



**Al Meezan**  
Investment Management Ltd.

# MASHERBRUM, K1

An appropriate route and strategy are crucial to reaching peaks of success.

Height 7,821 meters,  
belongs to the range Masherbrum Karakoram





## **MEEZAN GOLD FUND (MGF)**

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



# FUND INFORMATION

## MANAGEMENT COMPANY

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

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. Muhammad Abdullah Ahmed	Nominee Director - MBL
Mr. Moin M. Fudda	Nominee Director - MBL
Mr. Furquan R Kidwai	Independent Director
Mr. Mubashar Maqbool	Nominee Director - PKIC
Mr. Tariq Mairaj	Nominee Director - MBL
Mr. Naeem Sattar	Nominee Director - PKIC
Mr. Feroz Rizvi	Independent Director
Ms. Danish Zuberi	Independent Director
Mr. Mohammad Shoaib, CFA	Chief Executive Officer

## CHIEF FINANCIAL OFFICER

Mr. Muhammad Shahid Ojha

## COMPANY SECRETARY

Mr. Salman Muslim

## BOARD AUDIT COMMITTEE

Mr. Feroz Rizvi	Chairman
Mr. Tariq Mairaj	Member
Mr. Naeem Sattar	Member

## BOARD RISK MANAGEMENT COMMITTEE

Mr. Mubashar Maqbool	Chairman
Mr. Moin M. Fudda	Member
Mr. Furquan R. Kidwai	Member

## BOARD HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. Ariful Islam	Chairman
Mr. Moin M. Fudda	Member
Mr. Mubashar Maqbool	Member
Mr. Furquan R. Kidwai	Member
Mr. Mohammad Shoaib, CFA	Member

## BOARD IT COMMITTEE

Mr. Furquan R. Kidwai	Chairman
Mr. Mohammad Shoaib, CFA	Member
Mr. Faiz ur Rehman	Subject Matter Expert

## 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  
Faysal Bank Limited  
Sindh Bank Limited  
UBL Ameen - Islamic Banking  
Dubai Islamic Bank Limited  
Meezan Bank Limited

## LEGAL ADVISER

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

## TRANSFER AGENT

Al Meezan Investment Management Limited

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited



Pure. Profit.



## 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.

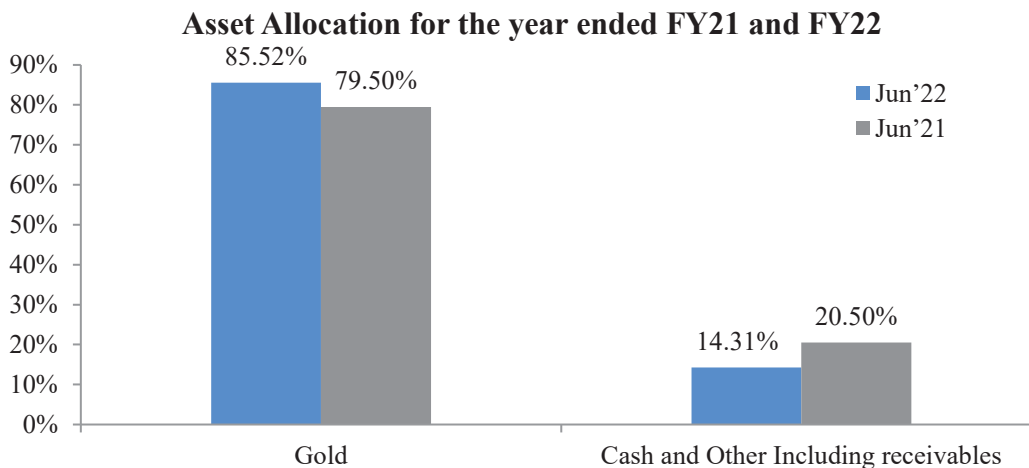
### Investment Policy and Strategy

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, 2022, the fund's gold exposure was 85.52%, while 14.31% of the Total Assets was invested in cash.



### Performance Review

Meezan Gold Fund posted a total income of Rs. 135 million during FY22 as compared to total Income Rs. 15 million last year. Total income comprised of unrealized gains on investments in gold of Rs. 122 million, while profit on saving accounts with bank of Rs. 8 million. Price Adjustment Charges contributed 5 million in the net income. After accounting for expenses of Rs. 11 million, the fund posted a net income of Rs. 124 million. The net assets of the Fund as at June 30, 2022 were Rs. 604 million as compared to Rs. 488 million at the end of last year depicting a decline of 24%.

During the fiscal year 2022, Meezan Gold Fund provided a return 24.83% to its investors due to rise in international gold prices and PKR depreciation.





Pure. Profit.



	MGF	Average Deposit Rates (Benchmark)
Net Asset Value as on June 30, 2021	83.64	
Net Asset Value as on June 30, 2022	103.91	
Change (Points)	20.27	
Return During the Period - Net	24.83%	22.71%
Outperformance - Net	2.12%	

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

There is NIL distribution by the Fund during the fiscal year ended June 30, 2022.

#### **SWWF Disclosure**

During the month of August 2021, provisioning against Sindh Workers' Welfare Fund by MGF amounting to Rs. 5.07 million has been reversed on the clarification received by Sindh Revenue Board vide letter No. SRB/TP/70/2013/8772 dated August 12, 2021 addressed to Mutual Funds Association of Pakistan. This reversal of provision has contributed towards an increase in NAV of the MGF by 1.03%. This is one-off event and is not likely to be repeated in the future.

#### **Breakdown of unit holdings by size:**

(As on June 30, 2021)

Range (Units)	No. of Investors
1 - 9,999	1,115
10,000 - 49,999	53
50,000 - 99,999	8
100,000 - 499,999	8
500,000 and above	2
<b>Total</b>	<b>1,186</b>

**PERFORMANCE TABLE**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Net assets (Rs in '000) (ex-distribution)	603,998	487,530	547,946
Net assets value per unit as at 30 June (Rs.) (ex-distribution)	103.9100	83.6357	84.1829
Offer price per unit as at 30 June (Rs.) (ex-distribution)	107.2975	86.3622	86.9273
Highest offer price per unit (Rs.)	112.6300	99.6179	86.9272
Lowest offer price per unit (Rs.)	84.5670	83.0565	69.5501
Highest redemption price per unit (Rs.)	109.0742	95.5082	84.1829
Lowest redemption price per unit (Rs.)	81.8972	79.6301	67.3543
Distribution (%)			
- Interim	0.50	N/A	N/A
Date of distribution			
- Interim	June 24, 2022	N/A	N/A
Income distribution (Rs. in '000)	2,898.00	N/A	N/A
Total return (%)	24.83	(0.65)	23.76
Average annual return as at June 30, 2021 (%)	<b>One year</b> 24.83%	<b>Two year</b> 11.36%	<b>Three year</b> 15.35%

*Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.*



**Meezan Bank**  
The Premier Islamic Bank



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

July 29, 2022/ Dhu Al-Hijjah 29, 1443

**Alhamdulillah**, the period from July 1, 2021 to June 30, 2022 was the Seventh year of operations of Meezan Gold Fund (MGF) under management of Al Meezan Investment Management Limited (Al Meezan). We, Meezan Bank Limited, are the *Shari'ah* advisors of the Fund and are issuing the report in accordance with clause 3.7.1 of the Offering Document of the Fund. The scope of the report is to express an opinion on the *Shari'ah* compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MGF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MGF by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MGF for the year ended June 30, 2022 have been in compliance with *Shari'ah* principles.

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

**Dr. Muhammad Imran Ashraf Usmani**

For and on behalf of Meezan Bank  
*Shari'ah* Advisor

**Meezan Bank Ltd.**

Head Office: Meezan House, C-25, Estate Avenue, SITE, Karachi - Pakistan.  
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**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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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, 2022 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 14, 2022





**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, 2022, 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, 2022, 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 the 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	<b>Net Asset Value</b> (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, 2022 amounted to Rs 518.611 million and balances with banks aggregated to Rs 86.766 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, 2022 was considered a high risk area and therefore we considered this as a key audit matter.	Our audit procedures amongst others included the following: <ul style="list-style-type: none"><li>Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2022 and traced it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed;</li><li>Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; and</li><li>Obtained bank reconciliation statements and tested reconciling items on a sample basis.</li></ul>

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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.

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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 **Khattab Muhammad Akhi Baig**.

A. F. Ferguson & Co.  
Chartered Accountants  
Dated: September 21, 2022  
Karachi  
UDIN: AR202210081xi3KYerkb





**MEEZAN GOLD FUND  
STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2022**

	2022	2021
	----- (Rupees in '000) -----	
<b>Assets</b>		
Balances with banks	5 86,766	99,260
Investment in gold	6 518,611	396,272
Receivable against conversion of units	-	616
Advance and other receivables	7 1,044	2,321
<b>Total assets</b>	606,421	498,469
<b>Liabilities</b>		
Payable to AI Meezan Investment Management Limited - Management Company	8 318	1,091
Payable to Central Depository Company of Pakistan Limited - Trustee	9 97	79
Payable to the Securities and Exchange Commission of Pakistan	10 112	101
Payable against conversion and redemption of units	17	18
Accrued expenses and other liabilities	11 1,879	9,650
<b>Total liabilities</b>	2,423	10,939
<b>Net assets</b>	<u>603,998</u>	<u>487,530</u>
<b>Unit holders' fund (as per statement attached)</b>	<u>603,998</u>	<u>487,530</u>
<b>Contingencies and commitments</b>	13	
<b>Number of units in issue</b>	<u>5,812,706</u>	<u>5,829,208</u>
	<b>(Rupees)</b>	
<b>Net asset value per unit</b>	<u>103.9100</u>	<u>83.6357</u>

The annexed notes from 1 to 28 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  
INCOME STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2022**

	Note	2022	2021
		------(Rupees in '000)-----	
<b>Income</b>			
Profit on balances with banks		7,906	4,287
Price adjustment charges	12	4,980	5,122
		12,886	9,409
Net unrealised appreciation on re-measurement of investments in gold	6.1.3	122,339	6,047
<b>Total income</b>		<u>135,225</u>	<u>15,456</u>
<b>Expenses</b>			
Remuneration of AI Meezan Investment Management Limited - Management Company	8.1	5,623	5,033
Sindh Sales Tax on remuneration of the Management Company	8.2	731	654
Selling and marketing expenses	8.3	2,249	2,013
Allocated expenses	8.4	619	518
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	956	856
Sindh Sales Tax on remuneration of the Trustee	9.2	124	111
Annual fee to Securities and Exchange Commission of Pakistan	10	112	101
Auditors' remuneration	14	286	286
Fees and subscription		349	355
Legal and professional charges		184	55
Custodian fee		4,528	4,149
Bank and settlement charges		15	5
(Reversal of provision) / provision for Sindh Sindh Workers' Welfare Fund	11.1	(5,067)	26
<b>Total expenses</b>		<u>10,709</u>	<u>14,162</u>
<b>Net income for the year before taxation</b>		<u>124,516</u>	<u>1,294</u>
Taxation	16	-	-
<b>Net income for the year after taxation</b>		<u><u>124,516</u></u>	<u><u>1,294</u></u>
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		124,516	1,294
Income already paid on units redeemed		(15,109)	-
		<u>109,407</u>	<u>1,294</u>
<b>Accounting income available for distribution</b>			
- Relating to capital gains		109,407	1,294
- Excluding capital gains		-	-
		<u>109,407</u>	<u>1,294</u>

The annexed notes from 1 to 28 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 COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2022**



**Meezan  
Gold Fund**

	2022	2021
	----- (Rupees in '000) -----	
<b>Net income for the year after taxation</b>	124,516	1,294
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<u>124,516</u>	<u>1,294</u>

The annexed notes from 1 to 28 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  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2022**



Note	2022	2021
	------(Rupees in '000)-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	124,516	1,294
<b>Adjustments for:</b>		
Net unrealised appreciation on re-measurement of investment in gold	6.1.3 (122,339)	(6,047)
	2,177	(4,753)
<b>Decrease / (increase) in assets</b>		
Investments - net	-	-
Advances and other receivables	1,277	7,359
	1,277	7,359
<b>(Decrease) / increase in liabilities</b>		
Payable to AI Meezan Investment Management Limited - Management Company	(773)	(340)
Payable to Central Depository Company of Pakistan Limited - Trustee	18	(22)
Payable to the Securities and Exchange Commission of Pakistan	11	2
Accrued expenses and other liabilities	(7,771)	1,805
	(8,515)	1,445
<b>Net cash (used in) / generated from operating activities</b>	(5,061)	4,051
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts against conversion of units	249,035	231,728
Payment against redemption and conversion of units	(253,569)	(293,950)
Dividend paid	(2,899)	-
<b>Net cash used in financing activities</b>	(7,433)	(62,222)
<b>Net decrease in cash and cash equivalents during the year</b>	(12,494)	(58,171)
Cash and cash equivalents at the beginning of the year	99,260	157,431
<b>Cash and cash equivalents at the end of the year</b>	5 86,766	99,260

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

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director

## **1 LEGAL STATUS AND NATURE OF BUSINESS**

**1.1** Meezan Gold Fund is an open ended mutual fund constituted under a Trust Deed executed under the Trust Act, 1882 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 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.

During the year ended June 30, 2021, the Trust Act, 1882 was repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act). Consequently, the Fund is now required to be registered under the Sindh Trust Act. Accordingly, on September 3, 2021 the above-mentioned Trust Deed has been registered under the Sindh Trust Act.

**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 are in accordance with the Shariah as advised by the Shariah Advisor. The investments in Gold contracts listed at the Commodity Exchange are subject to the PMEX Regulations. 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 more fully 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 27, 2021 (2021: AM1 dated December 31, 2020) and by PACRA dated June 23, 2022 (2021: AM1 dated June 23, 2021). 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 VIII A of repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, (the NBFC Regulations) and the requirements of the Trust Deed.



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

### **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, 2021. 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**

There are certain standards, amendments and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2022 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 (note 4.3).

### **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 presented.**

#### **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 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.

#### 4.3.2 Classification and subsequent measurement

IFRS 9 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.

#### 4.3.3 Impairment

The fund assesses on a forward looking basis the expected credit loss (ECL) associated with its financial assets 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.

#### 4.4 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 management company / distributors during business hours on that day. 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 management company / 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 an accrual basis.

#### **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 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 unit holders. 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.

#### 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.

<b>5</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
------(Rupees in '000)-----			
<b>BALANCES WITH BANKS</b>			
Balances with banks in:			
Savings accounts	5.1	86,766	99,166
Current account		-	94
		<u>86,766</u>	<u>99,260</u>

- 5.1 This includes balance amounting to Rs. 0.491 million (2021: Rs. 94.187 million) maintained with Meezan Bank Limited (a related party) that has last declared profit rate of 6.01% (2021: 2.5%) per annum. Other balance in saving account have expected profit rates ranging from 3.00% to 15.50% per annum (2021: 1.50% to 7.00% per annum).

<b>6</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
------(Rupees in '000)-----			
<b>INVESTMENT IN GOLD</b>			
Investment in gold	6.1	<u>518,611</u>	<u>396,272</u>

#### 6.1 Investment in gold

Commodity	As at July 01, 2021	Purchased during the year	Sold during the year	As at June 30, 2022	Carrying value as at June 30, 2022	Market value as at June 30, 2022	Unrealised appreciation as at June 30, 2022	Percentage in relation to net assets of the fund on the basis of market value of investments
-----Tola-----					------(Rupees in '000)-----			%
TOLAGOLD	3,675	-	-	3,675	394,662	516,503	121,841	85.51
MITOLA	15,000	-	-	15,000	1,610	2,108	498	0.35
<b>Total as at June 30, 2022</b>					<u>396,272</u>	<u>518,611</u>	<u>122,339</u>	
<b>Total as at June 30, 2021</b>					<u>390,225</u>	<u>396,272</u>	<u>6,047</u>	

- 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. 518.611 million (2021: Rs. 396.272 million) has been measured at fair value based on the quoted market price prevailing in the active markets.

<b>6.1.3</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
------(Rupees in '000)-----			
<b>Net unrealised appreciation on re-measurement of investments in gold</b>			
Market value of investments	6.1	518,611	396,272
Carrying value of investments	6.1	<u>396,272</u>	<u>390,225</u>
		<u>122,339</u>	<u>6,047</u>



7	<b>ADVANCE AND OTHER RECEIVABLES</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
			------(Rupees in '000)-----	
	Profit receivable on balances with banks		1,044	206
	Advance against investment		-	2,115
			<u>1,044</u>	<u>2,321</u>
<b>8</b>	<b>PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>			
	Management fee payable	8.1	101	409
	Sindh Sales Tax on remuneration of the Management Company	8.2	13	53
	Selling and marketing expenses payable	8.3	200	486
	Allocated expenses payable	8.4	4	45
	Sales load payable		-	87
	Sindh Sales Tax on sales load payable		-	11
			<u>318</u>	<u>1,091</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% (2021: 1%) per annum of the average net assets of the Fund during the year ended June 30, 2022. The remuneration is payable to the Management Company monthly in arrears.

**8.2** During the year, an amount of Rs. 0.731 million (2021: Rs 0.654 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. 0.771 million (2021: Rs. 0.670 million) has been paid to the Management Company which acts as a collecting agent.

**8.3** 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) upto a maximum limit approved by the Board of Directors of the Management Company as part of annual plan.

Accordingly, the Management Company has charged selling and marketing expenses based on its discretion while keeping in view the overall return and the total expense ratio limit of the Fund as defined under the NBFC Regulations, 2008 at the rate of 0.4% (2021: 0.4%) per annum of average annual net assets of the Fund subject to the total expense charged being lower than actual expense incurred.

**8.4** 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).

The Management Company, based on its own discretion, has charged such expenses at the following rates during the year ended June 30, 2022, subject to total expense charged being lower than actual expense incurred:

Rate applicable from July 1, 2021 to June 30, 2022	Rate applicable from July 1, 2020 to March 9, 2021	Rate applicable from March 10, 2021 to June 30, 2021
0.11% of the average annual net assets of the Fund	0.10% of the average annual net assets of the Fund	0.11% of the average annual net assets of the Fund

9	<b>PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
			------(Rupees in '000)-----	
	Trustee fee payable	9.1	86	70
	Sindh Sales Tax payable on trustee fee	9.2	11	9
			<u>97</u>	<u>79</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.

- 9.2** During the year, an amount of Rs 0.124 million (2021: Rs. 0.111 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. 0.122 million (2021: Rs. 0.114 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 at the rate of 0.02% (2021: 0.02%) per annum of average annual net assets of the Fund.

<b>11 ACCRUED EXPENSES AND OTHER LIABILITIES</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
		------(Rupees in '000)-----	
Auditors' remuneration payable		175	175
Custodian fee payable		366	3,316
Shariah advisor fee payable		159	161
Withholding tax payable		371	31
Capital gain tax payable		93	189
Zakat Payable		4	-
Provision for Sindh Workers' Welfare Fund	11.1	-	5,067
Provision for Federal Excise Duty and related Sindh sales tax on management fee	11.2	414	414
Provision for Federal Excise Duty and related Sindh sales tax on sales load	11.2	297	297
		<u>1,879</u>	<u>9,650</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 with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

During the current year, SRB through its letter dated August 12, 2021 intimated MUFAP that the mutual funds do not qualify as Financial Institutions / Industrial Establishments and are therefore, not liable to pay the SWWF contributions. This development was discussed at MUFAP level and was also taken up with the SECP and all the Asset Management Companies, in consultation with the SECP, have reversed the cumulative provision for SWWF recognised in the financial statements of the Funds, for the period from May 21, 2015 to August 12, 2021, on August 13, 2021. The SECP also gave its concurrence for prospective reversal of provision for SWWF. Going forward, no provision for SWWF has been recognised in these financial statements of the Fund.

- 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 0.12 (2021: Re 0.12) 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, 2022 and June 30, 2021.

## 14 AUDITORS' REMUNERATION

	2022	2021
	------(Rupees in '000)-----	
Annual audit fee	146	146
Half yearly review of condensed interim financial information	81	81
Fee for other certifications	43	43
Out of pocket expenses	16	16
	<u>286</u>	<u>286</u>

## 15 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2022 is 2.81% (2021: 2.81%) which includes 0.17% (2021: 0.18%) representing government levies on the Fund such as sales taxes, annual fee to the SECP etc. This ratio is within the maximum limit of 3% prescribed under the NBFC Regulations for a collective investment scheme categorised as Commodity Scheme.

## 16 TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 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 unit holders. Since the management has distributed the required minimum percentage of income earned by the Fund for the year ended June 30, 2022 to the unitholders 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.

## 17 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 17.1 Connected persons include Al Meezan Investment Management Limited being the Management Company, the Central Depository Company of Pakistan (CDC) being the Trustee, 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.

- 17.2** Transactions with connected persons 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 also in the normal course of business, at contracted rates and at terms determined in accordance with market rates. The management considers that the transactions between the related parties / connected persons are executed in accordance with the parameters defined in the Offering document, trust deed and NBFC regulations which are publicly available documents and hence, the transactions are considered to be on an arm's length basis.
- 17.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, and the Trust Deed.
- 17.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 17.5** The details of transactions carried out by the Fund with connected persons during the year and balances with them as at year end are as follows:

<b>Balances</b>	<b>2022</b>	<b>2021</b>
	------(Rupees in '000)-----	
<b>Al Meezan Investment Management Limited - Management Company</b>		
Management fee payable	101	409
Sindh Sales Tax on remuneration of the Management Company	13	53
Allocated expenses payable	4	45
Selling and marketing expenses payable	200	486
Sales load payable	-	87
Sindh sales tax on sales load payable	-	11
<b>Meezan Bank Limited</b>		
Bank balance	491	94,281
Profit on balances with bank	141	171
Investment of 1,084,115 units (June 30, 2021: 1,084,712 units)	112,650	90,721
Shariah advisor fee payable	159	161
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	86	70
Sindh Sales Tax payable on trustee fee	11	9
<b>Directors, their close family members and key management personnel of the Management Company</b>		
Investment of 468,253 units (June 30, 2021: 533,642 units)	48,656	44,632
<b>Transactions during the year</b>		
	<b>2022</b>	<b>2021</b>
<b>Al Meezan Investment Management Limited - Management Company</b>		
Remuneration of Al Meezan Investment Management Limited - Management Company	5,623	5,033
Sindh Sales Tax on remuneration of the Management Company	731	654
Allocated expenses	619	518
Selling and marketing expenses	2,249	2,013
<b>Meezan Bank Limited</b>		
Profit on balances with bank	1,677	999
Shariah advisor fee	321	327
Units redeemed: 597 units (2021: nil units)	50	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of Central Depository Company of Pakistan Limited - Trustee	956	856
Sindh Sales Tax on remuneration of the Trustee	124	111
<b>Directors, their close family members and key management personnel of the Management Company</b>		
Issue of 20,680 units (2021: 319,545 units)	1,881	27,801
Redemption of 86,856 units (2021: 117,366 units)	7,758	9,798



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

**18 FINANCIAL INSTRUMENTS BY CATEGORY**

<b>2022</b>		
At amortised cost	At fair value through profit or loss	Total
------(Rupees in '000)-----		
86,766	-	86,766
1,044	-	1,044
<u>87,810</u>	<u>-</u>	<u>87,810</u>

**Financial assets**

Balances with banks  
 Advance and other receivables

**Financial liabilities**

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

<b>2022</b>		
At fair value through profit or loss	At amortised cost	Total
------(Rupees in '000)-----		
-	318	318
-	97	97
-	17	17
-	700	700
<u>-</u>	<u>1,132</u>	<u>1,132</u>

**Financial assets**

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

<b>2021</b>		
At amortised cost	At fair value through profit or loss	Total
------(Rupees in '000)-----		
99,260	-	99,260
616	-	616
2,321	-	2,321
<u>102,197</u>	<u>-</u>	<u>102,197</u>

**Financial liabilities**

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

<b>2021</b>		
At fair value through profit or loss	At amortised cost	Total
------(Rupees in '000)-----		
-	1,091	1,091
-	79	79
-	18	18
-	3,652	3,652
<u>-</u>	<u>4,840</u>	<u>4,840</u>

**19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

Risks managed and measured by the Fund are explained below:

## 19.1 Market risk

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

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

### (i) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. As of June 30, 2022, the Fund is exposed to such risk on its balances held with banks. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

#### a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds balances with banks which expose the Fund to variable rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher / lower by Rs. 0.868 million (2021: Rs. 0.992 million).

#### b) Sensitivity analysis for fixed rate instruments

As at June 30, 2022, the Fund did not hold any fixed rate instrument that may expose the fund to fixed rate risk.

The composition of the Fund's investment portfolio and profit rates are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2022 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, 2022 can be determined as follows:

Effective profit rate (%)	2022				Total
	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	
	Up to three months	More than three months and up to one year	More than one year		
(Rupees in '000)					
<b>Financial assets</b>					
Balances with banks	86,766	-	-	-	86,766
Advance and other receivables	-	-	-	1,044	1,044
	86,766	-	-	1,044	87,810
<b>Financial liabilities</b>					
Payable to Al Meezan Investment Management Limited - Management Company	-	-	-	318	318
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	-	-	97	97
Payable against conversion and redemption of units	-	-	-	17	17
Accrued expenses and other liabilities	-	-	-	700	700
	-	-	-	1,132	1,132
<b>On-balance sheet gap (a)</b>	86,766	-	-	(88)	86,678
<b>Off-balance sheet financial instruments</b>	-	-	-	-	-
<b>Off-balance sheet gap (b)</b>	-	-	-	-	-
<b>Total profit rate sensitivity gap (a+b)</b>	86,766	-	-		
<b>Cumulative profit rate sensitivity gap</b>	86,766	86,766	86,766		

----- 2021 -----					
Effective 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) -----					
<b>Financial assets</b>					
Balances with banks	1.50% - 7.00%	99,166	-	94	99,260
Receivable against conversion of units		-	-	616	616
Advance and other receivables		-	-	2,321	2,321
		99,166	-	3,031	102,197
<b>Financial liabilities</b>					
Payable to Al Meezan Investment Management Limited - Management Company		-	-	1,091	1,091
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	79	79
Payable against conversion and redemption of units		-	-	18	18
Accrued expenses and other liabilities		-	-	3,652	3,652
		-	-	4,840	4,840
<b>On-balance sheet gap (a)</b>		99,166	-	(1,809)	97,357
<b>Off-balance sheet financial instruments</b>		-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-
<b>Total profit rate sensitivity gap (a+b)</b>		99,166	-	-	-
<b>Cumulative profit rate sensitivity gap</b>		99,166	99,166	99,166	-

## (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 price risk is managed on a daily basis by the investment committee in accordance with the policies and procedures laid down by the SECP.

## 19.2 Liquidity risk

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

The Fund is exposed to daily 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:

2022						
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)						
<b>Financial assets</b>						
Balances with banks	86,766	-	-	-	-	86,766
Advance and other receivables	1,044	-	-	-	-	1,044
	87,810	-	-	-	-	87,810
<b>Financial liabilities</b>						
Payable to Al Meezan Investment Management Limited - Management Company	318	-	-	-	-	318
Payable to the Central Depository Company of Pakistan Limited - Trustee	97	-	-	-	-	97
Payable against conversion and redemption of units	17	-	-	-	-	17
Accrued expenses and other liabilities	-	700	-	-	-	700
	432	700	-	-	-	1,132
<b>Net assets / (liabilities)</b>	<b>87,378</b>	<b>(700)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>86,678</b>

2021						
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)						
<b>Financial assets</b>						
Balances with banks	99,260	-	-	-	-	99,260
Receivable against conversion of units	616	-	-	-	-	616
Advance and other receivables	2,321	-	-	-	-	2,321
	102,197	-	-	-	-	102,197
<b>Financial liabilities</b>						
Payable to Al Meezan Investment Management Limited - Management Company	1,091	-	-	-	-	1,091
Payable to the Central Depository Company of Pakistan Limited - Trustee	79	-	-	-	-	79
Payable against conversion and redemption of units	18	-	-	-	-	18
Accrued expenses and other liabilities	-	3,652	-	-	-	3,652
	1,188	3,652	-	-	-	4,840
<b>Net assets / (liabilities)</b>	<b>101,009</b>	<b>(3,652)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>97,357</b>

### 19.3 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 Fund's significant credit risk arises from balances with banks and profit accrued thereon. The table below analyses the Fund's maximum exposure to credit risk:



	-----2022-----		-----2021-----	
	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	86,766	86,766	99,260	99,260
Receivable against conversion of units	-	-	616	616
Advance and other receivable	1,044	1,044	2,321	2,321
	<u>87,810</u>	<u>87,810</u>	<u>102,197</u>	<u>102,197</u>

### 19.3.1 Credit quality of financial assets

The Fund's significant credit risk arises mainly on account of its placements in banks and profit accrued thereon. The credit rating profile of balances with banks is as follows:

Rating	% of financial assets exposed to credit risk	
	2022	2021
AAA	99.04%	99.23%
AA	0.96%	0.77%
	<u>100.00%</u>	<u>100.00%</u>

### 19.3.2 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 and are within regulatory limits, therefore mitigating any significant concentration of credit risk.

## 20 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. Moreover, the Fund did not held any financial assets which are carried at fair value as at June 30, 2022.

## 21 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

In accordance with the risk management policies as stated in note 19, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

## 22 COMMODITY RISK MANAGEMENT

### 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, 2022, with all other variables held constant, the total income of the Fund for the year would increase / decrease by Rs 5.186 million (2021: Rs 3.962 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.

## 23 UNIT HOLDING PATTERN OF THE FUND

Category	----- 2022 -----			----- 2021 -----		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total
Individuals	1,179	421,142	69.73	1,062	341,982	70.15
Bank / DFIs	1	112,651	18.65	1	90,721	18.61
Private limited companies	5	60,214	9.97	5	48,271	9.90
Others	1	9,991	1.65	1	6,556	1.34
	<u>1,186</u>	<u>603,998</u>	<u>100.00%</u>	<u>1,069</u>	<u>487,530</u>	<u>100.00%</u>

## 24 LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

----- 2022 -----		----- 2021 -----	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Not Applicable (No transactions during the year)		Not Applicable (No transactions during the year)	

## 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 Two years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Twenty Six years
Mr. Taha Javed	Head of Equities	CFA / MBA	Fifteen years
Mr. Faizan Saleem	Head of Fixed Income	CFA level II / MBA	Fifteen years
Mr. Ali Asghar	Head of Research	CFA / MBA	Eleven years
Mr. Ali Khan	Head of Product Development	CFA / FRM / MBA	Twelve years
Mr. Akhtar Munir	Head of Risk Management	CFA Level II / MBA, ACCA, FRM, FCMA	Thirteen years
Mr. Ahmed Hassan	SVP Investments	CFA / MBA	Fifteen years
Mr. Asif Imtiaz	VP Investments	CFA / MBA - Finance	Fourteen years
Mr. Zohaib Saeed	AVP Fixed Income	CFA/ACCA	Eight years

The Fund Manager of the Fund is Mr. Ali Khan. Other Fund being managed by the Fund Manager is Meezan Pakistan Exchange Traded 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					
		August 09, 2021	September 14, 2021	October 11, 2021	February 14, 2022	April 18, 2022	June 09, 2022
Mr. Ariful Islam	Chairman	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Muhammad Abdullah	Director	Yes	No	Yes	Yes	Yes	Yes
Mr. Moin M. Fudda	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Furquan Kidwai	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mubashar Maqbool	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Tariq Mairaj	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Naeem	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Feroz Rizvi	Director	Yes	Yes	Yes	Yes	Yes	Yes
Ms. Danish Zuberi	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib, CFA	Chief Executive Officer	Yes	Yes	No	No	Yes	Yes

**27 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 16, 2022.

**28 GENERAL**

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

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

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director