



**Meezan**  
Balanced Fund

**COMPLETE SUITE OF  
DIGITAL  
SERVICES**

### **MEEZAN BALANCED FUND (MBF)**

Meezan Balanced Fund is Pakistan's first Shariah compliant balanced scheme. It seeks to generate long term capital appreciation as well as current income by creating a balanced portfolio that is invested in both high quality Shariah compliant equity securities and income instruments such as TFC's, COI's, Certificates of Musharika, Islamic Sukuks, Ready-future hedges and other Shariah compliant instruments.



# FUND INFORMATION

## MANAGEMENT COMPANY

Al Meezan Investment Management Limited  
Ground Floor, Block "B", Finance & Trade Centre,  
Shahrah-e-Faisal Karachi 74400, Pakistan.  
Phone (9221) 35630722-6, 111-MEEZAN  
Fax: (9221) 35676143, 35630808  
Website: [www.almeezangroup.com](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. 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
Askari Bank Limited - Islamic Banking	Meezan Bank Limited
Bank Al Habib Limited - Islamic Banking	National Bank of Pakistan - Islamic Banking
Bank Alfalah Limited	Samba Bank Limited
Bank Islami Pakistan Limited	Sindh Bank Limited
Dubai Islamic Bank Pakistan Limited	UBL Ameen - Islamic Banking
Faysal 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](http://www.meezanbank.com)

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited

## REPORT OF THE FUND MANAGER Meezan Balanced Fund

### Type of Fund

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

### Objective

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

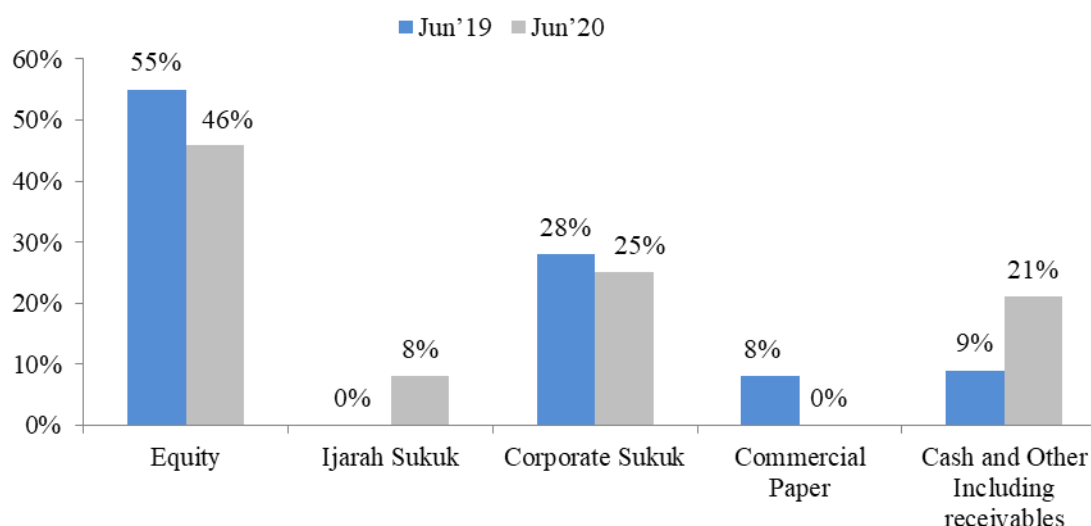
The fund invests only in Shariah Compliant instruments with the objective of maximizing total return to its unit holders and maintaining risks within acceptable levels. The fund also has a focus of long term preservation of capital and aims to maximize total returns by varying fund's allocations to fixed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

### Strategy and Investment Policy

Being a balanced fund, performance of MBF is linked proportionately to the performance of stock market and Islamic fixed income instruments. The fund manager, Al Meezan Investments, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. The fund primarily aims at controlling risk by balancing growth and income earning objectives of certificate holders. To achieve this purpose, the fund manager strives to reduce equity exposure in times when the market is trading above valuations and increase exposure to high quality liquid Islamic fixed income instruments. As per revised policy, the fund can invest up to 50% in listed equities.

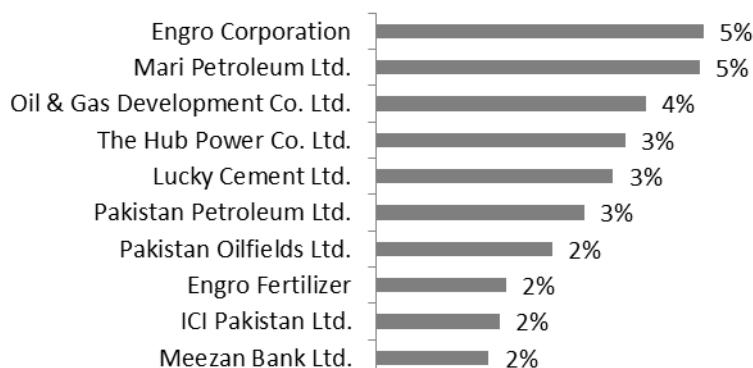
During the year, the focus was on proactive and continuous re-allocation between high yield instruments so as to optimize fund return while simultaneously minimizing risk. To keep interest rate risk at a minimum, the fund manager over the period kept the duration of the fixed income portfolio below six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

### Sector Allocation as on June 30<sup>th</sup> 2019 and 2020



The fund maintained significant exposure to the Oil and Gas Exploration sector which was gradually reduced in 2<sup>nd</sup> half of FY20 due to negative outlook on oil prices. Exposure to cement sector was gradually increased due to government's support on construction sector. The average equity exposure in the fund during the year was 53.39% while the remaining was deployed in quality fixed income instruments.

## Top Holdings

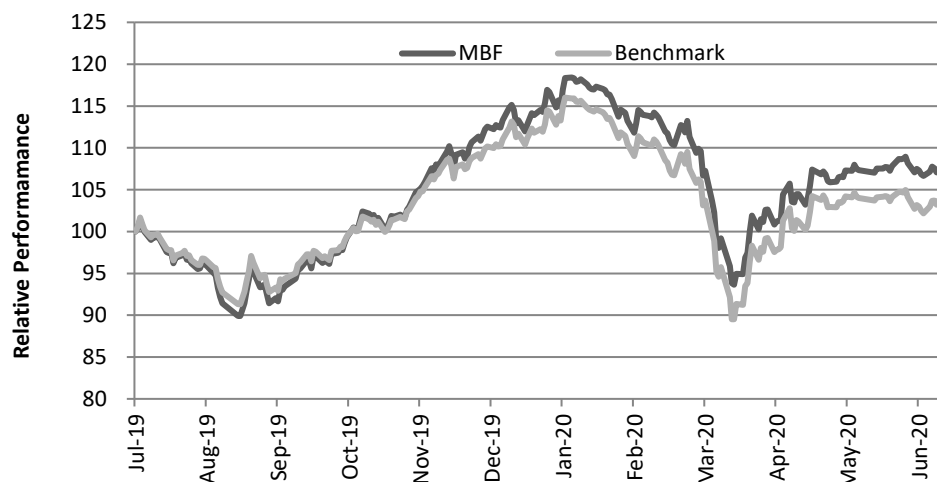


## Performance Review

During FY20, Meezan Balanced Fund (MBF) provided a positive return of 8.14% to its investors compared to benchmark return of 5.80%.

	30-Jun-20	30-Jun-19	Change
<b>NAV</b>			
Meezan Balanced Fund	13.71	13.46	8.14%
<b>Benchmark Returns (Inputs)</b>			
KMI 30	54,995	54,119	1.62%
Average Yield on Islamic Bank Deposits (annualised)			6.33%
<b>Performance</b>			
KMI 30 Return	1.62%	50.00%	0.81%
Islamic Bank Deposit Return	6.33%	50.00%	3.17%
<b>Benchmark Return</b>			5.80%
<b>Outperformance</b>			2.34%

MBF posted a total income of Rs. 519 million in the fiscal year 2020 as compared to a total loss of Rs. 681 million last year. Total income comprised of realized and unrealized gain on investments of Rs. 84 million and Rs. 51 million respectively. Dividend income contributed Rs. 120 million to income, while profit on saving accounts with banks amounted to Rs. 81 million. Profit on Sukuks certificates was Rs. 183 million. After accounting for expenses of Rs. 147 million, the Fund posted a net income of Rs. 372 million. The net assets of the Fund as at June 30, 2020 were Rs. 3,916 million as compared to Rs. 5,350 million at the end of last year depicting a decrease of 27%. The net asset value per unit as at June 30, 2020 was Rs. 13.71 as compared to Rs. 13.46 per unit as on June 30, 2019.



### Charity Statement

The Fund purifies the income earned by setting aside an amount payable by the Management Company out of the income of the Trust to charitable/welfare organizations, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2020 an amount of Rs. 4.679 million was accrued as charity payable.

### Distributions

The interim distribution in the form of cash dividend by the Fund during the fiscal year ending June 30, 2020 was Rs. 0.84 per unit (8.4%). Total distribution made by the fund was Rs. 231 million.

### Breakdown of unit holdings by size

(As on June 30, 2020)

Range (Units)	No. of investors
1-9,999	3106
10,000-49,999	826
50,000-99,999	291
100,000-499,999	274
500,000 and above	73
<b>Total</b>	<b>4,570</b>

### Summary of Actual Proxy Voted By the Fund

	Resolutions	For	Against	Abstain
<b>Number</b>	3	3	0	0
<b>Percentage</b>		100%	0%	0%

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

PERFORMANCE TABLE	2020	2019	2018	2017	2016
Net assets (ex-distribution) (Rupees in '000)	<b>3,915,562</b>	5,350,090	7,843,005	9,516,105	4,707,687
Net assets value per unit / certificate as at June 30 (ex-distribution) (Rupees)	<b>13.7136</b>	13.4608	15.4366	16.95	15.84
Distribution					
- Final	<b>N/A</b>	N/A	N/A	N/A	N/A
- Interim	<b>0.084</b>	N/A	0	0.125	0.06
Dates of distribution	<b>June 30, 2020</b>	N/A	N/A	June 23, 2017	June 24, 2016
Distribution - income distribution (Rupees in '000')	<b>231,189</b>	N/A	N/A	643,935	171,188
Distribution - growth distribution (Rupees in '000')	<b>N/A</b>	N/A	N/A	N/A	N/A
Highest NAV per unit (Rupees)	<b>15.9606</b>	15.7456	17.0948	19.59	16.57
Lowest NAV per unit (Rupees)	<b>12.1183</b>	13.0783	14.6771	15.92	14.25
Total return (%)	<b>8.14</b>	-12.81	-9	15	12
Earnings per unit (Rupees)	<b>0</b>	0	0	0	0
Average annual return as at June 30, 2019 (%)	<b>One year</b> <b>8.14</b>	Two years (2.90)	Three years (4.98)	Four years (0.33)	Five Years 2.02



**Meezan Bank**  
The Premier Islamic Bank

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

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

**Alhamdulillah**, the period from July 01, 2019 to June 30, 2020 was the Sixteenth year of operations of Meezan Balanced Fund (MBF) 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 8.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shari'ah* compliance of the Fund's activity

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

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

- i. We have reviewed and approved the modes of investments of MBF in light of *Shari'ah* requirements. Following is the list of top equity holdings of MBF as on June 30, 2020 and their evaluation according to the screening criteria established by us. (December 31, 2019 accounts of the Investee companies have been used for the following calculations\*):

Company Name	(i) Nature of Business	(ii)** Debt to Assets (<37%)	(iii) Non-Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Engro Corporation Ltd.	Fertilizer	28.34%	22.25%	4.72%	58.58%	(220.55)	
Mari Petroleum Ltd.	Oil & Gas Exploration Companies	7.83%	17.76%	3.13%	30.37%	(664.23)	
Oil & Gas Development Co. Ltd..	Oil & Gas Exploration Companies	0.00%	7.95%	7.74%****	33.64%	90.21	142.32



The Hub Power Company Ltd.**	Power Generation & Distribution Company	32.34%	0.00%	7.32%	53.77%	(43.08)	
Lucky Cement Ltd.	Cement	25.55%	0.71%	2.59%	85.13%	(279.47)	

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

\*\* All interest based debts.

\*\*\* Debt is considered excluding circular debt.

\*\*\*\* OGDC is facing circular debt issues. Company is bound to retain interest bearing TFC/Bonds having no permission to sell from government. Due to high interest rate during July-Dec 2019, non-compliant income is high and exceeds 5%. Company had provided written confirmation that its non-compliant income ratio will be less than 5% due to lower interest rates during July-Dec 2020.

- ii. On the basis of information provided by the management, all operations of MBF for the year ended June 30, 2020 have been in compliance with the *Shari'ah* principles.

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

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

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



**Head Office**

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Email: [info@cdcpak.com](mailto:info@cdcpak.com)



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**MEEZAN BALANCED FUND**

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

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

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Meezan Balanced Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 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	<b>Net Asset Value</b> (Refer notes 5 and 6 to the financial statements)	
	<p>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 3,266.840 million and balances with banks aggregated to Rs 785.606 million.</p> <p>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.</p>	<p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none"> <li>▪ Tested the design and operating effectiveness of the key controls for valuation of investments;</li> <li>▪ 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;</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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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>



### **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 **Salman Hussain**.

  
Chartered Accountants

Karachi

Date: September 22, 2020



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

		2020	2019
	Note	(Rupees in '000)	
<b>Assets</b>			
Balances with banks	5	785,606	357,560
Investments	6	3,266,840	4,945,739
Receivable against conversion of units		4,245	673
Dividend receivable		605	14,704
Receivable against sale of investments		4,364	75,910
Advances, deposits and other receivables	7	40,593	73,510
<b>Total assets</b>		4,102,253	5,468,096
<b>Liabilities</b>			
Payable to AI Meezan Investment Management Limited - Management Company	8	5,473	16,770
Payable to Central Depository Company of Pakistan Limited - Trustee	9	458	615
Payable to the Securities and Exchange Commission of Pakistan	10	905	5,831
Payable to Meezan Bank Limited		76	1
Payable against purchase of investments		4,740	-
Payable against redemption and conversion of units		4,614	2,247
Dividend payable		52,994	7,490
Accrued expenses and other liabilities	11	117,432	85,052
<b>Total liabilities</b>		186,692	118,006
<b>NET ASSETS</b>		<u>3,915,561</u>	<u>5,350,090</u>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<u>3,915,561</u>	<u>5,350,090</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		
<b>NUMBER OF UNITS IN ISSUE</b>		<u>285,524,181</u>	<u>397,457,351</u>
<b>NET ASSET VALUE PER UNIT</b>		<u>13.7136</u>	<u>13.4608</u>
		(Rupees)	

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

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

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

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

\_\_\_\_\_  
Director

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

	Note	2020	2019
		(Rupees in '000)	
<b>Income</b>			
Profit on balances with banks		80,729	81,186
Dividend income		120,389	193,158
Profit on sukuk certificates		167,328	161,932
Profit on commercial papers		15,992	40,187
Net realised gain / (loss) on sale of investments		83,991	(283,848)
Other income		75	1,037
		468,504	193,652
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.5	50,613	(874,627)
<b>Total income / (loss)</b>		<b>519,117</b>	<b>(680,975)</b>
<b>Expenses</b>			
Remuneration of AI Meezan Investment Management Limited - Management Company	8.1	89,498	137,204
Sindh Sales Tax on remuneration of the Management Company	8.2	11,635	17,837
Allocated expenses	8.3	4,475	6,860
Selling and marketing expenses	8.4	17,900	21,814
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	5,475	7,860
Sindh Sales Tax on remuneration of the Trustee	9.2	712	1,022
Annual fees to the Securities and Exchange Commission of Pakistan	10	905	5,831
Brokerage expense		3,799	2,680
Auditors' remuneration	13	550	540
Fees and subscription		313	866
Charity expense	11.1	3,376	3,404
Printing expense		-	53
Bank and settlement charges		709	852
Provision for Sindh Workers' Welfare Fund	11.2	7,595	-
<b>Total expenses</b>		<b>146,942</b>	<b>206,823</b>
<b>Net income / (loss) for the year before taxation</b>		<b>372,175</b>	<b>(887,798)</b>
Taxation	15	-	-
<b>Net income / (loss) for the year after taxation</b>		<b>372,175</b>	<b>(887,798)</b>
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		372,175	-
Income already paid on units redeemed		(9,770)	-
		<b>362,405</b>	<b>-</b>
<b>Accounting income available for distribution</b>			
- Relating to capital gains		134,604	-
- Excluding capital gains		227,801	-
		<b>362,405</b>	<b>-</b>

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

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

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

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

\_\_\_\_\_  
Director



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

<b>Note</b>	<b>2020</b>	<b>2019</b>
	<b>----- Rupees in '000'-----</b>	
<b>Net income / (loss) for the year after taxation</b>	372,175	(887,798)
Other comprehensive income for the year	-	-
<b>Total comprehensive income / (loss) for the year</b>	<u>372,175</u>	<u>(887,798)</u>

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

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

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

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

\_\_\_\_\_  
Director

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

	2020				2019			
	Capital Value	(Accumulated losses) / undistributed income	Unrealised appreciation/ (diminution) 'available for sale' investments	Total	Capital Value	Undistributed income / (accumulated losses)	Unrealised appreciation/ (diminution) 'available for sale' investments	Total
	(Rupees in '000)				(Rupees in '000)			
<b>Net assets at the beginning of the year as previously reported (Audited)</b>	5,405,175	(55,085)	-	5,350,090	7,010,292	770,770	61,943	7,843,005
Impact of change in accounting policy	-	-	-	-	-	61,943	(61,943)	-
<b>Net assets at the beginning of the year</b>	<u>5,405,175</u>	<u>(55,085)</u>	<u>-</u>	<u>5,350,090</u>	<u>7,010,292</u>	<u>832,713</u>	<u>-</u>	<u>7,843,005</u>
Issue of 44,838,618 units (2019: 61,198,644 units)								
- Capital value (at net asset value per unit at the beginning of the year)	603,564	-	-	603,564	944,699	-	-	944,699
- Element of income / (loss)	38,680	-	-	38,680	(35,807)	-	-	(35,807)
Total proceeds on issuance of units	<u>642,244</u>	<u>-</u>	<u>-</u>	<u>642,244</u>	<u>908,892</u>	<u>-</u>	<u>-</u>	<u>908,892</u>
Redemption of 156,771,788 units (2019: 171,821,361 units)								
- Capital value (at net asset value per unit at the beginning of the year)	2,110,274	-	-	2,110,274	2,652,338	-	-	2,652,338
- Element of loss / (income)	97,715	9,770	-	107,485	(138,329)	-	-	(138,329)
Total payments on redemption of units	<u>2,207,989</u>	<u>9,770</u>	<u>-</u>	<u>2,217,759</u>	<u>2,514,009</u>	<u>-</u>	<u>-</u>	<u>2,514,009</u>
Total comprehensive income / (loss) for the year	-	372,175	-	372,175	-	(887,798)	-	(887,798)
Distribution during the year	-	(231,189)	-	(231,189)	-	-	-	-
Net income / (loss) for the year less distribution	-	140,986	-	140,986	-	(887,798)	-	(887,798)
<b>Net assets at the end of the year</b>	<u><b>3,839,430</b></u>	<u><b>76,131</b></u>	<u><b>-</b></u>	<u><b>3,915,561</b></u>	<u><b>5,405,175</b></u>	<u><b>(55,085)</b></u>	<u><b>-</b></u>	<u><b>5,350,090</b></u>
<b>(Accumulated losses) / undistributed income as previously reported (Audited)</b>								
- Realised income		819,542				1,498,522		
- Unrealised loss		(874,627)				(727,752)		
		<u>(55,085)</u>				<u>770,770</u>		
Impact of change in accounting policy		-				61,943		
<b>(Accumulated losses) / undistributed income brought forward</b>		<u>(55,085)</u>				<u>832,713</u>		
Accounting income available for distribution								
- Relating to capital gains		134,604				-		
- Excluding capital gains		<u>227,801</u>				-		
		362,405				-		
Net income / (loss) for the year after taxation		-				(887,798)		
Distribution during the year		(231,189)				-		
Undistributed income / (accumulated losses) carried forward		<u>76,131</u>				<u>(55,085)</u>		
<b>Undistributed income / (accumulated losses) carried forward</b>								
- Realised income		25,518				819,542		
- Unrealised gain / (loss)		<u>50,613</u>				<u>(874,627)</u>		
		<u>76,131</u>				<u>(55,085)</u>		
				(Rupees)				(Rupees)
Net assets value per unit at the beginning of the year				<u>13.4608</u>				<u>15.4366</u>
Net assets value per unit at the end of the year				<u>13.7136</u>				<u>13.4608</u>

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

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

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

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

\_\_\_\_\_  
Director





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

Note	2020	2019
	----- Rupees in '000 -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income / (loss) for the year before taxation	372,175	(887,798)
<b>Adjustments for:</b>		
Net unrealised appreciation / (diminution) on re-measurement of investments - 'at fair value through profit or loss	(50,613)	874,627
<b>Decrease / (increase) in assets</b>		
Investments	1,729,512	384,601
Receivable against sale of investments	71,546	(75,910)
Dividend receivable	14,099	(687)
Advances, deposits and other receivables	32,917	(10,386)
	1,848,074	297,618
<b>(Decrease) / increase in liabilities</b>		
Payable to AI Meezan Investment Management Limited - Management Company	(11,297)	(1,232)
Payable to Central Depository Company of Pakistan Limited - Trustee	(157)	(216)
Payable to the Securities and Exchange Commission of Pakistan	(4,926)	(1,335)
Payable to Meezan Bank Limited	75	(306)
Payable against purchase of investments	4,740	(16,084)
Accrued expenses and other liabilities	32,380	3,856
	20,815	(15,317)
<b>Net cash generated from operating activities</b>	<u>2,190,451</u>	<u>269,130</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts against issuance and conversion of units	638,672	921,530
Payments against redemption and conversion of units	(2,215,392)	(2,515,142)
Dividend paid	(185,685)	(947)
<b>Net cash used in financing activities</b>	<u>(1,762,405)</u>	<u>(1,594,559)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	428,046	(1,325,429)
Cash and cash equivalents at the beginning of the year	357,560	1,682,989
<b>Cash and cash equivalents at the end of the year</b>	5 <u><u>785,606</u></u>	<u><u>357,560</u></u>

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

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

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

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

\_\_\_\_\_  
Director

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

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

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

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

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

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

**1.6** The Management Company has been assigned a quality rating of AM1 by VIS dated December 31, 2019 (2019: AM1 dated December 28, 2018) and by PACRA dated June 26, 2020 (2019: dated June 28, 2019). The rating reflects the Company's experienced management team, structured investment process and sound quality of systems and processes.

**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 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 standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2019 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

### **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:

<b>Amendments</b>	<b>Effective date (accounting periods beginning on or after)</b>
- 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 which have been carried at 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 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.

##### **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.

##### **4.3.3 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.

##### **4.3.4 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 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.

#### 4.3.7 Derivatives

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

#### 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 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.

#### **4.10 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 per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the 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 net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund 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 Income Statement and are recognised when the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of securities classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Dividend income is recognised when the Fund's right to receive the same is established, i.e. on the date of commencement of book closure of the investee company / institution declaring the dividend.
- Income on sukuk certificates, term deposit receipts, commercial paper and government securities is recognized on a time proportionate basis using the effective yield method, except for the securities which are classified as Non-Performing Asset under Circular No. 33 of 2012 issued by the SECP for which the profits are recorded on cash basis.
- Profit on saving accounts with banks is recognized on a 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% 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).

#### 4.14 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	777,690	339,909
	Current accounts		7,916	17,651
			<u>785,606</u>	<u>357,560</u>

5.1 The balances in saving accounts have expected profit rates ranging from 1.50% to 7.50% per annum (2019: 3.20% to 12.50% per annum)

6	INVESTMENTS	Note	2020	2019
			----- Rupees in '000'-----	
	<b>At fair value through profit or loss</b>			
	Shares of listed companies - 'ordinary shares'	6.1	1,897,643	2,966,177
	Sukuk certificates	6.2 & 6.3	1,369,197	1,508,261
	Commercial papers	6.4	-	471,301
			<u>3,266,840</u>	<u>4,945,739</u>

#### 6.1 Shares of listed companies - 'ordinary shares'

Name of the investee company	As at July 1, 2019	Purchases during the year	Right / Bonus issue	Sales during the year	As at June 30, 2020	Carrying value as at June 30, 2020	Market value as at June 30, 2020	Unrealised gain / (loss) as at June 30, 2020	Percentage in relation to		
									Net Assets of the Fund	Paid-up-capital of the investee company (with face value of investment)	Total market value of investments
Number of shares						(Rupees in '000)			%		
<b>Sectors / companies</b>											
<b>Automobile Assemblers</b>											
Ghandhara Industries Limited	67,600	-	-	65,500	2,100	183	254	71	0.01	0.00	0.01
Honda Atlas Cars (Pakistan) Limited	800	6,100	-	800	6,100	1,335	1,181	(154)	0.03	0.00	0.04
Indus Motor Company Limited	-	13,700	-	-	13,700	16,368	13,631	(2,737)	0.35	0.02	0.42
Millat Tractors Company Limited	33,800	3,000	3,256	31,050	9,006	6,758	6,360	(398)	0.16	0.02	0.19
									0.55	0.05	0.66
<b>Automobile parts and accessories</b>											
Agriauto Industries Limited (note 6.1.1)	-	40,200	-	-	40,200	8,383	7,316	(1,067)	0.19	0.14	0.22
<b>Cement</b>											
Attock Cement Pakistan Limited	727	-	-	-	727	52	91	39	0.00	0.00	0.00
Cherat Cement Company Limited	-	350,000	10,000	250,000	110,000	4,296	9,589	5,293	0.24	0.06	0.29
DG Khan Cement Company Limited	355,409	422,000	-	625,409	152,000	11,524	12,970	1,446	0.33	0.03	0.40
Fauji Cement Company Limited	-	1,032,500	-	952,500	80,000	1,430	1,350	(80)	0.03	0.01	0.04
Kohat Cement Limited	505,520	25,000	-	75,000	455,520	25,485	62,611	37,126	1.60	0.23	1.92
Lucky Cement Limited	552,951	18,900	-	278,000	293,851	112,038	135,636	23,598	3.46	0.09	4.15
Maple Leaf Cement Limited	3,125	1,231,656	-	428,500	806,281	17,996	20,947	2,951	0.53	0.12	0.64
									6.21	0.54	7.44

Name of the investee company	As at July 1, 2019	Purchases during the year	Right / Bonus issue	Sales during the year	As at June 30, 2020	Carrying value as at June 30, 2020	Market value as at June 30, 2020	Unrealised gain / (loss) as at June 30, 2020	Percentage in relation to		
									Net Assets of the Fund	Paid-up capital of the investee company (with face value of investment)	Total market value of investments
						(Rupees in '000)		%			
<b>Chemicals</b>											
Engro Polymer & Chemicals Limited	2,398,954	-	-	1,731,000	667,954	18,008	16,685	(1,323)	0.43	0.07	0.51
I.C.I. Pakistan Limited	169,316	10,000	-	77,900	101,416	55,706	70,455	14,749	1.80	0.11	2.16
Lotte Chemical Pakistan Limited	-	129,000	-	-	129,000	3,775	3,399	(376)	0.09	0.15	0.10
Ittehad Chemicals Limited	89,000	508,500	-	89,000	508,500	4,702	5,060	358	0.13	0.03	0.15
Sitara Peroxide Limited	2,100	-	-	-	2,100	642	582	(60)	0.01	0.01	0.02
Sitara Chemical Industries Limited	-	400,000	-	-	400,000	8,156	8,164	8	0.21	0.73	0.25
									2.66	1.10	3.19
<b>Commercial Banks</b>											
BankIslami Pakistan Limited	875	1,115,587	-	685,000	431,462	4,662	3,262	(1,400)	0.08	0.04	0.10
Meezan Bank Limited	1,212,885	300,000	-	579,000	933,885	75,718	64,298	(11,420)	1.64	0.07	1.97
									1.73	0.12	2.07
<b>Engineering</b>											
Amreli Steels Limited	-	200,000	-	200,000	-	-	-	-	-	-	-
International Industries Limited	200	96,000	20	2,500	93,720	8,934	8,597	(337)	0.22	0.08	0.26
International Steels Limited	800	455,000	-	175,800	280,000	12,838	14,462	1,624	0.37	0.06	0.44
K.S.B. Pumps Company Limited	5,000	-	-	-	5,000	505	720	215	0.02	0.04	0.02
Mughal Iron & Steels Ind Ltd	-	125,000	-	50,000	75,000	2,472	2,991	519	0.08	0.03	0.09
									0.68	0.21	0.82
<b>Fertilizers</b>											
Engro Corporation Limited (Note 6.1.2)	1,084,490	54,000	-	498,768	639,722	171,915	187,387	15,472	4.79	0.11	5.74
Engro Fertilizers Limited	2,705,000	75,000	-	1,551,857	1,228,143	78,366	74,032	(4,334)	1.89	0.09	2.27
Fatima Fertilizer Limited	-	95,000	-	-	95,000	2,688	2,539	(149)	0.06	0.00	0.08
									6.74	0.21	8.08
<b>Food &amp; Personal Care Products</b>											
Al-Shaheer Corporation Limited	7,225	484	-	-	7,709	96	88	(8)	0.00	0.01	0.00
At-Tahur Limited	64,311	-	6,431	-	70,742	1,268	1,219	(49)	0.03	0.05	0.04
Engro Foods Limited	3,800	-	-	3,800	-	-	-	-	-	-	-
									0.03	0.05	0.04
<b>Glass &amp; Ceramics</b>											
Tariq Glass Industries Limited	5,000	25,000	-	5,000	25,000	1,350	1,613	263	0.04	0.03	0.05
<b>Investment Banks</b>											
Dawood Hercules Corporation Limited	-	8,800	-	-	8,800	1,010	1,126	116	0.03	0.00	0.03
<b>Miscellaneous</b>											
Shifa International Hospitals Limited	84	-	-	-	84	18	20	2	-	-	-
<b>Oil &amp; Gas Exploration</b>											
Mari Petroleum Company Limited	152,461	16,540	15,246	34,500	149,747	140,761	185,185	44,424	4.73	0.12	5.67
Oil and Gas Development Company Limited	2,453,000	135,000	-	1,172,900	1,415,100	180,944	154,246	(26,698)	3.94	0.03	4.72
Pakistan Oilfields Limited	449,010	37,000	-	198,300	287,710	115,442	100,880	(14,562)	2.58	0.10	3.09
Pakistan Petroleum Limited	1,977,835	361,000	353,167	1,317,500	1,374,502	157,647	119,279	(38,368)	3.05	0.06	3.65
									14.29	0.32	17.13
<b>Oil and Gas Marketing</b>											
Attock Petroleum Limited	12,000	-	-	-	12,000	3,462	3,662	200	0.09	0.01	0.11
Hi-Tech Lubricants Limited	282,544	2,047,356	-	1,278,500	1,051,400	18,576	14,299	(4,277)	0.37	0.53	0.44
Hascol Petroleum Limited	-	125,000	-	-	125,000	3,483	3,785	302	0.10	0.11	0.12
Pakistan State Oil Company Limited	771,492	130,000	111,898	631,100	382,290	55,845	60,463	4,618	1.54	0.10	1.85
Sui Northern Gas Pipeline Limited	2,211,500	-	-	1,423,500	788,000	54,758	43,025	(11,733)	1.10	0.12	1.32
									3.10	0.86	3.72
<b>Paper &amp; Board</b>											
Cherat Packaging Limited	-	95,000	-	-	95,000	6,287	6,799	512	0.17	0.06	0.21
Century Paper & Board Mills Limited	52,400	-	3,540	24,700	31,240	2,290	3,660	1,370	0.09	0.08	0.11
Packages Limited	273,923	6,000	-	190,900	89,023	26,992	30,910	3,918	0.79	0.10	0.95
									1.06	0.25	1.27





Name of the investee company	As at July 1, 2019	Purchases during the year	Right / Bonus issue	Sales during the year	As at June 30, 2020	Carrying value as at June 30, 2020	Market value as at June 30, 2020	Unrealised gain / (loss) as at June 30, 2020	Percentage in relation to		
									Net Assets of the Fund	Paid-up-capital of the investee company (with face value of investment)	Total market value of investments
						Number of shares			(Rupees in '000)		
									%		
<b>Pharmaceuticals</b>											
Abbott Laboratories (Pakistan) Limited	2,350	-	-	100	2,250	1,068	1,492	424	0.04	0.00	0.05
AGP Limited	626,000	190,000	-	376,000	440,000	38,028	48,286	10,258	1.23	0.16	1.48
GlaxoSmithKline Consumer Healthcare	153,800	-	-	78,200	75,600	14,591	20,539	5,948	0.52	0.06	0.63
Highnoon Laboratories Limited	1,598	-	159	-	1,757	405	881	476	0.02	0.01	0.03
The Searle Company Limited	338,470	24,900	-	173,000	190,370	28,800	37,927	9,127	0.97	0.09	1.16
									2.79	0.32	3.34
<b>Power Generation &amp; Distribution</b>											
K-Electric Limited (note 6.1.1)	19,272,000	500,000	-	8,617,000	11,155,000	48,430	33,577	(14,853)	0.86	0.12	1.03
The Hub Power Company Limited	2,432,143	225,000	-	690,430	1,966,713	153,492	142,587	(10,905)	3.64	0.17	4.36
									4.50	0.29	5.39
<b>Real Estate Investment Trust</b>											
Dolmen City REIT	1,909,000	-	-	-	1,909,000	19,415	20,789	1,374	0.53	0.09	0.64
<b>Technology &amp; Communication</b>											
Avanceon Limited	240,800	101,000	14,180	200,000	155,980	4,826	5,515	689	0.14	0.08	0.17
Netsol Technologies Limited	3,600	35,000	-	38,600	-	-	-	-	-	-	-
Systems Limited	187,550	-	-	25,000	162,550	15,600	29,857	14,257	0.76	0.13	0.91
									0.90	0.21	1.08
<b>Textile composite</b>											
Feroze1888 Mills Limited	250,000	13,300	-	-	263,300	26,390	21,538	(4,852)	0.55	0.07	0.66
Interloop Limited	1,438,222	-	-	329,000	1,109,222	49,105	48,717	(388)	1.24	0.13	1.49
Nishat Mills Limited	680,800	250,000	-	660,200	270,600	21,061	21,110	49	0.54	0.08	0.65
									2.33	0.27	2.80
<b>Vanaspati &amp; Allied Industries</b>											
Unity Foods Limited	742,838	-	-	742,838	-	-	-	-	-	-	-
<b>Total as at June 30, 2020</b>						<b>1,846,375</b>	<b>1,897,643</b>	<b>51,268</b>			
<b>Total as at June 30, 2019</b>						<b>3,824,719</b>	<b>2,966,177</b>	<b>(858,542)</b>			

- 6.1.1** All shares have a face value of Rs 10 each except for the shares of K-Electric Limited and Agriauto Industries Limited which have a face value of Rs 3.5 and 5 each respectively.
- 6.1.2** Investments include 150,000 shares of Engro Corporation Limited, having a market value of Rs 43.938 million (2019: Rs 39.840 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.
- 6.1.3** The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001 as a result of which companies were liable to withhold five percent of the bonus shares to be issued. The shares so withheld were only to be released if the Fund deposits tax equivalent to five percent of the value of the bonus shares issued to the Fund including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

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

During the year ended June 30, 2018, the Supreme Court of Pakistan passed a judgement on June 27, 2018 whereby the suits which are already pending or shall be filed in future must only be continued / entertained on the condition that a minimum of 50 percent of the tax calculated by the tax authorities is deposited with the authorities. Accordingly, the CISs were required to pay minimum 50% of the tax calculated by the tax authorities for the case to remain continued. The CISs failed to deposit the minimum 50% of the tax liability and accordingly the stay got vacated automatically during the year ended June 30, 2019. During the year ended June 30, 2020, the CISs have filed a fresh constitutional petition via CP 4653 dated July 11, 2019. In this regard, on July 15, 2019, the Honourable High Court of Sindh has issued notices to the relevant parties and has ordered that no third party interest on bonus shares issued to the Funds in lieu of their investments be created in the meantime. The matter is still pending adjudication and the Funds have included these shares in their portfolio, as the management is confident that the decision of the constitutional petition will be in favour of the CISs.

The Finance Act, 2018 effective from July 1, 2018 has omitted Section 236M of Income Tax Ordinance, 2001 requiring every company quoted on stock exchange issuing bonus shares to the shareholders of the company, to withhold five percent of the bonus shares to be issued. Therefore, bonus shares issued to the Fund during the year were not withheld by the investee companies.

As at June 30, 2020, the bonus shares of the Fund withheld by certain companies at the time of declaration of bonus shares amounted to Rs. 4.701 million (2019: 3.837 million).

## 6.2 Government Securities - GOP Ijarah Sukuk

Name of the Security	Maturity date	Profit rate	As at July 1, 2019	Purchases during the year	Sales / 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 / (loss) as at June 30, 2020	Percentage in relation to	
			(Number of certificates)	(Rupees in '000)	(Rupees in '000)	(Rupees in '000)	(Rupees in '000)	Net Assets of the Fund	Total market value of investments		
GoP Ijarah Sukuk Certificates - XX (Note 6.2.1)	April 30, 2025	Weighted Average 6 months T-Bills	-	1,870	-	1,870	187,019	181,390	(5,629)	4.63	5.55
GoP Ijarah Sukuk Certificates - XXI (Note 6.2.1)	May 29, 2025	Weighted Average 6 months T-Bills	-	1,500	-	1,500	150,000	150,405	405	3.84	4.60
<b>Total as at June 30, 2020</b>							<b>337,019</b>	<b>331,795</b>	<b>(5,224)</b>		
<b>Total as at June 30, 2019</b>							<b>-</b>	<b>-</b>	<b>-</b>		

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

## 6.3 Sukuk certificates

Name of the investee company	Profit payments / Principal redemptions	Maturity	Profit rate	As at July 1, 2019	Purchases during the year	Sales / Redemptions / 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 / (loss) as at June 30, 2020	Percentage in	
				(Number of certificates)	(Rupees in '000)	(Rupees in '000)	(Rupees in '000)	(Rupees in '000)	Net Assets of the Fund	Total market value of investments		
Engro Fertilizer Pakistan Limited - II (AA, PACRA, non traded) (note 6.3.1)	Semi-annually	July 9, 2019	6 months KIBOR plus base rate of 1.75%	13,600	-	13,600	-	-	-	-	-	-
K Electric Limited - (7 years) (note 6.3.1) (AA+, VIS, traded)	Quarterly	June 17, 2022	3 months KIBOR plus base rate of 1%	87,253	-	17,250	70,003	140,956	141,755	799	3.62	4.34
Security Leasing Corporation Limited II* (note 6.3.1 & 6.3.3)	Annually	January 19, 2022	N/A	1,540	-	-	1,540	-	-	-	-	-



Name of the investee company	Profit payments / Principal redemptions	Maturity	Profit rate	As at July 1, 2019	Purchases during the year	Sales / Redemptions / 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 / (loss) as at June 30, 2020	Percentage in	
											Number of certificates	(Rupees in '000)
Eden Housing Limited * (note 6.3.1 & 6.3.3)	Semi-annually	September 29, 2014	N/A	5,000	-	-	5,000	-	-	-	-	-
Arzoo Textile Mills Limited * (note 6.3.1 & 6.3.3)	Semi-annually	April 15, 2014	N/A	5,000	-	-	5,000	-	-	-	-	-
Hascol Petroleum Limited - Sukuk (BBB-, VIS, non-traded) (note 6.3.1 & 6.3.3)	Quarterly	January 7, 2022	3 months KIBOR plus base rate of 1.50%	50,000	-	-	50,000	88,156	86,419	(1,737)	2.21	2.65
Fatima Fertilizer Company Limited - Sukuk (AA-, PACRA, traded) (note 6.3.1)	Semi-annually	November 28, 2021	6 months KIBOR plus base rate of 1.10%	14,711	-	14,711	-	-	-	-	-	-
Dubai Islamic Bank Pakistan Limited - Sukuk (AA-, VIS, traded) (note 6.3.1)	Semi-annually	July 14, 2027	6 months KIBOR plus base rate of 0.50%	141	-	-	141	143,637	144,699	1,062	3.70	4.43
International Brands Limited (AA, VIS, traded) (note 6.3.1)	Quarterly	November 15, 2021	3 months KIBOR plus base rate of 0.50%	3,000	-	2,350	650	45,508	45,996	488	1.17	1.41
Neelum Jhelum Hydropower Company (Private) Limited (AAA, VIS, traded) (note 6.3.1)	Semi-annually	June 29, 2026	6 months KIBOR plus base rate of 1.13%	-	230	-	230	17,699	17,690	(9)	0.45	0.54
K-Electric Limited (sukuk 5) (AA+, VIS, non-traded) (note 6.3.1)**	Quarterly	December 27, 2026	3 months KIBOR plus base rate of 1.70%	-	40,000	-	40,000	200,000	200,000	-	5.11	6.12
Meezan Bank Limited (AA, VIS, traded) (note 6.3.1)	Semi-annually	September 22, 2026	6 months KIBOR plus base rate of 0.5%	200	-	120	80	79,998	82,000	2,002	2.09	2.51
Shakarganj Food Products Limited (A, VIS, traded) (note 6.3.1)	Quarterly	July 10, 2024	3 months KIBOR plus base rate of 1.75%	82	-	-	82	68,191	69,700	1,509	1.78	2.13
Javedan Corporation Limited (AA-, VIS, non-traded) (note 6.3.1 & 6.3.2)	Semi-annually	October 4, 2026	6 months KIBOR plus base rate of 1.75%	750	-	-	750	74,651	74,998	347	1.92	2.30
Agha Steel Industries Limited (A, VIS) (note 6.3.1)**	Quarterly	October 9, 2024	3 months KIBOR plus base rate of 0.80%	100	-	-	100	100,000	100,000	-	2.55	3.06

Name of the investee company	Profit payments / Principal redemptions	Maturity	Profit rate	As at July 1, 2019	Purchases during the year	Sales / Redemptions / maturated during the year	As at June 30, 2020	Carrying value as at June 30, 2020*	Market value as at June 30, 2020*	Unrealised gain / (loss) as at June 30, 2020	Percentage in		
											Net Assets of the Fund	Total market value of investments	
							-----Number of certificates-----			----- (Rupees in '000) -----		----- % -----	
AGP Limited (A+, PACRA, non-traded) (note 6.3.1)	Quarterly	June 9, 2022	3 months KIBOR plus base rate of 1.30%	830	-	425	405	16,200	16,224	24	0.41	0.50	
The Hub Power Company Limited (A+, PACRA, non-traded)	Quarterly	November 27, 2019	3 months KIBOR plus base rate of 1.00%	20,000	-	20,000	-	-	-	-	-	-	
Engro Polymer and Chemicals Limited (AA, PACRA, non-traded) (note 6.3.1)	Quarterly	July 11, 2026	3 months KIBOR plus base rate of 0.90%	150	-	72	78	7,837	7,921	84	0.20	0.24	
Engro Powergen Thar (Private) Limited (A, PACRA, traded) (note 6.3.1)	Quarterly	August 2, 2024	3 months KIBOR plus base rate of 1.10%	-	3,000	3,000	-	-	-	-	-	-	
Hub Power Company Limited (AA+, PACRA) (note 6.3.1)**	Semi-annually	March 19, 2024	1 year KIBOR plus base rate of 1.90%	-	500	-	500	50,000	50,000	-	1.28	1.53	
<b>Total as at June 30, 2020</b>								<b>1,032,833</b>	<b>1,037,402</b>	<b>4,569</b>			
<b>Total as at June 30, 2019</b>								<b>1,524,346</b>	<b>1,508,261</b>	<b>(16,085)</b>			

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

\*\* These investments have been carried at cost as they were not valued by MUFAP as at June 30, 2020.

**6.3.1** The nominal value of these sukuk certificates is Rs 5,000 each except for the sukuk certificates of Agha Steel Industries Limited, Dubai Islamic Bank Pakistan Limited, Meezan Bank Limited, Shakarganj Food Products Limited which have nominal value of Rs. 1,000,000, sukuk certificates of AGP Limited, Engro Polymer and Chemicals Limited, Hub Power Company Limited, International Brands Limited, Javedan Corporation Limited, Neelum Jhelum Hydropower Company (Pvt.) Limited which have nominal value of Rs. 100,000 and sukuk certificates of Eden Housing Limited which have nominal value of Rs 984.375.

**6.3.2** 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 sukuk certificates of Javedan Corporation Limited have been valued at discretionary rates of 99.9978 when the reported market rate on MUFAP valuation sheet as at June 30, 2020 were 102.0045.

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

The Securities and Exchange Commission of Pakistan (SECP), vide its circular No. 16 dated July 07, 2010, prescribed certain disclosures for the schemes holding investments that were non-compliant either with the minimum investment criteria specified for the category assigned to such schemes or with the investment requirement of their constitutive documents. The Securities and Exchange Commission of Pakistan vide circular 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. Al Meezan Investment Management Limited (the Management Company) classified Meezan Balanced Fund (the Fund) as a 'Balanced Scheme' in accordance with the said circular. As at June 30, 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. The following are the details of non-compliant investments held by the Fund:



Name of non-compliant investment	Type of Investment	Note	Value of investment before provision	Provision held (if any)	Value of investment after provision	Percentage of	
						Net assets	Gross assets
---- (Rupees in '000) ----							
<b>Listed</b>							
Arzoo Textile Mills Limited	Non-traded sukuk certificates	6.3.4	25,000	25,000	-	-	-
Eden Housing Limited	Non-traded sukuk certificates	6.3.4	4,922	4,922	-	-	-
Security Leasing Corporation Limited II	Non-traded sukuk certificates	6.3.5	7,701	7,701	-	-	-
Hascol Petroleum Limited	Non-traded sukuk certificates	6.3.6	86,419	-	86,419	2.21	2.11
<b>Total - June 30, 2020</b>			<b>124,042</b>	<b>37,623</b>	<b>86,419</b>	<b>2.21</b>	<b>2.11</b>
<b>Total - June 30, 2019</b>			<b>37,623</b>	<b>37,623</b>	-	-	-

**6.3.4** Eden Housing Limited and Arzoo Textile Mills Limited sukuk certificates have been classified as non-performing by MUFAP. Therefore, in accordance with the requirements of SECP's Circular No. 33 of 2012, the sukuk certificates have been classified as non-performing assets and no further profit has been accrued thereafter. Further, in accordance with the said Circular, an amount of Rs. 4.922 million and Rs. 25 million respectively has also been held as provision against the outstanding principal as at June 30, 2020.

**6.3.5** The agreement with Security Leasing Corporation Limited (SLCL) had been amended on February 19, 2012. In accordance with the revised terms no mark-up is payable on the said sukuk with the approval of contributors to the sukuk certificate. The sukuk certificates have been classified as non-performing by MUFAP on April 3, 2012. Therefore in accordance with the requirement of Circular No. 33 of 2012, the sukuk certificates have been classified as non-performing assets and no further profit has been accrued thereafter. Further, in accordance with the provisioning policy of the Fund, an amount of Rs. 7.701 million has also been held as provision against the outstanding principal as at June 30, 2020.

**6.3.6** In accordance with the requirements of SECP's Circular No. 7 of 2009, rating of any debt security in the portfolio of Balanced Scheme shall not be lower than A-. 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.

#### 6.4 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	Total market value of investment
			(Number of certificates)			(Rupees in '000)		----	% ----
Hascol Petroleum Limited CP 3	July 15, 2019	6 months KIBOR plus base rate of 1.50%	300	-	300	-	-	-	-
K-Electric Limited CP 2	September 02, 2019	6 months KIBOR plus base rate of 0.90%	176	-	176	-	-	-	-
K-Electric Limited CP 3	March 19, 2020	6 months KIBOR plus base rate of 1.30%	-	160	160	-	-	-	-
							-	-	

#### 6.5 Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'

	2020	2019
	---- Rupees in '000'----	
Market value of investments	3,266,840	4,945,739
Carrying value of investments	3,216,227	5,820,366
	<u>50,613</u>	<u>(874,627)</u>

	Note	2020 ---- Rupees in '000'----	2019
<b>7</b>	<b>ADVANCES, DEPOSITS AND OTHER RECEIVABLES</b>		
Security deposits		2,800	2,800
Profit receivable on balances with banks		8,205	16,753
Profit receivable on sukuk certificates		28,015	52,384
Advance tax	7.1	<u>1,573</u>	<u>1,573</u>
		<u>40,593</u>	<u>73,510</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 12 May 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced by the withholder. The tax withheld on dividends and profit on debt amounts to Rs 1.573 million (2019: Rs 1.573 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.

	Note	2020 (Rupees in '000)	2019
<b>8</b>	<b>PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED- MANAGEMENT COMPANY</b>		
Management fee payable	8.1	887	9,227
Sindh Sales Tax on management fee payable	8.2	116	1,200
Sales load payable		206	70
Sindh Sales Tax on sales load payable		27	9
Allocated expenses payable	8.3	327	462
Selling and marketing expenses payable	8.4	<u>3,910</u>	<u>5,802</u>
		<u>5,473</u>	<u>16,770</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 2% (2019: 2%) 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 11.635 million (2019: Rs 17.837 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 12.719 million (2019: Rs. 18.333 million) has been paid to the Management Company which acts as a collecting agent.

**8.3** 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.

- 8.4** The SECP had 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 period, 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.

<b>9 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED (CDC) - TRUSTEE</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>(Rupees in '000)</b>	
Trustee fee payable	9.1	405	544
Sindh Sales Tax payable on trustee fee	9.2	53	71
		458	615

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

<b>Net Assets (Rs.)</b>	<b>Fee</b>
up to Rs 1,000 million	Rs 0.7 million or 0.2% per annum of net assets, whichever is higher.
from Rs 1,000 million and above	Rs 2.0 million plus 0.10% per annum of net assets exceeding Rs 1,000 million.

- 9.2** During the year, an amount of Rs 0.712 million (2019: Rs 1.022 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 0.679 million (2019: Rs 1.047 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, a Collective Investment Scheme (CIS) is required to pay annual fee to the Securities and Exchange Commission of Pakistan (SECP).

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 balanced fund was 0.095%. Accordingly, the Fund has charged SECP Fee at the rate of 0.02% of net assets during the current year.

<b>11 ACCRUED EXPENSES AND OTHER LIABILITIES</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>(Rupees in '000)</b>	
Withholding tax payable		24,614	629
Provision for Sindh Workers' Welfare Fund (SWWF)	11.2	46,251	38,656
Provision for Federal Excise Duty and related			
Sindh Sales Tax on management fee	11.3	31,961	31,961
Provision for Federal Excise Duty and related			
Sindh Sales Tax on sales load	11.3	6,838	6,838
Brokerage expenses payable		2,165	1,578
Charity payable	11.1	4,858	4,351
Shariah advisory fee		218	488
Auditors' remuneration payable		371	369
Zakat payable		156	182
		117,432	85,052

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

During the year ended June 30, 2020, non-shariah compliant income amounting to Rs 3.376 million (2019: Rs 3.404 million) was charged as an expense in the books of the Fund, and Rs. 3.400 million was disbursed to following charitable welfare organisations respectively:

S. No.	Charitable Organisations	Amount Rupees in '000
1	Sindh Institute of Urology & Transplantation	1,000
2	Kiran Foundation	500
3	Karigar Training Institute	300
4	Health Care and Social Welfare Association	200
5	Neurology Research & Patient Welfare Fund	200
6	Health and Nutrition Development Society	200
7	Saylani Welfare Trust	500
8	Jamiyat Punjabi Saudagran-e-Delhi	500
	<b>Total</b>	<b>3,400</b>

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

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 0.10 per unit).

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

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 38.799 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 0.14 (2019: Re 0.10) per unit.



**12 CONTINGENCIES AND COMMITMENTS**

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

	2020	2019
	(Rupees in '000)	
<b>13 AUDITORS' REMUNERATION</b>		
Annual audit fee	323	309
Half yearly review of condensed interim financial statements	120	110
Fee for other certifications	100	100
Out of pocket expenses	7	21
	550	540

**14 TOTAL EXPENSE RATIO**

The Total Expense Ratio (TER) of the Fund as at June 30, 2020 is 3.28% (2019: 3.02%) which includes 0.48% (2019: 0.37%) representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, annual fee to the SECP etc. This ratio is within the maximum limit of 4.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as a Balanced Scheme.

**15 TAXATION**

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

**16 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS**

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

**16.2** Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.

**16.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.

**16.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.

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

	2020	2019
	-----Rupees in '000'-----	
<b>Balances</b>		
<b>AI Meezan Investment Management Limited (Management Company)</b>		
Management fee payable	887	9,227
Sindh Sales Tax on management fee payable	116	1,200
Sales load payable	206	70
Sindh Sales Tax on sales load payable	27	9
Allocated expenses payable	327	462
Selling and marketing expenses payable	3,910	5,802
Outstanding 947,787 (2019: 900,638) units - at net asset value	12,998	12,123
<b>Central Depository Company of Pakistan Limited (CDC) - Trustee</b>		
Trustee fee payable	405	544
Sindh Sales Tax payable on trustee fee	53	71
Security deposits	300	300
<b>Meezan Bank Limited (MBL)</b>		
Balances with banks	28,381	26,870
Sales load payable	67	0.838
Sindh Sales Tax on sales load payable	9	0.109
Shariah advisory fee payable	218	488
Investment of 18,886,746 units (2019: 18,886,746 units)	259,005	254,231
Investment in 80 sukuk certificates (2019: 200 sukuk certificates)	82,000	199,995
Investment in 933,885 shares (2019: 1,212,885 shares)	64,298	105,715
<b>AI Meezan Investment Management Limited - Employees Gratuity Fund</b>		
Outstanding 473,186 units (2019: 445,734) units	6,489	6,000
<b>Directors and Executives of the Management Company</b>		
Outstanding 6,601,536 units (2019: 6,395,216 units)	90,531	86,085
<b>Transactions during the year</b>		
	2020	2019
	-----Rupees in '000'-----	
<b>AI Meezan Investment Management Limited (Management Company)</b>		
Remuneration of Management Company	89,498	137,204
Sindh Sales Tax on remuneration of the Management Company	11,635	17,837
Allocated expenses	4,475	6,860
Selling and marketing expenses	17,900	21,814
Units issued: 47,149 (2019: nil)	761	-
Cash Dividend for the year	761	-
<b>Central Depository Company of Pakistan Limited (CDC) - Trustee</b>		
Remuneration of the Trustee	5,475	7,860
Sindh Sales Tax on remuneration of the Trustee	712	1,022
CDS charges	110	136



2020 2019

-----Rupees in '000'-----

**Meezan Bank Limited (MBL)**

Profit on balances with banks	4,562	573
Profit on sukuk certificates	19,964	18,462
Dividend income	4,506	2,587
Shariah advisor fee	286	838
Sale of 120 sukuk certificates (2019: nil)	119,780	-
Purchase of 300,000 shares (2019: 1,537,500 shares)	18,000	135,677
Bonus Shares: nil (2019: 107,566 shares)	-	-
Sale of 579,000 shares (2019: 432,500 shares)	42,685	39,183
Cash Dividend for the year	15,952	-

**AI Meezan Investment Management Limited - Employees Gratuity Fund**

Units issued: 27,452 (2019: nil)	376	-
Cash Dividend for the year	376	-

**Directors and Executives of the Management Company**

Units issued: 379,757 (2019: 312,329 units)	6,033	4,480
Units redeemed: 173,437 (2019: 194,683 units)	2,326	2,758
Cash Dividend for the year	5,298	-

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

17 **FINANCIAL INSTRUMENTS BY CATEGORY**

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

**Financial assets**

Balances with banks	785,606	-	785,606
Investments	-	3,266,840	3,266,840
Receivable against conversion of units	4,245	-	4,245
Dividend receivable	605	-	605
Receivable against sale of investments	4,364	-	4,364
Advances, deposits and other receivables	39,020	-	39,020
	833,840	3,266,840	4,100,680

----- 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	-	5,473	5,473
Payable to the Central Depository Company - Trustee	-	458	458
Payable to Meezan Bank Limited	-	76	76
Payable against purchase of investments	-	4,740	4,740
Payable against redemption and conversion of units	-	4,614	4,614
Dividend payable	-	52,994	52,994
Accrued expenses and other liabilities	-	7,612	7,612
	-	75,967	75,967

	2019		
	At amortised cost	At fair value through profit or loss	Total
	Rupees in '000'		
<b>Financial assets</b>			
Balances with banks	357,560	-	357,560
Investments	-	4,945,739	4,945,739
Receivable against conversion of units	673	-	673
Dividend receivable	14,704	-	14,704
Receivable against sale of investments	75,910	-	75,910
Advances, deposits and other receivables	71,937	-	71,937
	<u>520,784</u>	<u>4,945,739</u>	<u>5,466,523</u>

	2019		
	At fair value through profit or loss	At amortised cost	Total
	Rupees in '000'		
<b>Financial liabilities</b>			
Payable to Al Meezan investment Management Limited - Management Company	-	16,770	16,770
Payable to the Central Depository Company - Trustee	-	615	615
Payable to Meezan Bank Limited	-	1	1
Payable against redemption and conversion of units	-	2,247	2,247
Payable against purchase of investments	-	-	-
Dividend payable	-	7,490	7,490
Accrued expenses and other liabilities	-	6,786	6,786
	<u>-</u>	<u>33,909</u>	<u>33,909</u>

## 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

### 18.1 Market risk

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

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

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

#### (i) Yield / profit rate risk

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

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

Presently, the Fund holds balances with banks and sukuk certificates 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.21.469 million (2019: Rs. 18.482 million).

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

As at June 30, 2020, the Fund holds no financial asset which exposes the Fund to fair value profit rate risk. In case of 100 basis points increase / decrease in rates with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been lower / higher by Rs. nil (2019: Rs. 4.713 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 profit rates.

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

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

2020					
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% - 7.50%	777,690	-	-	7,916
Investments	Weighted Average 6 months T-Bills & KIBOR + 0.5% to KIBOR +1.75%	944,714	424,483	-	1,897,643
Receivable against conversion of units		-	-	-	4,245
Dividend receivable		-	-	-	605
Receivable against sale of investments		-	-	-	4,364
Advances, deposits and other receivables		-	-	-	39,020
		<b>1,722,404</b>	<b>424,483</b>	<b>-</b>	<b>1,953,793</b>
<b>Financial liabilities</b>					
Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	5,473
Payable to the Central Depository Company - Trustee		-	-	-	458
Payable to Meezan Bank Limited (MBL)		-	-	-	76
Payable against redemption and conversion of units		-	-	-	4,740
Payable against purchase of investments		-	-	-	4,614
Dividend payable		-	-	-	52,994
Accrued expenses and other liabilities		-	-	-	7,612
		-	-	-	<b>75,967</b>
<b>On-balance sheet gap (a)</b>		<b>1,722,404</b>	<b>424,483</b>	<b>-</b>	<b>1,877,826</b>
<b>Off-balance sheet financial instruments</b>		-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-
<b>Total profit rate sensitivity gap (a+b)</b>		<b>1,722,404</b>	<b>424,483</b>	<b>-</b>	
<b>Cumulative profit rate sensitivity gap</b>		<b>1,722,404</b>	<b>2,146,887</b>	<b>2,146,887</b>	

2019					
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' -----

#### Financial assets

Balances with banks	3.20% to 12.50%	339,909	-	-	17,651	357,560
Investments	KIBOR + 0.5% to KIBOR +1.75%	1,528,917	450,645	-	2,966,177	4,945,739
Receivable against conversion of units		-	-	-	673	673
Receivable against sale of investments		-	-	-	75,910	75,910
Dividend receivable		-	-	-	14,704	14,704
Advances, deposits and other receivables		-	-	-	71,937	71,937
		<b>1,868,826</b>	<b>450,645</b>	<b>-</b>	<b>3,147,052</b>	<b>5,466,523</b>

#### Financial liabilities

Payable to AI Meezan Investment Management Limited - Management Company		-	-	-	16,770	16,770
Payable to the Central Depository Company - Trustee		-	-	-	615	615
Payable to Meezan Bank Limited (MBL)		-	-	-	1	1
Payable against redemptions of units		-	-	-	2,247	2,247
Payable against purchase of investments		-	-	-	-	-
Dividend payable		-	-	-	7,490	7,490
Accrued expenses and other liabilities		-	-	-	6,786	6,786
		<b>-</b>	<b>-</b>	<b>-</b>	<b>33,909</b>	<b>33,909</b>

<b>On-balance sheet gap (a)</b>	<b>1,868,826</b>	<b>450,645</b>	<b>-</b>	<b>3,113,143</b>	<b>5,432,614</b>
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<b>Off-balance sheet financial instruments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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<b>Off-balance sheet gap (b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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<b>Total profit rate sensitivity gap (a+b)</b>	<b>1,868,826</b>	<b>450,645</b>	<b>-</b>		
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<b>Cumulative profit rate sensitivity gap</b>	<b>1,868,826</b>	<b>2,319,471</b>	<b>2,319,471</b>		
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#### (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 is exposed to equity price risk on investments held by the Fund and classified as 'at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The NBFC Regulations also limit individual equity securities to no more than 15% of net assets subject to 10% of the issued capital of the investee company and sector exposure limit to 35% of the net assets or index weight, which ever is higher, subject to maximum of 40%.

In case of 1% increase / decrease in KMI 30 index on June 30, 2020, with all other variables held constant, the total comprehensive income of the Fund for the year would increase / decrease by Rs. 18.976 million (2019: Rs. 29.662 million) and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as financial assets at fair value through profit or loss.

The analysis is based on the assumption that the equity index had increased / decreased by 1% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KMI-30 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI-30 Index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2020 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KMI-30 Index.

## 18.2 Liquidity risk

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

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

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

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

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

----- 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'-----						
<b>Financial assets</b>						
Balances with banks	785,606	-	-	-	-	785,606
Investments	-	-	841,889	527,308	1,897,643	3,266,840
Receivable against conversion of units	4,245	-	-	-	-	4,245
Dividend receivable	605	-	-	-	-	605
Receivable against sale of investments	4,364	-	-	-	-	4,364
Advances, deposits and other receivables	24,291	6,468	5,461	-	2,800	39,020
	<b>819,111</b>	<b>6,468</b>	<b>5,461</b>	<b>841,889</b>	<b>527,308</b>	<b>1,900,443</b>
						<b>4,100,680</b>
<b>Financial liabilities</b>						
Payable to AI Meezan Investment Management Limited - Management Company	5,473	-	-	-	-	5,473
Payable to Central Depository Company Limited - Trustee	458	-	-	-	-	458
Payable to Meezan Bank Limited	76	-	-	-	-	76
Payable against purchase of investments	4,740	-	-	-	-	4,740
Payable against redemption and conversion of units	4,614	-	-	-	-	4,614
Dividend payable	52,994	-	-	-	-	52,994
Accrued expenses and other liabilities	2,165	5,447	-	-	-	7,612
	<b>70,520</b>	<b>5,447</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75,967</b>
<b>Net assets / (liabilities)</b>	<b>748,591</b>	<b>1,021</b>	<b>5,461</b>	<b>841,889</b>	<b>527,308</b>	<b>1,900,443</b>
						<b>4,024,713</b>

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	357,560	-	-	-	-	357,560
Investments	323,170	198,742	230,937	319,284	907,429	2,966,177
Receivable against conversion of units	673	-	-	-	-	673
Dividend receivable	14,704	-	-	-	-	14,704
Receivable against sale of investments	75,910	-	-	-	-	75,910
Advances, deposits and other receivables	17,459	36,047	15,631	-	-	2,800
	<b>789,476</b>	<b>234,789</b>	<b>246,568</b>	<b>319,284</b>	<b>907,429</b>	<b>2,968,977</b>
						<b>5,466,523</b>

#### Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company	16,770	-	-	-	-	16,770
Payable to Central Depository Company Limited - Trustee	615	-	-	-	-	615
Payable to Meezan Bank Limited	1	-	-	-	-	1
Payable against redemption and conversion of units	2,247	-	-	-	-	2,247
Payable against purchase of investments	-	-	-	-	-	-
Dividend payable	7,490	-	-	-	-	7,490
Accrued expenses and other liabilities	1,578	5,208	-	-	-	6,786
	<b>28,701</b>	<b>5,208</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,909</b>

#### Net assets / (liabilities)

	<b>760,775</b>	<b>229,581</b>	<b>246,568</b>	<b>319,284</b>	<b>907,429</b>	<b>2,968,977</b>	<b>5,432,614</b>
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#### 18.3 Credit risk

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

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	785,606	785,606	357,560	357,560
Investments	3,266,840	1,037,402	4,945,739	1,979,562
Receivable against conversion of units	4,245	4,245	673	673
Dividend receivable	605	605	14,704	14,704
Receivable against sale of investments	4,364	4,364	75,910	75,910
Advances, deposits and other receivables	39,020	39,020	71,937	71,937
	<b>4,100,680</b>	<b>1,871,242</b>	<b>5,466,523</b>	<b>2,500,346</b>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2020 is the carrying amount of the financial assets. Difference in the balance as per the statement of assets and liabilities and maximum exposure is due to the fact that investment in government securities of Rs.331.795 million (2019: nil) are not exposed to credit risk as these are guaranteed by Government of Pakistan, and investment in equity securities of Rs. 1,897.643 million (2019: Rs. 2,966.177 million) are also not exposed to credit risk.

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



### 18.3.2 Credit quality of financial assets

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

	% of financial assets exposed to credit risk	
	2020	2019
AAA	5.67	0.06
AA+	7.56	10.66
AA	0.59	58.24
A+	86.18	17.06
A	-	13.98
	<u>100.00</u>	<u>100.00</u>

Ratings of sukuku (other than Government securities) have been disclosed in related notes to the financial statements. GoP Ijarah Sukuku and sukuku issued by government owned entities are government guaranteed.

### 18.3.3 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 Sukuku, 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).

## 19 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
<b>Financial assets at fair value through profit or loss</b>	Rupees in '000'		
Shares of listed companies - 'ordinary shares'	1,897,643	-	-
Sukuk certificates	-	1,369,197	-
	<b>1,897,643</b>	<b>1,369,197</b>	<b>-</b>

	2019		
	Level 1	Level 2	Level 3
<b>Financial assets at fair value through profit or loss</b>	Rupees in '000'		
Shares of listed companies - 'ordinary shares'	2,966,177	-	-
Sukuk certificates	-	1,508,261	-
Commercial papers*	-	471,301	-
	<b>2,966,177</b>	<b>1,979,562</b>	<b>-</b>

\* The valuation of commercial papers has been done based on amortisation of commercial paper to its fair 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.

## 20 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

## 21 UNIT HOLDING PATTERN OF THE FUND

Category	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	4,466	1,899,260	48.51	5,277	2,484,061	46.43
Associated Companies / Directors	3	361,369	9.23	5	357,090	6.67
Insurance Companies	2	8,784	0.22	3	13,633	0.25
Banks and DFIs	1	20	0.00	1	19	0.00
NBFCs	-	-	0.00	1	322	0.01
Retirement Funds	57	988,466	25.24	76	1,378,137	25.76
Public Limited Companies	1	156,925	4.01	1	146,370	2.74
Others	40	500,737	12.79	62	970,458	18.14
	<b>4,570</b>	<b>3,915,561</b>	<b>100.00%</b>	<b>5,426</b>	<b>5,350,090</b>	<b>100.00%</b>

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

----- 2020 -----		----- 2019 -----	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
JS Global Capital Limited	11%	Topline Securities Limited	11%
Taurus Securities Limited	9%	Aba Ali Habib Securities (Private) Limited	8%
Topline Securities Limited	8%	Vector Capital (Private) Limited	7%
Foundation Securities (Private) Limited	7%	Fortune Securities Limited	6%
Aba Ali Habib Securities (Private) Limited	6%	Paramount Capital Limited	6%
Insight Securities (Private) Limited	5%	Taurus Securities Limited	6%
Next Capital Limited	5%	BMA Capital Management Limited	5%
Intermarket Securities Limited	5%	Arif Habib Securities Limited	5%
AKD Securities Limited	5%	Insight Securities (Private) Limited	4%
Optimus Capital Management (Pvt) Limited	4%	Foundation Securities (Private) Limited	4%

**23 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE**

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

Name	Designation	Qualification	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. Asif Imtiaz. Other funds being managed by the fund manager are as follows :

- KSE Meezan Index Fund
- Meezan Asset Allocation Fund
- Meezan Financial Planning Fund of Fund
- Meezan Strategic Allocation Fund
- Meezan Strategic Allocation Fund-II
- Meezan Strategic Allocation Fund-III; and
- Meezan Dedicated Equity Fund

**24 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

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

Name of Directors	Designation	Meeting held on				
		August 19, 2019	October 15, 2019	February 10, 2020	April 15, 2020	June 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

## 25 CORRESPONDING FIGURES

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

## 26 DATE OF AUTHORISATION FOR ISSUE

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

## 27 GENERAL

### 27.1 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.

### 27.2 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.

### 27.3 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**  
Asset Allocation Fund

**CFA**



## Meezan Asset Allocation Fund (MAAF)

Meezan Asset Allocation Fund (MAAF) is a Shariah compliant Asset Allocation Scheme. It is designed to help investors build wealth by long-term capital appreciation, diversification across asset classes and the flexibility to change investment portfolio exposure as per the outlook.

- **FIRST AMC IN PAKISTAN**  
TO VOLUNTARILY **ADOPT AND IMPLEMENT**  
THE ASSET MANAGER CODE OF PROFESSIONAL CONDUCT  
SET FORTH BY **CFA INSTITUTE**



# 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. 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

Al Baraka Islamic Bank B.S.C (E.C)	Habib Metropolitan Bank Limited - Islamic Banking
Bank Al Habib Limited - Islamic Banking	Meezan Bank Limited
Bank Islami Pakistan Limited	Dubai Islamic Bank Pakistan 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:

## TRANSFER AGENT

Meezan Bank Limited  
Meezan House  
C-25, Estate Avenue, SITE, Karachi.  
Phone: 38103538 Fax: 36406017  
Website: [www.meezanbank.com](http://www.meezanbank.com)

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited

## REPORT OF THE FUND MANAGER Meezan Asset Allocation Fund (MAAF)

### Objective

The fund aims to earn a potentially high return through asset allocation between Shariah Compliant Equity Instruments, Shariah Compliant Fixed Income and Money Market Instruments and any other Shariah Compliant instrument as permitted by the SECP and Shariah Advisor.

### Investment Policy and Strategy

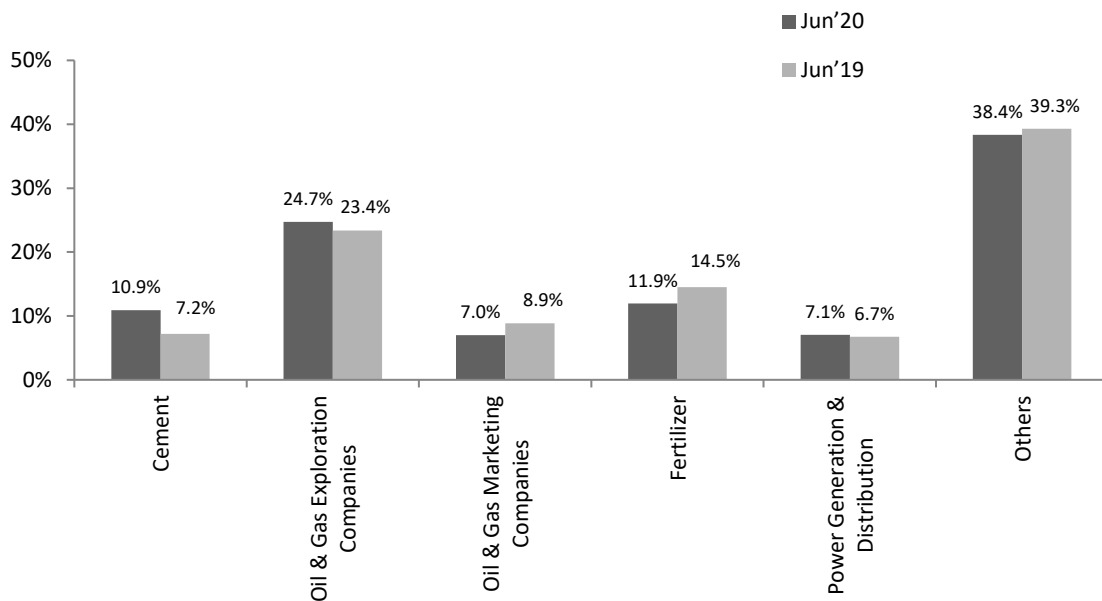
Based on the Fund Manager's outlook on asset classes, the allocation of the portfolio will actively be managed between the Equity asset classes and Fixed Income/Money Market asset classes in line with the macroeconomic view and outlook of such asset classes. For exposure to equities, this fund shall primarily be invested in Listed Islamic Equity while for exposure to Fixed Income/Money Market, the fund shall invest in Islamic Money Market and Islamic Fixed Income instruments as well as in Cash at Bank Accounts of Islamic Banks and licensed Islamic Banking windows of conventional Banks.

To comply with the regulatory limits enforced by the SECP, the fund can take a maximum exposure of up to 90% of its Net Assets in equity or fixed income; in case of an investment in REITs, a limit of 35% has been assigned by the regulator.

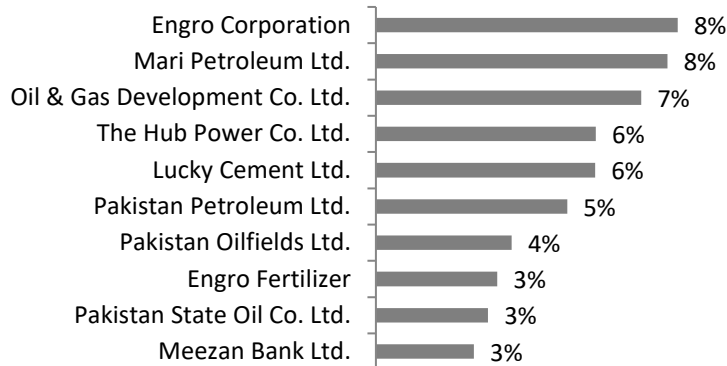
The fund manager looks to earn a higher than average return by actively managing the portfolio between equity and fixed income avenues in line with the movements of the stock market.

### Asset Allocation

As on June 30, 2020, the fund's equity exposure was 83.45%, while 16.55% of the Net Assets was invested in bank deposits.



## Top Holdings



### Performance Review

During the fiscal year 2020, Meezan Asset Allocation Fund provided a positive return of 6.61% to its investors.

	<u>MAAF</u>	<u>Benchmark</u>
Net Asset Value as on June 30, 2019	35.43	
Net Asset Value as on June 30, 2020	36.59	
Return During the Period - Net	6.61%	6.97%
Under performance	-0.36%	

***Benchmark: Weighted avg. return of KMI 30 Index and Fixed Income/ Money Market Scheme as per actual allocation***

Meezan Asset Allocation Fund posted a total Income of Rs. 168 million during FY19 as compared to total loss of Rs. 480 million last year. Total Income comprised of realized and unrealized Gain on investments of Rs. 28 million and Rs. 51 million respectively. Dividend income and profit on saving account with banks comprised of Rs. 60 million and 29 million respectively. After accounting for expenses of Rs. 46 million, the fund posted a net Income of Rs. 122 million. The net assets of the Fund as at June 30, 2020 were Rs. 1,339 million as compared to Rs. 1,854 million at the end of last year depicting a decline of 28%.

### Charity Statement

The Fund purifies the income earned by setting aside an amount payable by the Management Company out of the income of the Trust to charitable/welfare organizations, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2020 an amount of Rs. 2 million was accrued as charity payable.

### Distributions

Interim distribution for the period ended June 30, 2020 at Rs. 1.18 per unit i.e. 2.36% of the par value of Rs. 50/- each. Total distribution made by the fund was Rs. 42 million.



**Breakdown of unit holdings by size:**

(As on June 30, 2020)

Range (Units)	No. of Investors
1 - 9,999	1,024
10,000 - 49,999	349
50,000 - 99,999	64
100,000 - 499,999	38
500,000 and above	10
<b>Total</b>	<b>1,485</b>

**Summary of Actual Proxy Voted By the Fund**

	Resolutions	For	Against	Abstain
<b>Number</b>	2	2	0	0
<b>Percentage</b>		100%	0%	0%

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

<b>PERFORMANCE TABLE</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Net assets (Rs in '000) (ex-distribution)	1,339,302	1,854,011	2,877,164
Net assets value / redemption price per unit as at 30 June (Rs.) (ex-distribution)	36.594	35.433	44.530
Offer price per unit as at June 30 (Rs.) (ex-distribution)	37.835	36.634	46.040
Highest offer price per unit (Rs.)	46.036	47.404	53.390
Lowest offer price per unit (Rs.)	30.176	35.528	42.780
Highest redemption price per unit (Rs.)	44.527	45.849	51.640
Lowest redemption price per unit (Rs.)	29.186	34.364	41.380
Distribution (%)	2.36	N/A	N/A
	2020	2019	2018
<b>Date of distribution</b>	<b>June 20, 2010</b>	N/A	N/A
Total return (%)	6.61	-20.04	-12.5
	One Year	Two Year	Three Year
Average annual return (%) as at June 30, 2020	6.6100	- 7.6716	- 9.3100



**Meezan Bank**  
The Premier Islamic Bank

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

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

**Alhamdulillah**, the period from July 01, 2019 to June 30, 2020 was the Fourth year of operations of Meezan Asset Allocation Fund (MAAF) 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 six criteria for Shari'ah compliance of equity investments which relate to (i) Nature of business, (ii) Interest bearing debt to total assets, (iii) Investment in non-Shari'ah compliant activities to Total assets (iv) Shari'ah Non Compliant Income to Gross Revenue (v) Illiquid assets to total assets, and (vi) Net liquid assets per share vs. share price.

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

- i. We have reviewed and approved the modes of investments of MAAF in light of *Shari'ah* requirements. Following is the list of the top equity holdings of MAAF as on June 30, 2020 and their evaluation according to the screening criteria established by us. (December 31, 2019 accounts of the Investee companies have been used for the following calculations\*):

Company Name	(i)	(ii)**	(iii)	(iv)	(v)	(vi)	
	Nature of Business	Debt to Assets (<37%)	Non-Compliant Investments (<33%)	Non-Compliant Income to Gross Revenue (<5%)	Illiquid Assets to Total Assets (>25%)	Net Liquid Assets per Share (A)	Share Price (B)
Engro Corporation Ltd.	Fertilizer	28.34%	22.25%	4.72%	58.58%	(220.56)	
Mari Petroleum Ltd	Oil & Gas Exploration Companies	7.83%	17.76%	3.13%	30.37%	(664.23)	



Oil & Gas Development Co. Ltd.	Oil & Gas Exploration Companies	0.00%	7.95%	7.74%****	33.64%	90.21	142.32
The Hub Power Company Ltd.***	Power Generation & Distribution Company	32.32%	0.00%	7.32%	53.77%	(43.08)	
Lucky Cement Ltd.	Cement	25.55%	0.71%	2.59%	85.13%	(279.47)	
Pakistan Petroleum Ltd.	Oil & Gas Exploration Companies	0.01%	8.64%	1.59%	31.91%	58.79	137
Pakistan Oilfields Ltd.	Oil & Gas Exploration Companies	0.00%	1.35%	4.09%	44.36%	7.96	446.72

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

\*\* All interest based debts.

\*\*\* Debt is considered excluding circular debt.

\*\*\*\* OGDC is facing circular debt issues. Company is bound to retain interest bearing TFC/Bonds having no permission to sell from government. Due to high interest rate during July-Dec 2019, non-compliant income is high and exceeds 5%. Company had provided written confirmation that its non-compliant income ratio will be less than 5% due to lower interest rates during July-Dec 2020.

- ii. On the basis of information provided by the management, all operations of MAAF for the year ended June 30, 2020 have been in compliance with the *Shari'ah* principles.

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

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

**Dr. Muhammad Imran Ashraf Usmani**

For and on behalf of Meezan Bank  
*Shariah* Advisor

**Head Office**

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S.M.C.H.S. Main Shakra-e-Faisal  
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**TRUSTEE REPORT TO THE UNIT HOLDERS**

**MEEZAN ASSET ALLOCATION 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 Asset Allocation 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 Asset Allocation Fund**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Meezan Asset Allocation 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	<b>Net Asset Value</b> (Refer notes 5 and 6 to the financial statements)	
	<p>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 1,127.264 million and balances with banks aggregated to Rs 245.253 million.</p> <p>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.</p>	<p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none"> <li>▪ Tested the design and operating effectiveness of the key controls for valuation of investments;</li> <li>▪ 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;</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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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 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**.

  
Chartered Accountants  
Karachi

Date: September 22, 2020



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



	Note	2020	2019
-----Rupees in 000-----			
<b>Assets</b>			
Balances with banks	5	245,253	421,539
Investments	6	1,127,264	1,448,626
Receivable against conversion of units		3,313	-
Receivable against sale of investments		3,462	-
Dividend receivable		2,711	5,288
Advances, deposits and other receivables	7	6,170	9,794
Preliminary expenses and floatation costs	8	145	326
<b>Total assets</b>		<b>1,388,318</b>	<b>1,885,573</b>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited -Management Company	9	3,404	4,914
Payable to Central Depository Company of Pakistan Limited - Trustee	10	191	533
Payable to the Securities and Exchange Commission of Pakistan	11	311	2,380
Payable to Meezan Bank Limited		36	35
Payable against redemption and conversion of units		13,080	9,113
Payable against purchase of investments		3,294	-
Dividend payable		4,236	-
Accrued expenses and other liabilities	12	24,464	14,587
<b>Total liabilities</b>		<b>49,016</b>	<b>31,562</b>
<b>NET ASSETS</b>		<b>1,339,302</b>	<b>1,854,011</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>1,339,302</b>	<b>1,854,011</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		
<b>NUMBER OF UNITS IN ISSUE</b>		<b>36,598,971</b>	<b>52,324,763</b>
-----Rupees-----			
<b>NET ASSET VALUE PER UNIT</b>		<b>36.5940</b>	<b>35.4328</b>

The annexed notes from 1 to 30 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Director

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

	Note	2020	2019
----- Rupees in 000 -----			
<b>Income / (loss)</b>			
Realised gain / (loss) on sale of investments - net		27,779	(201,426)
Dividend income		60,417	97,359
Profit on balances with banks		29,228	39,304
		<u>117,424</u>	<u>(64,763)</u>
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.2	<u>51,030</u>	<u>(415,587)</u>
<b>Total income / (loss)</b>		<u>168,454</u>	<u>(480,350)</u>
<b>Expenses</b>			
Remuneration of Al Meezan Investment Management Limited - Management Company	9.1	23,017	37,579
Sindh Sales Tax on remuneration of the Management Company	9.2	2,992	4,885
Allocated expenses	16	1,534	2,505
Selling and marketing expenses	17	6,138	10,021
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1	2,535	3,505
Sindh Sales Tax on remuneration of the Trustee	10.2	330	456
Annual fees to the Securities and Exchange Commission of Pakistan	11	311	2,380
Brokerage expense		3,118	1,398
Auditors' remuneration	14	309	319
Amortisation of preliminary expenses and floatation costs	8	181	181
Printing expenses		-	11
Fee and subscription charges		565	562
Bank and settlement charges		743	552
Provision for Sindh Worker's Welfare Fund		2,499	-
Charity expense	12.1	1,720	1,748
<b>Total expenses</b>		<u>(45,992)</u>	<u>(66,102)</u>
<b>Net income / (loss) for the year before taxation</b>		<u>122,462</u>	<u>(546,452)</u>
Taxation	18	-	-
<b>Net income / (loss) for the year after taxation</b>		<u>122,462</u>	<u>(546,452)</u>
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		122,462	-
Income already paid on units redeemed		<u>(3,089)</u>	-
		<u>119,373</u>	<u>-</u>
<b>Accounting income available for distribution</b>			
- Relating to capital gains		78,809	-
- Excluding capital gains		40,564	-
		<u>119,373</u>	<u>-</u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Director



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

	<b>2020</b>	<b>2019</b>
	----- Rupees in 000-----	
<b>Net income / (loss) for the year after taxation</b>	122,462	(546,452)
Other comprehensive income / (loss) for the year	-	-
<b>Total comprehensive Income / (loss) for the year</b>	<u><u>122,462</u></u>	<u><u>(546,452)</u></u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Director

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

	2020			2019		
	Capital Value	Accumulated losses	Total	Capital Value	Accumulated losses	Total
	----- Rupees in 000-----			----- Rupees in 000-----		
<b>Net assets at beginning of the year</b>	2,862,681	(1,008,670)	1,854,011	3,339,382	(462,218)	2,877,164
Issuance of 7,360,281 units (2019: 13,481,636 units)						
- Capital value (at net asset value per unit at the beginning of the year)	260,795	-	260,795	600,339	-	600,339
- Element of income / (loss)	16,347	-	16,347	(29,904)	-	(29,904)
Total proceeds on issuance of units	277,142	-	277,142	570,435	-	570,435
Redemption of 23,086,073 units (2019: 25,768,478 units)						
- Capital value (at net asset value per unit at the beginning of the year)	818,004	-	818,004	1,147,473	-	1,147,473
- Element of loss / (income)	51,205	3,089	54,294	(100,337)	-	(100,337)
Total payments on redemption of units	869,209	3,089	872,298	1,047,136	-	1,047,136
Total comprehensive income / (loss) for the year	-	122,462	122,462	-	(546,452)	(546,452)
Distribution during the year	-	(42,015)	(42,015)	-	-	-
Net Income / (loss) for the year less distribution	-	80,447	80,447	-	(546,452)	(546,452)
<b>Net assets at end of the year</b>	<u>2,270,614</u>	<u>(931,312)</u>	<u>1,339,302</u>	<u>2,862,681</u>	<u>(1,008,670)</u>	<u>1,854,011</u>
Accumulated losses brought forward						
- Realised loss		(593,083)			(109,140)	
- Unrealised loss		(415,587)			(353,078)	
		<u>(1,008,670)</u>			<u>(462,218)</u>	
<b>Accounting income available for distribution</b>						
- Relating to capital gains	78,809			-		
- Excluding capital gains	40,564			-		
	<u>119,373</u>			<u>-</u>		
Net income / (loss) for the year after taxation	119,373			(546,452)		
Distribution during the year	(42,015)			-		
Accumulated losses carried forward	<u>(931,312)</u>			<u>(1,008,670)</u>		
<b>Accumulated losses carried forward</b>						
- Realised loss	(982,342)			(593,083)		
- Unrealised income / (loss)	51,030			(415,587)		
	<u>(931,312)</u>			<u>(1,008,670)</u>		
	<b>(Rupees)</b>			<b>(Rupees)</b>		
Net assets value per unit at beginning of the year	<u>35.4328</u>			<u>44.5301</u>		
Net assets value per unit at end of the year	<u>36.5940</u>			<u>35.4328</u>		

The annexed notes from 1 to 30 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Director

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

	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Income / (loss) for the year before taxation		122,462	(546,452)
<b>Adjustments for:</b>			
Net unrealised (appreciation) / diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.2	(51,030)	415,587
Amortisation of preliminary expenses and floatation costs	8	181	181
		<u>71,613</u>	<u>(130,684)</u>
<b>Decrease in assets</b>			
Investments		372,392	568,872
Receivable against sale of investment		(3,462)	-
Dividend receivable		2,577	521
Advances, deposits and other receivables		3,624	(1,760)
		<u>375,130</u>	<u>567,633</u>
<b>Increase / (Decrease) in liabilities</b>			
Payable to Al Meezan Investment Management Limited - Management Company		(1,510)	(7,759)
Payable to Central Depository Company of Pakistan Limited - Trustee		(342)	193
Payable to the Securities and Exchange Commission of Pakistan		(2,069)	(516)
Payable against purchase of investments		3,294	(2,190)
Payable to Meezan Bank Limited		1	(9)
Dividend payable		4,236	-
Accrued expenses & other liabilities		9,877	321
		<u>13,487</u>	<u>(9,960)</u>
<b>Net cash generated from operating activities</b>		<u>460,230</u>	<u>426,989</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts against issuance and conversion of units		273,829	580,114
Payment against redemption and conversion of units		(868,330)	(1,039,692)
Dividend paid		(42,015)	-
<b>Net cash used in from financing activities</b>		<u>(636,516)</u>	<u>(459,578)</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(176,286)</u>	<u>(32,589)</u>
Cash and cash equivalents at the beginning of the year		421,539	454,128
<b>Cash and cash equivalents at the end of the year</b>	5	<u>245,253</u>	<u>421,539</u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Director

**MEEZAN ASSET ALLOCATION 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 Asset Allocation Fund was established under a trust deed executed between Al Meezan Investment Management Company (Al Meezan) as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Trust Deed was executed on November 25, 2015 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, (NBFC Regulations). 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 registered office of the Management Company is situated at Ground floor Block B, Finance Trade Centre (FTC), Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.2** The objective of the Fund is to earn potentially high return through asset allocation between Shariah Compliant Equity Instruments, Shariah Compliant Fixed Income Instruments, Shariah Compliant Money Market Instruments and any other Shariah Compliant instruments as permitted by the SECP and the Shariah Advisor. Meezan Bank Limited acts as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.3** The Fund is an open-end Shariah Compliant Asset Allocation Scheme. 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 listed on the Pakistan Stock Exchange Limited.
- 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.
- 1.5** The title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited (CDC) as the Trustee of the Fund.

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

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 have been carried at 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 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 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.

##### **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.

##### **4.3.3 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 generally 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 period 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, 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.
- Dividend income is recognised when the Fund's right to receive the same is established i.e. on the commencement of date of book closure of the investee company / institution declaring the dividend.
- Profit on saving accounts with bank is recognised on a 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 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund. These costs are being amortised over a period of 5 years in accordance with the requirements set out in the Trust Deed of the Fund.

#### 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 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).

#### 4.15 Earnings / (loss) per unit

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

Earnings / (loss) per unit 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.

5	BALANCES WITH BANKS	Note	2020	2019
			----- Rupees in 000-----	
	Balances with banks in:			
	Savings accounts	5.1	241,399	419,654
	Current account		3,854	1,885
			<u>245,253</u>	<u>421,539</u>
5.1	Profit and loss sharing accounts of the Fund carries profit rates ranging from 1.5% to 7.50% per annum (2019: 3.32% to 12.35% per annum).			
6	INVESTMENTS	Note	2020	2019
			----- Rupees in 000-----	
	<b>Investment at 'fair value through profit or loss'</b>			
	Listed equity securities	6.1	<u>1,127,264</u>	<u>1,448,626</u>

## 6.1 Investments in equity securities - listed

Shares of listed companies - fully paid up ordinary shares with a face value of Rs. 10 each unless stated other wise.

Name of the investee company	As at July 1, 2019	Purchases during the year	Bonus issue / Right shares	Sales during the year	As at June 30, 2020	Carrying value as at June 30, 2020	Market value as at June 30, 2020	Unrealised gain / (loss) as at June 30, 2020	Percentage in relation to		
									Net assets of the Fund	Paid up capital of investee company (with face value of investment)	Total market value of investments
Number of shares						(Rupees in '000)		%			

### SECTOR

#### Automobile Assembler

Honda Atlas Cars (Pakistan) Limited	1,800	12,400	-	14,100	100	17	19	3	-	-	-
Ghandhara Industries Limited	55,000	-	-	55,000	-	-	-	-	-	-	-
Agriauto Industries Limited	-	40,000	-	-	40,000	8,355	7,280	(1,075)	0.54	0.28	0.65
Indus Motor Company Limited	-	7,960	-	-	7,960	9,512	7,920	(1,592)	0.59	0.01	0.70
Milat Tractors Limited	5,000	2,000	-	5,000	2,000	1,436	1,412	(24)	0.11	-	0.13
									<b>1.24</b>	<b>0.29</b>	<b>1.48</b>

#### Chemicals

Engro Polymer & Chemicals Limited	1,110,761	1,100,000	-	1,664,500	546,261	15,288	13,646	(1,643)	1.02	0.06	1.21
ICI Pakistan Limited	80,650	3,500	-	33,750	50,400	27,230	35,013	7,783	2.61	0.05	3.11
Ittehad Chemical Limited	-	100,000	-	-	100,000	2,937	2,635	(302)	0.20	0.12	0.23
Sitara Peroxide Limited	-	149,000	-	-	149,000	3,215	3,041	(174)	0.23	0.70	0.27
									<b>4.06</b>	<b>0.93</b>	<b>4.82</b>

#### Cement

Cherat Cement Company Limited	-	240,500	6,500	160,500	86,500	3,404	7,540	4,136	0.56	0.05	0.67
D.G. Khan Cement Company Limited	129,000	375,500	-	352,000	152,500	11,678	13,013	1,335	0.97	0.03	1.15
Fauji Cement Company Limited	-	1,087,000	-	887,500	199,500	3,394	3,368	(26)	0.25	0.01	0.30
Kohat Cement Company Limited	225,000	55,000	-	42,000	238,000	16,084	32,713	16,629	2.44	0.12	2.90
Lucky Cement Limited	304,700	-	-	120,151	184,549	70,215	85,184	14,969	6.36	0.06	7.56
Maple Leaf Cement Factory Limited	11,112	775,595	-	411,000	375,707	9,746	9,761	14	0.73	0.06	0.87
Pioneer Cement Limited	500	-	-	-	500	11	32	20	-	-	-
									<b>11.31</b>	<b>0.33</b>	<b>13.45</b>

#### Engineering

International Industries Limited	107,500	50,100	9,600	99,000	68,200	5,616	6,256	640	0.47	0.06	0.55
International Steels Limited	105,000	675,000	-	655,000	125,000	6,231	6,456	225	0.48	0.03	0.57
Amreli Steels Limited	-	150,000	-	150,000	-	-	-	-	-	-	-
Mughal Iron & Steel Industries Limited	-	125,000	-	125,000	-	-	-	-	-	-	-
									<b>0.95</b>	<b>0.09</b>	<b>1.12</b>

#### Fertilizer

Engro Corporation Limited	609,400	35,700	-	244,640	400,460	108,095	117,303	9,208	8.76	0.07	10.41
Engro Fertilizers Limited	1,745,000	100,000	-	1,063,000	782,000	49,785	47,139	(2,646)	3.52	0.06	4.18
Fatima Fertilizers Limited	-	52,500	-	-	52,500	1,484	1,403	(80)	0.10	-	0.12
									<b>12.38</b>	<b>0.13</b>	<b>14.71</b>

#### Food And Personal Care Products

Frieslandcampins Engro Foods Limited	700	-	-	700	-	-	-	-	-	-	-
Al-Shaheer Corporation Limited	3,750	1,449	-	-	5,199	62	59	(2)	-	-	-
									-	-	-

#### Oil And Gas Exploration Companies

Oil and Gas Development Company Limited	1,319,800	720,000	-	1,094,500	945,300	108,011	103,038	(4,973)	7.69	0.02	9.14
Mari Petroleum Company Limited	60,720	33,500	6,072	8,740	91,552	87,603	113,218	25,615	8.45	0.08	10.04
Pakistan Oilfields Limited	93,950	57,000	-	400	150,550	57,987	52,787	(5,200)	3.94	0.05	4.68
Attock Petroleum Limited	-	25,000	-	-	25,000	7,625	7,630	5	0.57	0.03	0.68
Pakistan Petroleum Limited	1,161,390	629,000	193,238	1,127,200	856,428	88,807	74,321	(14,487)	5.55	0.04	6.59
									<b>26.20</b>	<b>0.22</b>	<b>31.13</b>

Name of the investee company	As at July 1, 2019	Purchases during the year	Bonus issue / Right shares	Sales during the year	As at June 30, 2020	Carrying value as at June 30, 2020	Market value as at June 30, 2020	Unrealised gain / (loss) as at June 30, 2020	Percentage in relation to		
									Net assets of the Fund	Paid up capital of investee company (with face value of investment)	Total market value of investments
Number of shares						Rupees in '000			%		
<b>Oil And Gas Marketing Companies</b>											
Hascol Petroleum Limited	301,675	4,059,435	-	2,805,500	1,555,610	19,996	21,156	1,160	1.58	0.78	1.88
Hi-Tech Lubricants Limited	-	50,000	-	-	50,000	1,329	1,514	185	0.11	0.04	0.13
Sui Northern Gas Pipelines Limited	1,317,400	-	-	894,000	423,400	29,422	23,118	(6,304)	1.73	0.07	2.05
Pakistan State Oil Company Limited	323,348	275,800	55,829	379,500	275,477	38,473	43,569	5,096	3.25	0.07	3.87
									<b>6.67</b>	<b>0.96</b>	<b>7.93</b>
<b>Paper and Board</b>											
Cherat Packaging Limited	21,752	-	825	22,577	-	-	-	-	-	-	-
Roshan Packages Limited	-	100,000	-	-	100,000	2,035	2,242	207	0.17	0.07	0.20
Century Paper and Board Mills Packages Limited	-	68,000	-	-	68,000	4,524	4,867	343	0.36	0.05	0.43
	51,350	20,800	-	20,000	52,150	16,516	18,107	1,591	1.35	0.06	1.61
									<b>1.88</b>	<b>0.18</b>	<b>2.24</b>
<b>Glass &amp; Ceramics</b>											
Tariq Glass Industries Limited	10,000	-	-	10,000	-	-	-	-	-	-	-
<b>Pharmaceuticals</b>											
Abbott Laboratories (Pakistan) Limited	50	-	-	-	50	24	33	9	-	-	-
AGP Limited	289,000	165,000	-	151,500	302,500	27,449	33,196	5,748	2.48	0.11	2.94
GlaxoSmithKline Consumer Healthcare Pakistan Limited	47,000	7,400	-	22,500	31,900	6,565	8,667	2,102	0.65	0.03	0.77
GlaxoSmithKline Pakistan Limited	-	-	-	-	-	-	-	-	-	-	-
The Searle Company Limited	132,849	48,000	-	85,000	95,849	15,796	19,096	3,300	1.43	0.05	1.69
									<b>4.56</b>	<b>0.19</b>	<b>5.40</b>
<b>Power Generation And Distribution</b>											
K-Electric Limited (face value Rs. 3.5)	11,955,000	3,000,000	-	10,775,500	4,179,500	16,982	12,580	(4,401)	0.94	0.04	1.12
The Hub Power Company Limited	942,512	1,231,500	-	995,215	1,178,797	86,774	85,463	(1,311)	6.38	0.10	7.58
									<b>7.32</b>	<b>0.14</b>	<b>8.70</b>
<b>Textile Composite</b>											
Nishat Mills Limited	398,400	25,000	-	282,400	141,000	12,989	10,999	(1,989)	0.82	0.04	0.98
Feroze1888 Mills Limited	131,000	3,500	-	-	134,500	13,541	11,002	(2,539)	0.82	0.04	0.98
Interloop Limited	724,712	-	-	232,000	492,712	21,812	21,640	(172)	1.62	0.06	1.92
									<b>3.26</b>	<b>0.14</b>	<b>3.88</b>
<b>Commercial Banks</b>											
Meezan Bank Limited (an associate)	528,446	150,000	-	125,000	553,446	45,498	38,105	(7,393)	2.85	0.04	3.38
Bank Islami Pakistan Limited	-	705,000	-	535,000	170,000	1,846	1,285	(561)	0.10	0.02	0.11
									<b>2.95</b>	<b>0.06</b>	<b>3.49</b>
<b>Technology and Communication</b>											
Pakistan Telecommunication Company Limited	100,000	-	-	100,000	-	-	-	-	-	-	-
Systems Limited	79,200	25,000	-	25,000	79,200	8,027	14,547	6,521	1.09	0.06	1.29
Netsol Technologies Inc	-	35,000	-	35,000	-	-	-	-	-	-	-
Avanceon Limited	147,000	100,000	10,000	147,000	110,000	2,807	3,890	1,082	0.29	0.06	0.36
									<b>1.38</b>	<b>0.12</b>	<b>1.65</b>
<b>Vanaspati &amp; Allied Industries</b>											
Unity Foods Limited	-	250,000	-	250,000	-	-	-	-	-	-	-
<b>Total as at June 30, 2020</b>						<b>1,076,234</b>	<b>1,127,264</b>	<b>51,030</b>	<b>84.16</b>		<b>100</b>
<b>Total as at June 30, 2019</b>						<b>1,864,213</b>	<b>1,448,626</b>	<b>(415,587)</b>			

- 6.1.1** Investments include 105,000 shares (June 30, 2019: 105,000 shares) of Engro Corporation Limited having market value of Rs 30.76 million as at June 30, 2020 (June 30, 2019: Rs 27.89 million) which have been pledged with National Clearing Company Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by SECP.
- 6.1.2** The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001 as a result of which companies are liable to withhold five percent of the bonus shares to be issued. The shares so withheld shall only be released if the Fund deposits tax equivalent to five percent of the value of the bonus shares issued to the Fund including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

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

During the year ended June 30, 2018, the Supreme Court of Pakistan passed a judgement on June 27, 2018 whereby the suits which are already pending or shall be filed in future must only be continued / entertained on the condition that a minimum of 50 percent of the tax calculated by the tax authorities is deposited with the authorities. Accordingly, the CISs were required to pay minimum 50% of the tax calculated by the tax authorities for the case to remain continued. The CISs failed to deposit the minimum 50% of the tax liability and accordingly the stay got vacated automatically during the year ended June 30, 2019. During the current year, the CISs have filed a fresh constitutional petition via CP 4653 dated July 11, 2019. In this regard, on July 15, 2019, the Honourable High of Sindh has issued notices to the relevant parties and has ordered that no third party interest on bonus shares issued to the Funds in lieu of their investments be created in the meantime. The matter is still pending adjudication and the Funds have included these shares in their portfolio, as the management is confident that the decision of the constitutional petition will be in favour of the CISs.

Further, the Finance Act, 2018 effective from July 1, 2018 has omitted Section 236M of Income Tax Ordinance, 2001 requiring every company quoted on stock exchange issuing bonus shares to the shareholders of the company, to withhold five percent of the bonus shares to be issued. Therefore, bonus shares issued to the Fund during the year were not withheld by the investee companies.

As at June 30, 2020, the bonus shares of the Fund withheld by certain companies at the time of declaration of bonus shares amounted to Rs 1.453 million ( June 30, 2019: Rs 1.209 million).

	Note	2020	2019
		----- Rupees in 000-----	
<b>6.2 Unrealised appreciation / (diminution) on re-measurement of investments classified as Financial assets at fair value through profit or loss</b>			
Market value of investments	6.1	1,127,264	1,448,626
Carrying value of investments	6.1	(1,076,234)	(1,864,213)
		<u>51,030</u>	<u>(415,587)</u>

## 7 ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Security deposit with Central Depository Company of Pakistan Limited		100	100
Security deposit with National Clearing Company of Pakistan Limited		2,500	2,500
Profit receivable on saving accounts with banks		1,100	4,724
Advance tax	7.1	2,470	2,470
		<u>6,170</u>	<u>9,794</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, during the year ended June 30, 2020, withholding tax on dividend paid to the Fund was deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholders. The tax withheld on dividends amounts to Rs. 2.470 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 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.

	Note	2020	2019
-----Rupees in 000-----			
<b>8 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
At the beginning of the year		326	507
Amortisation during the year	8.1	<u>(181)</u>	<u>(181)</u>
At the end of the year		<u>145</u>	<u>326</u>

**8.1** Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund i.e. April 21, 2016 restricted to one percent of Pre-IPO capital, and are being amortised over a period of five years in accordance with the trust deed of the Fund.

	Note	2020	2019
-----Rupees in 000-----			
<b>9 PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED- MANAGEMENT COMPANY</b>			
Management fee payable	9.1	1,667	2,383
Sindh Sales Tax on Management fee payable Management Company	9.2	217	310
Allocated expenses payable	16	111	159
Sales load payable		86	16
Sindh Sales Tax Payable on sales load		12	2
Selling and marketing expenses payable	17	<u>1,311</u>	<u>2,044</u>
		<u>3,404</u>	<u>4,914</u>

**9.1** 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 1.5% (2019:1.5%) per annum of the average net assets of the Fund during the year June 30, 2020. The remuneration is payable to the Management Company monthly in arrears.

**9.2** During the year, an amount of Rs 2.992 million (2019: Rs.4.885 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. 3.085 million (2019: Rs. 5.091 million) has been paid to the Management company which acts as a collecting agent.

	Note	2020	2019
-----Rupees in 000-----			
<b>10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Trustee fee payable	10.1	169	472
Sindh Sales Tax payable on trustee fee	10.2	<u>22</u>	<u>61</u>
		<u>191</u>	<u>533</u>

**10.1** 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 0.2% per annum of net assets, whichever is higher.
- exceeding Rs. 1 billion Rs. 2.0 million plus 0.1% per annum of net assets exceeding Rs. 1 billion.

- 10.2** During the year, an amount of Rs 0.330 million (2019: Rs.0.456 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.0.369 million (2019: Rs. 0.462 million) was paid to the Trustee which acts as a collecting agent.

**11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

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 equity fund was 0.095%. Accordingly, the Fund has charged SECP Fee at the rate of 0.02% of net assets during the current year.

12 ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2020	2019
		-----Rupees in '000-----	
Auditors' remuneration payable		195	195
Brokerage payable		2,416	1,455
Shariah advisor fee payable		266	266
Charity Payable	12.1	2,753	1,933
Provision for Federal Excise Duty and related Sindh Sales Tax on management fee	12.2	482	482
Provision for Federal Excise Duty and related Sindh Sales Tax on sales load		145	145
Withholding tax payable		5,373	26
Capital gain tax payable		255	1
Provision for Sindh Workers' Welfare Fund	12.3	12,579	10,080
Zakat payable		-	4
		<u>24,464</u>	<u>14,587</u>

- 12.1** According to the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. Accordingly, during the year ended June 30, 2020, Shariah non-compliant income amounting to Rs 1.7 million (2019 : Rs 1.7 million) was charged as charity expense and Rs 0.9 million was disbursed to following charitable / welfare organisations respectively:

S. No.	Charitable Organisations	Amount Rupees in '000
1	Patients Aid Foundation	200
2	TAF Foundation	200
3	Trust for Development Studies & Practices	200
4	Milestone Charitable Trust	300
	<b>Total</b>	<u>900</u>

- 12.2** 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 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. 0.627 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 0.02 (June 30, 2019: Re. 0.01) per unit.

- 12.3** 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. 0.34 per unit (2019: Re. 0.19 per unit).

### 13 CONTINGENCIES AND COMMITMENTS

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

<b>14 AUDITORS' REMUNERATION</b>	<b>2020</b>	<b>2019</b>
	-----Rupees in 000-----	
Annual audit fee	212	212
Half yearly review	81	87
Out of pocket expenses	16	20
	<u>309</u>	<u>319</u>

### 15 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2020 is 3% which includes 0.42% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund (if any), sales taxes, federal excise duties, annual fee to the SECP, etc. This ratio is within the maximum limit of 4.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Asset Allocation 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, 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.

## 19 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 19.1** Connected persons include AI 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, AI 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:

<b>Balances</b>	<b>2020</b>	<b>2019</b>
	-----Rupees '000-----	
<b>AI Meezan Investment Management Company (Management Company)</b>		
Remuneration Payable	1,667	2,383
Sindh Sales Tax on management fee	217	310
Sales load payable	86	16
Sindh Sales Tax on sales load	12	2
Allocated expenses	111	159
Selling and marketing expenses payable	1,311	2,044
<b>Central Depository Company Pakistan Limited (Trustee)</b>		
Trustee fee payable	169	472
Sindh Sales Tax payable on trustee fee	22	61
Deposits	100	100

	2020	2019
	-----Rupees '000-----	
<b>Meezan Bank Limited</b>		
Sales load payable	32	47
Sindh Sales tax on Sales Load Payable	4	6
Bank balance	20,861	6,620
Profit receivable on savings account	52	37
Outstanding 553,446 (2019: 528,446 shares)	38,105	46,059

**Directors and their close family members and key management personnel of the Management Company**

Investment of 329,538 units (2019: 30,242 units)	12,059	1,072
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**For the year ended June 30,**

**Transactions during the year**

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

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

Remuneration charged	23,017	37,579
Sindh Sales Tax on remuneration of the Management Company	2,992	4,885
Allocated expenses	1,534	2,505
Selling and marketing expenses	6,138	10,021

**Central Depository Company Pakistan Limited (Trustee)**

Remuneration of the Trustee	2,535	3,505
Sindh Sales Tax on remuneration of the Trustee	330	456

**Meezan Bank Limited**

Profit on savings account	6,910	1,081
Purchase of 150,000 (2019: 776,410 ) shares	9,925	68,351
Bonus of nil (2019: 56,036 ) shares	-	-
Sale 125,000 (2019: 304,410) shares	9,200	27,517
Dividend income	2,139	1,343

**Directors and their close family members and key management personnel of the Management Company**

Issue of 956,394 units (2019: 1,214,365 units)	34,134	50,988
Redemption of 657,097 units (2019: 1,186,135 units)	23,725	42,665
Dividend paid	89	-
Refund of capital	287	-

**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**

	----- 2020 -----		
	At amortised cost *	At fair value through profit or loss	Total
	----- Rupees '000 -----		
<b>Financial assets</b>			
Balances with banks	245,253	-	245,253
Investments	-	1,127,264	1,127,264
Receivable against conversion of units	3,313	-	3,313
Receivable against sale of investments	3,462	-	3,462
Dividend receivable	2,711	-	2,711
Deposits and other receivables	3,700	-	3,700
	258,439	1,127,264	1,385,703

\* The carrying values of assets carried at amortised cost approximate their fair values.

**Financial liabilities**

Payable to Al Meezan Investment Management Company- Management Company	-	3,404	3,404
Payable to Central Depository Company Of Pakistan Limited- Trustee	-	191	191
Payable against redemption and conversion of units	-	13,080	13,080
Payable against purchase of investments	-	3,294	3,294
Payable to Meezan Bank Limited	-	36	36
Dividend Payable	-	4,236	4,236
Accrued expenses and other liabilities	-	5,629	5,629
	-	29,870	29,870

**Net Assets / (Liabilities)**

	<b>258,439</b>	<b>1,097,394</b>	<b>1,355,833</b>
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2020		
At fair value through profit or loss	At amortised cost	Total
----- Rupees '000 -----		

**Financial assets**

Balances with banks	421,539	-	421,539
Investments	-	1,448,626	1,448,626
Receivable against conversion of units	-	-	-
Dividend receivable	5,288	-	5,288
Deposits and other receivables	7,324	-	7,324
	434,151	1,448,626	1,882,777

**Financial liabilities**

Payable to Al Meezan Investment management Company- Management Company	-	4,914	4,914
Payable to Central Depository Company Of Pakistan Limited- Trustee	-	533	533
Payable against redemption and conversion of units	-	9,113	9,113
Payable against purchase of investments	-	-	-
Payable to Meezan Bank Limited	-	35	35
Accrued expenses and other liabilities	-	3,849	3,849
	-	18,444	18,444

**Net Assets / (Liabilities)**

	<b>434,151</b>	<b>1,430,182</b>	<b>1,864,333</b>
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2019		
At amortised cost	At fair value through profit or loss	Total
----- Rupees '000 -----		

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

**21 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.

**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: profit rate risk, currency risk, and price risk.

**(i) Yield / profit rate risk**

Yield / profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. As of June 30, 2020, 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 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. 2.41 million (2019: Rs. 4.20 million).

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

As at 30 June 2020, the Fund does not hold any fixed rate instrument that may expose the Fund to fair value profit rate risk.

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 -----					
<b>Financial assets</b>					
Balances with banks	1.5% - 7.5%	241,399	-	3,854	245,253
Investments		-	-	1,127,264	1,127,264
Receivable against conversion of units		-	-	3,313	3,313
Dividend receivable		-	-	2,711	2,711
Receivable against sale of investments		-	-	3,462	3,462
Deposits and other receivables		-	-	3,700	3,700
		241,399	-	1,144,304	1,385,703
<b>Financial liabilities</b>					
Payable to Al Meezan Asset Management Company - Management Company		-	-	3,404	3,404
Payable to Central Depository Company Pakistan Limited - Trustee		-	-	191	191
Payable against redemption and conversion of units		-	-	13,080	13,080
Payable against purchase of investments		-	-	3,294	3,294
Payable to Meezan bank		-	-	36	36
Dividend payable		-	-	4,236	4,236
Accrued expenses and other liabilities		-	-	5,629	5,629
		-	-	29,870	29,870
<b>On-balance sheet gap (a)</b>		241,399	-	1,114,434	1,355,833
<b>Off-balance sheet financial instruments</b>		-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-
<b>Total profit rate sensitivity gap (a+b)</b>		241,399	-	-	-
<b>Cumulative profit rate sensitivity gap</b>		241,399	241,399	241,399	-

2019					
Effective Yield / profit 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% - 12.35%	419,654	-	-	1,885	421,539
Investments		-	-	-	1,448,626	1,448,626
Receivable against conversion of units		-	-	-	-	-
Dividend receivable		-	-	-	5,288	5,288
Deposits and other receivables		-	-	-	7,324	7,324
		419,654	-	-	1,463,123	1,882,777

**Financial liabilities**

Payable to Al Meezan Asset Management Company - Management Company		-	-	-	4,914	4,914
Payable to Central Depository Company Pakistan Limited - Trustee		-	-	-	533	533
Payable against redemption and conversion of units		-	-	-	9,113	9,113
Payable against purchase of investments		-	-	-	-	-
Payable to Meezan bank		-	-	-	35	35
Accrued expenses and other liabilities		-	-	-	3,849	3,849
		-	-	-	18,444	18,444

**On-balance sheet gap (a)**

419,654	-	-	1,444,679	1,864,333
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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)**

419,654	-	-		
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**Cumulative profit rate sensitivity gap**

419,654	419,654	419,654		
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**(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.

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

In case of 1% increase / decrease in 30 KSE index on June 30, 2020, with all other variables held constant, the total comprehensive income of the Fund for the year would increase / decrease by Rs. 11.273 million (2019: Rs. 14.486 million) and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as financial assets at fair value through profit or loss.

The analysis is based on the assumption that equity index had increased / decreased by 1% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KMI 30 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI 30 Index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2020 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KMI 30 Index.

## 21.2 Liquidity risk

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

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

As per the NBFC Regulations, 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 -----						
<b>Financial assets</b>						
Balances with banks	245,253	-	-	-	-	245,253
Investments	-	-	-	-	1,127,264	1,127,264
Receivable against conversion of units	3,313	-	-	-	-	3,313
Receivable against sale of investments	3,462	-	-	-	-	3,462
Dividend receivable	2,711	-	-	-	-	2,711
Deposits and other receivables	3,700	-	-	-	-	3,700
	258,439	-	-	-	1,127,264	1,385,703
<b>Financial liabilities</b>						
Payable to Al Meezan Management Company Limited- Management Company	3,404	-	-	-	-	3,404
Payable to Central Depository Company Of Pakistan Limited - Trustee	191	-	-	-	-	191
Payable against redemption and conversion of units	13,080	-	-	-	-	13,080
Payable against purchase of investments	3,294	-	-	-	-	3,294
Accrued expenses and other liabilities	2,416	3,214	-	-	-	5,629
Dividend payable	4,236	-	-	-	-	4,236
Payable to Meezan bank	36	-	-	-	-	36
	26,657	3,214	-	-	-	29,870
<b>Net assets / (liabilities)</b>		(3,214)	-	-	1,127,264	1,355,833



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-----						
Balances with banks	421,539	-	-	-	-	421,539
Investments	-	-	-	-	1,448,626	1,448,626
Dividend receivable	5,288	-	-	-	-	5,288
Deposits and other receivables	7,324	-	-	-	-	7,324
	434,151	-	-	-	1,448,626	1,882,777
<b>Financial liabilities</b>						
Payable to Al Meezan Investment Management Company - Management Company	4,914	-	-	-	-	4,914
Payable to Central Depository Company Of Pakistan Limited - Trustee	533	-	-	-	-	533
Payable against redemption and conversion of units	9,113	-	-	-	-	9,113
Accrued expenses and other liabilities	1,455	2,394	-	-	-	3,849
Payable to Meezan bank	35	-	-	-	-	35
	16,050	2,394	-	-	-	18,444
<b>Net assets / (liabilities)</b>	418,101	(2,394)	-	-	1,448,626	1,864,333

### 21.3 Credit risk

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

	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 '000-----				
Balances with banks	245,253	245,253	421,539	421,539
Investments	1,127,264	-	1,448,626	-
Receivable against conversion of units	3,313	3,313	-	-
Receivable against sale of investments	3,462	3,462	-	-
Dividend receivable	2,711	2,711	5,288	5,288
Deposits and other receivables	3,700	3,700	7,324	7,324
	1,385,703	258,439	1,882,777	434,151

Difference in the balance as per statement of asset and liabilities and maximum exposure is due to the fact that investments in equity securities of Rs. 1.127 million (2019: Rs. 1.449 million) is not exposed to credit risk.

### 21.3.2 Credit quality of financial assets

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements in banks and mark-up accrued thereon, dividend receivable and receivable against sale of units and against investments.

	2020 (Percentage)	2019 (Percentage)
AA+	36.98	4.66
AA	0.19	28.64
A+	62.83	66.70
	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.

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:

### Financial assets 'at fair value through profit or loss'

Shares of listed companies - 'ordinary shares'

2020		
Level 1	Level 2	Level 3
(Rupees in 000)		

1,127,264	-	-
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### Financial assets 'at fair value through profit or loss'

Shares of listed companies - 'ordinary shares'

2019		
Level 1	Level 2	Level 3
(Rupees in 000)		

1,448,626	-	-
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## 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 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 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 UNIT HOLDING PATTERN OF THE FUND

Category	2020			2019		
	Number of unit holders	Investment amount	Percentage of total (%)	Number of unit holders	Investment amount	Percentage of total (%)
	(Rupees in 000')			(Rupees in 000')		
Individuals	1,445	757,807	56.58	3,326	980,710	52.90
Insurance Companies	-	-	-	1	5,525	0.30
Private Companies	9	165,828	12.38	13	39,284	2.12
Retirement Funds	25	331,563	24.76	45	487,645	26.30
Public Limited Companies	-	-	-	4	121,656	6.56
Others	6	84,104	6.28	23	219,191	11.82
	<u>1,485</u>	<u>1,339,302</u>	<u>100.00%</u>	<u>3,412</u>	<u>1,854,011</u>	<u>100.00%</u>

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

2020		2019	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Foundation Securities (Private) Limited	14.56%	BMA Capital Management Limited	11.51%
Aba Ali Habib Securities (Private) Limited	8.09%	Top Line Securities (Private) Limited	9.34%
Insight Securities (Private) Limited	7.90%	Foundation Securities (Private) Limited	7.02%
AKD Securities Limited	7.78%	Intermarket Securities Limited	5.80%
Top Line Securities (Private) Limited	7.17%	Taurus Securities Limited	5.37%
Taurus Securities Limited	7.15%	Invest & Finance Securities Limited	5.23%
JS Global Capital Limited	7.15%	AKD Securities Limited	4.90%
Fortune Securities Limited	5.65%	Alfalsh Securities (Private) Limited	4.85%
Optimus Capital Management Limited	4.49%	Aba Ali Habib Securities (Private) Limited	4.79%
Ismail Iqbal Securities (Private) Limited	4.34%	Optimus Capital Management Limited	4.34%

## 26 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

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

- Meezan Balanced Fund
- KSE Meezan Index Fund
- Meezan Financial Planning Fund of Fund
- Meezan Strategic Allocation Fund
- Meezan Strategic Allocation Fund-II
- Meezan Strategic Allocation Fund-III ;and
- Meezan Dedicated Equity Fund

## 27 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 Shoab, CFA	Chief Executive Officer	Yes	Yes	Yes	Yes	Yes
Mr. Moin M. Fudda	Director	Yes	Yes	Yes	Yes	Yes
Ms. Saima Shaikat 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

## 28 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.

## 29 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**.

## 30 GENERAL

### 30.1 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.



### **30.2 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.

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

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

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

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

\_\_\_\_\_  
**Director**