.

4.2 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.

4.3 Financial assets

4.3.1 Classification and subsequent measurement

4.3.1.1 Debt instruments

IFRS 9 has provided a criteria for debt securities whereby these debt securities are either classified as:

- amortised cost
- at fair value through other comprehensive income (FVOCI)
- at fair value through profit or loss (FVPL) based on the business model of the entity

However, IFRS 9 also provides an option whereby securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis, to be recognized at FVPL. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Therefore, the management considers its investment in debt securities as being managed as a group of assets and hence has classified them as FVPL.

4.3.1.2 Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective and are instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

All equity investments are required to be measured in the "Statement of Assets and Liabilities" at fair value, with gains and losses recognised in the "Income Statement", except where an irrevocable election has been made at the time of initial recognition to measure the investment at FVOCI. The management considers its investment in equity securities being managed as a group of assets and hence has classified them as FVPL. Accordingly, the irrevocable option has not been considered.

The dividend income for equity securities classified under FVPL is recognised in the Income Statement.

Since all investments in equity instruments have been designated as FVPL, the subsequent movement in the fair value of equity securities is routed through the Income Statement.

The Fund can only invest in equity securities for the purpose of spread transactions as approved by Shariah Advisor.

4.3.2 Impairment

The fund assesses on a forward looking basis the expected credit loss (ECL) associated with its financial assets (other than debt instruments) carried at amortised cost and FVOCI. The fund recognises loss allowances for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

4.3.2.1 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.

4.3.3 Regular way contracts

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

4.3.4 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.

4.3.5 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.

4.3.6 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.

4.4 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.

4.5 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.

4.6 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.

4.7 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.

4.8 Issue and redemption of units

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

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

4.9 Distributions to unit holders

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

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

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

Element of income represents the difference between Net Asset Value (NAV) per unit on the issuance or redemption date, as the case may be, of units and the NAV per unit at the beginning of the relevant accounting period. Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend NAV of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

4.11 Revenue recognition

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Profit on saving account with banks is recognised on time proportion basis using the effective yield method.
- Income on sukuk certificates, term deposit receipts, musharakah certificates and government securities is recognised on time proportion basis using the effective yield except for the securities which are classified as Non-Performing Asset under Circular No. 33 of 2012 issued by SECP for which the profits are recorded on cash basis.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are recorded in the period in which these arise.
- Income on bai muajjal is recognised on time proportion basis, the difference between the sale and the credit price is recognised over the credit period.

4.12 Expenses

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

4.13 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.

Deferred

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

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

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

4.14 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income / (loss) of the year after 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.

4.15 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.

5	BALANCES WITH BANKS	Note	2020	2019
			----- Rupees in '000 -----	
	Balances with banks in:			
	Savings accounts	5.1	6,857,273	2,970,973
	Current account		44	44
			<u>6,857,317</u>	<u>2,971,017</u>

5.1 The balances in saving accounts have expected profit rates ranging from 1.50% to 7.50% per annum (2019: 3.32% to 12.50% per annum).

6	INVESTMENTS	Note	2020	2019
			----- Rupees in '000 -----	
	Investments - 'at fair value through profit or loss'			
	Sukuk certificates	6.1	13,586,435	4,277,722
	Certificates of musharakah	6.3	1,600,000	750,000
	Commercial papers	6.4	1,522,415	1,426,497
	Bai Muajjal receivable	6.5	3,957,730	-
			<u>20,666,580</u>	<u>6,454,219</u>

6.1 Sukuk certificates

Government securities	6.1.1	9,081,390	600,000
Corporate sukuku	6.1.2	4,505,045	3,677,722
		<u>13,586,435</u>	<u>4,277,722</u>

6.1.1 Government securities

Name of the security	Profit Payments / Principal Redemptions	Maturity Date	Profit rate	As at July 1, 2019	Purchases during the year	Sales / maturity during the year	As at June 30, 2020	Carrying value as at June 30, 2020	Market value as at June 30, 2020	Unrealised appreciation / (diminution)	Percentage in relation to	
				Number of certificates			(Rupees in '000)				Net assets of the Fund	Total market value of investment
GoP Ijarah Sukuk Certificates - XIX (note 6.1.1.1)	Semi-annually	June 30, 2020	Weighted average 6 months T-Bills	-	4,100	4,100	-	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XX (note 6.1.1.1)	Semi-annually	April 30, 2025	Weighted average 6 months T-Bills	-	1,870	-	1,870	187,000	181,390	(5,610)	1.00	0.88
Pakistan Energy Sukuk I (note 6.1.1.1)	Semi-annually	March 1, 2029	6 months KIBOR plus base rate of 0.8%	120,000	-	120,000	-	-	-	-	-	-
Pakistan Energy Sukuk II (note 6.1.1.1)	Semi-annually	May 20, 2030	6 months KIBOR plus base rate of	-	1,780,000	-	1,780,000	8,900,000	8,900,000	-	32.04	43.06
Total as at June 30, 2020								<u>9,087,000</u>	<u>9,081,390</u>	<u>(5,610)</u>	<u>33.04</u>	<u>43.94</u>
Total as at June 30, 2019								<u>600,000</u>	<u>600,000</u>	<u>-</u>	<u>6.33</u>	<u>9.30</u>

6.1.1.1 The nominal value of these sukuk certificates is Rs 100,000 each except for Pakistan Energy Sukuk Certificates having nominal value of Rs. 5,000 each.

6.1.2 Corporate sukuks

Name of the security	Profit Payments / Principal Redemptions	Maturity Date	Profit rate	As at July 1, 2019	Purchases during the year	Sales / redemptions during the year	As at June 30, 2020	* Carrying value as at June 30, 2020	* Market value as at June 30, 2020	Unrealised appreciation / (diminution)	Percentage in relation to	
											Net assets of the Fund	Total market value of investment
				Number of certificates				(Rupees in '000)				----- % -----
Arzoo Textile Mills Limited (note 6.1.2.2 & 6.1.2.2.1) *		April 15, 2014	6 months KIBOR plus base rate of 2%	14,000	-	-	14,000	-	-	-	-	-
Eden Housing Limited (note 6.1.2.2 & 6.1.2.2.1) *		September 29, 2014	6 months KIBOR plus base rate of 2.5%	59,400	-	-	59,400	-	-	-	-	-
Security Leasing Corporation Limited II (note 6.1.2.2 & 6.1.2.2.2) *		January 19, 2022	Nil	3,081	-	-	3,081	-	-	-	-	-
BANKS												
Dubai Islamic Bank Pakistan Limited (AA-, VIS, traded) (note 6.1.2.1)	Semi-annually / At maturity	July 14, 2027	6 months KIBOR plus base rate of 0.5%	513	2,212	2,187	538	552,418	552,114	(304)	1.99	2.67
Meezan Bank Limited Tier - II (AA, VIS, traded) (note 6.1.2.1)	Semi-annually / At maturity	September 22, 2026	6 months KIBOR plus base rate of 0.50%	368	-	70	298	297,993	305,450	7,457	1.10	1.48
FERTILIZER												
Engro Fertilizer Limited (AA, PACRA) (note 6.1.2.1)	Semi-annually	July 9, 2019	6 months KIBOR plus base rate of 1.75%	14,875	-	14,875	-	-	-	-	-	-
Fatima Fertilizer Company Limited (AA-, PACRA, traded) (note 6.1.2.1)	Semi-annually	November 28, 2021	6 months KIBOR plus base rate of 1.10%	29,833	58,000	27,633	60,200	303,368	302,754	(614)	1.09	1.46
OIL & GAS MARKETING COMPANIES												
Hascol Petroleum Limited (BBB-, VIS, non-traded) (note 6.1.2.2, 6.1.2.2.3)	Quarterly	January 06, 2022	3 months KIBOR plus base rate of 1.50%	44,000	-	16,000	28,000	141,050	138,270	(2,780)	0.50	0.67
POWER GENERATION & DISTRIBUTION												
K-Electric Limited (AA+, VIS, traded) (note 6.1.2.1)	Quarterly	June 17, 2022	3 months KIBOR plus base rate of 1.00%	15,692	-	15,692	-	-	-	-	-	-
K-Electric Limited (sukuk 5) (AA+, VIS) (note 6.1.2.1)	Quarterly	December 27, 2026	3 months KIBOR plus base rate of 1.70%	-	80,000	-	80,000	400,000	400,000	-	1.44	1.94
Hub Power Company Limited (A1+, PACRA) (note 6.1.2.1)	Quarterly	November 26, 2019	3 months KIBOR plus base rate of 1.00%	120,000	-	120,000	-	-	-	-	-	-
Hub Power Company Limited (A1+, PACRA) (note 6.1.2.1)	Quarterly	October 2, 2019	3 months KIBOR plus base rate of 1.00%	70,000	-	70,000	-	-	-	-	-	-

Name of the security	Profit Payments / Principal Redemptions	Maturity Date	Profit rate	As at July 1, 2018	Purchases during the year	Sales / redemptions during the year	As at June 30, 2019	* Carrying value as at June 30, 2019	* Market value as at June 30, 2019	Unrealised appreciation / (diminution)	Percentage in relation to	
				Number of certificates			(Rupees in '000)				Net assets of the Fund	Total market value of investment
											----- % -----	
Hub Power Company Limited (AA+, PACRA), traded (note 6.1.2.1)	Quarterly	August 22, 2023	3 months KIBOR plus base rate of 1.90%	-	5,710	150	5,560	556,431	567,925	11,494	2.04	2.75
Hub Power Company Limited (AA+, PACRA) (note 6.1.2.1)	Quarterly	May 21, 2020	3 months KIBOR plus base rate of 1.50%	-	5,000	5,000	-	-	-	-	-	-
Hub Power Company Limited (AA+, PACRA) (note 6.1.2.1)	Quarterly	March 19, 2024	1 year KIBOR plus base rate of 1.90%	-	6,850	-	6,850	685,000	685,000	-	2.47	3.31
Engro Powergen Thar (Private) Limited (A, PACRA, traded) (note 6.1.2.1)	Quarterly	August 2, 2024	3 months KIBOR plus base rate of 1.10%	-	53,000	3,000	50,000	250,000	250,750	750	0.90	1.21
PHARMACEUTICALS												
AGP Limited (A+, PACRA, non-traded) (note 6.1.2.1)	Quarterly	June 9, 2022	3 months KIBOR plus base rate of 1.30%	1,712	191	592	1,311	131,265	131,311	46	0.47	0.64
CEMENT & CONSTRUCTION												
Javedan Corporation Limited (AA-, VIS, non-traded) (note 6.1.2.1 & note 6.1.2.3)	Semi-annually / At maturity	October 4, 2026	6 months KIBOR plus base rate of 1.75%	1,000	-	-	1,000	99,535	99,998	463	0.36	0.48
STEEL & ALLIED PRODUCTS												
Agha Steel Industries Limited (A, VIS) (note 6.1.2.1)	Quarterly / At maturity	October 9, 2024	3 months KIBOR plus base rate of 0.80%	250	-	-	250	250,000	250,000	-	0.90	1.21
CHEMICALS												
Engro Polymer and Chemicals Limited (AA, PACRA, non-traded) (note 6.1.2.1)	Quarterly / At end of 5.5 years	July 11, 2026	3 months KIBOR plus base rate of 0.90%	3,000	-	-	3,000	301,406	304,644	3,238	1.10	1.47
TEXTILE COMPOSITE												
Masood Textile Mills Limited (A, VIS, non-traded) (note 6.1.2.1)	Quarterly	December 17, 2024	3 months KIBOR plus base rate of 2.00%	-	165	15	150	150,000	148,776	(1,224)	0.54	0.72
MISCELLANEOUS												
International Brands Limited (AA-, VIS, traded) (note 6.1.2.1)	Quarterly	November 15, 2021	3 months KIBOR plus base rate of 0.50%	4,000	-	1,141	2,859	280,051	283,053	3,002	1.02	1.37
Shakarganj Food Products Limited (A, VIS, traded) (note 6.1.2.1 & note 6.1.2.3)	Quarterly / At maturity	July 10, 2024	3 months KIBOR plus base rate of 1.75%	100	-	15	85	83,160	85,000	1,840	0.31	0.41
Total as at June 30, 2020								4,481,677	4,505,045	23,368	16.22	21.80
Total as at June 30, 2019								3,696,593	3,677,722	(18,872)	38.83	56.98

* In case of debt securities against which provision has been made, these are carried at carrying value less provision.

6.1.2.1 The nominal value of these sukuk certificates is Rs 5,000 each except for the sukuk certificates of Eden Housing Limited having nominal value of Rs 984.375, International Brands Limited, AGP Limited, Javedan Corporation Limited, Engro Fertilizer Limited, Engro Polymer and Chemicals Limited and Hub Power Company Limited having nominal value of Rs. 100,000 each and Dubai Islamic Bank Pakistan Limited, Meezan Bank Limited, Shakarganj Food Products Limited, Agha Steel Industries Limited and Masood Textile Mills Limited having nominal value of Rs 1,000,000 each respectively.

6.1.2.2 The Securities and Exchange Commission of Pakistan (SECP) vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. Al Meezan Investment Management Limited (the Management Company) classified Meezan Islamic Income Fund (the Fund) as an 'Income Scheme' in accordance with the said circular. As at June 30, 2020, the Fund is compliant with all the requirements of the said circular except for clause 9 (v) which requires the rating of any security in the portfolio shall not be lower than the investment grade.

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

Name of non-compliant investment	Type of Investment	Value of investment before provision	Provision held (if any)	Value of investment after provision	Percentage of	
					Net assets	Total assets
		----- (Rupees in '000) -----			-----%-----	
Arzoo Textile Mills Limited	Non-traded sukuk certificates	70,000	70,000	-	-	-
Eden Housing Limited	Non-traded sukuk certificates	58,472	58,472	-	-	-
Security Leasing Corporation Limited II	Non-traded sukuk certificates	15,403	15,403	-	-	-
Hascol Petroleum Limited	Non-traded sukuk certificates	138,270	-	138,270	0.50	0.49
Total - June 30, 2020		282,145	143,875	138,270	0.50	0.49
Total - June 30, 2019		143,875	143,875	-	-	-

6.1.2.2.1 On May 6, 2011, Arzoo Textile Mills Limited and Eden Housing Limited sukuk certificates have been classified as non-performing by Mutual Funds Association of Pakistan (MUFAP). Therefore in accordance with the requirement of SECP's Circular No.33 of 2012, the sukuk certificates have been classified as non-performing assets and no further profit has been accrued thereafter. Further, in accordance with the said Circular, an amount of Rs. 70 million and Rs. 58.472 million respectively have also been held as provision against the outstanding principal as at June 30, 2020.

6.1.2.2.2 The agreement with Security Leasing Corporation Limited (SLCL) had been amended on February 19, 2012. In accordance with the revised terms no mark-up is payable on the said sukuk as per the approval of contributories to the sukuk certificate. The sukuk certificates have been classified as non-performing by MUFAP on April 3, 2012. Therefore, in accordance with the requirement of circular no.33 of 2012, the sukuk certificates have been classified as non-performing assets and no further profit has been accrued thereafter. Further, in accordance with the provisioning policy of the Fund, an amount of Rs 15.403 million has also been held as provision against the outstanding principal as at June 30, 2020.

6.1.2.2.3 In accordance with the requirements of SECP's Circular No. 7 of 2009, rating of any debt security in the portfolio of Income Scheme shall not be lower than the investment grade. Sukuk of Hascol Petroleum Limited has been assigned a credit rating of BBB- by VIS dated April 17, 2020 (2019: AA dated April 24, 2019) making it non-compliant.

6.1.2.3 Circular No. 33 of 2012 allows the asset manager to apply a mark up/mark down within available limit for valuation of any specific debt security. Exercising the discretionary power, the above mentioned Sukuk of Javedan Corporation Limited has been valued at a discretionary rate of 99.9978 when the reported market rate on MUFAP valuation sheet as at June 30, 2020 was 102.0045.

6.1.2.4 Sukuk certificates of Agha Steel Industries Limited, Hub Power Company Limited, Power Holding Limited (Pakistan Energy Sukuk II) and K Electric Limited are carried at their cost as they are not valued by MUFAP / at PKISRV.

6.2 Unrealised diminution on re-measurement of investments classified as financial assets at fair value through profit or loss	Note	2020	2019
		----- (Rupees in '000) -----	
Market value of investments	6.1.1, 6.1.2 6.3 & 6.4	16,708,850	6,454,219
Carrying value of investments	6.1.1, 6.1.2 6.3 & 6.4	(16,691,092)	(6,473,090)
		<u>17,758</u>	<u>(18,871)</u>

6.3 Details of certificates of musharakah

Name of the investee company	Maturity date	Profit rate	As at July 1, 2019	Placed during the year	Matured during the year	Carrying value as at June 30, 2020	Market value as at June 30, 2020	Unrealised appreciation/ (diminution)	Percentage in relation	
									Net assets of the Fund	Total market value of investment
		%	----- (Rupees in '000) -----							----- % -----
Orix Modaraba	September 14, 2019	10.47-12.72	600,000	-	600,000	-	-	-	-	-
Orix Modaraba	September 27, 2019	10.69-12.94	150,000	-	150,000	-	-	-	-	-
Orix Modaraba	September 4, 2020	13.92	-	200,000	200,000	-	-	-	-	-
Orix Modaraba	September 4, 2020	13.92	-	200,000	200,000	-	-	-	-	-
Orix Modaraba	September 16, 2020	13.84	-	200,000	200,000	-	-	-	-	-
Orix Modaraba	April 29, 2021	8.67	-	200,000	-	200,000	200,000	-	0.72	0.97
Orix Modaraba	April 29, 2021	8.67	-	200,000	-	200,000	200,000	-	0.72	0.97
Orix Modaraba	April 29, 2021	8.59	-	200,000	-	200,000	200,000	-	0.72	0.97
First Habib Modaraba	July 14, 2020	13.35 - 8.05	-	300,000	-	300,000	300,000	-	1.08	1.45
First Habib Modaraba	July 17, 2020	13.35 - 8.05	-	200,000	-	200,000	200,000	-	0.72	0.97
First Habib Modaraba	July 23, 2020	13.35 - 8.05	-	250,000	-	250,000	250,000	-	0.90	1.21
First Habib Modaraba	July 28, 2020	13.35 - 8.05	-	250,000	-	250,000	250,000	-	0.90	1.21
Total as at June 30, 2020			750,000	2,200,000	1,350,000	1,600,000	1,600,000	-	5.76	7.74
Total as at June 30, 2019			900,000	1,662,798	1,812,798	750,000	750,000	-	7.92	11.62

6.4 Commercial papers

Name of the security	Maturity date	Profit rate	As at July 1, 2019	Purchases during the year	Sales / redemptions / maturity during the year	As at June 30, 2020	Carrying value as at June 30, 2020	Market value as at June 30, 2020	Percentage in relation	
									Net assets of the Fund	Total market value of investment
			(Number of certificates)						(Rupees in '000)	----- % -----
Hascol Petroleum Limited CP - 3 (note 6.3.1)	July 15, 2019	6 months KIBOR plus base rate of 1.50%	400	-	400	-	-	-	-	-
K-Electric Limited CP-2 (note 6.3.1)	September 2, 2019	6 months KIBOR plus base rate of 0.90%	1,001	-	1,001	-	-	-	-	-
TPL Corp Limited CP (note 6.5.1)	January 11, 2020	6 months KIBOR plus base rate of 2.75%	50	-	50	-	-	-	-	-
K-Electric Limited CP-A (note 6.3.1)	February 28, 2020	6 months KIBOR plus base rate of 1.30%	-	1,200	1,200	-	-	-	-	-
K-Electric Limited CP-3 (note 6.3.1)	March 19, 2020	6 months KIBOR plus base rate of 1.30%	-	1,180	1,180	-	-	-	-	-
K-Electric Limited CP-6 (note 6.3.1)	August 26, 2020	6 months KIBOR plus base rate of 1.15%	-	3,000	2,400	600	587,440	587,440	2.11	2.84
K-Electric Limited CP-7 (note 6.3.1)	September 10, 2020	6 months KIBOR plus base rate of 1.15%	-	3,750	3,000	750	731,381	731,381	2.63	3.54
K-Electric Limited CP-8 (note 6.3.1)	October 6, 2020	6 months KIBOR plus base rate of 1.15%	-	1,050	840	210	203,594	203,594	0.73	0.99
Total as at June 30, 2020							1,522,415	1,522,415	5.47	7.37
Total as at June 30, 2019							1,426,497	1,426,497	15.06	22.10

6.4.1 The nominal value of these commercial papers is Rs 1,000,000 each.

6.5 Bai Muajjal receivable

Name of the counterparty	Maturity date	Profit rate	Total Transaction Price	Deferred Income	Accrued Profit	Carrying value
(Rupees in '000)						
Pak Kuw ait Investment Company (AAA, PACRA) (note 6.5.1)	January 28, 2021	12.55%	1,103,660	123,064	51,923	1,032,519
Pak Kuw ait Investment Company (AAA, PACRA) (note 6.5.1)	July 30, 2020	12.70%	626,110	37,288	31,141	619,963
Pak Oman Investment Company Limited (AA+, VIS) (note 6.5.2)	January 5, 2021	13.00%	802,147	92,282	44,751	754,616
United Bank Limited (AAA, VIS) (note 6.5.2)	September 25, 2020	12.45%	531,498	36,157	21,627	516,968
United Bank Limited (AAA, VIS) (note 6.5.2)	September 21, 2020	12.45%	1,061,330	72,201	44,535	1,033,664
Total as at June 30, 2020			4,124,745	360,992	193,977	3,957,730
Total as at June 30, 2019			-	-	-	-

6.5.1 These Bai Muajjal Transactions are carried out against K-Electric Limited Commercial Paper A which was issued on August 27, 2019.

6.5.2 These Bai Muajjal Transactions are carried out against K-Electric Limited Commercial Paper III which was issued on September 19, 2019.

7	DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Note	2020 ----- (Rupees in '000) -----	2019
	Security deposit with Central Depository Company of Pakistan Limited		100	100
	Prepayments		2,966	2,970
	Advance tax	7.1	2,881	2,881
	Profit receivable on balances with banks		33,027	44,569
	Profit receivable on sukuk certificates		201,784	146,371
	Profit receivable on certificates of musharakah		58,553	62,091
			<u>299,311</u>	<u>258,982</u>

7.1 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, withholding tax on dividend and profit on debt paid to the Fund has been deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated May 12, 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholder. The tax withheld on profit on debt amounts to Rs. 2.881 million (2019: Rs. 2.881 million).

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. On January 28, 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the Supreme Court of Pakistan by the 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 on profit received by the Fund on dividends and profit on debt has been shown as other receivables as at June 30, 2020 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

8	PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED	Note	2020 ----- (Rupees in '000) -----	2019
	Management fee payable	8.1	1,038	6,904
	Sindh Sales Tax on Management fee payable	8.2	135	898
	Allocated expenses payable	15	3,548	872
	Selling and marketing expenses payable	16	28,001	10,591
	Sales load payable		1,583	523
	Sindh Sales Tax on sales load payable		206	68
	Certificate charges		<u>1</u>	<u>1</u>
			<u>34,512</u>	<u>19,857</u>

8.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the Offering Document subject to the total expense ratio limit. During the year, the Management Company has charged the remuneration to 6.5% (2019: 6.5%) of gross earnings of the Fund subject to the minimum of 0.5% of average annual net assets and maximum of 1.5% of average annual net assets.

8.2 During the year, an amount of Rs. 22.459 million (2019: Rs. 10.902 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. 23.222 million (2019: Rs. 10.753 million) has been paid to the Management Company which acts as a collecting agent.

	Note	2020 ----- (Rupees in '000) -----	2019
9 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Trustee fee payable	9.1	1,764	742
Sindh Sales Tax payable on trustee fee	9.2	229	96
		<u>1,993</u>	<u>838</u>

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

Net Assets (Rs.)	Previous Tariff Fee	Revised Tariff (Flat Rate)
- up to Rs. 1 billion	Rs 0.6 million or 0.17% per annum of net assets, whichever is higher.	0.075% p.a. of Net Assets
- Rs 1 billion to Rs. 10 billion	Rs 1.7 million plus 0.085% p.a. of net assets exceeding Rs 1 billion	
- over Rs. 10 billion	Rs 5.1 million plus 0.07% p.a. of net assets exceeding Rs 5 billion	

9.2 During the year, an amount of Rs. 2.079 million (2019: Rs. 1.157 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. 1.946 million (2019: Rs. 1.151 million) was paid to the Trustee which acts as a collecting agent.

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

In accordance with the NBFC Regulations, 2008, a collective investment scheme classified as an Income Scheme is required to pay annual fee to the Securities and Exchange Commission of Pakistan.

Effective from July 1, 2019, the SECP vide SRO No. 685(I)/2019 dated June 28, 2019, revised the rate of annual fee to 0.02% of net assets, applicable on all categories of CISs. Previously, the rate of annual fee applicable to income fund was 0.075%. Accordingly, the Fund has charged SECP Fee at the rate of 0.02% of net assets during the current year.

	Note	2020 ----- (Rupees in '000) -----	2019
11 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration payable		431	430
Printing expenses payable		566	566
Brokerage payable		1,005	159
Shariah advisor fee payable		538	529
Withholding tax payable		163,288	37,969
Capital gain tax payable		39,898	11,065
Provision for Sindh Workers' Welfare Fund (SWWF)	11.1	85,128	38,755
Zakat payable		172	187
Other Accrued expenses Payable		347	-
Provision for Federal Excise Duty payable on remuneration of the Management Company and related Sindh Sales Tax	11.2	50,417	50,417
Provision for Federal Excise Duty payable on sales load and related Sindh Sales Tax	11.2	2,642	2,642
		<u>344,432</u>	<u>142,719</u>

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

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, 2020, the net asset value of the Fund as at June 30, 2020 would have been higher by Re. 0.16 per unit (2019: Re 0.21 per unit).

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

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

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

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 53.059 million (2019: 53.059 million) is being retained in these financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2020 would have been higher by Re 0.10 (2019: Re 0.29) per unit.

12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2020 and June 30, 2019.

13 AUDITORS' REMUNERATION

	2020	2019
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
Annual audit fee	401	364
Half yearly review	130	137
Fee for other certifications	92	100
Out of pocket expenses	7	43
	<u>630</u>	<u>644</u>

14 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2020 is 1.81% which includes 0.35% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, Sales Taxes, Federal excise Duties, Annual fee to the SECP etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Income Scheme.

15 ALLOCATED EXPENSES

In accordance with Regulation 60 of the NBFC Regulations, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).

Until June 19, 2019 there was a maximum cap of 0.1% of the average annual net assets of the scheme or actual whichever is less, for allocation of such expense to the Fund. However, the SECP vide its SRO 639 dated June 20, 2019 removed the maximum cap of 0.1%.

The management company based on its own discretion has currently fixed a maximum capping of 0.1% of the average annual net assets of the scheme for allocation of such expenses to the Fund for the period from July 1, 2019 to July 21, 2019 and 0.15% for the period from July 22, 2019 to June 30, 2020.

16 SELLING AND MARKETING EXPENSES

The SECP has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds) initially for a period of three years (i.e from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense was 0.4% per annum of the net assets of the Fund or actual expenses whichever is lower.

During the current year, the SECP through its circular 11 dated July 5, 2019 has revised the conditions for charging of selling and marketing expenses to a Fund. As per the revised guidelines, the maximum cap of 0.4% per annum has been lifted and now the asset management company is required to set a maximum limit for charging of such expense to the Fund and the same should be approved by the Board as part of annual plan. Furthermore, the time limit of three years has also been removed in the revised conditions.

Accordingly, The Management Company, based on its own discretion has currently determined a capping of 0.4% of the average annual net assets of the fund for charging of selling and marketing expenses to the Fund which has also been approved by the Board.

17 TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. Since the management has distributed the required minimum percentage of income earned by the Fund for the year ended June 30, 2020 to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements during the year.

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

18 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 18.1 Connected persons include Al Meezan Investment Management Limited being the Management Company, the Central Depository Company of Pakistan (CDC) being the Trustee, Meezan Bank Limited being the holding company of the Management Company, Directors and executives of the Management Company, other collective investment schemes managed by the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company, Al Meezan Investment Management Limited - Employees Gratuity Fund and unit holders holding 10 percent or more of the Fund's net assets.
- 18.2 Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 18.3 Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 18.4 Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.

- 18.5** The details of transactions carried out by the Fund with connected persons during the year and balances with them as at year end are as follows:

Balances	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
Al Meezan Investment Management Limited (Management Company)		
Management fee payable	1,038	6,904
Sindh Sales Tax on management fee payable	135	898
Sales load payable	1,583	523
Sindh Sales Tax on sales load payable	206	68
Allocated expenses payable	3,548	872
Selling and marketing expense payable	28,001	10,591
Certificate charges payable	1	1
Investment of nil (2019: 1,287,879 units)	-	66,244
Central Depository Company of Pakistan Limited - CDC (Trustee)		
Security deposit refundable	100	100
Trustee fee payable	1,764	742
Sindh Sales Tax on trustee fee payable	229	96
Meezan Bank Limited		
Profit receivable on saving account	300	466
Profit receivable on sukuk certificates	11,986	13,925
Balances with bank	267,669	44,405
Investment as at June 30, 2020: 298 sukuk certificates (2019: 368)	305,450	367,991
Sales load payable	2,554	353
Sindh Sales Tax on sales load payable	332	46
MSAF - Meezan Strategic Allocation Plan-I		
Investment of 4,198,624 units (2019: 4,983,963 units)	216,085	256,359
MSAF - Meezan Strategic Allocation Plan-II		
Investment 2,417,775 units (2019: 3,408,091 units)	124,432	175,301
MSAF - Meezan Strategic Allocation Plan-III		
Investment of 3,979,255 units (2019: 4,056,911 units)	204,795	208,674
MSAF - Meezan Strategic Allocation Plan-IV		
Investment of 4,020,730 units (2019: 4,583,447 units)	206,929	235,757
MSAF - Meezan Strategic Allocation Plan-V		
Investment of 1,037,053 units (2019: 787,065 units)	53,373	40,484
Meezan Financial Planning Fund of Funds - Aggressive Allocation Plan		
Investment of 1,226,417 units (2019: 882,014 units)	63,118	45,368
Meezan Financial Planning Fund of Funds - Moderate Allocation Plan		
Investment of 1,059,604 units (2019: 981,323 units)	54,533	50,476
Meezan Financial Planning Fund of Funds - Conservative Allocation Plan		
Investment of 1,988,870 units (2019: 1,598,392 units)	102,358	82,216
Meezan Financial Planning Fund of Funds - MAAP - I		
Investment of 1,740,132 units (2019: nil)	89,557	-

2020 **2019**
----- (Rupees in '000) -----

Directors and Executives of the Management Company

Investment of 704,165 units (2019: 288,053 units)	36,240	14,816
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Transactions during the year
Al Meezan Investment Management Limited (Management Company)

Remuneration charged	172,759	83,862
Sindh Sales Tax on remuneration of the Management Company	22,459	10,902
Allocated expenses	31,663	10,431
Selling and marketing expense	85,284	12,175
Issuance of 10,893,546 units (2019: 19,377,264 units)	617,303	1,024,536
Redemption of 12,181,425 units (2019: 36,569,066 units)	686,274	1,934,100
Dividend paid	-	19,777
Refund of capital	-	25,652

Central Depository Company of Pakistan Limited - CDC (Trustee)

Remuneration of the Trustee	15,991	8,901
Sindh Sales Tax on remuneration of the Trustee	2,079	1,157
CDS charges	554	132

Meezan Bank Limited

Profit on saving account	22,663	2,360
Profit on sukuk certificates	47,032	33,482
Purchase of nil (2019: 118 Sukuk certificates)	-	117,982
Sale of 70 sukuk certificates (2019: 50 sukuk certificates)	70,185	50,000

MSAF - Meezan Strategic Allocation Plan-I

Issuance of 9,902,983 units (2019: 3,478,440 units)	553,247	184,183
Redemption of 10,688,322 units (2019: 6,230,785 units)	578,346	338,170
Dividend paid	151	22,416
Refund of capital	22,054	13,267

MSAF - Meezan Strategic Allocation Plan-II

Issuance of 5,794,550 units (2019: 2,436,108 units)	322,933	128,839
Redemption of 6,784,866 units (2019: 3,606,855 units)	365,171	196,920
Dividend paid	87	15,018
Refund of capital	12,684	7,821

MSAF - Meezan Strategic Allocation Plan-III

Issuance of 9,143,865 units (2019: 2,818,997 units)	511,648	149,303
Redemption of 9,221,520 units (2019: 2,624,988 units)	500,473	144,610
Dividend paid	143	15,330
Refund of capital	20,875	8,371

MSAF - Meezan Strategic Allocation Plan-IV

Issuance of 9,386,616 units (2019: 2,928,468 units)	524,549	155,283
Redemption of 9,949,333 units (2019: 2,939,687 units)	538,456	161,920
Dividend paid	144	17,929
Refund of capital	21,093	9,354

	2020 ----- (Rupees in '000) -----	2019 ----- (Rupees in '000) -----
MSAF - Meezan Strategic Allocation Plan-V		
Issuance of 2,350,251 units (2019: 970,684 units)	131,884	51,657
Redemption of 2,100,264 units (2019: 547,181 units)	114,762	30,210
Dividend paid	37	1,564
Refund of capital	5,440	2,187
MSAF II - Meezan Capital Preservation Plan-V		
Issuance of nil (2019: 112,077 units)	-	6,100
Redemption of nil (2019: 112,077 units)	-	6,106
Meezan Financial Planning Fund of Funds		
- Aggressive Allocation Plan		
Issuance of 2,529,578 units (2019: 183,808 units)	138,593	9,522
Redemption of 2,185,175 units (2019: 462,931 units)	122,360	25,009
Dividend paid	44	5,558
Refund of capital	6,434	300
Meezan Financial Planning Fund of Funds		
- Moderate Allocation Plan		
Issuance of 1,963,669 units (2019: 137,126 units)	107,506	7,057
Redemption of 1,885,388 units (2019: 600,946 units)	104,931	31,858
Dividend paid	38	6,481
Refund of capital	5,559	374
Meezan Financial Planning Fund of Funds		
- Conservative Allocation Plan		
Issuance of 3,556,655 units (2019: 400,310 units)	194,763	20,815
Redemption of 3,166,178 units (2019: 781,822 units)	176,898	41,377
Dividend paid	71	9,743
Refund of capital	10,434	600
Meezan Financial Planning Fund of Funds - MAAP - I		
Issuance of 7,160,154 units (2019: 1,636,590 units)	386,147	87,140
Redemption of 5,420,022 units (2019: 5,104,522 units)	291,706	280,151
Dividend paid	62	4,610
Refund of capital	9,129	3,003
Meezan Financial Planning Fund of Funds - MAAP - IV		
Issuance of nil (2019: 63,834 units)	-	3,280
Redemption of nil (2019: 1,558,051 units)	-	80,267
Dividend paid	-	1,736
Refund of capital	-	1,544
Al Meezan Investment Management Limited - Employees' Gratuity Fund		
Issuance of nil (2019: 9,077 units)	-	466
Redemption of nil (2019: 221,676 units)	-	12,275
Dividend paid	-	2
Refund of capital	-	465

2020 2019
----- (Rupees in '000) -----

Directors and Executives of the Management Company

Issuance of 17,972,315 units (2019: 3,793,334 units)
Redemption of 17,556,203 units (2019: 3,801,709 units)
Dividend paid
Refund of capital

942,651	201,805
945,155	203,069
1,553	791
2,344	947

19 FINANCIAL INSTRUMENTS BY CATEGORY
Financial assets

Balances with banks
Investments
Receivable against conversion of units
Deposits and other receivables

2020		
At amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		
6,857,317	-	6,857,317
-	20,666,580	20,666,580
425,168	-	425,168
293,464	-	293,464
7,575,949	20,666,580	28,242,529

Financial liabilities

Payable to Al Meezan Investment Management Limited
- Management Company
Payable to Central Depository Company of Pakistan Limited - Trustee
Payable to Meezan Bank Limited
Payable against conversion and redemption of units
Accrued expenses and other liabilities

2020		
At fair value through profit or loss	At amortised cost	Total
(Rupees in '000)		
-	34,512	34,512
-	1,993	1,993
-	2,886	2,886
-	83,924	83,924
-	2,887	2,887
-	126,202	126,202

Financial assets

Balances with banks
Investments
Receivable against conversion of units
Deposits and other receivables

2019		
At amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		
2,971,017	-	2,971,017
-	6,454,219	6,454,219
3,802	-	3,802
253,131	-	253,131
3,227,950	6,454,219	9,682,169

2019		
At fair value through profit or loss	At amortised cost	Total
(Rupees in '000)		

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company	-	19,857	19,857
Payable to Central Depository Company of Pakistan Limited - Trustee	-	838	838
Payable to Meezan Bank Limited	-	399	399
Payable against conversion and redemption of units	-	45,063	45,063
Accrued expenses and other liabilities	-	1,684	1,684
	-	67,841	67,841

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

20.1 Market risk

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

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

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

(i) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2020, the Fund is exposed to such risk on its balances held with banks, investments in sukuk certificates, commercial papers and certificates of musharakah. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based sukuks certificates and balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase/decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher/lower by Rs. 220.437 million (2019: Rs. 79.987 million).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2020, the Fund did not hold any fixed rate instrument that may expose the fund to fair value profit rate risk. In case of 100 basis points increase / decrease in rates announced by the Financial Markets Association of Pakistan for GoP ijarah sukuks and with all other variables held constant, the net income for the year and net assets of the Fund would have been higher / lower by Rs 54.801 million (2019: Rs 14.265 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, 2020 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

The Fund's profit rate sensitivity related to financial assets and financial liabilities as at June 30, 2020 can be determined as follows:

----- 2020 -----						
Effective yield / profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total	
	Up to three months	More than three months and up to one year	More than one year			
----- (Rupees in '000) -----						
Financial assets						
Balances with banks	1.50% - 7.50%	6,857,273	-	-	44	6,857,317
Investments - Sukuk certificates	KIBOR + 0.5% - KIBOR + 2.50%	4,155,047	349,998	-	-	4,505,045
Investments - Government securities	KIBOR + (0.10)% - KIBOR + 0.5%	-	9,081,390	-	-	9,081,390
Investments - Others	12.45% - 13.00%	5,480,145	-	-	-	5,480,145
Receivable against conversion of units		-	-	-	425,168	425,168
Deposits and other receivables		-	-	-	293,464	293,464
		16,492,465	9,431,388	-	718,676	26,642,529
Financial liabilities						
Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	34,512	34,512
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	1,993	1,993
Payable to Meezan Bank Limited		-	-	-	2,886	2,886
Payable against conversion and redemption of units		-	-	-	83,924	83,924
Accrued expenses and other liabilities		-	-	-	2,887	2,887
		-	-	-	126,202	126,202
On-balance sheet gap (a)		16,492,465	9,431,388	-	592,474	26,516,327
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a+b)		16,492,465	9,431,388	-		
Cumulative interest rate sensitivity gap		16,492,465	25,923,853	25,923,853		

----- 2019 -----						
Effective yield / profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total	
	Up to three months	More than three months and up to one year	More than one year			
----- (Rupees in '000) -----						
Financial assets						
Balances with banks	3.32% - 12.50%	2,970,973	-	-	44	2,971,017
Investments - Sukuk certificates	KIBOR + 0.50% - KIBOR + 2.50%	4,027,866	249,856	-	-	4,277,722
Investments - Government securities		-	-	-	-	-
sukuk certificates	5.24% - 5.59%	-	-	-	-	-
Investments - Others	12.72% - 12.94%	2,130,067	46,430	-	-	2,176,497
Receivable against conversion of units		-	-	-	3,802	3,802
Deposits and other receivables		-	-	-	253,131	253,131
		9,128,906	296,286	-	256,977	9,682,169
Financial liabilities						
Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	19,857	19,857
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	838	838
Payable to Meezan Bank Limited		-	-	-	399	399
Payable against conversion and redemption of units		-	-	-	45,063	45,063
Accrued expenses and other liabilities		-	-	-	1,684	1,684
		-	-	-	67,841	67,841
On-balance sheet gap (a)		9,128,906	296,286	-	189,136	9,614,328
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a+b)		9,128,906	296,286	-		
Cumulative interest rate sensitivity gap		9,128,906	9,425,192	9,425,192		

(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 June 30, 2020.

20.2 Liquidity risk

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

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

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

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

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

2020						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total

(Rupees in '000)

Financial assets

Balances with banks	6,857,317	-	-	-	-	-	6,857,317
Investments	1,619,964	2,869,453	2,590,728	3,424,229	10,162,206	-	20,666,580
Receivable against conversion of units	425,168	-	-	-	-	-	425,168
Deposits and other receivables	137,869	67,614	87,881	-	-	100	293,464
	9,040,318	2,937,067	2,678,609	3,424,229	10,162,206	100	28,242,529

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company	34,512	-	-	-	-	-	34,512
Payable to Central Depository Company of Pakistan Limited - Trustee	1,993	-	-	-	-	-	1,993
Payable to Meezan Bank Limited	2,886	-	-	-	-	-	2,886
Payable against conversion and redemption of units	83,924	-	-	-	-	-	83,924
Accrued expenses and other liabilities	1,352	969	566	-	-	-	2,887
	124,667	969	566	-	-	-	126,202

Net assets / (liabilities)

8,915,651	2,936,098	2,678,043	3,424,229	10,162,206	100	28,116,327
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2019						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total

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

Financial assets

Balances with banks	2,971,017	-	-	-	-	2,971,017
Investments	492,792	1,752,688	1,179,552	398,025	2,631,162	6,454,219
Receivable against conversion of units	3,802	-	-	-	-	3,802
Deposits and other receivables	110,371	137,586	5,074	-	100	253,131
	3,577,982	1,890,274	1,184,626	398,025	2,631,162	9,682,169

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company	19,857	-	-	-	-	19,857
Payable to Central Depository Company of Pakistan Limited - Trustee	838	-	-	-	-	838
Payable to Meezan Bank Limited	399	-	-	-	-	399
Payable against conversion and redemption of units	45,063	-	-	-	-	45,063
Accrued expenses and other liabilities	159	959	566	-	-	1,684
	66,316	959	566	-	-	67,841

Net assets / (liabilities)

3,511,666	1,889,315	1,184,060	398,025	2,631,162	100	9,614,328
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20.3 Credit risk
20.3.1 Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

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

Credit risk arising on the debt instruments other than government securities is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of at least investment grade by the recognised rating agencies. The Fund receives a monthly rating update, against which investments are reviewed. The Fund, however, also invests in unrated instruments based on internal ratings assigned by the Fund manager using an approach that is consistent with the approach used by the rating agencies. Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. For debt instrument settlement, Delivery versus Payment (DvP) mechanism applied by Trustee of the Fund minimize the credit risk. In accordance with the risk management policy of the Fund, the investment manager monitors the credit position on a daily basis which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

The table below analyses the Fund's maximum exposure to credit risk:

2020		2019	
Balance as per statement of assets and liabilities	Maximum exposure to credit risk	Balance as per statement of assets and liabilities	Maximum exposure to credit risk

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

Balance with banks and term deposits	6,857,317	6,857,317	2,971,017	2,971,017
Investments in debt instruments	20,666,580	11,585,190	6,454,219	5,854,219
Receivable against conversion of units	425,168	425,168	3,802	3,802
Deposits and other receivables	293,464	293,464	253,131	253,131
	28,242,529	19,161,139	9,682,169	9,082,169

The maximum exposure to credit risk before any credit enhancement as at June 30, 2020 is the carrying amount of the financial assets. Investment in government securities, however, are not exposed to credit risk and have been excluded from the above analysis as these are guaranteed by the Government of Pakistan.

20.3.2 Credit quality of financial assets

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

Rating	% of financial assets exposed to credit risk	
	2020	2019
AAA	9%	-
AA+	4%	3%
AA-	17%	10%
AA	-	-
A+	69%	-
A	1%	87%
	100%	100%

Ratings of sukuk (other than Government securitites) have been disclosed in related notes to the financial statements. GoP Ijarah Sukuks are government guaranteed.

20.3.3 Concentration of credit risk

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

The Fund does not have any collateral against any of the aforementioned assets. The issuer of the Sukuks, however, pledge securities with the investment agent in Trust for the benefit of the Sukuk Holder.

Due to the Fund's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Fund except for Arzoo Textiles Limited Sukuk, Security Leasing Corporation Sukuk and Eden Housing Limited Sukuk (refer note 6).

21 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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, 2020, the Fund held the following financial instruments measured at fair values:

----- 2020 -----		
Level 1	Level 2	Level 3
----- Rupees in '000 -----		
Financial assets - at fair value through profit or loss		
Sukuk certificates	13,586,435	-
Certificates of musharakah*	1,600,000	-
Commercial papers**	1,522,415	-
Bai Muajjal receivable**	3,957,730	-
-	20,666,580	-

----- 2019 -----		
Level 1	Level 2	Level 3
----- Rupees in '000 -----		
Financial assets - at fair value through profit or loss		
Sukuk certificates	4,277,722	-
Certificates of musharakah*	750,000	-
Commercial papers**	1,426,497	-
-	6,454,219	-

* The carrying value of these securities approximate their fair value since these are short term in nature and are placed with counter parties which have high credit ratings.

** The valuation of commercial papers has been done based on amortisation of commercial paper to its face value as per the guidelines given in Circular 33 of 2012 since the residual maturity of this investment is less than six months and they are placed with counterparties which have high credit rating. The commercial papers having maturity slightly more than six months have also been valued on the same basis.

22 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

In accordance with the risk management policies as stated in note 20, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

23 UNIT HOLDING PATTERN OF THE FUND

Category	----- 2020 -----			----- 2019 -----		
	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	16,699	21,524,421	77.49%	8,013	5,843,987	61.70%
Associated Companies / Directors	12	1,126,414	4.06%	11	1,165,459	12.31%
Insurance Companies	6	131,409	0.47%	9	165,187	1.74%
Banks and DFIs	1	12	0.00%	1	11	0.00%
Retirement Funds	87	929,494	3.35%	80	1,044,589	11.03%
Private Limited Companies	52	2,735,579	9.85%	24	234,087	2.47%
Public Limited Companies	2	1,255	0.00%	3	1,770	0.02%
Others	41	1,327,781	4.78%	66	1,016,232	10.73%
	16,900	27,776,365	100.00%	8,207	9,471,322	100.00%

24 LIST OF TOP BROKERS BY PERCENTAGE OF COMMISSION PAID

----- 2020 -----		----- 2019 -----	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Paramount Capital (Private) Limited	10.67%	Paramount Capital (Private) Limited	31.98%
Invest One Markets Limited	69.14%	Invest One Markets Limited	0.00%
BMA Capital Management Limited	0.00%	BMA Capital Management Limited	9.36%
JS Global Capital Limited	4.97%	JS Global Capital Limited	46.23%
Next Capital Limited	11.74%	Next Capital Limited	10.50%
Vector Capital (Private) Limited	0.00%	Vector Capital (Private) Limited	2.93%
C & M Management (Private) Limited	0.38%	C & M Management (Private) Limited	0.00%
BIPL Securities Limited	3.10%	BIPL Securities Limited	0.00%

24.1 The fund has traded with only the above mentioned 6 brokers / dealers during the year ended June 30, 2020 (2019: 5 brokers / dealers).

25 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

Name	Designation	Qualification	Overall experience
Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	Thirty years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Twenty four years
Mr. Taha Javed	Head of Equities	CFA / MBA	Thirteen years
Mr. Ahmed Hassan	SVP Investments	CFA / MBA	Thirteen years
Mr. Ali Khan	VP Product Development	CFA / FRM / MBA	Ten years
Mr. Faizan Saleem	Head of Fixed Income	CFA level II / MBA	Thirteen years
Mr. Asif Imtiaz	AVP Investments	CFA / MBA - Finance	Twelve years
Mr. Imad Ansari	Head of Risk Management	B.S Actuarial Sciences & Risk Management / MBA - Finance	Fifteen years
Mr. Ali Asghar	VP / Head of Research	CFA / MBA (in progress)	Nine years

25.1 The Fund manager of the Fund is Mr. Faizan Saleem. Other Funds being managed by the Fund Manager are as follows:

- Meezan Cash Fund;
- Meezan Sovereign Fund; and
- Meezan Rozana Amdani Fund.

26 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

Name of Directors	Designation	Meeting held on				
		Aug 19, 2019	Oct 15, 2019	Feb 10, 2020	April 15, 2020	Jun 25, 2020
Mr. Ariful Islam	Chairman	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib, CFA	Chief Executive Officer	Yes	Yes	Yes	Yes	Yes
Mr. Moin M. Fudda	Director	Yes	Yes	Yes	Yes	Yes
Ms. Saima Shaukat Khan (Kamila)	Director	Yes	Yes	Yes	Yes	Yes
Mr. Furquan Kidwai	Director	Yes	Yes	Yes	Yes	Yes
Mr. Ijaz Farooq	Director	Yes	No	Yes	Yes	No
Mr. Arshad Majeed	Director	Yes	Yes	Yes	Yes	Yes
Mr. Muhammad Abdullah	Director	Yes	Yes	Yes	Yes	Yes
Mr. Naeem Abdul Sattar	Director	Yes	Yes	Yes	Yes	Yes
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes

27 CORRESPONDING FIGURES

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

28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on **August 13, 2020**.

29 GENERAL

29.1 Regulatory reliefs due to COVID - 19

The COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The Securities and Exchange Commission of Pakistan (SECP) has provided the following relaxations to the asset management companies operating in Pakistan for a specific period:

- The time period to regularize the exposure limits breach under Regulation 55(13) of the NBFC Regulations has been extended from four months to six months;
- Maximum limit for application of discretionary discount as per the Annexure-I, Chapter 3 of Circular 33 of 2012 has been enhanced;
- The time period for classification of a debt security to non-performing category has been extended from 15 days to 180 days as per the requirements of Annexure-II of Circular 33 of 2012;
- Time period to ensure compliance with minimum fund size for Open End Schemes under Regulation 54(3b) of the NBFC regulations has been increased to 180 days for Open End Schemes;
- Time for announcement of daily NAV as per the regulatory requirement is extended from 18:30 pm to the start of the next working day.

29.2 Operational Risk Management

The Management Company is closely monitoring the situation and has invoked required actions to ensure safety and security of the staff and an uninterrupted service to the customers. Business Continuity Plans (BCP) for respective areas are in place and tested. The Management Company has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Management Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

The Management Company has made an assessment of Covid-19 on the credit risk and liquidity risk and believes that there is no significant impact on the Fund.

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

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

Chief Executive

Chief Financial Officer

Director



Meezan
Sovereign Fund

Meezan Sovereign Fund (MSF)

Meezan Sovereign Fund is Pakistan's first Shariah compliant Government Securities Fund. The purpose of the fund is to provide maximum possible preservation of capital and a reasonable rate of return by investing primarily in Shariah compliant Government Securities.

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APPLICATION**



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. Mohammad Furquan R Kidwai	Independent Director
Mr. Ijaz Farooq	Nominee Director - MBL
Mr. Moin M. Fudda	Independent Director
Ms. Saima Shaukat Khan (Kamila)	Independent Director
Mr. Arshad Majeed	Nominee Director - MBL
Mr. Naeem Abdul Sattar	Nominee Director - PKIC
Syed Amir Ali Zaidi	Nominee Director - PKIC

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Ariful Islam	Chairman
Mr. Moin M. Fudda	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

Allied Bank Limited	Habib Metropolitan Bank Limited - Islamic Banking
Al Baraka Islamic Bank B.S.C (E.C)	MCB Islamic Bank Limited
Askari Bank Limited - Islamic Banking	Meezan Bank Limited
Bank Al Habib Limited - Islamic Banking	National Bank of Pakistan - Islamic Banking
Bank Alfalah Limited	Sindh Bank Limited
Bank Islami Pakistan Limited	Soneri Bank Limited
Dubai Islamic Bank Pakistan Limited	The Bank Of Punjab Limited
Faysal Bank Limited - Islamic Banking	UBL Ameen - Islamic Banking
Habib Bank Limited -Islamic Banking	

LEGAL ADVISER

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

TRANSFER AGENT

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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited

REPORT OF THE FUND MANAGER

Meezan Sovereign Fund (MSF)

Type of Fund

Open end Sovereign mutual fund which falls under the category of Income Funds.

Objective

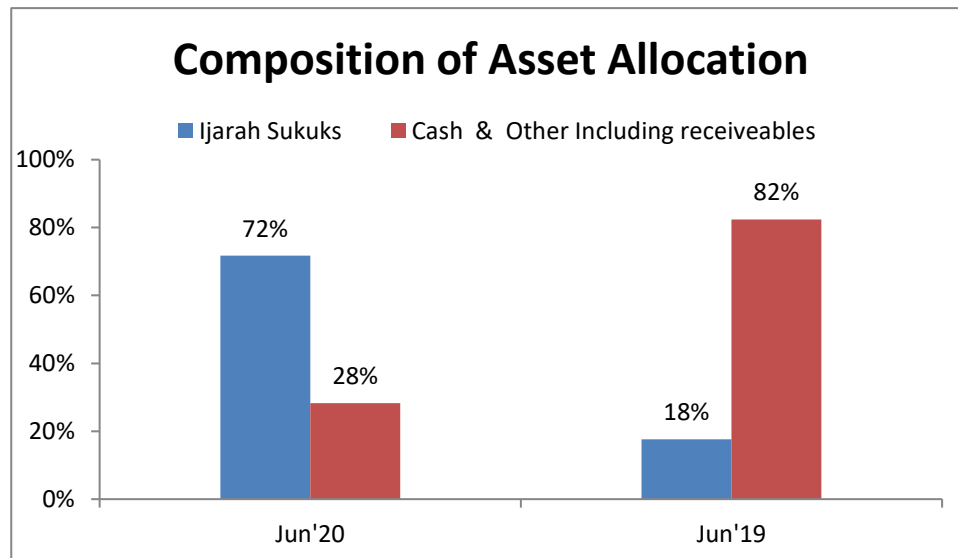
The Fund's primary objective is to provide investors with a low risk and stable rate of current income by primarily investing in Shariah Compliant Sovereign Securities.

Investment Policy and Strategy

The investment policy of the fund demarcates that at least 70% of the net assets of the fund shall be invested in Shariah compliant fixed income government securities on a monthly average basis while at least 10% of the fund size has to be maintained in cash on a monthly average basis. The remaining allocation can be in other permissible Islamic investment avenues. The instruments in which MSF invests are Sovereign Sukuks (Islamic Bonds), Musharaka and Murabaha instruments, Certificate of Islamic Investments, Islamic bank deposits and other Sovereign Islamic income products.

Sector Allocation for the year ended FY19 and FY20

The asset allocation of the fund on June 30, 2019 and June 30, 2020 is as follows:



Performance Review

Meezan Sovereign Fund (MSF) provided a return of 11.17% to its investors for the year ended June 30, 2020 against a benchmark return of 7.93%.

	MSF	Six Month deposits at Islamic Banks
Net Asset Value as on June 30, 2019	51.53	
Net Asset Value as on June 30, 2020	51.55	
Return for the year	11.17%	7.93%
Outperformance	3.24%	

Benchmark: 6 Month PKISRV Rate

During the year, the Fund earned a gross income of Rs. 559 million, which was primarily due to profit on Sukuks certificates worth Rs. 214 million. Profit on saving accounts at Islamic banks contributed Rs. 346 million. On the other side, the fund accrued realized loss and unrealized gain worth Rs. 0.9 million and Rs. 0.2 million respectively. The fund also incurred expenses totalling to Rs. 75 million, which brought the net income figure to Rs. 484 million. The net assets of the Fund as at June 30, 2020 were Rs. 9,736 million as compared to Rs. 5,705 million at the end of last year depicting an increase of 71%. The net asset value per unit as at June 30, 2020 was Rs. 51.55 (Ex-dividend) as compared to Rs. 51.53 per unit as on June 30, 2019.

Distributions

Interim Pay-out by the Fund during the fiscal year ended June 30, 2020 was Rs. 5.70 per unit (11.40%). Total distribution made by the fund was Rs. 973 million.

Fund Stability Rating

JCR-VIS Credit Rating Company has assigned Stability Rating of AA- (f) to Meezan Sovereign Fund.

Unit holder Break down:

(As on June 30, 2020)

Range (Units)	No. of investors
1 - 9,999	4,231
10,000 - 49,999	864
50,000 - 99,999	195
100,000 - 499,999	165
500,000 and above	51
Total	5,506

PERFORMANCE TABLE

	2020	2019	2018	2017	2016
Net assets (Rs. in '000) (ex-distribution)	9,736,331	5,705,149	2,120,516	4,354,375	7,944,746
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	51.5476	51.5293	52.7240	51.6400	50.8000
Offer price per unit as at June 30 (Rs.) (ex-distribution)	51.8388	55.3878	53.0219	51.6900	51.1400
Distribution (%)					
Interim					
- First quarter	-	-	-	-	-
- Second quarter	-	-	-	-	-
- Third quarter	-	-	-	5.50	4.50
- Fourth quarter	11.4	7.18	-	-	6.80
Annual					
Dates of distribution (interim)					
- First quarter	-	-	-	-	-
- Second quarter	-	-	-	-	-
- Third quarter	-	-	-	-	-
- Fourth quarter	-	28-Jun-19	-	23-Jun-17	29-Jun-16
Dates of distribution (annual)	26-Jun-20	-	July 6, 2018	-	July 3, 2015
Income distribution (Rs. in '000)	973,049	372,811	-	204,384	870,835
Growth distribution (Rs. in '000)	-	-	-	-	-
Highest offer price per unit (Rs.)	57.5204	55.3878	54.56	54.56	54.28
Lowest offer price per unit (Rs.)	51.8202	51.5952	51.13	51.13	50.86
Highest redemption price per unit (Rs.)	57.1973	55.0767	54.25	54.25	53.92
Lowest redemption price per unit (Rs.)	51.5291	51.3053	50.84	50.84	50.93
Total return (%)	11.17	7.02	2.57	6.57	5.12
Weighted Average Portfolio Duration (years)	7	1.83	1.55	1.55	0.03
	One Year	Two Year	Three Year	Four Year	Five Year
Average annual return (%) as at June 30, 2020	11.17	8.88	6.04	6.17	5.94



Meezan Bank
The Premier Islamic Bank

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

August 4, 2020/ Dhu'l-Hijjah 13, 1441

Alhamdulillah, the period from July 01, 2019 to June 30, 2020 was the Tenth year of operations of Meezan Sovereign Fund (MSF) under management of Al Meezan Investment Management Limited (Al Meezan). We, Meezan Bank Limited, are the *Shariah* advisors of the Fund and are issuing the report in accordance with clause 8.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shariah* compliance of the Fund's activity.

In the capacity of *Shari'ah* Advisor, we have prescribed criteria and procedures to be followed in ensuring *Shari'ah* compliance in every investment.

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MSF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MSF by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MSF for the year ended June 30, 2020 have been in compliance with *Shari'ah* principles.

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

Dr. Muhammad Imran Ashraf Usmani

For and on behalf of Meezan Bank
Shariah Advisor

Head Office

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TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN SOVEREIGN FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Sovereign Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 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.


Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 24, 2020

INDEPENDENT AUDITOR'S REPORT

To the Unit holders of Meezan Sovereign Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meezan Sovereign Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund 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, 2020, and of its financial performance and its cash flows 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 is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	Net Asset Value (Refer notes 5 and 6 to the financial statements)	
	Investments and balances with banks constitute the most significant component of the net asset value. Investments of the Fund as at June 30, 2020 amounted to Rs 7,182.290 million and balances with banks aggregated to Rs 2,580.042 million. The existence and proper valuation of investments and existence of balances with banks for the determination of NAV of the Fund as at June 30, 2020 was considered a high risk area and therefore we considered this as a key audit matter.	Our audit procedures amongst others included the following: - 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, 2020 and traced 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; and - Obtained bank reconciliation statements and tested reconciling items on a sample basis.

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



A.F. FERGUSON & Co.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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


Chartered Accountants

Karachi

Date: September 22, 2020

**MEEZAN SOVEREIGN FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2020**



Meezan
Sovereign Fund

	Note	2020	2019
		-----Rupees in '000-----	
Assets			
Balances with banks	5	2,580,042	5,132,514
Investments	6	7,182,290	1,124,715
Receivable against conversion of units		149,747	59,236
Deposits, prepayments and other receivables	7	105,238	70,900
Total assets		10,017,317	6,387,365
Liabilities			
Payable to AI Meezan Investment Management Limited - Management Company	8	8,724	4,228
Payable to Central Depository Company of Pakistan Limited - Trustee	9	536	538
Payable to the Securities and Exchange Commission of Pakistan	10	967	1,400
Payable to Meezan Bank Limited		412	68
Payable against redemption and conversion of units		106,266	562,316
Accrued expenses and other liabilities	11	164,081	113,666
Total liabilities		280,986	682,216
NET ASSETS		<u>9,736,331</u>	<u>5,705,149</u>
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		<u>9,736,331</u>	<u>5,705,149</u>
CONTINGENCIES AND COMMITMENTS	12		
NUMBER OF UNITS IN ISSUE		<u>188,880,283</u>	<u>110,716,688</u>
		(Rupees)	
NET ASSET VALUE PER UNIT		<u>51.5476</u>	<u>51.5293</u>

The annexed notes from 1 to 29 form an integral part of these financial statements.

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

Chief Executive

Chief Financial Officer

Director

MEEZAN SOVEREIGN FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		----- Rupees in '000 -----	
Income			
Profit on sukuk certificates		213,857	90,058
Net realised loss on sale of sukuk certificates		(916)	(12,436)
Profit on saving accounts with banks		345,984	83,846
		558,925	161,468
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.2	197	(1,455)
Total income		559,122	160,013
Expenses			
Remuneration of Al Meezan Investment Management Limited - Management Company	8.1	29,559	18,664
Sindh Sales Tax on remuneration of the Management Company	8.2	3,843	2,426
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	3,118	2,150
Sindh Sales Tax on remuneration of the Trustee	9.2	405	279
Annual fee to Securities and Exchange Commission of Pakistan	10.1	967	1,400
Auditors' remuneration	13	540	551
Fees and subscription		1,011	865
Brokerage expense		103	230
Bank and settlement charges		389	153
Allocated expenses	15	7,086	1,866
Selling and marketing expense	16	18,358	-
Provision for Sindh Workers' Welfare Fund	11.1	9,875	2,629
Total expenses		75,254	31,213
Net income for the year before taxation		483,868	128,800
Taxation	17	-	-
Net income for the year after taxation		483,868	128,800
Allocation of net income for the year			
Net income for the year after taxation		483,868	128,800
Income already paid on units redeemed		(212,643)	(33,199)
		271,225	95,601
Accounting income available for distribution			
- Relating to capital gains		-	-
- Excluding capital gains		271,225	95,601
		271,225	95,601

The annexed notes from 1 to 29 form an integral part of these financial statements.

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director



**MEEZAN SOVEREIGN FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020**

	2020	2019
	----- Rupees in '000 -----	
Net income for the year after taxation	483,868	128,800
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>483,868</u>	<u>128,800</u>

The annexed notes from 1 to 29 form an integral part of these financial statements.

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

Chief Executive

Chief Financial Officer

Director

MEEZAN SOVEREIGN FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	2020			2019		
	Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Total
	(Rupees in '000)			(Rupees in '000)		
Net assets at the beginning of the year	5,409,260	295,889	5,705,149	1,792,404	328,112	2,120,516
Issue of 370,621,419 units (2019: 168,581,314 units)						
- Capital value (at net asset value per unit at the beginning of the year)	19,097,862	-	19,097,862	8,679,510	-	8,679,510
- Element of income	1,376,460	-	1,376,460	430,206	-	430,206
Total proceeds on issuance of units	20,474,322	-	20,474,322	9,109,716	-	9,109,716
Redemption of 292,457,824 units (2019: 98,083,798 units)						
- Capital value (at net asset value per unit at the beginning of the year)	15,070,147	-	15,070,147	5,049,903	-	5,049,903
- Element of loss	671,169	212,643	883,812	148,162	33,199	181,361
Total payments on redemption of units	15,741,316	212,643	15,953,959	5,198,065	33,199	5,231,264
Total comprehensive income for the year	-	483,868	483,868	-	128,800	128,800
Distribution for the year ended June 30, 2018	-	-	-	-	(37,026)	(37,026)
Distribution for the year ended June 30, 2019	-	-	-	-	(90,798)	(90,798)
Refund of Capital for the year ended June 30, 2018	-	-	-	(12,782)	-	(12,782)
Refund of Capital for the year ended June 30, 2019	-	-	-	(282,013)	-	(282,013)
Distribution for the year ended June 30, 2020	-	(269,405)	(269,405)	-	-	-
Refund of Capital for the year ended June 30, 2020	(703,644)	-	(703,644)	-	-	-
Total distribution during the year	(703,644)	(269,405)	(973,049)	(294,795)	(127,824)	(422,619)
Net assets at end of the year	9,438,622	297,709	9,736,331	5,409,260	295,889	5,705,149
Undistributed income brought forward						
- Realised income		297,344			360,148	
- Unrealised loss		(1,455)			(32,036)	
		295,889			328,112	
Accounting income available for distribution (after adjusting income already paid on units redeemed)					95,601	
- Relating to capital gains		-			-	
- Excluding capital gains		271,225			95,601	
		271,225			95,601	
Final distribution during the year at Rs. 1.2384 per unit i.e. 2.48% of the par value of Rs. 50/- each (July 6, 2018)		-			(37,026)	
Interim distribution during the year at Rs. 3.5911 per unit i.e. 7.18% of the par value of Rs. 50/- each (June 28, 2019)		-			(90,798)	
Interim distribution during the year at Rs. 5.6990 per unit i.e. 11.40% of the par value of Rs. 50/- each (June 26, 2020)		(269,405)			-	
Undistributed income carried forward		297,709			295,889	
Undistributed income carried forward						
- Realised income		297,512			297,344	
- Unrealised income / (loss)		197			(1,455)	
		297,709			295,889	
		(Rupees)			(Rupees)	
Net asset value per unit at beginning of the year		51.5293			52.7240	
Net asset value per unit at end of the year		51.5476			51.5293	

The annexed notes from 1 to 29 form an integral part of these financial statements.

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

**MEEZAN SOVEREIGN FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2020**



Meezan
Sovereign Fund

	Note	2020	2019
		----- Rupees in '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before taxation		483,868	128,800
Adjustments for:			
Net unrealised (appreciation) / diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.2	(197)	1,455
Provision for Sindh Workers' Welfare Fund	11	9,875	2,629
		493,546	132,884
(Increase) / decrease in assets			
Investments - net		(6,057,378)	363,363
Deposits, prepayments and other receivables		(34,338)	(36,741)
		(6,091,716)	326,622
Increase / (decrease) in liabilities			
Payable to Al Meezan Investment Management Limited - Management Company		4,496	2,025
Payable to Central Depository Company of Pakistan - Trustee		(2)	318
Payable to Securities and Exchange Commission of Pakistan		(433)	(717)
Payable to Meezan Bank Limited		344	(254)
Accrued expenses and other liabilities		40,540	20,019
		44,945	21,391
Net cash (used in) / generated from operating activities		(5,553,225)	480,897
CASH FLOWS FROM FINANCING ACTIVITIES			
Net receipts from issuance of units		19,680,167	8,787,154
Net payments against redemption of units		(16,410,009)	(4,680,795)
Dividend paid		(269,405)	(127,824)
Net cash generated from financing activities		3,000,753	3,978,535
Net (decrease) / increase in cash and cash equivalents		(2,552,472)	4,459,432
Cash and cash equivalents at the beginning of the year		5,132,514	673,082
Cash and cash equivalents at the end of the year	5	2,580,042	5,132,514

The annexed notes from 1 to 29 form an integral part of these financial statements.

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

Chief Executive

Chief Financial Officer

Director

MEEZAN SOVEREIGN FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Meezan Sovereign Fund (the Fund) was established under a trust deed executed between Al Meezan Investment Management Limited (Al Meezan) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on May 14, 2009 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi, 74400, Pakistan.
- 1.2** The Fund has been formed to provide the unit holders maximum possible preservation of capital along with Halal and reasonable returns by investing primarily in a portfolio of Shariah compliant government securities thus, minimising the credit risk of investments. The Fund shall also keep an exposure in short-term near cash instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns if available at any given point of time. Under the Trust Deed, all conducts and acts of the Fund are based on Shariah. Meezan Bank Limited (MBL) acts as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah. The investment objectives and policies are explained in the Fund's offering document.
- 1.3** The Fund is an open-end Shariah Compliant (Islamic) Income Scheme, listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4** The Management Company has been assigned a quality rating of AM1 by VIS dated December 31, 2019 (2019: AM1 dated December 29, 2018) and by PACRA dated June 26, 2020. The rating reflects the Company's experienced management team, structured investment process and sound quality of systems and processes. The Fund has been given a stability rating of AA-(f) by VIS Credit Rating Company Limited.
- 1.5** The title to the assets of the Fund are held in the name of the Central Depository Company of Pakistan Limited as the Trustee of the Fund.

2 BASIS OF PRESENTATION

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

3 BASIS OF PREPARATION

3.1 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, 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.

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

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2019. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements.

3.3 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective

The following amendments would be effective from the dates mentioned below against the respective amendment:

Amendments	Effective date (accounting periods beginning on or after)
- IAS 1 - 'Presentation of financial statements' (amendment)	January 1, 2020
- IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendment)	January 1, 2020

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

There are certain other standards, amendments and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2020 but are considered not to be relevant or will not have any significant effect on the Fund's operations and are therefore not disclosed in these financial statements.

3.4 Critical accounting estimates and judgments

The preparation of financial statements in accordance with the accounting and reporting 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 4.3 and 6).

3.5 Accounting convention

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

3.6 Functional and presentation currency

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 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.

4.2 Cash and cash equivalents

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

4.3 Financial assets

4.3.1 Classification and subsequent measurement

4.3.1.1 Debt instruments

IFRS 9 has provided a criteria for debt securities whereby these debt securities are either classified as:

- amortised cost
- at fair value through other comprehensive income (FVOCI)
- at fair value through profit or loss (FVPL) based on the business model of the entity

However, IFRS 9 also provides an option whereby securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis, to be recognized at FVPL. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Therefore the management considers its investment in debt securities as being managed as a group of assets and hence has classified them as FVPL.

4.3.1.2 Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective and are instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

All equity investments are required to be measured in the "Statement of Assets and Liabilities" at fair value, with gains and losses recognised in the "Income Statement", except where an irrevocable election has been made at the time of initial recognition to measure the investment at FVOCI. The management considers its investment in equity securities being managed as a group of assets and hence has classified them as FVPL. Accordingly, the irrevocable option has not been considered.

The dividend income for equity securities classified under FVPL is recognised in the Income Statement.

Since all investments in equity instruments have been designated as FVPL, the subsequent movement in the fair value of equity securities is routed through the Income Statement.

The Fund can only invest in equity securities for the purpose of spread transactions as approved by Shariah Advisor.

4.3.2 Impairment

The fund assesses on a forward looking basis the expected credit loss (ECL) associated with its financial assets (other than debt instruments) carried at amortised cost and FVOCI. The fund recognises loss allowances for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

4.3.2.1 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.

4.3.3 Regular way contracts

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

4.3.4 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.

4.3.5 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.

4.3.6 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.

4.4 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.

4.5 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.

4.6 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.

4.7 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.

4.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the 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 applications 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.

4.9 Distributions to unit holders

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

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

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

Element of income represents the difference between net assets value (NAV) per unit on the issuance or redemption date, as the case may be, of units and the NAV per unit at the beginning of the relevant accounting period. Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend NAV of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

4.11 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement currently, on the date when the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of securities classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Income on term deposit receipts and Government securities is recognised on a time proportionate basis using the effective yield method.
- Profit on saving account with banks is recognised on time proportion basis using the effective yield method.

4.12 Expenses

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

4.13 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.

Deferred

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

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

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

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

4.14 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income / (loss) of the year after 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.

4.15 Foreign currency translation

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

	Note	2020	2019
5		----- Rupees in '000 -----	
BALANCES WITH BANKS			
Balances with banks in:			
Savings accounts	5.1	2,577,198	5,129,670
Current accounts		<u>2,844</u>	<u>2,844</u>
		<u>2,580,042</u>	<u>5,132,514</u>

5.1 The balances in saving accounts have expected profit rates ranging from 3.00% to 7.50% per annum (2019: 3.32% to 12.50% per annum).

	Note	2020	2019
6		----- Rupees in '000 -----	
INVESTMENTS			
Investments - 'at fair value through profit or loss'			
Sukuk certificates	6.1	<u>7,182,290</u>	<u>1,124,715</u>
6.1 Sukuk Certificates			
Government securities	6.1.1	7,050,000	950,000
Corporate sukuk	6.1.2	<u>132,290</u>	<u>174,715</u>
		<u>7,182,290</u>	<u>1,124,715</u>

6.1.1 Government securities

	Maturity Date	Rate of Return	As at July 01, 2019	Purchased during the year	Disposed /matured during the year	As at June 30, 2020	Carrying value as at June 30, 2020	Market value as at June 30, 2020	Unrealised gain as at June 30, 2020	Market value as a percentage of net assets of the Fund	Market value as a percentage of total investments
			----- Number of certificates -----				(Rupees in '000)			----- Percentage -----	
GoP Ijarah Sukuk Certificates - XX (note 6.1.1.1)	April 30, 2025	Weighted average 6 months T-Bills	-	1,870	1,870	-	-	-	-	-	-
Pakistan Energy Sukuk I (note 6.1.1.1)	March 1, 2029	6 months KIBOR plus base rate of 0.8%	190,000	-	20,000	170,000	850,000	850,000	-	8.73%	11.83%
Pakistan Energy Sukuk II (note 6.1.1.1)	May 20, 2030	6 months KIBOR minus base rate of 0.10%	-	1,240,000	-	1,240,000	6,200,000	6,200,000	-	63.68%	86.32%
Total - June 30, 2020							<u>7,050,000</u>	<u>7,050,000</u>	<u>-</u>	<u>72.41%</u>	<u>98.16%</u>
Total - June 30, 2019							<u>950,000</u>	<u>950,000</u>	<u>-</u>	<u>16.65%</u>	<u>84.47%</u>

6.1.1.1 The nominal value of these sukuk certificates is Rs 100,000 each except for Pakistan Energy Sukuk Certificates I and II having nominal value of Rs. 5,000 each.

6.1.2 Corporate sukuk

Name of the security	Maturity date	Profit rate	As at July 1, 2019	Purchases during the year	Sales / redemptions during the year	As at June 30, 2020	Carrying value as at June 30, 2020	Market value as at June 30, 2020	Unrealised (diminution) / appreciation as at June 30, 2020	Percentage in relation to		
											Net assets of the Fund	Total market value of investment
			(Number of certificates)			(Rupees in '000)			----- % -----			
Power generation & distribution												
Neelum Jhelum Hydropower Company (Private) Limited (AAA,VIS, non-traded) (note 6.1.2.1)	June 29, 2026	6 months KIBOR plus base rate of 1.13%	1,706	-	416	1,290	132,093	132,290	197	1.36%	1.84%	
Total - June 30, 2020							132,093	132,290	197			
Total - June 30, 2019							176,170	174,715	(1,455)			

6.1.2.1 The nominal value of these sukuk certificates is Rs 100,000 each.

6.2 Unrealised appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss	Note	2020	2019
		----- Rupees in 000 -----	
Market value of investments	6.1.1 & 6.1.2	7,182,290	1,124,715
Carrying value of investments	6.1.1 & 6.1.2	(7,182,093)	(1,126,170)
		197	(1,455)
7 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Security deposit with Central Depository Company of Pakistan Limited		100	100
Prepayments		168	133
Profit receivable on balances with banks		8,236	33,181
Profit receivable on sukuk certificates		96,340	37,092
Others		394	394
		105,238	70,900
8 PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Management fee payable	8.1	336	2,859
Sindh Sales Tax payable on remuneration of the Management Company	8.2	44	372
Selling and marketing expense payable	16	6,964	-
Allocated expenses payable	15	1,089	286
Sales load payable		258	629
Sindh sales tax on sales load payable		33	82
		8,724	4,228

8.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the Offering Document subject to the total expense ratio limit. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 0.6% (2019: 1%) per annum of the average net assets of the Fund during the year ended June 30, 2020. The remuneration is payable to the Management Company monthly in arrears.

8.2 During the year, an amount of Rs 3.843 million (2019: Rs 2.426 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs 4.171 million (2019: Rs 2.285 million) has been paid to the Management Company which acts as a collecting agent.

9 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN - TRUSTEE

Note	2020	2019
	-----Rupees in '000-----	
Trustee fee payable	474	476
Sindh Sales Tax payable on trustee fee	62	62
	<u>536</u>	<u>538</u>

- 9.1** The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the trust deed. Effective from July 1, 2019, the trustee has revised its tariff as under:

Net Assets (Rs.)	Previous Tariff	Revised Tariff (Flat Rate)
Upto Rs. 1 billion	0.17% per annum of net assets	0.065% per annum of Net Assets.
Rs. 1 billion to Rs. 10 billion	Rs 1.7 million plus 0.075% p.a. of net assets exceeding Rs 1 billion	
Over Rs. 10 billion	Rs 5.1 million plus 0.07% p.a. of net assets exceeding Rs 10 billion	

- 9.2** During the year, an amount of Rs 0.405 million (2019: Rs 0.279 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs 0.405 million (2019: Rs 0.243 million) was paid to the Trustee which acts as a collecting agent.

10 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

- 10.1** In accordance with the NBFC Regulations, 2008, a collective investment scheme classified as an Income Scheme is required to pay annual fee to the Securities and Exchange Commission of Pakistan.

Effective from July 1, 2019, the SECP vide SRO No. 685(I)/2019 dated June 28, 2019, revised the rate of annual fee to 0.02% of net assets, applicable on all categories of CISSs. Previously, the rate of annual fee applicable to Income Fund was 0.075%. Accordingly, the Fund has charged SECP Fee at the rate of 0.02% of net assets during the current year.

Note	2020	2019
	-----Rupees in '000-----	
11 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration payable	350	348
Printing charges payable	156	156
Brokerage payable	581	501
Shariah advisor fee payable	467	360
Withholding tax payable	46,089	12,021
Capital gain tax payable	7,163	968
Provision for Sindh Workers' Welfare Fund	11.1 26,406	16,531
Zakat payable	130	142
Other accrued expenses payable	100	-
Provision for Federal Excise Duty and related		
Sindh Sales Tax on management fee	11.2 80,077	80,077
Provision for Federal Excise Duty and related		
Sindh Sales Tax on sales load	11.2 2,562	2,562
	<u>164,081</u>	<u>113,666</u>

- 11.1** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISSs 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 CISSs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISSs/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).

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, 2020, the net asset value of the Fund as at June 30, 2020 would have been higher by Re. 0.14 per unit (2019: Re 0.15 per unit).

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

With effect from July 1, 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.

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

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 82.639 million (2019: Rs 82.639 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, 2020 would have been higher by Re 0.44 (2019: Re. 0.75) per unit.

12 CONTINGENCIES AND COMMITMENTS

There were no other contingencies and commitments outstanding as at June 30, 2020 and June 30, 2019.

	2020	2019
	-----Rupees in '000-----	
13 AUDITORS' REMUNERATION		
Statutory audit fee	282	376
Half yearly review of condensed interim financial statements	130	140
Other certification charges	100	-
Out of pocket expenses	28	35
	<u>540</u>	<u>551</u>

14 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2020 is 1.57% which includes 0.32% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, federal excise duties, annual fee to SECP, etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Income Scheme.

15 ALLOCATED EXPENSES

In accordance with Regulation 60 of the NBFC Regulations, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).

Until June 19, 2019 there was a maximum cap of 0.1% of the average annual net assets of the scheme or actual whichever is less, for allocation of such expense to the Fund. However, the SECP vide its SRO 639 dated June 20, 2019 removed the maximum cap of 0.1%.

The management company based on its own discretion has currently fixed a maximum capping of 0.1% of the average annual net assets of the scheme for allocation of such expenses to the Fund for the period from July 1, 2019 to July 21, 2019 and 0.15% for the period from July 22, 2019 to June 30, 2020.

16 SELLING AND MARKETING EXPENSES

The SECP has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds) initially for a period of three years (i.e. from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense was 0.4% per annum of the net assets of the Fund or actual expenses whichever is lower.

During the current year, the SECP through its circular 11 dated July 5, 2019 has revised the conditions for charging of selling and marketing expenses to a Fund. As per the revised guidelines, the maximum cap of 0.4% per annum has been lifted and now the asset management company is required to set a maximum limit for charging of such expense to the Fund and the same should be approved by the Board as part of annual plan. Furthermore, the time limit of three years has also been removed in the revised conditions.

Effective from July 22, 2019, the Management Company has started charging selling and marketing expenses to the Fund. The Management Company, based on its own discretion has currently determined a capping of 0.4% of the average annual net assets of the fund for charging of selling and marketing expenses to the Fund which has also been approved by the Board.

17 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. Since the management has distributed the required minimum percentage of income earned by the Fund for the year ended June 30, 2020 to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements during the year.

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

18 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 18.1** Connected persons include Al Meezan Investment Management Limited being the Management Company, the Central Depository Company of Pakistan (CDC) being the Trustee, Meezan Bank Limited being the holding company of the Management Company, Directors and executives of the Management Company, other collective investment schemes managed by the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company, Al Meezan Investment Management Limited - Employees Gratuity Fund and unit holders holding 10 percent or more of the Fund's net assets.
- 18.2** Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 18.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.
- 18.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 18.5** The details of transactions carried out by the Fund with connected persons during the year and balances with them as at year end are as follows:

Balances

Al Meezan Investment Management Limited (Management Company)

Management fee payable
Sindh Sales Tax on management fee
Sales load payable
Sindh Sales Tax on sales load
Allocated expenses
Selling and marketing expense payable

	2020	2019
	-----Rupees in '000-----	
	336	2,859
	44	372
	258	629
	33	82
	1,089	286
	6,964	-

	2020	2019
	-----Rupees in '000-----	
Meezan Bank Limited		
Balances with bank	56,816	485,689
Profit receivable on saving accounts	163	1,117
Sales load payable	365	60
Sindh Sales Tax on sales load payable	47	8
Central Depository Company of Pakistan Limited (CDC) - Trustee		
Security deposits refundable	100	100
Remuneration payable	474	476
Sindh Sales Tax on trustee fee	62	62
Meezan Financial Planning Fund of Funds - MAAP I		
Investment of 4 units (June 30, 2019: 3,775,285 units)	-	194,538
Meezan Strategic Allocation Fund - MCPP III		
Investment of 8,103,630 units (June 30, 2019: 13,138,233 units)	417,723	677,003
Meezan Strategic Allocation Fund II - MCPP IV		
Investment of 21,045,293 units (June 30, 2019: 17,633,059 units)	1,084,834	908,618
Meezan Strategic Allocation Fund II - MCPP V		
Investment of 4,223,802 units (June 30, 2019: 5,140,342 units)	217,726	264,878
Meezan Strategic Allocation Fund II - MCPP VI		
Investment of 4,136,298 units (June 30, 2019: 4,162,469 units)	213,216	214,489
Meezan Strategic Allocation Fund II - MCPP VII		
Investment of 2,659,988 units (June 30, 2019: 2,218,732 units)	137,116	114,330
Meezan Strategic Allocation Fund II - MCPP VIII		
Investment of 1,238,243 units (June 30, 2019: 1,692,281 units)	63,828	87,202
Meezan Strategic Allocation Fund III - MCPP IX		
Investment of 1,048,981 units (June 30, 2019: 198,820 units)	54,072	10,245
AI Meezan Investment Management Limited - Employees Gratuity Fund		
Investment of 161,333 units (June 30, 2019: 145,267 units)	8,316	7,486
Directors and their close family members and key management personnel of the Management Company		
Investment of 314,469 units (June 30, 2019: 1,743,755 units)	16,210	89,854
Transactions during the year		
	2020	2019
	-----Rupees in '000-----	
AI Meezan Investment Management Limited - Management Company		
Management fee charged	29,559	18,664
Sindh Sales Tax on remuneration of the Management Company	3,843	2,426
Allocated expenses	7,086	1,866
Selling and marketing expense	18,358	-
Units issued: 14,394 units (June 30, 2019: 2,686,839 units)	755	145,000
Units redeemed: 14,394 units (June 30, 2019: 2,686,839 units)	772	147,233

For the year ended June 30,
2020 2019
-----Rupees in '000-----
Meezan Bank Limited

Profit on saving accounts

3,819	1,489
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Central Depository Company of Pakistan Limited - Trustee

Remuneration of the Trustee

3,118	2,150
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Sindh Sales Tax on remuneration of the Trustee

405	279
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CDS charges

180	62
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Meezan Financial Planning Fund of Funds - MAAP I

Units issued: 5,342,973 units (June 30, 2019: 3,920,223 units)

285,228	214,605
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Units redeemed: 9,118,254 units (June 30, 2019: 145,324 units)

491,060	8,000
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Dividend paid

-	407
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Refund of capital

-	12,267
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Meezan Strategic Allocation Fund - MCPP III

Units issued: 15,605,745 units (June 30, 2019: 17,598,384 units)

884,559	962,122
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Units redeemed: 20,640,348 units (June 30, 2019: 4,460,151 units)

1,106,373	245,440
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Dividend paid

227	1,416
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Refund of capital

41,454	42,688
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Meezan Strategic Allocation Fund II - MCPP IV

Units issued: 40,583,600 units (June 30, 2019: 23,423,819 units)

2,300,445	1,223,538
-----------	-----------

Units redeemed: 37,171,366 units (June 30, 2019: 5,790,760 units)

2,026,440	318,930
-----------	---------

Dividend paid

588	1,899
-----	-------

Refund of capital

107,520	57,295
---------	--------

Meezan Strategic Allocation Fund II - MCPP V

Units issued: 8,606,948 units (June 30, 2019: 7,638,156 units)

487,882	401,096
---------	---------

Units redeemed: 9,523,488 units (June 30, 2019: 2,497,814 units)

515,025	137,570
---------	---------

Dividend paid

121	554
-----	-----

Refund of capital

22,083	16,702
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Meezan Strategic Allocation Fund II - MCPP VI

Units issued: 7,918,847 units (June 30, 2019: 6,852,698 units)

448,851	361,379
---------	---------

Units redeemed: 7,945,018 units (June 30, 2019: 2,690,229 units)

430,907	148,110
---------	---------

Dividend paid

116	449
-----	-----

Refund of capital

21,157	13,525
--------	--------

Meezan Strategic Allocation Fund II - MCPP VII

Units issued: 5,082,409 units (June 30, 2019: 2,919,594 units)

288,077	152,366
---------	---------

Units redeemed: 4,641,153 units (June 30, 2019: 701,222 units)

252,929	38,620
---------	--------

Dividend paid

74	239
----	-----

Refund of capital

13,595	7,209
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Meezan Strategic Allocation Fund II - MCPP VIII

Units issued: 2,398,196 units (June 30, 2019: 2,291,535 units)

135,933	119,847
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Units redeemed: 2,852,234 units (June 30, 2019: 599,254 units)

153,493	33,000
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Dividend paid

35	145
----	-----

Refund of capital

6,413	5,536
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	For the year ended June 30,	
	2020	2019
	-----Rupees in '000-----	
Meezan Strategic Allocation Fund III - MCPP IX		
Units issued: 2,241,977 units (June 30, 2019: 198,820 units)	125,900	10,224
Units redeemed: 1,391,816 units (June 30, 2019: nil units)	77,179	-
Dividend paid	29	-
Refund of capital	5,354	667
AI Meezan Investment Management Limited - Employees Gratuity Fund		
Dividend paid	827,876	-
Directors and their close family members and key management personnel of the Management Company		
Units issued: 7,041,807 units (June 30, 2019: 4,316,171 units)	372,390	234,598
Units redeemed: 8,471,097 units (June 30, 2019: 2,572,663 units)	450,821	140,250
Dividend paid	665	980,296
Refund of capital	614	-

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

19 FINANCIAL INSTRUMENTS BY CATEGORY

----- 2020 -----		
At amortised cost	At fair value through profit or loss	Total
----- Rupees in '000 -----		

Financial assets

Balances with banks	2,580,042	-	2,580,042
Investments	-	7,182,290	7,182,290
Receivable against conversion of units	149,747	-	149,747
Deposits and other receivables	104,676	-	104,676
	<u>2,834,465</u>	<u>7,182,290</u>	<u>10,016,755</u>

----- 2020 -----		
At fair value through profit or loss	At amortised cost	Total
----- Rupees in '000 -----		

Financial liabilities

Payable to AI Meezan Investment Management Limited - Management Company	-	8,724	8,724
Payable to Central Depository Company of Pakistan Limited - Trustee	-	536	536
Payable against redemption and conversion of units	-	106,266	106,266
Payable to Meezan Bank Limited	-	412	412
Accrued expenses and other liabilities	-	1,654	1,654
	<u>-</u>	<u>117,592</u>	<u>117,592</u>

----- 2019 -----		
At amortised cost	At fair value through profit or loss	Total
----- Rupees in '000 -----		

Financial assets

Balances with banks	5,132,514	-	5,132,514
Investments	-	1,124,715	1,124,715
Receivable against conversion of units	59,236	-	59,236
Deposits and other receivables	70,373	-	70,373
	<u>5,262,123</u>	<u>1,124,715</u>	<u>6,386,838</u>

----- 2019 -----		
At fair value through profit or loss	At amortised cost	Total
----- Rupees in '000 -----		

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company	-	4,228	4,228
Payable to Central Depository Company of Pakistan Limited - Trustee	-	538	538
Payable against redemption and conversion of units	-	562,316	562,316
Payable to Meezan Bank Limited	-	68	68
Accrued expenses and other liabilities	-	1,365	1,365
	-	<u>568,515</u>	<u>568,515</u>

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Risks managed and measured by the Fund are explained below:

20.1 Market risk

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

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

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

(i) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2020, the Fund is exposed to such risk on its balances held with banks and investments in sukuk certificates. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based sukuks certificates and balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher / lower by Rs. 97.59 million (2019: Rs. 62.54 million).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2020, the Fund did not hold any fixed rate instrument that may expose the fund to fair value profit rate risk. A 100 basis points increase / decrease in rates announced by the Financial Markets Association of Pakistan for sukuk certificates with all other variables held constant, would not have impacted the net income for the year and net assets of the Fund (2019: Rs nil).

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, 2020 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

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

The Fund's profit rate sensitivity related to financial assets and financial liabilities as at June 30, 2020 can be determined as follows:

----- 2020 -----						
Effective yield / profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total	
	Up to three months	More than three months and up to one year	More than one year			
----- Rupees in 000 -----						
Financial assets						
Balances with banks	3.0% - 7.50%	2,577,198	-	-	2,844	2,580,042
Investments	8.02% - 14.25%	-	7,182,290	-	-	7,182,290
Receivable against conversion of units		-	-	-	149,747	149,747
Deposits and other receivables		-	-	-	104,676	104,676
		2,577,198	7,182,290	-	257,267	10,016,755
Financial liabilities						
Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	8,724	8,724
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	536	536
Payable against redemption and conversion of units		-	-	-	106,266	106,266
Payable to Meezan Bank Limited		-	-	-	412	412
Accrued expenses and other liabilities		-	-	-	1,654	1,654
		-	-	-	117,592	117,592
On-balance sheet gap (a)		2,577,198	7,182,290	-	139,675	9,899,163
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a+b)		2,577,198	7,182,290	-		
Cumulative interest rate sensitivity gap		2,577,198	9,759,488	9,759,488		

----- 2019 -----						
Effective interest rate (%)	Exposed to yield / Profit rate risk			Not exposed to yield / interest rate risk	Total	
	Up to three months	More than three months and up to one year	More than one year			
----- Rupees in 000 -----						
Financial assets						
Balances with banks	3.32% - 12.50%	5,129,670	-	-	2,844	5,132,514
Investments	5.24% - 11.92%	950,000	174,715	-	-	1,124,715
Receivable against conversion of units		-	-	-	59,236	59,236
Deposits, prepayments and other receivables		-	-	-	70,373	70,373
		6,079,670	174,715	-	132,453	6,386,838
Financial liabilities						
Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	4,228	4,228
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	538	538
Payable against redemption and conversion of units		-	-	-	562,316	562,316
Payable to Meezan Bank Limited		-	-	-	68	68
Accrued expenses and other liabilities		-	-	-	1,365	1,365
		-	-	-	568,515	568,515
On-balance sheet gap (a)		6,079,670	174,715	-	(436,062)	5,818,323
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a+b)		6,079,670	174,715	-		
Cumulative interest rate sensitivity gap		6,079,670	6,254,385	6,254,385		

(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 June 30, 2020.

20.2 Liquidity risk

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

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

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

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

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

----- 2020 -----						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
----- Rupees in '000 -----						
Financial assets						
Balances with banks	2,580,042	-	-	-	-	2,580,042
Investments	-	-	-	7,182,290	-	7,182,290
Receivable against conversion of units	149,747	-	-	-	-	149,747
Deposits and other receivables	104,576	-	-	-	100	104,676
	2,834,365	-	-	7,182,290	100	10,016,755
Financial liabilities						
Payable to Al Meezan Investment Management Limited - Management Company	8,724	-	-	-	-	8,724
Payable to Central Depository Company of Pakistan Limited - Trustee	536	-	-	-	-	536
Payable against redemption and conversion of units	106,266	-	-	-	-	106,266
Payable to Meezan Bank Limited	412	-	-	-	-	412
Accrued expenses and other liabilities	581	817	156	-	100	1,654
	116,519	817	156	-	100	117,592
Net assets / (liabilities)	2,717,846	(817)	(156)	-	7,182,290	9,899,163

----- 2019 -----						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
----- Rupees in '000 -----						
Financial assets						
Balances with banks	5,132,514	-	-	-	-	5,132,514
Investments	-	-	24,959	99,837	999,919	1,124,715
Receivable against conversion of units	59,236	-	-	-	-	59,236
Deposits and other receivables	70,273	-	-	-	100	70,373
	5,262,023	-	24,959	99,837	999,919	6,386,838
Financial liabilities						
Payable to Al Meezan Investment Management Limited Management Company	4,228	-	-	-	-	4,228
Payable to the Central Depository Company of Pakistan Limited - Trustee	538	-	-	-	-	538
Payable against redemption and conversion of units	562,316	-	-	-	-	562,316
Payable to Meezan Bank Limited	68	-	-	-	-	68
Accrued expenses and other liabilities	501	708	156	-	-	1,365
	567,651	708	156	-	-	568,515
Net assets / (liabilities)	4,694,372	(708)	24,803	99,837	999,919	5,818,323

20.3 Credit risk

20.3.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. Credit risk arises from deposits with banks and financial institutions, profit receivable on bank deposits, credit exposure arising as a result of investment in debt securities, profit receivable on debt securities, receivable against issuance and conversion and receivable against sale of investments.

Credit risk arising on the debt instruments other than government securities is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of at least investment grade by the recognised rating agencies. The Fund receives a monthly rating update, against which investments are reviewed. The Fund, however, also invests in unrated instruments based on internal ratings assigned by the Fund manager using an approach that is consistent with the approach used by the rating agencies. Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. For debt instrument settlement, Delivery versus Payment (DvP) mechanism applied by Trustee of the Fund minimize the credit risk. In accordance with the risk management policy of the Fund, the investment manager monitors the credit position on a daily basis which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

The table below analyses the Fund's maximum exposure to credit risk:

	2020		2019	
	Balance as per statement of assets	Maximum exposure to credit risk	Balance as per statement of assets and	Maximum exposure to credit risk
----- Rupees in '000 -----				
Balances with banks	2,580,042	2,580,042	5,132,514	5,132,514
Investments	7,182,290	132,290	1,124,715	174,715
Receivable against conversion of units	149,747	149,747	59,236	59,236
Deposits and other receivables	104,676	104,676	70,373	70,373
	10,016,755	2,966,755	6,386,838	5,436,838

The maximum exposure to credit risk before any credit enhancement as at June 30, 2020 is the carrying amount of the financial assets. Investment in government securities, however, are not exposed to credit risk and have been excluded from the above analysis as these are guaranteed by the Government of Pakistan.

20.3.2 Credit quality of financial assets

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

Rating	% of financial assets exposed to credit risk	
	2020	2019
AAA	74.97	58.60
AA+	2.30	9.48
AA	0.96	22.42
A+	0.21	9.50
A	0.00	-
AA-	21.55	-
	100.00	100.00

21 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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, 2020, the Fund held the following financial instruments measured at fair values:

		2020		
		Level 1	Level 2	Level 3
		Rupees in '000		
Financial assets 'at fair value through profit or loss'				
Sukuk certificates	-	7,182,290	-	
	-	7,182,290	-	
		2019		
		Level 1	Level 2	Level 3
		Rupees in '000		
Financial assets 'at fair value through profit or loss'				
Sukuk certificates	-	1,124,715	-	
	-	1,124,715	-	

22 UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, 2008 every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

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

In accordance with the risk management policies as stated in note 20, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

23 UNIT HOLDING PATTERN OF THE FUND

Category	2020			2019		
	Number of unit holders	Investment amount (Rupees)	Percentage of total	Number of unit holders	Investment amount (Rupees)	Percentage of total
Individuals	5,391	5,478,673	56.27	4,368	2,574,733	45.13
Associated Companies / Directors	10	2,197,650	22.57	11	2,552,336	44.74
Insurance Companies	1	1,752	0.02	2	6,657	0.12
Retirement Funds	46	599,777	6.16	37	278,165	4.88
Public Limited Companies	-	-	-	2	626	0.01
Others	58	1,458,479	14.98	80	292,632	5.13
Total	5,506	9,736,331	100.00%	4,500	5,705,149	100.00%

24 LIST OF TOP BROKERS BY PERCENTAGE OF COMMISSION PAID

2020		2019	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Next Capital Limited	4.10	Paramount Capital (Private) Limited	69.94
JS Global Limited	95.90	Vector Capital (Private) Limited	1.23
		Next Capital Limited	1.38
		JS Global Limited	2.88
		Invest One Market Limited	24.57
	<u>100.00</u>		<u>100.00</u>

- 24.1 The Fund has traded with only the above mentioned 2 brokers / dealers during the year ended June 30, 2020 (2019: 5 brokers / dealers).

25 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

Name	Designation	Qualification	Overall experience
Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	Thirty years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Twenty four years
Mr. Taha Javed	Head of Equities	CFA / MBA	Thirteen years
Mr. Ahmed Hassan	SVP Investments	CFA / MBA	Thirteen years
Mr. Ali Khan	VP Product Development	CFA / FRM / MBA	Ten years
Mr. Faizan Saleem	Head of Fixed Income	CFA level II / MBA	Thirteen years
Mr. Asif Imtiaz	AVP Investments	CFA / MBA - Finance	Twelve years
Mr. Imad Ansari	Head of Risk Management	B.S Actuarial Sciences & Risk Management / MBA - Finance	Fifteen years
Mr. Ali Asghar	VP / Head of Research	CFA / MBA (in progress)	Nine years

- 25.1** The Fund manager of the Fund is Mr. Faizan Saleem. Other Funds being managed by the Fund Manager are as follows:
- Meezan Cash Fund;
 - Meezan Islamic Income Fund; and
 - Meezan Rozana Amdani Fund

26 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

Name of Directors	Designation	Meeting held on				
		Aug 19, 2019	Oct 15, 2019	Feb 10, 2020	Apr 15, 2020	Jun 25, 2020
Mr. Ariful Islam	Chairman	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib	Chief Executive Officer	Yes	Yes	Yes	Yes	Yes
Mr. Moin M. Fudda	Director	Yes	Yes	Yes	Yes	Yes
Ms. Saima Shaukat Khan (Kamila)	Director	Yes	Yes	Yes	Yes	Yes
Mr. Furquan Kidwai	Director	Yes	Yes	Yes	Yes	Yes
Mr. Ijaz Farooq	Director	Yes	No	Yes	Yes	No
Mr. Arshad Majeed	Director	Yes	Yes	Yes	Yes	Yes
Mr. Muhammad Abdullah	Director	Yes	Yes	Yes	Yes	Yes
Mr. Naeem Abdul Sattar	Director	Yes	Yes	Yes	Yes	Yes
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes

27 CORRESPONDING FIGURES

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

28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on **August 13, 2020**.

29 GENERAL

29.1 Regulatory reliefs due to COVID - 19

The COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The Securities and Exchange Commission of Pakistan (SECP) has provided the following relaxations to the asset management companies operating in Pakistan for a specific period:

- a) The time period to regularize the exposure limits breach under Regulation 55(13) of the NBFC Regulations has been extended from four months to six months;
- b) Maximum limit for application of discretionary discount as per the Annexure-I, Chapter 3 of Circular 33 of 2012 has been enhanced;
- c) The time period for classification of a debt security to non-performing category has been extended from 15 days to 180 days as per the requirements of Annexure-II of Circular 33 of 2012;
- d) Time period to ensure compliance with minimum fund size for Open End Schemes under Regulation 54(3b) of the NBFC regulations has been increased to 180 days for Open End Schemes;
- e) Time for announcement of daily NAV as per the regulatory requirement is extended from 18:30 pm to the start of the next working day.

29.2 Operational Risk Management

The Management Company is closely monitoring the situation and has invoked required actions to ensure safety and security of the staff and an uninterrupted service to the customers. Business Continuity Plans (BCP) for respective areas are in place and tested. The Management Company has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Management Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

The Management Company has made an assessment of Covid-19 on the credit risk and liquidity risk and believes that there is no significant impact on the Fund.

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

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

Chief Executive

Chief Financial Officer

Director