



Meezan
Islamic Fund

Meezan Islamic Fund (MIF)

Meezan Islamic Fund seeks to optimize total investor returns by participating in shariah compliant equities focusing on both capital gains and dividend income.

MANAGER OF
LARGEST
EQUITY FUND



FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. Mohammad Shoaib, CFA	Chief Executive Officer
Mr. Muhammad Abdullah Ahmed	Nominee Director - MBL
Mr. Mohammad Furquan R Kidwai	Independent Director
Mr. Ijaz Farooq	Nominee Director - MBL
Mr. Moin M. Fudda	Independent Director
Ms. Saima Shaikat Khan (Kamila)	Independent Director
Mr. Arshad Majeed	Nominee Director - MBL
Mr. Naeem Abdul Sattar	Nominee Director - PKIC
Syed Amir Ali Zaidi	Nominee Director - PKIC

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Ariful Islam	Chairman
Mr. Moin M. Fudda	Member
Mr. Naeem Abdul Sattar	Member
Mr. Mohammad Shoaib, CFA	Member

TRUSTEE

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

AUDITORS

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

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

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

LEGAL ADVISER

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

TRANSFER AGENT

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

DISTRIBUTORS

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

REPORT OF THE FUND MANAGER

Meezan Islamic Fund (MIF)

Type of Fund

Open end equity fund

Objective

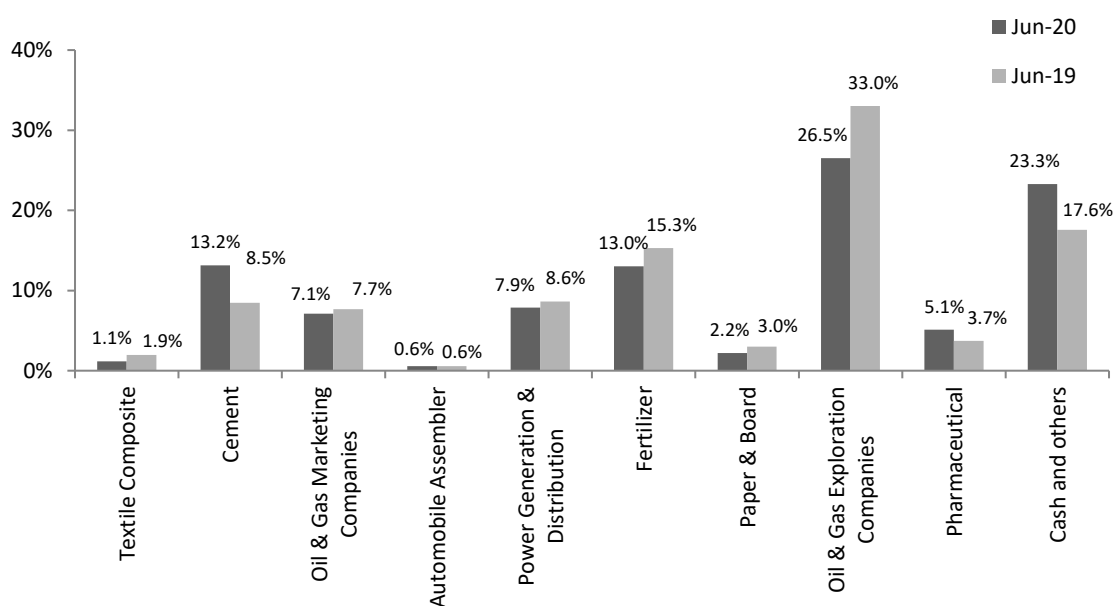
The objective of MIF is to provide optimum returns to the investors from investment in Shariah Compliant stocks for the given level of risk, while abiding by all applicable rules and regulations. Total return refers to the returns from capital gains (realized and unrealized), dividend income and other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

Strategy, Investment Policy and Asset Allocation

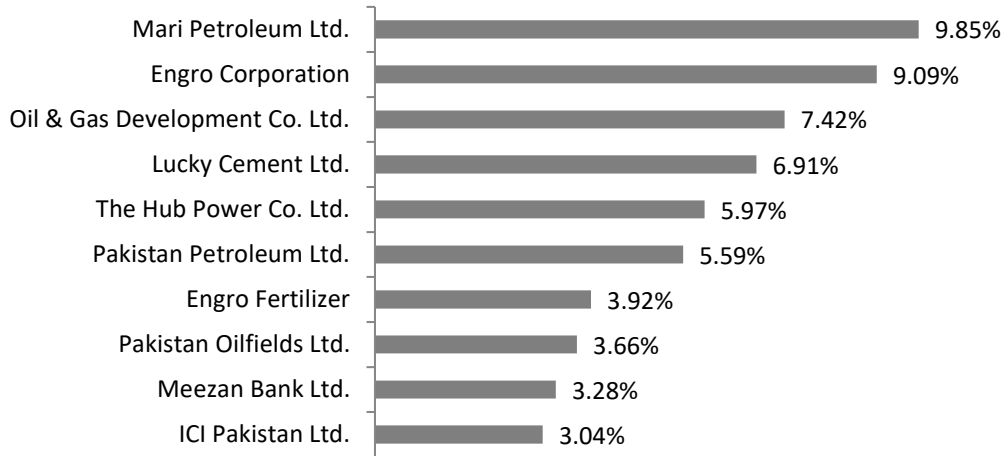
The performance of MIF is linked directly to the performance of equity market. The fund manager, Al Meezan Investment Management Limited, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. To control risk, the exposure in growth stocks is balanced against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

During the year, the fund increased its equity exposure to a maximum of 97.16%. However, it maintained an average exposure close to 95.05% in equities during the year, while closing the period at around 97.13%. The fund maintained significant exposure to the Oil and Gas Exploration sector which was gradually reduced in 2nd 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.

Sector Allocation for the year ended FY19 and FY20



Top Holdings

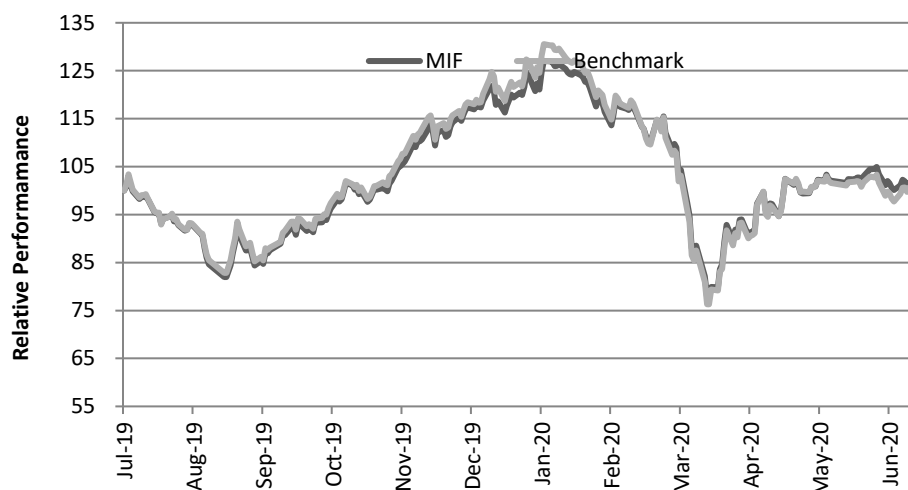


Performance Review

During FY20, Meezan Islamic Fund (MIF) provided a positive return of 2.81% to its investors and KSE Meezan Index (KMI 30) appreciated by 1.62% to close at 54,995 pts.

	<u>MIF</u>	<u>KMI-30</u>
Net Asset Value (NAV) as on June 30, 2019 –Rs.	47.92	54,119
Net Asset Value (NAV) as on June 30, 2020 –Rs.	46.77	54,995
Return During the Period	2.81%	1.62%

MIF posted a total income of Rs. 1,363 million in the fiscal year 2020 as compared to a total loss of Rs. 7,882 million last year. Total income comprised of realized gains and unrealized losses on investments of Rs. 888 million and Rs. 795 million respectively. Dividend income contributed Rs. 1,075 million to income, while profit on saving accounts with banks amounted to Rs. 194 million. After accounting for expenses of Rs. 813 million, the Fund posted a net income of Rs. 550 million. The net assets of the Fund as at June 30, 2020 were Rs. 24,072 million as compared to Rs. 25,740 million at the end of year depicting a decline of 6.48%. The net asset value per unit as at June 30, 2020 was Rs. 46.7710 as compared to Rs. 47.92 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. 31 million was accrued as charity payable.

Distributions

The final distribution in the form of cash dividend by the Fund during the fiscal year ended June 30, 2020 was Rs. 2.50 per unit (5.00%). Total distribution made by the fund was Rs. 1,236 million.

Breakdown of unit holdings by size:

(As on June 30, 2020)

Range (Units)	No. of Investors
1 - 9,999	19,335
10,000 - 49,999	3,638
50,000 - 99,999	643
100,000 - 499,999	424
500,000 and above	90
Total	24,130

Summary of Actual Proxy Voted By the Fund

	Resolutions	For	Against	Abstain
Number	4	4	0	0
Percentage		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. 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
Net assets (Rs. '000) (ex-distribution)	24,072,183.00	25,740,339.00	39,114,651.00	54,852,709.00
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	46.7710	47.9235	63.3300	76.4100
Offer price per unit as at June 30, (Rs.) (ex-distribution)	47.8280	49.0065	64.7613	78.1400
Highest offer price per unit (Rs.)	62.4251	66.7191	79.1600	94.0900
Lowest offer price per unit (Rs.)	38.0213	46.8951	60.4300	68.3600
Highest redemption price per unit (Rs.)	61.0455	65.2446	77.4100	92.0100
Lowest redemption price per unit (Rs.)	37.1811	45.8587	59.0900	66.8500
Distribution (%)				
Interim	N/A	N/A	N/A	N/A
Final	5.00	N/A	N/A	5.00
Date of distribution				
Interim	N/A	N/A	June 23, 2018	June 23, 2017
Final	June 30, 2020	N/A	N/A	N/A
Income distribution (Rupees in '000)		N/A	N/A	N/A
Growth distribution (Rupees in '000)	1,236,296.00	N/A	N/A	3,316,003.00
Total return (%)	2.81	(24.33)	(17.12)	22.96
	One Year	Two Year	Three Year	Four Year
Average annual return as at June 30, 2020 (%)	2.81	(11.80)	(13.61)	(5.64)



Meezan Bank
The Premier Islamic Bank

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

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

Alhamdulillah, the period from July 01, 2019 to June 30, 2020 was the Seventeenth year of operations of Meezan Meezan Islamic Fund (MIF) 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 MIF in light of *Shari'ah* requirements. Following is the list of the top equity holdings of MIF 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 vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Mari Petroleum Ltd	Oil & Gas Exploration Companies	7.83%	17.76%	3.13%	30.37%	(664.23)	
Engro Corporation Ltd	Fertilizer	28.34%	22.25%	4.72%	58.58%	(220.55)	
Oil & Gas Development Co. Ltd	Oil & Gas Exploration Companies	0.00%	7.95%	7.74%****	33.64%	90.21	142.32



Lucky Cement	Cement	25.55%	0.71%	2.59%	85.13%	(279.47)	
The Hub Power Co. Ltd.***	Power Generation & Distribution Company	32.34%	0.00%	7.32%	53.77%	(43.08)	
Pakistan Petroleum Ltd.	Oil & Gas Exploration Companies	0.01%	8.64%	1.59%	31.91%	58.79	137

* 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 amount.

**** 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 MIF 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 MIF 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

Shari'ah Advisor

Head Office

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TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN ISLAMIC FUND

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

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

Opinion

We have audited the financial statements of Meezan Islamic 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.

Emphasis of Matter

We draw attention to note 1.6 to the financial statements which describes the matter relating to excess distribution made by the Fund. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Following is the key audit matter:

S.No.	Key Audit Matter	How the matter was addressed in our audit
1	Net Asset Value (Refer note 6 to the financial statements)	
	Investments constitute the most significant component of the net asset value. Investments of the Fund as at June 30, 2020 amounted to Rs 23,381.047 million. The existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2020 was considered a high risk area and therefore we considered this as a key audit matter.	Our audit procedures amongst others included the following: <ul style="list-style-type: none"> Tested the design and operating effectiveness of the key controls for valuation of investments; Obtained independent confirmations for verifying the existence of the investment portfolio as at June 30, 2020 and traced it with the books and records of the Fund; and Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies.

AMC

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



Meezan
Islamic Fund

	2020	2019
Note	-----Rupees in '000-----	
Assets		
Balances with banks	5 1,755,340	1,340,974
Investments	6 23,381,047	25,014,329
Receivable against sale of investments	73,789	152,085
Receivable against conversion of units	82,856	62,891
Dividend receivable	52,314	117,132
Advances, deposits and other receivables	7 13,419	18,566
Total assets	25,358,765	26,705,977
Liabilities		
Payable to AI Meezan Investment Management Limited- Management Company	8 32,677	79,964
Payable to Central Depository Company of Pakistan Limited - Trustee	9 2,349	2,579
Payable to the Securities and Exchange Commission of Pakistan	10 5,024	32,360
Payable against redemption and conversion of units	116,155	74,075
Payable against purchase of investments	158,826	122,665
Dividend payable	152,480	-
Payable to Meezan Bank Limited	654	135
Accrued expenses and other liabilities	11 818,415	653,860
Total liabilities	1,286,580	965,638
NET ASSETS	<u>24,072,185</u>	<u>25,740,339</u>
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)	<u>24,072,185</u>	<u>25,740,339</u>
CONTINGENCIES AND COMMITMENTS	12	
NUMBER OF UNITS IN ISSUE	<u>514,682,160</u>	<u>537,113,594</u>
	Rupees	
NET ASSET VALUE PER UNIT	<u>46.7710</u>	<u>47.9235</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 ISLAMIC FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020	2019
----- Rupees in '000-----			
Income			
Dividend income		1,074,874	1,528,402
Profit on saving account with banks		194,252	193,892
Realised gain / (loss) on sale of investments		888,371	(2,223,676)
		2,157,497	(501,382)
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.2	(794,988)	(7,380,729)
Total income / (loss)		<u>1,362,509</u>	<u>(7,882,111)</u>
Expenses			
Remuneration of AI Meezan Investment Management Limited - Management Company	8.1	502,387	681,257
Sindh Sales Tax on remuneration of the Management Company	8.2	65,310	88,563
Allocated expenses	8.3	25,119	34,063
Selling and marketing expenses	8.4	100,477	136,251
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	26,119	35,063
Sindh Sales Tax on remuneration of the Trustee	9.2	3,396	4,558
Annual fees to the Securities and Exchange Commission of Pakistan	10.1	5,024	32,360
Auditors' remuneration	13	721	740
Fees and subscription		2,802	3,989
Legal and professional charges		160	160
Brokerage expense		35,261	19,869
Bank and settlement charges		3,190	3,614
Printing expenses		-	297
Provision for Sindh Workers' Welfare Fund (SWWF)		11,221	-
Charity expense	11.1	31,482	27,448
Total expenses		<u>812,669</u>	<u>1,068,232</u>
Net income / (loss) for the year before taxation		<u>549,840</u>	<u>(8,950,343)</u>
Taxation	15	-	-
Net income / (loss) for the year after taxation		<u><u>549,840</u></u>	<u><u>(8,950,343)</u></u>
Allocation of net income for the year			
Net income for the year after taxation		549,840	-
Income already paid on units redeemed		(22,945)	-
		<u>526,895</u>	<u>-</u>
Accounting income available for distribution			
- Relating to capital gains		93,383	-
- Excluding capital gains		433,512	-
		<u>526,895</u>	<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 ISLAMIC FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020**

	2020	2019
	----- Rupees in '000-----	
Net income / (loss) for the year after taxation	549,840	(8,950,343)
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	<u>549,840</u>	<u>(8,950,343)</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 ISLAMIC FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2020

	2020				2019				
	Capital Value	Accumulated loss	Over distribution	Unrealised appreciation on 'available for sale' investments	Total	Capital Value	Undistributed Income / (Accumulated loss)	Unrealised appreciation on 'available for sale' investments	Total
	(Rupees in '000)				(Rupees in '000)				
Net assets at the beginning of the year as previously reported (Audited)	27,600,726	(1,860,387)	-	-	25,740,339	32,024,698	6,467,562	622,394	39,114,654
Impact of change in accounting policy	-	-	-	-	-	-	622,394	(622,394)	-
Net assets at the beginning of the year	27,600,726	(1,860,387)	-	-	25,740,339	32,024,698	7,089,956	-	39,114,654
Issue of 629,460,674 units (2019: 372,029,911 units)									
- Capital value (at net asset value per unit at the beginning of the year)	30,165,966	-	-	-	30,165,966	23,560,654	-	-	23,560,654
- Element of income / (loss)	1,364,752	-	-	-	1,364,752	(2,065,476)	-	-	(2,065,476)
Total proceeds on issuance of units	31,530,718	-	-	-	31,530,718	21,495,178	-	-	21,495,178
Redemption of 651,892,108 units (2019: 452,548,171 units)									
- Capital value (at net asset value per unit at the beginning of the year)	31,240,951	-	-	-	31,240,951	28,659,876	-	-	28,659,876
- Element of loss / (income)	1,248,523	22,945	-	-	1,271,468	(2,740,726)	-	-	(2,740,726)
Total payments on redemption of units	32,489,474	22,945	-	-	32,512,419	25,919,150	-	-	25,919,150
Total comprehensive income / (loss) for the year	-	549,840	-	-	549,840	-	(8,950,343)	-	(8,950,343)
Distribution during the year	-	(526,895)	(709,398)	-	(1,236,293)	-	-	-	-
Income / (loss) for the year less distribution	-	22,945	(709,398)	-	(686,453)	-	(8,950,343)	-	(8,950,343)
Net assets at the end of the year	26,641,970	(1,860,387)	(709,398)	-	24,072,185	27,600,726	(1,860,387)	-	25,740,339
(Accumulated loss) / undistributed income brought forward									
- Realised income		5,520,342					12,814,145		
- Unrealised loss		(7,380,729)					(6,346,583)		
		(1,860,387)					6,467,562		
Impact of change in accounting policy		-					622,394		
		(1,860,387)					7,089,956		
Accounting income available for distribution									
- Relating to capital gains		93,383					-		
- Excluding capital gains		433,512					-		
		526,895					-		
Net loss for the year after taxation		-					(8,950,343)		
Distribution during the period: Rs. 2.5 per unit i.e 5.0% of the par value of Rs. 50/- each [June 30, 2019:Nil]		(526,895)					-		
Accumulated loss carried forward		(1,860,387)					(1,860,387)		
Accumulated loss carried forward									
- Realised loss / (income)		(1,065,399)					5,520,342		
- Unrealised loss		(794,988)					(7,380,729)		
		(1,860,387)					(1,860,387)		
						(Rupees)			(Rupees)
Net assets value per unit at the beginning of the year						47.9235			63.3300
Net assets value per unit at the end of the year						46.7710			47.9235

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

	2020	2019
	----- Rupees in '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss) for the year before taxation	549,840	(8,950,343)
Adjustments for:		
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	794,988	7,380,729
	<u>1,344,828</u>	<u>(1,569,614)</u>
Decrease / (increase) in assets		
Investments	838,294	4,793,624
Dividend receivable	64,818	33,613
Receivable against sale of investment	78,296	(152,085)
Advances, deposits and other receivables	5,147	3,766
	986,555	4,678,918
(Decrease) / increase in liabilities		
Payable to AI Meezan Investment Management Limited - Management Company	(47,287)	(115,145)
Payable to Central Depository Company of Pakistan Limited - Trustee	(230)	(1,226)
Payable to the Securities and Exchange Commission of Pakistan	(27,336)	(9,654)
Payable to Meezan Bank Limited	519	(1,118)
Payable against purchase of investment	36,161	106,235
Accrued expenses and other liabilities	164,555	19,699
	<u>126,382</u>	<u>(1,209)</u>
Net cash generated from operating activities	<u>2,457,765</u>	<u>3,108,095</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts from issuance of units	31,510,753	21,531,174
Net payments against redemption of units	(32,470,339)	(26,029,004)
Dividend paid	(1,083,813)	-
Net cash used in financing activities	<u>(2,043,399)</u>	<u>(4,497,830)</u>
Net increase / (decrease) in cash and cash equivalents	414,366	(1,389,735)
Cash and cash equivalents at the beginning of the year	1,340,974	2,730,709
Cash and cash equivalents at the end of the year	<u>5</u> <u>1,755,340</u>	<u>1,340,974</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 ISLAMIC FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Meezan Islamic Fund (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited (Al Meezan) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on June 16, 2003 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 4, 2003 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008, (NBFC Regulations, 2008). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi, 74400, Pakistan.
- 1.2** The Fund has been formed to enable the unitholders to participate in a diversified portfolio of securities, which are Shariah compliant. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah. The Management Company has appointed Meezan Bank Limited (MBL) as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah. The investment objectives and policies are explained in the Fund's offering document.
- 1.3** The Fund is an open-end fund listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund is categorized as an Equity Scheme in accordance with Circular 7 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP).
- 1.4** 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. 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 as the Trustee of the Fund.
- 1.6** During the year, the Fund has made a distribution of Rs 1,259.238 million (including income already paid on units redeemed of Rs 22.945 million). However, the maximum amount available for distribution for the current year as per the criteria given in the constitutive documents of the Fund was Rs 549.840 million. The excess distribution made by the Fund amounting to Rs 709.398 million has been disclosed in the statement of movement in the Unit holders' Fund as "over distribution". The Fund intends to adjust the same in the future years through subsequent available profits.

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 are accounted for on substance rather than the form prescribed by the aforementioned guidelines. This practice is being followed to comply with the requirements of the accounting and reporting standards as applicable in Pakistan.

3 BASIS OF PREPARATION

3.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act 2017, along with part VIIIA of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

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

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

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

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

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

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

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

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

3.4 Critical accounting estimates and judgments

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

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 4.5 and 6).

3.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that investments classified as 'at fair value through profit or loss' which are measured at their respective 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 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 Fair Value through Other Comprehensive Income (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 Fair Value through Profit or Loss 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.

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

4.3.3 Regular way contracts

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

4.3.4 Initial recognition and measurement

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

4.3.5 Derecognition

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

4.3.6 Derivatives

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

4.4 Financial liabilities

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

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

4.5 Offsetting of financial assets and financial liabilities

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

4.6 Provisions

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

4.7 Net asset value per unit

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

4.8 Issue and redemption of units

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

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

4.9 Distributions to unit holders

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

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

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

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

4.11 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement currently, on the date when the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of securities classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- 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 account with banks 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 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. Furthermore, for the purpose of determining distribution of at least 90 percent of the accounting income, the income distributed through bonus units shall not be taken into account.

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

4.14 Earnings / (loss) per unit

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

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

4.15 Foreign currency translation

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

	Note	2020	2019
		----- Rupees in '000 -----	
5	BALANCES WITH BANKS		
Balances with banks in:			
Savings accounts	5.1	1,747,297	1,340,177
Current account		8,043	797
		<u>1,755,340</u>	<u>1,340,974</u>
5.1	The balances in saving accounts have expected profit rates ranging from 1.50% to 7.50% per annum (2019: 3.32% to 12.50% per annum).		
6	INVESTMENTS		
Investments - 'at fair value through profit or loss'	6.1	<u>23,381,047</u>	<u>25,014,329</u>

6.1 Shares of listed companies - 'ordinary shares'

Name of the investee company	As at July 1, 2019	Purchases during the year	Bonus / Right 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 appreciation/ (diminution) as at June 30, 2020	Percentage in relation to		
									Net assets of the Fund	Total market value of investments	Paid-up capital of investee company (with face value of investment)
								(Rupees in '000)			
								%			
Sectors / companies											
Automobile assembler											
Gandhara Industries Limited	777,200	104,000	-	881,200	-	-	-	-	-	-	-
Gandhara Nissan Limited	274,372	50,000	-	324,372	-	-	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	80,400	308,000	-	209,400	179,000	33,819	34,669	850	0.14	0.15	0.13
Milat Tractors Company Limited	81,140	41,000	7,123	29,150	100,113	74,234	70,696	(3,538)	0.29	0.30	0.20
Indus Motor Company Limited	-	89,740	-	50,000	39,740	47,980	39,541	(8,439)	0.16	0.17	0.05
									0.59	0.62	0.38
Automobile parts and accessories											
Agriauto Industries Limited (note 6.1.1)	-	459,600	-	23,300	436,300	89,599	79,407	(10,192)	0.33	0.34	1.51
Thal Limited (note 6.1.1)	-	25,000	-	25,000	-	-	-	-	-	-	-
									0.33	0.34	1.51
Chemicals											
Engro Polymer & Chemicals Limited	17,640,721	8,622,000	-	10,349,000	15,913,721	454,879	397,525	(57,354)	1.65	1.70	1.75
ICI Pakistan Limited	1,183,735	61,550	-	135,300	1,109,985	596,612	771,118	174,506	3.20	3.30	1.20
Akzo nobel Pakistan limited	-	50,000	-	50,000	-	-	-	-	-	-	-
Lotte Chemical Pakistan Limited	2,784,500	8,807,000	-	4,930,500	6,661,000	73,253	66,277	(6,976)	0.28	0.28	0.44
Ittehad Chemicals Limited	-	117,500	-	-	117,500	2,937	3,096	159	0.01	0.01	0.14
Sitara Chemicals Industries Limited	30,500	-	-	-	30,500	9,329	8,452	(877)	0.04	0.04	0.14
Sitara Peroxide Limited	-	157,000	-	-	157,000	3,387	3,204	(183)	0.01	0.01	0.28
									5.19	5.34	3.96
Cement											
Attock Cement Company Limited	270,200	260,000	-	260,000	270,200	32,247	33,675	1,428	0.14	0.14	0.20
Cherat Cement Company Limited	-	5,984,500	80,600	3,341,000	2,724,100	229,191	237,460	8,269	0.99	1.02	1.40
D.G. Khan Cement Company Limited	2,368,222	7,242,500	-	6,053,222	3,557,500	279,914	303,561	23,647	1.26	1.30	0.81
Fauji Cement Company Limited	-	5,070,000	-	2,520,000	2,550,000	44,340	43,044	(1,296)	0.18	0.18	0.18
Kohat Cement Company Limited	3,914,350	5,753,500	-	5,179,000	4,488,850	610,540	616,992	6,452	2.56	2.64	2.23
Lucky Cement Limited	4,701,429	1,339,600	-	2,242,826	3,798,203	1,491,756	1,753,175	261,419	7.28	7.50	1.17
Maple Leaf Cement Factory Limited	4,782,000	17,457,000	-	8,792,000	13,447,000	343,099	349,353	6,254	1.45	1.49	1.22
									13.86	14.27	7.23
Paper and Board											
Cherat Packaging Limited	732,134	299,000	21,613	776,000	276,747	32,432	32,421	(11)	0.13	0.14	0.65
Century Paper & Board Mills Limited	-	348,600	-	-	348,600	23,107	24,949	1,842	0.10	0.11	0.24
Roshan Packages Limited	-	200,000	-	-	200,000	4,110	4,484	374	0.02	0.02	0.14
Packages Limited	2,474,853	121,000	-	1,173,900	1,421,953	428,153	493,716	65,563	2.05	2.11	1.59
									2.30	2.38	2.62
Technology and communication											
Avanceon Limited	2,115,300	787,000	51,330	2,214,000	739,630	21,805	26,153	4,348	0.11	0.11	0.35
Netsol Technologies Limited	987,100	302,500	-	1,147,000	142,600	8,824	7,089	(1,735)	0.03	0.03	0.16
Pakistan Telecommunication Company Limited "A"	800,000	-	-	-	800,000	6,616	7,104	488	0.03	0.03	0.02
Systems Limited	655,600	1,910,300	-	181,000	2,384,900	291,682	438,058	146,376	1.82	1.87	1.93
									1.99	2.04	2.46
Refinery											
Attock Refinery Limited	-	25,000	-	25,000	-	-	-	-	-	-	-
National Refinery Limited	-	63,800	-	63,800	-	-	-	-	-	-	-
									-	-	-
Commercial Banks											
Meezan Bank Limited (an associate of the Fund)	8,040,597	7,808,500	-	3,774,000	12,075,097	928,634	831,370	(97,264)	3.45	3.56	0.94
BankIslami Pakistan Limited	-	11,720,500	-	5,273,000	6,447,500	71,478	48,743	(22,735)	0.20	0.21	0.58
									3.65	3.77	1.52

Name of the investee company	As at July 1, 2019	Purchases during the year	Bonus / Right 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 appreciation/ (diminution) as at June 30, 2020	Percentage in relation to		
									Net assets of the Fund	Total market value of investments	Paid-up capital of investee company (with face value of investment)
								(Rupees in '000)			
								%			
Oil and Gas Marketing Companies											
Attock Petroleum Limited	477,734	500,900	-	72,300	906,334	272,225	276,613	4,388	1.15	1.18	0.91
Hascol Petroleum Limited (note 6.1.3)	2,080,470	20,485,391	-	9,032,500	13,533,361	260,372	184,054	(76,318)	0.76	0.79	1.35
Hi-Tech Lubricants Limited	-	305,000	-	-	305,000	8,323	9,235	912	0.04	0.04	0.26
Shell Pakistan Limited	-	25,000	-	25,000	-	-	-	-	-	-	-
Pakistan State Oil Company Limited (note 6.1.3)	4,501,752	4,172,700	626,030	4,439,223	4,861,259	740,996	768,857	27,861	3.19	3.29	1.04
Sui Southern Gas Pipelines Limited	755,500	-	-	10,500	745,000	15,407	9,938	(5,469)	0.04	0.04	0.08
Sui Northern Gas Pipelines Limited	14,259,800	2,848,500	-	7,008,000	10,100,300	696,723	551,476	(145,247)	2.29	2.35	1.59
								7.47	7.70	5.24	
Oil and Gas Exploration Companies											
Oil and Gas Development											
Company Limited	20,325,900	6,513,547	-	9,567,879	17,271,568	2,161,271	1,882,601	(278,670)	7.82	8.05	0.40
Pakistan Oilfields Limited	3,909,136	380,500	-	1,642,114	2,647,522	1,049,964	928,301	(121,663)	3.86	3.97	0.93
Pakistan Petroleum Limited	16,807,632	7,182,830	2,536,066	10,199,100	16,327,428	1,924,689	1,416,896	(507,793)	5.89	6.06	0.60
Mari Petroleum Company Limited (note 6.1.3)	2,102,838	2,082,020	202,969	2,367,160	2,020,667	2,543,864	2,498,858	(45,006)	10.38	10.69	1.51
								27.95	28.77	3.45	
Pharmaceuticals											
Abbott Laboratories (Pakistan) Limited	109,350	10,000	-	50,300	69,050	31,612	45,780	14,168	0.19	0.20	0.07
AGP Limited	4,963,500	6,183,500	-	5,880,500	5,266,500	559,248	577,946	18,698	2.40	2.47	1.88
Glaxo Smithkline Pakistan Limited	5,816	-	-	-	5,816	554	1,012	458	-	0.00	-
Glaxo Smithkline Consumer Healthcare Products Limited	358,656	153,300	-	137,300	374,656	81,643	101,787	20,144	0.42	0.44	0.32
Ferozsons Laboratories Limited	-	100,000	-	100,000	-	-	-	-	-	-	-
Highnoon Laboratories Limited (note 6.1.3)	798	50,000	5,080	6,000	49,878	24,058	25,002	944	0.10	0.11	0.14
The Searle Company Limited (note 6.1.3)	3,651,679	669,900	-	1,559,700	2,761,879	428,274	550,249	121,975	2.29	2.35	1.30
								5.40	5.57	3.71	
Power Generation and Distribution											
The Hub Power Company Limited	18,904,517	5,973,500	-	3,993,096	20,884,921	1,648,023	1,514,157	(133,866)	6.29	6.48	1.61
K - Electric Limited (6.1.1)	186,128,500	9,321,000	-	36,179,000	159,270,500	693,270	479,404	(213,866)	1.99	2.05	0.57
								8.28	8.53	2.18	
Investment Banks / Investment Companies / Securities Companies											
Dawood Hercules Corporation	-	148,400	-	148,400	-	-	-	-	-	-	-
Fertilizer											
Engro Corporation Limited (note 6.1.2)	9,480,573	1,363,500	-	2,970,500	7,873,573	2,155,610	2,306,327	150,717	9.58	9.86	1.37
Engro Fertilizers Limited	24,461,700	850,000	-	8,836,448	16,475,252	1,050,525	993,128	(57,397)	4.13	4.25	1.23
								13.71	14.11	2.60	
Engineering											
Amreli Steels Limited	-	1,335,000	-	1,213,500	121,500	3,635	3,966	331	0.02	0.02	0.04
International Industries Limited	932,400	1,215,800	65,240	500,300	1,713,140	153,428	157,146	3,718	0.65	0.67	1.30
International Steel Limited	2,467,800	6,318,000	-	3,248,000	5,537,800	273,412	286,027	12,615	1.19	1.22	1.27
Mughal Iron & Steel Industries Limited	-	2,778,500	-	250,000	2,528,500	85,284	100,837	15,553	0.42	0.43	1.00
K.S.B. Pumps Company Limited	79,900	70,000	-	76,200	73,700	10,519	10,614	95	0.04	0.05	0.56
								2.32	2.39	4.18	
Food and Personal Care Products											
Al-Shaheer Corporation Limited (note 6.1.3)	60,741	722	-	-	61,463	773	703	(70)	-	0.00	0.03
Al-Tahir Limited	109,132	-	10,913	-	120,045	2,151	2,068	(83)	0.01	0.01	0.07
Friesland Campina Engro Pakistan Limited (Formerly Engro Foods Limited)	17,721	-	-	17,721	-	-	-	-	-	-	-
National Foods Limited (note 6.1.1)	197,100	200,000	39,420	233,200	203,320	49,458	50,921	1,463	0.21	0.22	0.14
								0.22	0.23	0.23	
Vanaspatti & Allied Industries											
Unity Foods Limited	11,712,846	3,605,000	-	12,669,000	2,648,846	29,668	29,535	(133)	0.12	0.13	0.49

Name of the investee company	As at July 1, 2019	Purchases during the year	Bonus / Right 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 appreciation/ (diminution) as at June 30, 2020	Percentage in relation to		
									Net assets of the Fund	Total market value of investments	Paid-up capital of investee company (with face value of investment)
						(Rupees in '000)			%		
Glass and Ceramics											
Tariq Glass Industries Limited	792,500	285,000	159,250	709,000	527,750	33,309	34,050	741	0.14	0.15	0.48
Ghani Glass Limited	-	866,000	-	-	866,000	45,449	35,636	(9,813)	0.15	0.15	0.16
									0.29	0.30	0.64
Textile Composite											
Feroze1888 Mills Limited	1,542,500	166,500	-	4,400	1,704,600	170,801	139,436	(31,365)	0.58	0.60	0.45
Interloop Limited	8,335,000	2,479,000	-	1,896,500	8,917,500	402,176	391,657	(10,519)	1.63	1.68	1.03
Kohinoor Textile Mills Limited (note 6.1.3)	672,514	80,000	-	508,500	244,014	6,640	8,665	2,025	0.04	0.04	0.08
Nishat Mills Limited	5,374,700	1,211,400	-	2,960,500	3,625,600	328,724	282,833	(45,891)	1.17	1.21	1.03
									3.42	3.52	2.59
Right Certificates											
Oil & Gas Marketing Companies											
Hascol Petroleum Limited *	-	-	9,298,891	9,298,891	-	-	-	-	-	-	-
Food & Personal Care Products											
Al-Shaheer Corporation Limited *	-	-	722	722	-	-	-	-	-	-	-
Total as at June 30, 2020						24,176,035	23,381,047	(794,988)			
Total as at June 30, 2019						32,395,058	25,014,329	(7,380,729)			

* The right certificates were exercised during the year and the shares are included in the investment in Hascol Petroleum Limited & Al-Shaheer Corporation Limited above.

- 6.1.1** All shares have a nominal value of Rs 10 each except for the shares of Thal Limited, Agriauto Industries Limited and National Foods Limited which have a nominal value of Rs 5 each and K-Electric Limited which have a nominal value of Rs 3.5 each.
- 6.1.2** Investments include 1,060,000 shares of Engro Corporation Limited, having market value of Rs 310.50 million as at June 30, 2020 (2019: Rs. 265.60 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 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 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.

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. 49.076 million (2019: Rs. 40.686 million).

6.2 Unrealised diminution on re-measurement of investments classified as Financial assets at fair value through profit or loss	Note	2020	2019
		----- Rupees '000 -----	
Market value of investments	6.1	23,381,047	25,014,329
Carrying value of investments	6.1	<u>(24,176,035)</u>	<u>(32,395,058)</u>
		<u>(794,988)</u>	<u>(7,380,729)</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		<u>10,819</u>	<u>15,966</u>
		<u>13,419</u>	<u>18,566</u>
8 PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Management fee payable	8.1	5,286	43,986
Sindh Sales Tax payable on remuneration of the Management Company	8.2	687	5,718
Allocated expenses payable	8.3	2,016	2,199
Selling and marketing expenses payable	8.4	23,914	27,811
Sales load payable		685	221
Sindh Sales Tax on sales load payable		<u>89</u>	<u>29</u>
		<u>32,677</u>	<u>79,964</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 65.310 million (2019: Rs 88.563 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 70.341 million (2019: Rs 91.387 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 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 was fixed at 0.4% per annum of 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.

9	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2020	2019
-----Rupees in '000-----				
	Trustee fee payable	9.1	2,079	2,282
	Sindh Sales Tax payable on trustee fee	9.2	270	297
			<u>2,349</u>	<u>2,579</u>

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

Net Assets (Rs.)	Fee
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 3.396 million (2019: Rs. 4.558 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 3.423 million (2019: Rs 4.700 million) was paid to the Trustee which acts as a collecting agent.

10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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

11	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2020	2019
-----Rupees in '000-----				
	Auditors' remuneration payable		480	480
	Printing charges payable		483	483
	Shariah advisor fee payable		2,041	2,245
	Charity payable	11.1	34,497	30,781
	Brokerage payable		17,024	9,357
	Withholding tax payable		922	922
	Capital gain tax payable		4,328	4,237
	Provision for Sindh Workers' Welfare Fund	11.2	351,703	340,482
	Withholding tax payable on Dividend		142,432	
	Zakat payable		31	399
	Provision for Federal Excise Duty and related			
	Sindh Sales Tax on sales load	11.3	32,607	32,607
	Provision for Federal Excise Duty and related			
	Sindh Sales Tax on management fee	11.3	231,867	231,867
			<u>818,415</u>	<u>653,860</u>

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

During the year ended June 30, 2020, non-shariah compliant income amounting to Rs 31.482 million (2019: Rs 27.448 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	Marie Adelaide Leprosy Centre	200
2	National Institute of Blood Diseases	300
3	Afzal Memorial Thalasemia Foundation	500
4	Alamgir Welfare Trust	1,000
5	Darus Shifa Foundation	1,000
6	Shaukat Khanum - Memorial Cancer Hospital & Research Centre	1,000
7	The Hunar Foundation	1,000
8	Layton Rahmatulla Benevolent Trust	1,500
9	Baitus Salam Welfare Trust	2,000
10	Childlife Foundation	2,000
11	Dhoraji Youth Service Foundation	2,000
12	IBA Centre for Excellence in Islamic Finance	2,000
13	Autism Society of Pakistan	2,500
14	Indus Hospital	2,500
15	Ihsan Trust	10,500
		30,000

- 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. 0.68 per unit (2019: Re 0.63 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% on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration was already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

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

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 264.474 million is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2020 would have been higher by Re 0.51 (2019: Re 0.49) 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-----	
13 AUDITORS' REMUNERATION		
Annual audit fee	533	552
Half yearly review fee	150	159
Out of pocket expenses	38	29
	721	740

14 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2020 is 3.24% which includes 0.36% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, Sales Taxes, Federal Excise Duties, Annual fee to the SECP etc. This ratio is within the maximum limit of 4.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Equity 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, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. The Fund has not recorded any tax liability as the management has distributed sufficient income of the Fund for the year ended June 30, 2020 to the unit holders in the manner as explained above.

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.

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, 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:

Balances	2020	2019
	-----Rupees in '000-----	
Al Meezan Investment Management Limited (Management Company)		
Management fee payable	5,286	43,986
Sindh Sales Tax on management fee payable	687	5,718
Sales load payable	685	221
Sindh Sales Tax and on sales load payable	89	29
Allocated expenses	2,016	2,199
Selling and marketing expense payable	23,914	27,811
Investment of 4,997,648 units (2019: 10,011,729 units)	233,745	479,797
Central Depository Company of Pakistan Limited - CDC (Trustee)		
Security deposits refundable	100	100
Remuneration Payable	2,079	2,282
Sindh Sales Tax on trustee fee payable	270	297

	2020	2019
	-----Rupees in '000-----	
Meezan Bank Limited		
Balance with bank	282,156	113,831
Profit receivable on saving accounts	87	508
Sales load payable	579	119
Sindh Sales Tax on sales load payable	75	16
Investment in 12,075,097 shares (2019: 8,040,597 shares)	831,370	700,818
Investment of 12,475,049 units (2019: 12,475,049 units)	583,471	597,848
AI Meezan Investment Management Limited - Employees' Gratuity Fund		
Investment of 189,837 units (2019: 180,189 units)	8,879	8,635
Meezan Financial Planning Fund of Funds - Aggressive Allocation Plan		
Investment of 4,834,002 units (2019: 5,706,435 units)	226,091	273,472
Meezan Financial Planning Fund of Funds - Moderate Allocation Plan		
Investment of 1,412,939 units (2019: 2,116,314 units)	66,085	101,421
Meezan Financial Planning Fund of Funds - Conservative Allocation Plan		
Investment of 880,333 units (2019: 1,149,027 units)	41,174	55,065
Meezan Financial Planning Fund of Funds - MAAP - I		
Investment: 1,984,595 units (2019: 171,373 units)	92,821	8,213
Meezan Strategic Allocation Fund - MSAP - I		
Investment of 5,317,944 units (2019: 3,358,170 units)	248,726	160,935
Meezan Strategic Allocation Fund - MSAP - II		
Investment of 3,124,685 units (2019: 2,983,781 units)	146,145	142,993
Meezan Strategic Allocation Fund - MSAP - III		
Investment of 9,045,806 units (2019: 10,949,083 units)	423,081	524,718
Meezan Strategic Allocation Fund - MSAP - IV		
Investment of 7,145,017 units (2019: 12,489,103 units)	334,180	598,522
Meezan Strategic Allocation Fund - MSAP - V		
Investment of 2,205,831 units (2019: 3,635,008 units)	103,169	174,202
Directors and executives of the Management Company		
Investment of 11,924,793 units (2019: 1,016,776 units)	557,734	48,727
Transactions during the year		
	2020	2019
	-----Rupees in '000-----	
AI Meezan Investment Management Limited - Management Company		
Remuneration for the year	502,387	681,257
Sindh Sales Tax on management fee	65,310	88,563
Allocated expenses	25,119	34,063
Selling and marketing expenses	100,477	136,251
Issuance of 14,200,125 units (2019: 9,950,748 units)	701,346	533,253
Redemption of 19,214,207 units (2019: 7,229,026 units)	896,576	435,200
Dividend Paid	11,950	-



For the year ended June 30,
2020 2019

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

Central Depository Company of Pakistan Limited - Trustee

Remuneration of the Trustee	26,119	35,063
Sindh Sales Tax on remuneration of the Trustee	3,396	4,558
CDS charges	922	881

Meezan Bank Limited

Profit on saving accounts	25,669	3,338
Dividend paid	31,188	-
Bonus issue of nil shares (2019: 858,520 shares)	-	-
Purchase of 7,808,500 shares (2019: 11,583,000 shares)	529,166	1,028,161
Sale of 3,774,000 shares (2019: 4,401,500 shares)	261,402	403,299
Dividend income	35,993	21,923

Al Meezan Investment Management Limited - Employees' Gratuity Fund

Units issued: 9,649 units (2019: nil)	450	-
Dividend Paid	450	-

Meezan Financial Planning Fund of Funds - Aggressive Allocation Plan

Units issued: 5,970,312 units (2019: 897,308 units)	288,357	49,654
Units redeemed: 6,842,745 units (2019: 1,084,575 units)	332,203	58,020
Dividend Paid	11,471	-

Meezan Financial Planning Fund of Funds - Moderate Allocation Plan

Units issued: 1,789,814 units (2019: 421,442 units)	84,951	22,096
Units redeemed: 2,493,189 units (2019: 750,039 units)	122,363	43,846
Dividend Paid	3,353	-

Meezan Financial Planning Fund of Funds - Conservative Allocation Plan

Units issued: 1,210,084 units (2019: 417,630 units)	56,968	22,559
Units redeemed: 1,478,778 units (2019: 385,162 units)	73,304	22,529
Dividend Paid	2,089	-

Meezan Financial Planning Fund of Funds - MAAP - I

Units issued: 4,194,111 units (2019: 660,324 units)	206,887	34,250
Units redeemed: 2,380,889 units (2019: 488,951 units)	117,598	25,369
Dividend Paid	4,709	-

Meezan Financial Planning Fund of Funds - MAAP - IV

Units redeemed: nil units (2019: 3,990,160 units)	-	249,454
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Meezan Strategic Allocation Fund - MSAP - I

Units issued: 10,859,097 units (2019: 5,815,081 units)	533,959	337,500
Units redeemed: 8,899,323 units (2019: 18,611,869 units)	429,740	1,103,435
Dividend Paid	12,619	-

Meezan Strategic Allocation Fund - MSAP - II

Units issued: 4,469,702 units (2019: 1,453,481 units)	223,833	79,000
Units redeemed: 4,328,798 units (2019: 5,733,462 units)	221,048	320,470
Dividend Paid	7,415	-

Meezan Strategic Allocation Fund - MSAP - III

Units issued: 11,903,597 units (2019: 1,966,861 units)	579,990	107,400
Units redeemed: 13,806,874 units (2019: 6,075,635 units)	679,424	336,840
Dividend Paid	21,465	-

Meezan Strategic Allocation Fund - MSAP - IV

Units issued: 9,640,173 units (2019: 2,195,916 units)	488,550	120,000
Units redeemed: 14,984,258 units (2019: 7,074,073 units)	752,318	399,610
Dividend Paid	16,955	-

	For the year ended June 30,	
	2020	2019
	-----Rupees in '000-----	
Meezan Strategic Allocation Fund - MSAP - V		
Units issued: 2,950,222 units (2019: 646,341 units)	146,243	34,750
Units redeemed: 4,379,399 units (2019: 1,979,842 units)	<u>212,949</u>	<u>108,291</u>
Dividend Paid	<u>5,234</u>	<u>-</u>
Directors and executives of the Management Company		
Units issued: 11,311,222 units (2019: 712,437 units)	522,268	42,876
Units redeemed: 432,520 units (2019: 6,332,657 units)	<u>20,219</u>	<u>342,916</u>
Dividend Paid	<u>28,514</u>	<u>-</u>

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	1,755,340	-	1,755,340
Investments	-	23,381,047	23,381,047
Receivable against sale of investments	73,789	-	73,789
Receivable against conversion of units	82,856	-	82,856
Dividend receivable	52,314	-	52,314
Advances, deposits and other receivables	13,419	-	13,419
	<u>1,977,718</u>	<u>23,381,047</u>	<u>25,358,765</u>

	----- 2020 -----		
	At fair value through profit or loss	At amortised cost	Total
	----- Rupees in '000 -----		
Financial liabilities			
Payable to Al Meezan Investment Management Limited - Management Company	-	32,677	32,677
Payable to Central Depository Company Limited - Trustee	-	2,349	2,349
Payable against redemption and conversion of units	-	116,155	116,155
Payable against purchase of investments	-	158,826	158,826
Dividend payable	-	152,480	152,480
Payable to Meezan Bank Limited	-	654	654
Accrued expenses and other liabilities	-	54,525	54,525
	<u>-</u>	<u>517,666</u>	<u>517,666</u>

	----- 2019 -----		
	At amortised cost	At fair value through profit or loss	Total
	----- Rupees in '000 -----		
Financial assets			
Balances with banks	1,340,974	-	1,340,974
Investments	-	25,014,329	25,014,329
Receivable against sale of investments	152,085	-	152,085
Receivable against conversion of units	62,891	-	62,891
Dividend receivable	117,132	-	117,132
Advances, deposits and other receivables	18,566	-	18,566
	<u>1,691,648</u>	<u>25,014,329</u>	<u>26,705,977</u>

----- 2019 -----		
At fair value through profit or loss	At amortised cost	Total
----- Rupees in '000 -----		
Financial liabilities		
Payable to Al Meezan Investment Management Limited - Management Company	-	79,964
Payable to Central Depository Company Limited - Trustee	-	2,579
Payable against redemption and conversion of units	-	74,075
Payable against purchase of investments	-	122,665
Payable to Meezan Bank Limited	-	135
Accrued expenses and other liabilities	-	43,346

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Risks managed and measured by the Fund are explained below:

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 / interest rate risk, currency risk and price risk.

(i) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2020, the Fund is exposed to such risk on its balances held with banks. 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

The Fund's profit rate risk arises from the balances in savings accounts. At June 30, 2020, if there had been increase / decrease of 100 basis points in interest rates or in rates with all other variables held constant, net assets of the Fund for the year then ended would have been higher / lower by Rs 17.473 million (2019: Rs 13.402 million).

b) Sensitivity analysis for fixed rate instruments

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

The composition of the Fund's investment portfolio and KIBOR rates are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2020 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

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

2020					
Effective interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		
----- Rupees in '000 -----					
Financial assets					
Balances with banks	1,747,297	-	-	8,043	1,755,340
Investments	-	-	-	23,381,047	23,381,047
Receivable against sale of investments	-	-	-	73,789	73,789
Receivable against conversion of units	-	-	-	82,856	82,856
Dividend receivable	-	-	-	52,314	52,314
Advances, deposits and other receivables	-	-	-	13,419	13,419
	1,747,297	-	-	23,611,468	25,358,765
Financial liabilities					
Payable to AI Meezan Investment Management Limited - Management Company	-	-	-	32,677	32,677
Payable to Central Depository Company Limited - Trustee	-	-	-	2,349	2,349
Payable against redemption and conversion of units	-	-	-	116,155	116,155
Payable against purchase of investments	-	-	-	158,826	158,826
Dividend payable	-	-	-	152,480	152,480
Payable to Meezan Bank Limited	-	-	-	654	654
Accrued expenses and other liabilities	-	-	-	54,525	54,525
	-	-	-	517,666	517,666
On-balance sheet gap (a)	1,747,297	-	-	23,093,802	24,841,099
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap (b)	-	-	-	-	-
Total interest rate sensitivity gap (a+b)	1,747,297	-	-	-	-
Cumulative interest rate sensitivity gap	1,747,297	1,747,297	1,747,297	-	-

2019					
Effective interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		
----- Rupees in '000 -----					
Financial assets					
Balances with banks	1,340,177	-	-	797	1,340,974
Investments	-	-	-	25,014,329	25,014,329
Receivable against sale of investments	-	-	-	152,085	152,085
Receivable against conversion of units	-	-	-	62,891	62,891
Dividend receivable	-	-	-	117,132	117,132
Advances, deposits and other receivables	-	-	-	18,566	18,566
	1,340,177	-	-	25,365,800	26,705,977
Financial liabilities					
Payable to AI Meezan Investment Management Limited - Management Company	-	-	-	79,964	79,964
Payable to Central Depository Company Limited - Trustee	-	-	-	2,579	2,579
Payable against redemption and conversion of units	-	-	-	74,075	74,075
Payable against purchase of investments	-	-	-	122,665	122,665
Payable to Meezan Bank Limited	-	-	-	135	135
Accrued expenses and other liabilities	-	-	-	43,346	43,346
	-	-	-	322,764	322,764
On-balance sheet gap (a)	1,340,177	-	-	25,043,036	26,383,213
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap (b)	-	-	-	-	-
Total interest rate sensitivity gap (a+b)	1,340,177	-	-	-	-
Cumulative interest rate sensitivity gap	1,340,177	1,340,177	1,340,177	-	-

(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 interest 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 35% of the net assets.

In case of 1% increase / decrease in KMI 30 index on June 30, 2020, with all other variables held constant, the total income of the Fund for the year would increase / decrease by Rs 233.810 million (2019: Rs. 250.143 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.

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

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

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

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

Rupees in '000

Financial assets

Balances with banks	1,755,340	-	-	-	-	1,755,340
Investments	-	-	-	-	23,381,047	23,381,047
Receivable against sale of investments	73,789	-	-	-	-	73,789
Receivable against conversion of units	82,856	-	-	-	-	82,856
Dividend receivable	52,314	-	-	-	-	52,314
Advances, deposits and other receivables	10,819	-	-	-	2,600	13,419
	1,975,118	-	-	-	23,383,647	25,358,765

Financial liabilities

Payable to Al Meezan Investment Management - Management Company	32,677	-	-	-	-	32,677
Payable to Central Depository Company (CDC) Limited - Trustee	2,349	-	-	-	-	2,349
Payable against redemption and conversion of units	116,155	-	-	-	-	116,155
Dividend payable	152,480	-	-	-	-	152,480
Payable against purchase of investments	158,826	-	-	-	-	158,826
Payable to Meezan Bank Limited	654	-	-	-	-	654
Accrued expenses and other liabilities	-	19,545	34,980	-	-	54,525
	463,141	19,545	34,980	-	-	517,666

Net assets / (liabilities)

	1,511,977	(19,545)	(34,980)	-	-	23,383,647	24,841,099
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2019						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total

Rupees in '000

Financial assets

Balances with banks	1,340,974	-	-	-	-	1,340,974
Investments	-	-	-	-	25,014,329	25,014,329
Receivable against sale of investments	152,085	-	-	-	-	152,085
Receivable against conversion of units	62,891	-	-	-	-	62,891
Dividend receivable	117,132	-	-	-	-	117,132
Advances, deposits and other receivables	15,966	-	-	-	2,600	18,566
	1,689,048	-	-	-	25,016,929	26,705,977

Financial liabilities

Payable to Al Meezan Investment Management - Management Company	79,964	-	-	-	-	79,964
Payable to Central Depository Company (CDC) Limited - Trustee	2,579	-	-	-	-	2,579
Payable against redemption and conversion of units	74,075	-	-	-	-	74,075
Payable against purchase of investments	122,665	-	-	-	-	122,665
Payable to Meezan Bank Limited	135	-	-	-	-	135
Accrued expenses and other liabilities	-	12,082	31,264	-	-	43,346
	279,418	12,082	31,264	-	-	322,764

Net assets / (liabilities)

	1,409,630	2,082	(31,264)	-	-	25,016,929	26,383,213
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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	1,755,340	1,755,340	1,340,974	1,340,974
Investments	23,381,047	-	25,014,329	-
Receivable against sale of investments	73,789	73,789	152,085	152,085
Receivable against conversion of units	82,856	82,856	62,891	62,891
Dividend receivable	52,314	52,314	117,132	117,132
Advances, deposits and other receivables	13,419	-	18,566	18,566
	<u>25,358,765</u>	<u>1,964,299</u>	<u>26,705,977</u>	<u>1,691,648</u>

Difference in the balance as per the statement of assets and liabilities and maximum exposure is due to the fact that investments in equity securities of Rs 23,381.047 million (2019: 25,014.329 million) is 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. The credit rating profile of balances with banks is as follows:

Rating	% of financial assets exposed to credit risk	
	2020	2019
AAA	61.50	2.42
AA+	27.00	34.76
AA	0.04	6.52
A+	11.45	51.63
A	0.01	4.67
	<u>100.00</u>	<u>100.00</u>

18.3.3 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.

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
	Rupees in '000		
Financial assets			
Investments - at fair value through profit or loss	23,381,047	-	-
	2019		
	Level 1	Level 2	Level 3
	Rupees in '000		
Financial assets			
Investments - at fair value through profit or loss	25,014,329	-	-

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	23,848	12,641,223	52.52	26,140	13,544,277	52.62
Associated Companies / Directors	16	2,446,388	10.16	17	3,151,048	12.24
Insurance Companies	5	924,307	3.84	6	879,855	3.42
Banks and DFIs	4	700,668	2.91	3	219,815	0.85
Retirement Funds	128	4,326,278	17.97	143	4,539,812	17.64
Public Limited Companies	2	211,626	0.88	3	207,614	0.81
Others	127	2,821,695	11.72	166	3,197,918	12.42
	<u>24,130</u>	<u>24,072,185</u>	<u>100.00%</u>	<u>26,478</u>	<u>25,740,339</u>	<u>100.00%</u>

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	13%	BMA Capital Management Limited	11%
AKD Securities Limited	8%	Alfalah Securities (Private) Limited	9%
Top Line Securities (Private) Limited	7%	AKD Securities Limited	8%
Fortune Securities Limited	7%	Top Line Securities (Private) Limited	7%
Foundation Securities (Private) Limited	7%	JS Global Capital Limited	7%
BMA Capital Management Limited	6%	Fortune Securities Limited	7%
Alfalah Securities (Private) Limited	6%	Foundation Securities (Private) Limited	6%
EFG Hermes	6%	Optimus Capital Management (Private) Limited	6%
Shajar Capital Pakistan (Private) Limited	5%	Arif Habib Limited	6%
Arif Habib Limited	5%	Shajar Capital Pakistan (Private) Limited	5%

23 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

Name	Designation	Qualification	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

23.1 The Fund manager of the Fund is Mr. Muhammad Asad. The Fund Manager is not managing any other 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				
		Aug 19, 2019	Oct 15, 2019	Feb 10, 2020	Apr 15, 2020	Jun 25, 2020
Mr. Ariful Islam	Chairman	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib	Chief Executive Officer	Yes	Yes	Yes	Yes	Yes
Mr. Moin M. Fudda	Director	Yes	Yes	Yes	Yes	Yes
Ms. Saima 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

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 AI Meezan Investment Management Limited
(Management Company)**

Chief Executive

Chief Financial Officer

Director



Meezan
Mutual Fund

Al Meezan Mutual Fund (AMMF)

Al Meezan Mutual Fund aims to optimize the total investment returns in the form of capital gains and dividend income, through prudent investment management.

LARGEST FUND MANAGER
IN PAKISTAN WITH AUMS
OF OVER **150 BILLION**



FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. Mohammad Shoaib, CFA	Chief Executive Officer
Mr. Muhammad Abdullah Ahmed	Nominee Director - MBL
Mr. Mohammad Furquan R Kidwai	Independent Director
Mr. Ijaz Farooq	Nominee Director - MBL
Mr. Moin M. Fudda	Independent Director
Ms. Saima Shaukat Khan (Kamila)	Independent Director
Mr. Arshad Majeed	Nominee Director - MBL
Mr. Naeem Abdul Sattar	Nominee Director - PKIC
Syed Amir Ali Zaidi	Nominee Director - PKIC

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Ariful Islam	Chairman
Mr. Moin M. Fudda	Member
Mr. Naeem Abdul Sattar	Member
Mr. Mohammad Shoaib, CFA	Member

TRUSTEE

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

AUDITORS

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

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

Allied Bank Limited	Habib Metropolitan Bank Limited - Islamic Banking
Al Baraka Islamic Bank B.S.C (E.C)	MCB Islamic Bank Limited
Askari Bank Limited - Islamic Banking	Meezan Bank Limited
Bank Alfalah Limited	National Bank of Pakistan - Islamic Banking
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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited

REPORT OF THE FUND MANAGER Al Meezan Mutual Fund (AMMF)

Type of Fund

Open end equity fund

Objective

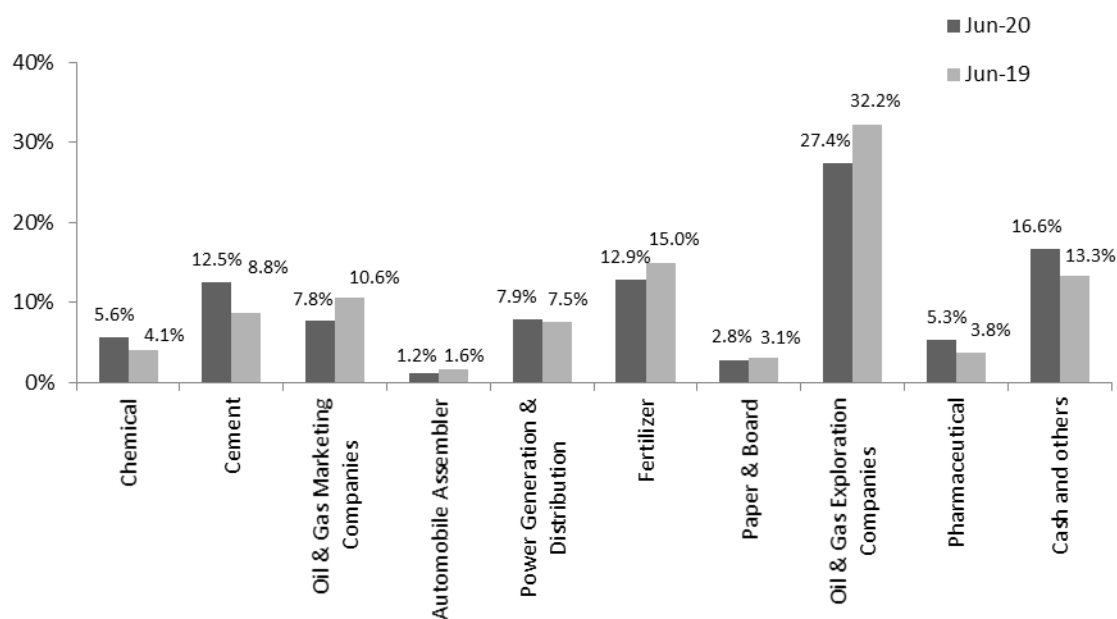
The objective of AMMF is to provide maximum total return to the shareholders by investing in “Shariah compliant” equity avenues for the given level of risk, while abiding by the Regulations and any other prevailing rules and regulations.

Strategy, Investment Policy and Asset Allocation

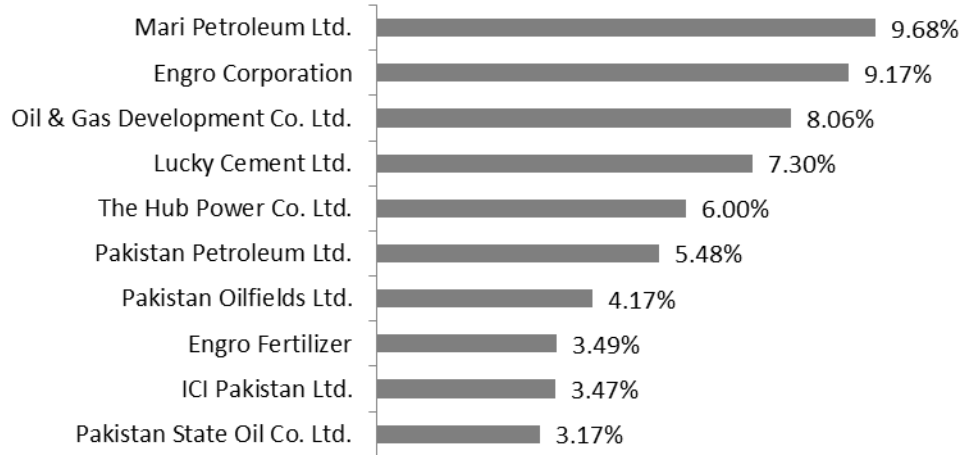
The performance of AMMF is directly linked to the performance of the equity market. The fund manager, Al Meezan Investment Management Limited, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. To control risk, the exposure in growth stocks is balanced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

AMMF started the year with a 96.81% exposure to equities, touched a maximum of 98.84% and minimum of around 91.8% during the fiscal year, on average remaining around 95.36% invested and while closing the year at 96.65% invested percentage. The fund maintained significant exposure to the Oil and Gas Exploration sector which was gradually reduced in 2nd half of FY20 due to negative outlook on oil prices. Exposure to Oil & Gas Marketing companies was also reduced while exposure to cement and pharmaceutical sectors was gradually increased due to positive outlook on these sectors.

Sector Allocation for the year ended FY19 and FY20



Top Holdings

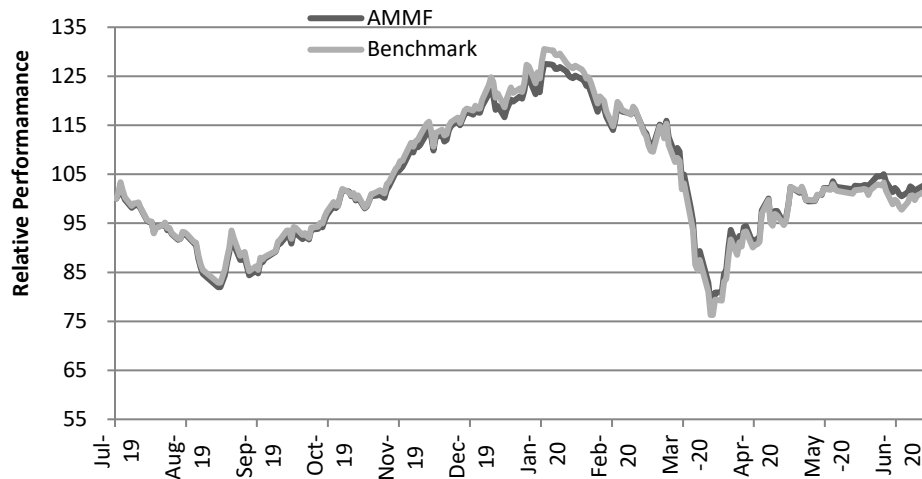


Performance Review

During FY20, Al Meezan Mutual Fund (AMMF) provided a positive return of 3.09% to its investors and the KSE Meezan Index (KMI 30) appreciated by 1.62% to close at 54,995 pts.

	AMMF (NAV)	KMI-30 (Index Points)
Net Asset Value (NAV) as on June 30, 2019- Rs.	13.35	54,119
Net Asset Value (NAV) as on June 30, 2020- Rs.	13.32	54,995
Return During the Period	3.09%	1.62%

AMMF posted a total Income of Rs. 254 million in the fiscal year 2020 as compared to a total loss of Rs. 1,470 million last year. Total income comprised of realized gain and unrealized capital loss on investments of Rs. 82 million and Rs. 32 million respectively. Dividend income contributed Rs. 179 million to income, while profit on saving accounts with banks amounted to Rs. 26 million. After accounting for expenses of Rs. 144 million, the Fund posted a net income of Rs. 110 million. The net assets of the Fund as at June 30, 2020 were Rs. 3,913 million as compared to Rs. 4,768 million last year depicting a decline of 18%. The net asset value per unit as at June 30, 2020 was Rs. 13.32 as compared to Rs. 13.35 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. 5.1 million was accrued as charity payable.

Distributions

The final distribution in the form of cash dividend by the Fund during the fiscal year ended June 30, 2020 was Rs. 0.45 per unit (4.5%). Total distribution made by the fund was Rs. 129 million.

Breakdown of unit holdings by size:

(As on June 30, 2020)

Range (Units)	No. of investors
1 - 9,999	2,879
10,000 - 49,999	780
50,000 - 99,999	203
100,000 - 499,999	183
500,000 and above	52
Total	4,097

Summary of Actual Proxy Voted By the Fund

	Resolutions	For	Against	Abstain
Number	3	3	0	0
Percentage		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. 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 (Rs. in '000) (ex-distribution)	3,913,337	4,767,806	6,864,010	9,079,465	5,418,397
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	13.3176	13.3539	17.6583	21.1400	17.9900
Offer price per unit as at June 30 (Rs.) (ex-distribution)	13.6185	13.6557	18.0574	21.6200	18.4700
Highest offer price per unit (Rs.)	17.4528	18.6141	21.9300	25.5900	19.5700
Lowest offer price per unit (Rs.)	10.7231	13.0763	16.7800	18.9000	15.4900
Highest redemption price per unit (Rs.)	17.0671	18.2027	21.4500	25.0200	19.0700
Lowest redemption price per unit (Rs.)	10.4862	12.7874	16.4100	18.4800	15.0900
Distribution (%)					
- Annual	N/A	N/A	N/A	N/A	N/A
- Interim	4.50	N/A	N/A	10	8.2
Dates of distribution	June 30, 2020	N/A	N/A	June 23, 2018	June 24, 2016
Income distribution (Rupees in '000)	128,690	N/A	N/A	412,311	235,503
Growth distribution (Rupees in '000)	N/A	N/A	N/A	N/A	N/A
Total return (%)	3%	-24%	-16%	23%	16%
	One year	Two year	Three year	Four year	Five year
Average annual return (%) as at June 30, 2020	3%	-12%	-13%	-5%	-1%



Meezan Bank
The Premier Islamic Bank

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

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

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

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

- i. We have reviewed and approved the modes of investments of AMMF in light of *Shari'ah* requirements. Following is the list of the top equity holdings of AMMF 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 vs. Share Price (B>A)	Share Price (B)
						Net Liquid Assets per Share (A)	
Mari Petroleum Ltd	Oil & Gas Exploration Companies	7.83%	17.76%	3.13%	30.37%	(664.23)	
Engro Corporation Ltd.	Fertilizer	28.34%	22.25%	4.72%	58.58%	(220.55)	
Oil & Gas Development Co. Ltd.	Oil & Gas Exploration Companies	0.00%	7.95%	7.74%****	33.64%	90.21	142.32



Lucky Cement Ltd.	Cement	25.55%	0.71%	2.59%	85.13%	(279.47)	
The Hub Power Co. Ltd***	Power Generation & Distribution Company	32.34%	0.00%	7.32%	53.77%	(43.08)	
Pakistan Oilfields Ltd.	Oil & Gas Exploration Companies	0.00%	1.35%	4.09%	44.36%	7.96	446.72
Engro Fertilizer	Fertilizer	26.23%	4.34%	1.34%	69.88%	(34.07)	
ICI Pakistan Ltd.	Chemical	25.42%	0.00%	0.06%	81.71%	(196.58)	

* 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 AMMF 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 AMMF 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

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahr-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326021 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

AL MEEZAN MUTUAL FUND

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

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

Opinion

We have audited the financial statements of Al Meezan Mutual 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.

Emphasis of Matter

We draw attention to note 1.6 to the financial statements which describes the matter relating to excess distribution made by the Fund. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	Net Asset Value (Refer note 6 to the financial statements)	
	Investments constitute the most significant component of the net asset value. Investments of the Fund as at June 30, 2020 amounted to Rs 3,782.362 million. The existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2020 was considered a high risk area and therefore we considered this as a key audit matter.	Our audit procedures amongst others included the following: <ul style="list-style-type: none">▪ Tested the design and operating effectiveness of the key controls for valuation of investments;▪ Obtained independent confirmations for verifying the existence of the investment portfolio as at June 30, 2020 and traced it with the books and records of the Fund; and▪ Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies.

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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.

AM, ✓



- 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

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



**Al Meezan
Mutual Fund**

	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
Assets			
Balances with banks	5	259,646	271,162
Investments	6	3,782,362	4,614,607
Receivable against sale of investments		16,861	20,993
Receivable against conversion of units		21,337	13,534
Dividend receivable		9,316	25,200
Advances, deposits, prepayments and other receivables	7	3,025	8,444
Total assets		4,092,547	4,953,940
Liabilities			
Payable to Al Meezan Investment Management Limited - Management Company	8	5,351	14,897
Payable to Central Depository Company of Pakistan Limited - Trustee	9	455	552
Payable to the Securities and Exchange Commission of Pakistan	10	853	5,952
Payable to Meezan Bank Limited		20	23
Payable against purchase of investments		9,988	3,468
Payable against conversion and redemption of units		23,718	45,466
Dividend payable		19,572	4,917
Accrued expenses and other liabilities	11	119,253	110,859
Total liabilities		179,210	186,134
NET ASSETS		3,913,337	4,767,806
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		3,913,337	4,767,806
CONTINGENCIES AND COMMITMENTS	12		
NUMBER OF UNITS IN ISSUE		293,846,741	357,035,000
		(Rupees)	
NET ASSET VALUE PER UNIT		13.3176	13.3539

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

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

Chief Executive

Chief Financial Officer

Director

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

	Note	2020	2019
		(Rupees in '000)	
Income			
Dividend income		178,811	298,529
Profit on saving account with banks		25,720	30,699
Realised gain / (loss) on sale of investments - net		81,626	(492,541)
		286,157	(163,313)
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.2	(32,495)	(1,307,555)
Total income / (loss)		253,662	(1,470,868)
Expenses			
Remuneration of Al Meezan Investment Management Limited - Management Company	8.1	84,366	125,315
Sindh Sales Tax on remuneration of the Management Company	8.2	10,968	16,291
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	5,219	7,266
Sindh Sales Tax on remuneration of the Trustee	9.2	678	945
Annual fee to Securities and Exchange Commission of Pakistan	10	853	5,952
Auditors' remuneration	13	815	891
Fees and subscription		567	772
Brokerage expense		10,787	4,755
Bank and settlement charges		1,183	1,044
Allocated expenses	15	4,218	6,266
Selling and marketing expenses	16	16,873	25,063
Charity expense	11.1	5,129	5,268
Provision for Sindh Workers' Welfare Fund (SWWF)		2,240	-
Total expenses		143,896	199,828
Net income / (loss) for the year before taxation		109,766	(1,670,696)
Taxation	17	-	-
Net income / (loss) for the year after taxation		109,766	(1,670,696)
Allocation of net income for the year			
Net income for the year after taxation		109,766	-
Income already paid on units redeemed		(3,575)	-
		106,191	-
Accounting income available for distribution			
- Relating to capital gains		49,131	-
- Excluding capital gains		57,060	-
		106,191	-

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

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

Chief Executive

Chief Financial Officer

Director

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



**Al Meezan
Mutual Fund**

	2020	2019
	(Rupees in '000)	
Net income / (loss) for the year after taxation	109,766	(1,670,696)
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	<u>109,766</u>	<u>(1,670,696)</u>

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

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

Chief Executive

Chief Financial Officer

Director

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

	2020			2019			
	Capital Value	Accumulated losses	Over distribution	Total	Capital Value	Undistributed income / (Accumulated losses)	Total
	(Rupees in '000)			(Rupees in '000)			
Net assets at the beginning of the year as previously reported (Audited)	4,877,433	(109,627)	-	4,767,806	5,302,941	1,361,518	6,664,459
Effect of adoption of IFRS 9	-	-	-	-	-	199,551	199,551
Net assets at the beginning of the year	4,877,433	(109,627)	-	4,767,806	5,302,941	1,561,069	6,864,010
Issuance of 325,182,835 units (2019: 132,552,885 units)							
- Capital value (at net asset value per unit at the beginning of the year)	4,342,459	-	-	4,342,459	2,340,659	-	2,340,659
- Element of income / (loss)	267,904	-	-	267,904	(243,925)	-	(243,925)
Total proceeds on issuance of units	4,610,363	-	-	4,610,363	2,096,734	-	2,096,734
Redemption of 388,371,094 units (2019: 164,229,765 units)							
- Capital value (at net asset value per unit at the beginning of the year)	5,186,269	-	-	5,186,269	2,900,018	-	2,900,018
- Element of loss / (income)	256,064	3,575	-	259,639	(377,776)	-	(377,776)
Total payments on redemption of units	5,442,333	3,575	-	5,445,908	2,522,242	-	2,522,242
Total comprehensive income / (loss) for the year	-	109,766	-	109,766	-	(1,670,696)	(1,670,696)
Distribution during the year	-	(106,191)	(22,499)	(128,690)	-	-	-
Refund of Capital during the year	-	-	-	-	-	-	-
Income / (loss) for the year less distribution	-	3,575	(22,499)	(18,924)	-	(1,670,696)	(1,670,696)
Net assets at the end of the year	4,045,463	(109,627)	(22,499)	3,913,337	4,877,433	(109,627)	4,767,806
(Accumulated losses) / undistributed income brought forward							
- Realised income		1,197,928				2,209,183	
- Unrealised loss		(1,307,555)				(847,665)	
		(109,627)				1,361,518	
Effect of adoption of IFRS 9		-				199,551	
		(109,627)				1,561,069	
Accounting income available for distribution (after adjusting income already paid on units redeemed)							
- Relating to capital gains		49,131				-	
- Excluding capital gains		57,060				-	
		106,191				-	
Net loss for the year after taxation		-				(1,670,696)	
Distribution during the year		(106,191)				-	
Accumulated losses carried forward		(109,627)				(109,627)	
Accumulated losses carried forward							
- Realised (loss) / income		(77,132)				1,197,928	
- Unrealised loss		(32,495)				(1,307,555)	
		(109,627)				(109,627)	
					(Rupees)		(Rupees)
Net assets value per unit at the beginning of the year					<u>13.3539</u>		<u>17.6583</u>
Net assets value per unit at the end of the year					<u>13.3176</u>		<u>13.3539</u>

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

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

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



**Al Meezan
Mutual Fund**

Note	2020	2019
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss) for the year before taxation	109,766	(1,670,696)
Adjustments for:		
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	32,495	1,307,555
	<u>142,261</u>	<u>(363,141)</u>
Decrease / (increase) in assets		
Investments - net	799,750	632,886
Dividend receivable	15,884	(6,109)
Receivable against sale of investments	4,132	(20,993)
Advances, deposits, prepayments and other receivables	5,419	1
	<u>825,185</u>	<u>605,785</u>
Increase / (decrease) in liabilities		
Payable to Al Meezan Investment Management Limited - Management Company	(9,546)	(18,799)
Payable to Central Depository Company of Pakistan Limited - Trustee	(97)	(195)
Payable to the Securities and Exchange Commission of Pakistan	(5,099)	(1,284)
Payable to Meezan Bank Limited	(3)	(176)
Payable against purchase of investments	6,520	3,468
Accrued expenses and other liabilities	8,394	11,675
	<u>169</u>	<u>(5,311)</u>
Net cash generated from operating activities	<u>967,615</u>	<u>237,333</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts against issuance and conversion of units	4,602,560	2,089,703
Payment against issuance and conversion of units	(5,467,656)	(2,496,187)
Dividend paid	(114,035)	-
Net cash used in financing activities	<u>(979,131)</u>	<u>(406,484)</u>
Net decrease in cash and cash equivalents	<u>(11,516)</u>	<u>(169,151)</u>
Cash and cash equivalents at the beginning of the year	271,162	440,313
Cash and cash equivalents at the end of the year	<u>5</u> <u>259,646</u>	<u>271,162</u>

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

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

Chief Executive

Chief Financial Officer

Director

**AL MEEZAN MUTUAL 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 Al Meezan Mutual Fund (the Fund) was constituted by virtue of a scheme of arrangement for conversion of Al Meezan Mutual Fund Limited (AMMFL) into an Open End Scheme under a Trust Deed executed between Al Meezan Investment Management Limited (Al Meezan) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on June 17, 2011 in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, (the NBFC Regulations). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.2 The Fund has been formed to provide the unit holders safe and stable stream of halal income on their investments and to generate superior long-term risk adjusted returns. The Fund shall also keep an exposure in short-term instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns, if available, at any given point of time. The objective of the Fund is to provide the maximum total return to the unitholders from investment in "Shariah Compliant" equity investments for the given level of risk, while abiding by the regulations and any other prevailing rules and regulations. At least seventy percent of its net assets shall remain invested in listed equity securities during the year based on quarterly average investment calculated on daily basis. The remaining net assets shall be invested in cash and near cash instruments. Under the Trust Deed, all conducts and acts of the Fund are based on Shariah. Meezan Bank Limited (MBL) acts as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.3 The Fund is an open-end fund listed on the Pakistan Stock Exchange Limited. Units of the Fund are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund is categorized as an Equity Scheme.
- 1.4 The Management Company 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 as the Trustee of the Fund.
- 1.6 During the year, the Fund has made a distribution of Rs 132.265 million (including income already paid on units redeemed of Rs 3.575 million). However, the maximum amount available for distribution for the current year as per the criteria given in the constitutive documents of the Fund was Rs 109.766 million. The excess distribution made by the Fund amounting to Rs 22.499 million has been disclosed in the statement of movement in the Unit holders' Fund as "over distribution". The Fund intends to adjust the same in the future years through subsequent available profits.

2 BASIS OF PRESENTATION

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

3 BASIS OF PREPARATION

3.1 Statement of compliance

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

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

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

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

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

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

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

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

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

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

3.4 Critical accounting estimates and judgments

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

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 4.3 and 6).

3.5 Accounting convention

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

3.6 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company 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 require delivery of securities within two days from the transaction date as per the stock exchange regulations.

4.3.4 Initial recognition and measurement

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

4.3.5 Derecognition

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

4.3.6 Derivatives

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

4.4 Financial liabilities

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

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

4.5 Offsetting of financial assets and financial liabilities

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

4.6 Provisions

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

4.7 Net asset value per unit

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

4.8 Issue and redemption of units

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

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

4.9 Distributions to unit holders

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

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

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

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

4.11 Revenue recognition

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are recorded in the period in which these arise.
- Profit on saving account with banks is recognised on a time proportion basis using the effective yield method.
- Dividend income is recognised when the right to receive the dividend is established i.e. on the commencement of date of book closure of the investee company / institution declaring the dividend.

4.12 Expenses

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

4.13 Taxation

Current

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

Deferred

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

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Furthermore, for the purpose of determining distribution of at least 90% 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	249,528	263,605
Current account	10,118	7,557
	<u>259,646</u>	<u>271,162</u>

5.1 The balances in saving accounts of the Fund carry profit rates ranging from 2.00% to 7.50% per annum (2019: 3.32% to 12.50% per annum).

6 INVESTMENTS

Note	2020	2019
	----- Rupees in '000 -----	
Listed equity securities - 'at fair value through profit or loss'	3,782,362	4,614,607



6.1 Investments in equity securities - listed

Name of the investee company	As at July 1, 2019	Purchases during the year	Bonus / 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 appreciation / (diminution) as at June 30, 2020	Percentage in relation to				
									Net assets of the Fund	Market value of total investment	Paid-up capital of investee company (with face value of investment)		
								(Rupees in '000)			%		
Automobile Assembler													
Gandhara Industries Limited	168,700	-	-	166,500	2,200	192	266	74	0.01	0.01	0.01		
Honda Atlas Cars (Pakistan) Limited	-	31,300	-	-	31,300	5,534	6,062	528	0.15	0.16	0.02		
Indus Motor Company Limited	-	35,640	-	-	35,640	43,211	35,461	(7,750)	0.91	0.94	0.05		
Millat Tractors Company Limited	75,750	14,000	6,075	86,150	9,675	6,977	6,832	(145)	0.17	0.18	0.02		
								1.24	1.29	0.09			
Automobile Parts and Accessories													
Agriauto Industries Limited (note 6.1.1)	-	75,000	-	-	75,000	15,755	13,650	(2,105)	0.35	0.36	0.26		
Gandhara Nissan Limited	3,163	-	-	3,163	-	-	-	-	0.35	0.36	0.26		
								0.35	0.36	0.26			
Cement													
Cherat Cement Company Limited	-	830,000	10,000	840,000	-	-	-	-	-	-	-		
DG Khan Cement Company Limited	348,405	1,694,500	-	1,243,405	799,500	64,482	68,221	3,739	1.74	1.80	0.18		
Fauji Cement Company Limited	-	3,001,500	-	2,956,500	45,000	751	760	9	0.02	0.02	0.00		
Kohat Cement Limited	730,520	1,045,000	-	1,102,500	673,020	91,418	92,507	1,089	2.36	2.45	0.34		
Lucky Cement Limited	964,067	483,900	-	799,900	648,067	265,962	299,135	33,173	7.64	7.91	0.20		
Maple Leaf Cement Limited	425,312	3,663,265	-	2,117,000	1,971,577	49,846	51,222	1,376	1.31	1.35	0.18		
Pioneer Cement Limited	7,800	-	-	7,800	-	-	-	-	-	-	-		
								13.07	13.53	0.89			
Chemicals													
Engro Polymer & Chemicals Limited	1,365,541	5,073,000	-	4,120,500	2,318,041	73,250	57,905	(15,345)	1.48	1.53	0.26		
Lotte Chemical Pakistan Limited	-	1,265,000	-	1,200,000	65,000	613	647	34	0.02	0.02	-		
ICI Pakistan Limited	231,679	48,100	-	75,100	204,679	114,948	142,193	27,245	3.63	3.76	0.22		
Ittehad Chemicals Limited	-	216,000	-	-	216,000	6,135	5,692	(443)	0.15	0.15	0.26		
Sitara Chemical Industries Limited	57,000	-	-	-	57,000	17,435	15,795	(1,640)	0.40	0.42	0.27		
Sitara Peroxide Limited	-	400,000	-	-	400,000	8,603	8,164	(439)	0.21	0.22	0.73		
								5.89	6.09	1.72			
Commercial Banks													
BankIslami Pakistan Limited	-	2,579,500	-	2,147,500	432,000	4,666	3,266	(1,400)	0.08	0.09	0.04		
Meezan Bank Limited	898,050	1,976,000	-	1,525,000	1,349,050	100,589	92,882	(7,707)	2.37	2.46	0.10		
								2.46	2.54	0.14			
Engineering													
Amreli Steels Limited	-	250,000	-	250,000	-	-	-	-	-	-	-		
International Industries Limited	-	816,000	-	594,700	221,300	23,481	20,300	(3,181)	0.52	0.54	0.17		
International Steel Limited	-	1,116,500	-	390,000	726,500	32,249	37,524	5,275	0.96	0.99	0.17		
Mughal Iron and Steel Industries	-	151,000	-	150,000	1,000	33	40	7	-	-	-		
								1.48	1.53	0.33			
Fertilizer													
Dawood Hercules Corporation Limited	-	50,000	-	50,000	-	-	-	-	-	-	-		
Engro Corporation Limited (note 6.1.2)	1,846,890	474,200	-	1,037,300	1,283,790	361,988	376,048	14,060	9.61	9.94	0.22		
Engro Fertilizers Limited	3,976,000	1,240,500	-	2,842,000	2,374,500	154,469	143,135	(11,334)	3.66	3.78	0.18		
Fatima Fertilizers Company Limited	-	287,000	-	-	287,000	7,885	7,672	(213)	0.20	0.20	0.01		
								13.46	13.93	0.41			
Food and Personal Care Products													
Al-Shaheer Corporation Limited	12,230	281	-	-	12,511	157	143	(14)	-	-	0.01		
National Foods Limited (note 6.1.1)	4,600	-	820	500	4,920	755	1,232	477	0.03	0.03	-		
								0.03	0.03	0.01			
Glass and Ceramics													
Ghani Glass Limited	-	227,500	-	-	227,500	11,925	9,362	(2,563)	0.24	0.25	0.04		
Tariq Glass Industries Limited	279,700	25,000	1,600	276,500	29,800	1,595	1,923	328	0.05	0.05	0.03		
								0.29	0.30	0.07			
Oil and Gas Exploration Companies													
Mari Petroleum Company Limited	365,310	17,960	34,631	97,020	320,881	299,522	396,817	97,295	10.14	10.49	0.24		
Oil and Gas Development Company Limited	3,879,800	1,933,000	-	2,783,412	3,029,388	358,305	330,203	(28,102)	8.44	8.73	0.07		
Pakistan Oilfields Limited	661,629	237,000	-	410,700	487,929	175,938	171,083	(4,855)	4.37	4.52	0.17		
Pakistan Petroleum Limited	3,127,022	1,480,000	486,404	2,505,513	2,587,913	295,280	224,579	(70,701)	5.74	5.94	0.10		
								28.68	29.69	0.58			

Name of the investee company	As at July 1, 2019	Purchases during the year	Bonus / 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 appreciation / (diminution) as at June 30, 2020	Percentage in relation to		
									Net assets of the Fund	Market value of total investment	Paid-up capital of investee company (with face value of investment)
								(Rupees in '000)	%		
Oil & Gas Marketing Companies											
Attock Petroleum Limited	105,138	73,200	-	6,000	172,338	49,714	52,598	2,884	1.34	1.39	0.17
Hascol Petroleum Limited	205,757	3,594,618	-	1,719,000	2,081,375	42,734	28,307	(14,427)	0.72	0.75	0.21
Hi-Tech Lubricant Limited	-	85,000	-	-	85,000	2,556	2,574	18	0.07	0.07	0.07
Pakistan State Oil Company Limited	1,436,907	955,500	206,381	1,776,100	822,688	134,152	130,116	(4,036)	3.32	3.44	0.18
Shell Pakistan Limited	-	23,700	-	-	23,700	4,185	4,327	142	0.11	0.11	0.02
Sui Northern Gas Pipeline Limited	3,411,500	1,068,000	-	2,600,500	1,879,000	129,128	102,593	(26,535)	2.62	2.71	0.30
									8.19	8.48	0.96
Paper and Board											
Century Paper and Board Mills Limited	-	350,000	-	-	350,000	23,070	25,050	1,980	0.64	0.66	0.24
Cherat Packaging Limited	248,846	125,500	11,334	260,500	125,180	14,675	14,665	(10)	0.37	0.39	0.29
Packages Limited	447,428	-	-	241,500	205,928	61,894	71,500	9,606	1.83	1.88	0.23
Roshan Packages Limited	-	200,000	-	-	200,000	4,112	4,484	372	0.11	0.12	0.14
									2.96	3.04	0.90
Pharmaceuticals											
Abbott Laboratories Pakistan Limited	5,150	-	-	5,150	-	-	-	-	-	-	-
AGP Limited	1,205,250	1,126,500	-	1,370,000	961,750	100,526	105,540	5,014	2.70	2.79	0.34
GlaxoSmithKline Consumer Health Care Limited	208,000	5,800	-	63,600	150,200	29,364	40,806	11,442	1.04	1.08	0.13
GlaxoSmithKline Pakistan Limited	-	10,000	-	-	10,000	1,552	1,741	189	0.04	0.05	-
Highnoon Laboratories Limited	1,592	-	159	-	1,751	403	878	475	0.02	0.02	0.01
The Searle Company Limited	419,248	212,000	-	293,000	338,248	57,143	67,389	10,246	1.72	1.79	0.16
									5.53	5.73	0.65
Power Generation and Distribution											
K-Electric Limited (note 6.1.1)	30,513,500	10,841,500	-	15,381,500	25,973,500	113,495	78,180	(35,315)	2.00	2.07	0.09
The Hub Power Company Limited	3,040,816	1,341,500	-	990,000	3,392,316	263,126	245,943	(17,183)	6.28	6.50	0.26
									8.28	8.57	0.36
Technology and Communication											
Avanceon Limited	208,400	130,000	13,040	208,000	143,440	3,636	5,072	1,436	0.13	0.13	0.07
NetSol Technologies Limited	-	60,000	-	60,000	-	-	-	-	-	-	-
Systems Limited	173,250	615,000	-	522,500	265,750	47,523	48,813	1,290	1.25	1.29	0.22
									1.38	1.42	0.28
Textile Composite											
Nishat Mills Limited	629,400	557,400	-	1,036,700	150,100	8,731	11,709	2,978	0.30	0.31	0.04
Interloop Limited	2,133,000	79,500	-	410,500	1,802,000	80,231	79,144	(1,087)	2.02	2.09	0.21
									2.32	2.40	0.25
Textile Weaving											
Feroze1888 Mills Limited	443,000	10,000	-	2,300	450,700	45,426	36,867	(8,559)	0.94	0.97	0.12
Vanaspati and Allied Industries											
Unity Foods Limited	1,159,845	5,650,000	-	6,509,845	300,000	3,532	3,345	(187)	0.09	0.09	0.06
Right Certificate											
Cement											
Maple Leaf Cement Company Limited*	-	-	265	265	-	-	-	-	-	-	-
Food and Personal Care Products											
Al-Shaheer Corporation Limited*	-	-	610	610	-	-	-	-	-	-	-
Oil and Gas Marketing Companies											
Hascol Petroleum Limited*	-	-	1,612,618	1,612,618	-	-	-	-	-	-	-
Total as at June 30, 2020						3,814,857	3,782,362	(32,495)	96.63	100.00	
Total as at June 30, 2019						5,922,162	4,614,607	(1,307,555)			

* The right certificates were exercised during the year and the shares are included in the investment in Al-Shaheer Corporation Limited, Hascol Petroleum Limited and Maple Leaf Cement Company Limited above.

- 6.1.1** All shares have a nominal value of Rs 10 each except for the shares of Agriauto Industries Limited and National Foods Limited which have a nominal value of Rs 5 each and K-Electric Limited which have a nominal value of Rs 3.5 each.
- 6.1.2** 150,000 shares (June 30, 2019: 150,000 shares) of Engro Corporation Limited, having market value of Rs 43.94 million (June 30, 2019: Rs 39.84 million) as at June 30, 2020, have been pledged as collateral in favour of National Clearing Company Pakistan Limited against exposure margins and mark to market losses.
- 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 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.7.794 million (2019: Rs 6.060 million).

	Note	2020	2019
		----- Rupees in '000 -----	
6.2 Unrealised diminution on re-measurement of investments classified as financial assets at fair value through profit or loss			
Market value of investments	6.1	3,782,362	4,614,607
Carrying value of investments	6.1	(3,814,857)	(5,922,162)
		<u>(32,495)</u>	<u>(1,307,555)</u>
7 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Security deposit with Central Depository Company of Pakistan Limited		238	238
Security deposit with National Clearing Company of Pakistan Limited		2,500	2,500
Prepayments		-	28
Profit accrued on balances with banks		287	5,678
		<u>3,025</u>	<u>8,444</u>

8	PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note	2020	2019
		----- Rupees in '000 -----		
	Management fee payable	8.1	877	8,138
	Sindh Sales Tax on Management fee payable	8.2	114	1,058
	Allocated expenses payable	15	325	407
	Sales load payable		192	82
	Sindh Sales Tax on sales load		25	11
	Selling and marketing expenses payable	16	3,818	5,201
			<u>5,351</u>	<u>14,897</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. 10.968 million (2019: Rs. 16.291 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. 11.182 million (2019: Rs. 16.737 million) has been paid to the Management Company which acts as a collecting agent.

9	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2020	2019
		----- Rupees in '000 -----		
	Trustee fee payable	9.1	403	489
	Sindh Sales Tax payable on trustee fee	9.2	52	63
			<u>455</u>	<u>552</u>

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

On net assets:

- up to Rs 1,000 million 0.20% per annum of net assets, whichever is higher.
- exceeding Rs.1,000 million 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 0.678 million (2019: Rs. 0.945 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. 0.689 million (2019: Rs. 0.967 million) was paid to the Trustee which acts as a collecting agent.

10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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

Effective from July 1, 2019, the SECP vide SRO No. 685(I)/2019 dated June 28, 2019, revised the rate of annual fee to 0.02% of net assets, applicable on all categories of CISs. Previously, the rate of annual fee applicable to equity funds was 0.095%. Accordingly, the Fund has charged SECP Fee at the rate of 0.02% of net assets during the current year.

11	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2020	2019
		----- Rupees in '000 -----		
	Auditors' remuneration payable		585	565
	Brokerage payable		7,082	4,775
	Shariah advisor fee payable		269	817
	Charity payable	11.1	6,827	5,197
	Withholding tax payable		9,415	7,394
	Capital gain tax payable		1,469	695
	Provision for Federal Excise Duty and related Sindh Sales Tax on management fee	11.2	37,524	37,524
	Provision for Federal Excise Duty and related Sindh Sales Tax on sales load	11.2	3,732	3,732
	Provision for Sindh Workers' Welfare Fund (SWWF)	11.3	52,308	50,068
	Zakat payable		42	92
			<u>119,253</u>	<u>110,859</u>



- 11.1** According to the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. Accordingly, during the year ended June 30, 2020, Shariah non-compliant income amounting to Rs 5.129 million (2019 : Rs 5.268 million) was charged as charity expense and Rs 3.5 million was disbursed to following charitable / welfare organisations respectively:

S. No.	Charitable Organisations	Amount Rupees in '000
1	Roshni Homes	200
2	Women Islamic Lawyer (WIL) Forum	200
3	Jamal Noor Hospital	300
4	Fatimid Foundation Kidney Center	300
5	Autism Society of Pakistan	500
6	Chippa Welfare Association	500
7	Edhi Foundation	500
8	The Patients behbud Society for AKUH	1,000
	Total	3,500

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

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

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 41.256 million is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2020 would have been higher by Re 0.14 (2019: Re 0.12) per unit.

- 11.3** 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. 0.18 per unit (2019: Re 0.14 per unit).

12 CONTINGENCIES AND COMMITMENTS

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

	2020	2019
	----- Rupees in '000 -----	
13 AUDITORS' REMUNERATION		
Annual audit fee	655	567
Half yearly review	119	128
Fee for other certifications	-	120
Out of pocket expenses	41	76
	<u>815</u>	<u>891</u>

14 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2020 is 3.41% which includes 0.38% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, Sales Taxes, Federal Excise Duties, Annual fee to the SECP etc. This ratio is within the maximum limit of 4.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Equity Scheme.

15 ALLOCATED EXPENSES

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

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

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

16 SELLING AND MARKETING EXPENSES

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

17 TAXATION

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

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



18 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 18.1** Connected persons include Al Meezan Investment Management Limited being the Management Company, the Central Depository Company of Pakistan 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.
- 18.2** Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 18.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 18.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 18.5** The details of transactions carried out by the Fund with connected persons during the year and balances with them as at year end are as follows:

Balances	2020	2019
	----- Rupees in '000 -----	
Al Meezan Investment Management Limited (Management Company)		
Remuneration Payable	877	8,138
Sindh Sales Tax on management fee payable	114	1,058
Sales load payable	192	82
Sindh Sales Tax on sales load payable	25	11
Allocated expenses payable	325	407
Selling and marketing expenses payable	3,818	5,201
Investment of 30,854,173 units (2019: 37,780,110 units)	410,904	504,511
Central Depository Company of Pakistan Limited - CDC (Trustee)		
Security deposit refundable	238	238
Remuneration payable	403	489
Sindh Sales Tax on trustee fee payable	52	63
Meezan Bank Limited		
Profit receivable on saving account	70	548
Balance with bank	16,414	33,383
Sales load payable	18	20
Sindh Sales Tax on sales load	2	3
Investment of 22,984,581 units (2019: 22,232,227 units)	306,099	296,887
Investment in 1,349,050 shares (2019: 898,050 shares)	92,882	78,274
MSAF - Meezan Strategic Allocation Plan - I		
Investment of 9,865,832 units (2019: 18,848,469 units)	131,389	251,700
MSAF - Meezan Strategic Allocation Plan - II		
Investment of 12,644,001 units (2019: 22,818,600 units)	168,388	304,717
MSAF - Meezan Strategic Allocation Plan - IV		
Investment of 7,770,394 units (2019: 1,877,734 units)	103,483	25,075
Meezan Financial Planning Fund of Funds - MAAP - I		
Investment 3,382,999 units (2019: 39,791 units)	45,053	531
MSAF - Meezan Strategic Allocation Plan - III		
Investment of 563,466 units (2019: nil units)	7,504	-

	2020	2019
	----- Rupees in '000 -----	
MSAF - Meezan Strategic Allocation Plan - V		
Investment of 160,990 units (2019: nil units)	2,144	-
Directors and executives of the Management Company		
Investment 8,693,977 units (2019: 32,730,550 units)	115,783	437,080
Pakistan Kuwait Investment Company (Private) Limited		
Investment of 16,895,690 units (2019: 16,895,690 units)	225,010	225,623
Unitholders holding 10% or more units of the Fund	410,904	504,511
Transactions during the year		
	For the year ended June 30,	
	2020	2019
	----- Rupees in '000 -----	
AI Meezan Investment Management Limited (Management Company)		
Remuneration charged	84,366	125,315
Sindh Sales Tax on remuneration of the Management Company	10,968	16,291
Allocated expenses	4,218	6,266
Selling and marketing expenses	16,873	25,063
Issuance of 49,024,338 units (2019: 3,939,591 units)	704,081	61,050
Redemption of 55,950,275 units (2019: 5,931,451 units)	806,474	100,000
Dividend paid	13,496	-
Central Depository Company of Pakistan Limited - CDC (Trustee)		
Remuneration of the Trustee	5,219	7,266
Sindh Sales Tax on remuneration of the Trustee	678	945
CDS charges	286	217
Meezan Bank Limited		
Profit on saving account	4,160	647
Purchase of 1,976,000 shares (2019: 2,576,500 shares)	140,500	229,377
Sale of 1,525,000 shares (2019: 1,781,000 shares)	106,094	160,017
Issuance of 752,354 units (2019: nil units)	10,005	-
Dividend income	4,785	-
Dividend paid	10,005	-
MSAF - Meezan Strategic Allocation Plan - I		
Issuance of 10,488,716 units (2019: 5,972,333 units)	143,527	100,000
Redemption of 19,471,353 units (2019: 57,232 units)	255,703	760
Dividend paid	4,294	-
MSAF - Meezan Strategic Allocation Plan - II		
Issuance of 12,955,442 units (2019: nil units)	177,691	-
Redemption of 23,130,041 units (2019: nil units)	308,947	-
Dividend Paid	5,504	-
MSAF - Meezan Strategic Allocation Plan - IV		
Issuance of 13,408,706 units (2019: nil units)	188,742	-
Redemption of 7,516,046 units (2019: nil units)	103,360	-
Dividend Paid	3,382	-
Meezan Financial Planning Fund of Funds - MAAP - I		
Issuance of 7,703,700 units (2019: nil units)	112,472	-
Redemption of 4,360,492 units (2019: nil units)	61,000	-
Dividend Paid	1,473	-



**For the year ended June 30,
2020 2019**

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

Meezan Financial Planning Fund of Funds - MAAP - IV

Redemption of nil units (2019: 1,304,322 units)

-	21,964
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MSAF - Meezan Strategic Allocation Plan - III

Issuance of 1,108,489 units (2019: nil units)

14,740	-
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Redemption of 545,023 units (2019: nil units)

7,495	-
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Dividend Paid

245	-
-----	---

MSAF - Meezan Strategic Allocation Plan - V

Issuance of 316,711 units (2019: nil units)

4,212	-
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Redemption of 155,721 units (2019: nil units)

2,141	-
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Dividend Paid

70	-
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Pakistan Kuwait Investment Company (Private) Limited

Dividend Paid

7,603	-
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Directors and executives of the Management Company

Issuance of units 5,641,735 (2019: 15,998,263 units)

75,796	219,503
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Redemption of 29,678,309 units (2019: 2,534,463 units)

349,173	40,705
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18.6 Other balances due to / from related parties / connected persons are included in the respective notes to the financial statements.

19 FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

Balances with banks

259,646	-	259,646
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Investments

-	3,782,362	3,782,362
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Receivable against sale of investments

16,861	-	16,861
--------	---	--------

Receivable against conversion of units

21,337	-	21,337
--------	---	--------

Dividend receivable

9,316	-	9,316
-------	---	-------

Advances, deposits and other receivables

3,025	-	3,025
-------	---	-------

310,185	3,782,362	4,092,547
---------	-----------	-----------

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

Financial liabilities

Payable to Al Meezan Investment Management Limited
- Management Company

-	5,351	5,351
---	-------	-------

Payable to the Central Depository Company of Pakistan
Limited - Trustee

-	455	455
---	-----	-----

Payable to Meezan Bank Limited

-	20	20
---	----	----

Payable against conversion and redemption of units

-	23,718	23,718
---	--------	--------

Payable against purchase of investments

-	9,988	9,988
---	-------	-------

Dividend payable

-	19,572	19,572
---	--------	--------

Accrued expenses and other liabilities

-	14,763	14,763
---	--------	--------

-	73,867	73,867
---	--------	--------

	2019		
	At amortised cost	At fair value through profit or loss	Total
----- Rupees in '000 -----			
Financial assets			
Balances with banks	271,162	-	271,162
Investments	-	4,614,607	4,614,607
Receivable against sale of investments	20,993	-	20,993
Receivable against conversion of units	13,534	-	13,534
Dividend receivable	25,200	-	25,200
Advances, deposits and other receivables	8,416	-	8,416
	<u>339,305</u>	<u>4,614,607</u>	<u>4,953,912</u>

	2019		
	At fair value through profit or loss	At amortised cost	Total
----- Rupees in '000 -----			
Financial liabilities			
Payable to Al Meezan Investment Management Limited - Management Company	-	14,897	14,897
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	552	552
Payable to Meezan Bank Limited	-	23	23
Payable against conversion and redemption of units	-	45,466	45,466
Payable against purchase of investments	-	3,468	3,468
Dividend payable	-	4,917	4,917
Accrued expenses and other liabilities	-	11,354	11,354
	<u>-</u>	<u>80,677</u>	<u>80,677</u>

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The risk management policy of the Fund aims to maximise the return attributable to the unitholders and seeks to minimise potential adverse effects on the Fund's financial performance. Risks of the Fund are being managed by the Fund manager in accordance with the approved policies of the Investment Committee which provides broad guidelines for management of risk pertaining to market risks, (including price risk and interest rate risk) credit risk and liquidity risk. Further, overall exposure of the Fund complies with the NBFC Regulations, and the directives issued by Securities and Exchange Commission of Pakistan (SECP). Risks managed and measured by the Fund are explained below:

20.1 Market risk

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

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

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

(i) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2020, the Fund is exposed to such risk on its balances held with banks. 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. 2.559 million (2019: Rs. 2.636 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 and KIBOR rates are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2020 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

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

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

----- 2020 -----					
Effective yield / profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		
----- Rupees in '000 -----					
Financial assets					
Balances with banks	2.00% - 7.50%	249,528	-	10,118	259,646
Investments		-	-	3,782,362	3,782,362
Receivable against sale of investments		-	-	16,861	16,861
Receivable against conversion of units		-	-	21,337	21,337
Dividend receivable		-	-	9,316	9,316
Advances, deposits and other receivables		-	-	3,025	3,025
		249,528	-	3,843,019	4,092,547
Financial liabilities					
Payable to Al Meezan Investment Management Limited - Management Company		-	-	5,351	5,351
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	455	455
Payable to Meezan Bank Limited		-	-	20	20
Payable against conversion and redemption of units		-	-	23,718	23,718
Payable against purchase of investments		-	-	9,988	9,988
Dividend payable		-	-	19,572	19,572
Accrued expenses and other liabilities		-	-	14,763	14,763
		-	-	73,867	73,867
On-balance sheet gap (a)		249,528	-	3,769,152	4,018,680
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap (b)		-	-	-	-
Total profit rate sensitivity gap (a+b)		249,528	-	-	-
Cumulative profit rate sensitivity gap		249,528	249,528	249,528	-

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

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

Financial assets

Balances with banks	3.32% - 12.50%	263,605	-	-	7,557	271,162
Investments		-	-	-	4,614,607	4,614,607
Receivable against sale of investments		-	-	-	20,993	20,993
Receivable against conversion of units		-	-	-	13,534	13,534
Dividend receivable		-	-	-	25,200	25,200
Advances, deposits and other receivables		-	-	-	8,416	8,416
		263,605	-	-	4,690,307	4,953,912

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	14,897	14,897
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	552	552
Payable to Meezan Bank Limited		-	-	-	23	23
Payable against conversion and redemption of units		-	-	-	45,466	45,466
Payable against purchase of investments		-	-	-	3,468	3,468
Dividend payable		-	-	-	4,917	4,917
Accrued expenses and other liabilities		-	-	-	11,354	11,354
		-	-	-	80,677	80,677

On-balance sheet gap (a)

263,605	-	-	4,609,630	4,873,235
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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)

263,605	-	-		
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Cumulative profit rate sensitivity gap

263,605	263,605	263,605		
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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 KMI 30 index on June 30, 2020, with all other variables held constant, total income of the fund would increase / decrease by Rs 37.823 million (2019: Rs 46.146 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.



20.2 Liquidity risk

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

The Fund is exposed to daily 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 -----

Financial assets

Balances with banks	259,646	-	-	-	-	-	259,646
Investments	-	-	-	-	3,782,362	-	3,782,362
Receivable against sale of investments	16,861	-	-	-	-	-	16,861
Receivable against conversion of units	21,337	-	-	-	-	-	21,337
Dividend receivable	9,316	-	-	-	-	-	9,316
Advances, deposits and other receivables	287	-	-	-	2,738	-	3,025
	307,447	-	-	-	-	3,785,100	4,092,547

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company	5,351	-	-	-	-	-	5,351
Payable to Central Depository Company of Pakistan Limited - Trustee	455	-	-	-	-	-	455
Payable to Meezan Bank Limited	20	-	-	-	-	-	20
Payable against conversion and redemption of units	23,718	-	-	-	-	-	23,718
Payable against purchase of investments	9,988	-	-	-	-	-	9,988
Dividend payable	19,572	-	-	-	-	-	19,572
Accrued expenses and other liabilities	7,082	7,681	-	-	-	-	14,763
	66,186	7,681	-	-	-	-	73,867
Net assets / (liabilities)	241,261	(7,681)	-	-	-	3,785,100	4,018,680

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 w ith banks	271,162	-	-	-	-	271,162
Investments	-	-	-	-	4,614,607	4,614,607
Receivable against sale of investments	20,993	-	-	-	-	20,993
Receivable against conversion of units	13,534	-	-	-	-	13,534
Dividend receivable	25,200	-	-	-	-	25,200
Advances, deposits and other receivables	5,678	-	-	-	2,738	8,416
	336,567	-	-	-	4,617,345	4,953,912

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company	14,897	-	-	-	-	14,897
Payable to Central Depository Company of Pakistan Limited - Trustee	552	-	-	-	-	552
Payable to Meezan Bank Limited	23	-	-	-	-	23
Payable against conversion and redemption of units	45,466	-	-	-	-	45,466
Payable against purchase of investments	3,468	-	-	-	-	3,468
Dividend payable	4,917	-	-	-	-	4,917
Accrued expenses and other liabilities	4,775	6,579	-	-	-	11,354
	74,098	6,579	-	-	-	80,677

Net assets / (liabilities)

	262,469	(6,579)	-	-	-	4,617,345	4,873,235
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20.3 Credit risk

20.3.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. 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) -----

Bank balances	259,646	259,646	271,162	271,162
Investment	3,782,362	-	4,614,607	-
Receivable against issue of units	21,337	21,337	13,534	13,534
Dividend receivable	9,316	9,316	25,200	25,200
Receivable against sale of investments	16,861	16,861	20,993	20,993
Advances, deposits, and other receivables	3,025	3,025	8,444	8,444
	4,092,547	310,185	4,953,940	339,333

Difference in the balance as per the statement of assets and liabilities and maximum exposure is due to the fact that investments in equity securities of Rs 3,782.362 million (2019: Rs 4,614.607 million) is 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 control 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.

20.3.2 Credit quality of financial assets

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

Rating	% of financial assets exposed to credit risk	
	2020	2019
AAA	3.79%	0.03%
AA+	34.41%	41.01%
AA	-	0.10%
A+	61.79%	58.73%
A	0.01%	0.13%
	100%	100%

20.3.3 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.

21 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

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

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

Fair value hierarchy

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

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

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

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

As at June 30, 2020, the Fund held the following financial instruments measured at fair values:

Financial assets	2020		
	Level 1	Level 2	Level 3
	(Rupees in '000)		
At fair value through profit or loss	3,782,362	-	-
	3,782,362	-	-

	2019		
	Level 1	Level 2	Level 3
Financial assets	(Rupees in '000)		
At fair value through profit or loss	4,614,607	-	-
	4,614,607	-	-

22 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

23 UNIT HOLDING PATTERN OF THE FUND

Category	2020			2019		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total
Individuals	4,029	1,281,030	32.74	4,329	1,410,777	29.59
Associated Companies / Directors	11	1,511,311	38.62	8	1,876,037	39.35
Insurance Companies	1	121,769	3.11	1	118,104	2.48
Banks and DFIs	1	7,643	0.20	3	380,456	7.98
Retirement Funds	23	925,457	23.65	24	894,304	18.76
Public Limited Companies	-	-	-	1	148	-
Others	32	66,127	1.68	36	87,980	1.84
	4,097	3,913,337	100%	4,402	4,767,806	100%

24 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
Invest and Finance Securities Limited	8%	Optimus Capital Management (Private) Limited	8%
AKD Securities Limited	8%	Taurus Securities Limited	8%
Taurus Securities Limited	8%	Foundation Securities (Private) Limited	7%
Foundation Securities (Private) Limited	7%	Invest and Finance Securities Limited	6%
Standard Capital Securities (Private) Limited	6%	AKD Securities Limited	6%
Top Line Securities (Private) Limited	6%	BMA Capital Management Limited	6%
JS Global Capital Limited	6%	Alfalah Securities (Private) Limited	6%
Arif Habib Securities Limited	5%	Arif Habib Securities Limited	5%
Optimus Capital Management (Private) Limited	5%	Summit Capital Market	5%
BMA Capital Management Limited	4%	Intermarket Securities Limited	5%

25 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

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

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

- Meezan Energy Fund; and
- Meezan Tahaffuz Pension Fund

26 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

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

27 CORRESPONDING FIGURES

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

28 DATE OF AUTHORISATION FOR ISSUE

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

29 GENERAL
29.1 Regulatory reliefs due to COVID - 19

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

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

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

29.2 Operational Risk Management

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

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

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

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

Chief Executive

Chief Financial Officer

Director



**KSE-Meezan
Index Fund**

KSE-Meezan Index Fund (KMIF)

KSE Meezan Index Fund (KMIF) is a Shariah compliant Index Fund that aims to provide investors an opportunity to closely track the performance of the KSE-Meezan Index 30 (KMI 30) by investing in companies of the index in proportion to their weightages.

**FOUNDER OF THE
MEEZAN ISLAMIC INDEX**



FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. Mohammad Shoaib, CFA	Chief Executive Officer
Mr. Muhammad Abdullah Ahmed	Nominee Director - MBL
Mr. Mohammad Furquan R Kidwai	Independent Director
Mr. Ijaz Farooq	Nominee Director - MBL
Mr. Moin M. Fudda	Independent Director
Ms. Saima Shaukat Khan (Kamila)	Independent Director
Mr. Arshad Majeed	Nominee Director - MBL
Mr. Naeem Abdul Sattar	Nominee Director - PKIC
Syed Amir Ali Zaidi	Nominee Director - PKIC

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Ariful Islam	Chairman
Mr. Moin M. Fudda	Member
Mr. Naeem Abdul Sattar	Member
Mr. Mohammad Shoaib, CFA	Member

TRUSTEE

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

AUDITORS

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

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

Habib Metropolitan Bank Limited - Islamic Banking
Meezan Bank Limited
National Bank of Pakistan - Islamic Banking

LEGAL ADVISER

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

TRANSFER AGENT

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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited

REPORT OF THE FUND MANAGER KSE Meezan Index Fund (KMIF)

Type of Fund

Open end index tracker fund

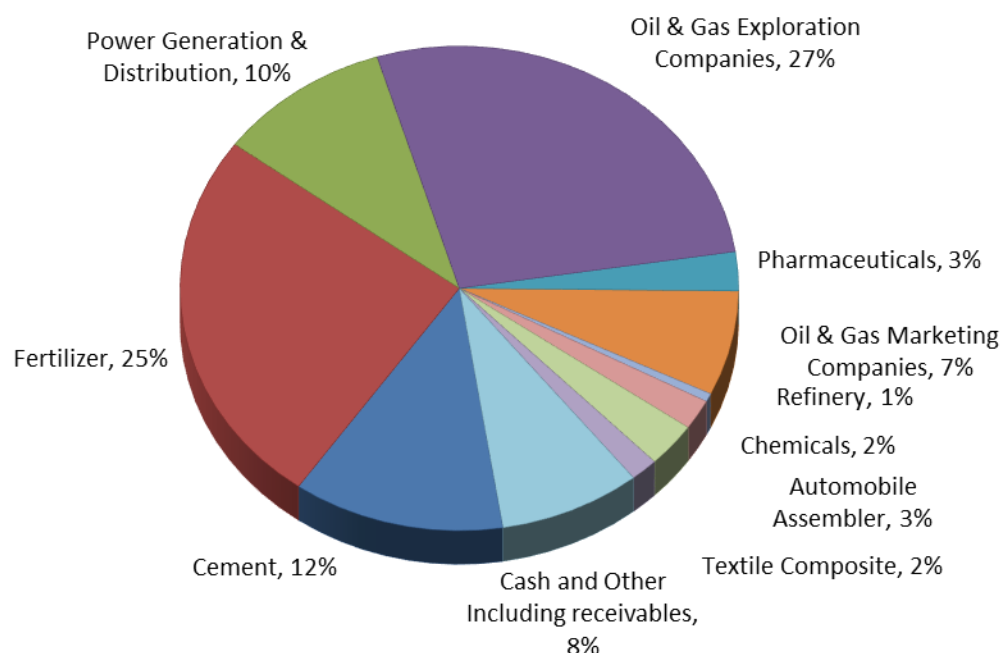
Objective

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

Strategy, Investment Policy and Asset Allocation

The performance of KMIF is linked directly to the performance of KSE-Meezan Index 30 (KMI 30). The Fund Manager, Al Meezan Investment Management Limited, manages the fund with an aim to closely track the returns of the index. The Fund Manager strives to completely match the weightages of the constituent stocks of the index. Hence, this is a passively managed fund.

Sector Allocation as on 30th June 2020

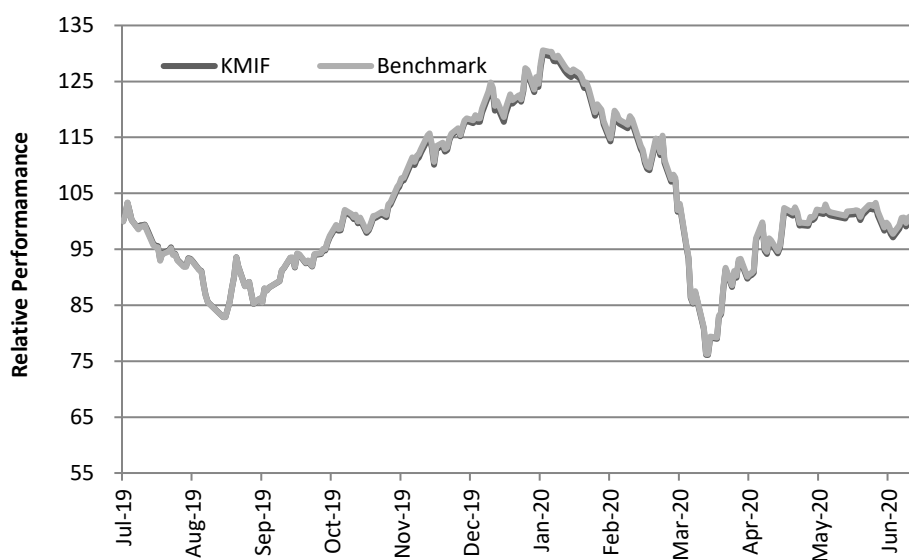


Performance Review

During FY20, KSE Meezan Index Fund (KMIF) provided a positive return of 0.88% to its investors while KSE Meezan Index (KMI 30) appreciated 1.62% to close at 54,995 pts. On a gross basis, the fund's return was 2.83%.

	<u>KMIF</u>	<u>KMI-30</u>
Net Asset Value (NAV) as on June 30, 2019	52.95	54,119
Net Asset Value (NAV) as on June 30, 2020	53.41	54,995
Return During the Period	0.88%	1.62%

KMIF posted a total Income of Rs. 58 million in the fiscal year 2020 as compared to a total loss of Rs. 450 million last year. Total Income comprised of realized gain and unrealized capital losses on investments of Rs. 63 million and Rs. 99 million respectively. Dividend income contributed Rs. 90 million to income, while profit on saving accounts with banks amounted to Rs. 0.96 million. After accounting for expenses of Rs. 33 million, the Fund posted a net Income of Rs. 25 million. The net assets of the Fund as at June 30, 2020 were Rs. 1,857 million as compared to Rs. 1,517 million at the end of last year depicting a Increase of 22%. . The net asset value per unit as at June 30, 2020 was Rs. 53.41 as compared to Rs. 52.95 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. 3 million was accrued as charity payable.

Distributions

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

Breakdown of unit holdings by size:

(As on June 30, 2020)

Range (Units)	No. of investors
1 - 9,999	974
10,000 - 49,999	89
50,000 - 99,999	15
100,000 - 499,999	10
500,000 and above	9
Total	1,097

Summary of Actual Proxy Voted By the Fund

	Resolutions	For	Against	Abstain
Number	5	5	0	0
Percentage		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. 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 (Rs in '000) (ex-distribution)	1,857,173	1,857,173	1,687,480	1,908,874	881,629
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	53.41290	52.94700	70.65810	79.56000	78.91000
Offer price per unit as at June 30 (Rs.) (ex-distribution)	54.75360	54.27600	72.43160	81.36000	81.00000
Highest offer price per unit (Rs.)	70.61800	73.32952	66.40000	109.77000	85.05000
Lowest offer price per unit (Rs.)	41.38180	50.88235	83.95000	80.60000	65.44000
Highest redemption price per unit (Rs.)	68.88890	75.17010	82.09080	107.34000	82.86000
Lowest redemption price per unit (Rs.)	40.36860	52.15940	64.76700	78.82000	63.75000
Distribution (%)	N/A	N/A	N/A	24.00000	4.70000
Date of distribution	N/A	N/A	N/A	42,909	42,545
Growth distribution (Rupees in '000)	N/A	N/A	N/A	270,893	24,604
Total return (%)	0.88 -	25.00 -	11.20	15.90	13.30
	One Year	Two Year	Three Year	Four Year	Five Year
Average annual return (%) as at June 30, 2020	0.88 -	13.02 -	12.42 -	6.06 -	2.47



Meezan Bank
The Premier Islamic Bank

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

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

Alhamdulillah, the period from July 2019 to June 30, 2020 was the Eighth year of operations of KSE Meezan Index Fund (KMIF) 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 with the *Shari'ah* guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. A review is limited primarily to inquiries of the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria.

- i. We have reviewed and approved the modes of investments of KMIF in light of *Shari'ah* requirements. Following is the list of the top equity holdings of KMIF 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%	(220.56)	
Oil & Gas Development Company	Oil & Gas Exploration Companies	0.00%	7.95%	7.74%****	33.64%	90.21	142.32



The Hub Power Co. Ltd.**	Power Generation and Distribution	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 Co. Ltd.	Oil & Gas Exploration Companies	0.01%	8.64%	1.59%	31.91%	58.79	137
Dawood Hercules Corporation Ltd.	Investment Company	18.33%	25.06%	5.78%	56.42%	(240.14)	
Pakistan Oilfields Ltd.	Oil & Gas Exploration Companies	0.00%	1.35%	4.09%	44.36%	7.96	446.72
Engro Fertilizer Ltd.	Fertilizer	26.23%	4.34%	1.34%	69.88%	(34.07)	

* 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 KMIF 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 KMIF 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
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326021 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

KSE MEEZAN INDEX FUND

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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of KSE Meezan Index Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following is the key audit matter:

S.No.	Key Audit Matter	How the matter was addressed in our audit
1	Net Asset Value (Refer note 6 to the financial statements)	
	Investments constitute the most significant component of the net asset value. Investments of the Fund as at June 30, 2020 amounted to Rs 1,857.289 million. The existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2020 was considered a high risk area and therefore we considered this as a key audit matter.	Our audit procedures amongst others included the following: <ul style="list-style-type: none">Tested the design and operating effectiveness of the key controls for valuation of investments;Obtained independent confirmations for verifying the existence of the investment portfolio as at June 30, 2020 and traced it with the books and records of the Fund; andRe-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies.

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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



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

	Note	2020	2019
-----Rupees in '000'-----			
Assets			
Balances with banks	5	46,350	8,935
Investments	6	1,857,289	1,522,876
Receivable against conversion of units		1,130	40,106
Dividend receivable		8,277	9,994
Deposits and other receivables	7	2,632	2,756
Total assets		1,915,678	1,584,667
Liabilities			
Payable to Al Meezan Investment Management Limited - - Management Company	8	2,088	1,507
Payable to Central Depository Company of Pakistan Limited - Trustee	9	259	229
Payable to Securities and Exchange Commission of Pakistan	10	342	1,564
Payable to Meezan Bank Limited		93	14
Payable against conversion and redemption of units		497	274
Payable against purchase of investments		33,760	44,670
Accrued expenses and other liabilities	11	21,466	19,271
Total liabilities		58,505	67,529
NET ASSETS		<u>1,857,173</u>	<u>1,517,138</u>
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		<u>1,857,173</u>	<u>1,517,138</u>
CONTINGENCIES AND COMMITMENTS	12		
NUMBER OF UNITS IN ISSUE		<u>34,770,100</u>	<u>28,653,899</u>
		(Rupees)	
NET ASSET VALUE PER UNIT		<u>53.4129</u>	<u>52.9470</u>

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

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

Chief Executive

Chief Financial Officer

Director

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

	Note	2020	2019
		-----Rupees in '000'-----	
Income			
Dividend income		89,930	83,572
Profit on saving accounts with banks		964	555
Net realised gain / (loss) on sale of investments		63,384	(89,688)
Other income		2,686	2,084
		156,964	(3,477)
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.2	(98,500)	(446,872)
Total income / (loss)		58,464	(450,349)
Expenses			
Remuneration of AI Meezan Investment Management Limited - Management Company	8.1	17,105	16,463
Sindh Sales Tax on remuneration of the Management Company	8.2	2,224	2,140
Allocated expenses	8.3	1,711	1,646
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	2,711	2,645
Sindh Sales Tax on remuneration of the Trustee	9.2	352	344
Annual fees to Securities and Exchange Commission of Pakistan	10	342	1,564
Brokerage expense		3,741	1,642
Auditors' remuneration	13	370	385
Fee and subscription		572	561
Printing expense		9	40
Charity expense	11.2	2,972	1,726
Bank and settlement charges		733	632
Provision for Sindh Workers' Welfare Fund (SWWF)		512	-
Total expenses		33,354	29,788
Net income / (loss) for the year before taxation		25,110	(480,137)
Taxation	15	-	-
Net income / (loss) for the year after taxation		25,110	(480,137)
Allocation of net income for the year			
Net income for the year after taxation		25,110	-
Income already paid on units redeemed		(6)	-
		25,104	-
Accounting income available for distribution			
- Relating to capital gains		-	-
- Excluding capital gains		25,104	-
		25,104	-

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



KSE MEEZAN INDEX FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	-----Rupees in '000'-----	
Net income / (loss) for the year after taxation	25,110	(480,137)
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	<u>25,110</u>	<u>(480,137)</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

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

	2020			2019		
	Capital Value	Accumulated losses	Total	Capital Value	Undistributed income / (accumulated losses)	Total
	------(Rupees in '000)-----			------(Rupees in '000)-----		
Net assets at the beginning of the year	1,779,406	(262,268)	1,517,138	1,469,611	217,869	1,687,480
Issuance of 20,373,779 units (2019: 15,900,473 units)						
- Capital value (at net asset value per unit at the beginning of the year)	1,078,730	-	1,078,730	1,123,497	-	1,123,497
- Element of income / (loss)	47,413	-	47,413	(113,994)	-	(113,994)
Total proceeds on issuance of units	1,126,143	-	1,126,143	1,009,503	-	1,009,503
Redemption of 14,257,578 units (2019: 11,128,898 units)						
- Capital value (at net asset value per unit at the beginning of the year)	754,896	-	754,896	786,347	-	786,347
- Element of loss / (income)	56,316	6	56,322	(86,639)	-	(86,639)
Total payments on redemption of units	811,212	6	811,218	699,708	-	699,708
Total comprehensive income / (loss) for the year	-	25,110	25,110	-	(480,137)	(480,137)
Distribution during the year	-	-	-	-	-	-
Net income / (loss) for the year less distribution	-	25,110	25,110	-	(480,137)	(480,137)
Net assets at the end of the year	<u>2,094,337</u>	<u>(237,164)</u>	<u>1,857,173</u>	<u>1,779,406</u>	<u>(262,268)</u>	<u>1,517,138</u>
(Accumulated losses) / undistributed income brought forward						
- Realised income		184,604			401,372	
- Unrealised loss		(446,872)			(183,503)	
		<u>(262,268)</u>			<u>217,869</u>	
Accounting income available for distribution						
- Relating to capital gains		-			-	
- Excluding capital gains		25,104			-	
		<u>25,104</u>			<u>-</u>	
Net income / (loss) for the year after taxation		-			(480,137)	
Distribution during the year		-			-	
Accumulated losses carried forward		<u>(237,164)</u>			<u>(262,268)</u>	
Accumulated losses carried forward						
- Realised (loss) / income		(138,664)			184,604	
- Unrealised loss		(98,500)			(446,872)	
		<u>(237,164)</u>			<u>(262,268)</u>	
				(Rupees)		(Rupees)
Net assets value per unit at the beginning of the year		<u>52.9470</u>			<u>70.6581</u>	
Net assets value per unit at the end of the year		<u>53.4129</u>			<u>52.9470</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



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

	Note	2020 (Rupees in '000)	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income / (loss) for the year after taxation		25,110	(480,137)
Adjustments for:			
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		98,500	446,872
		123,610	(33,265)
(Increase) / decrease in assets			
Investments - net		(432,913)	(282,819)
Dividend receivable		1,717	(9,932)
Deposits and other receivables		124	25
		(431,072)	(292,726)
(Decrease) / Increase in liabilities			
Payable to AI Meezan Investment Management Limited - Management Company		581	(296)
Payable to Central Depository Company of Pakistan Limited - Trustee		30	(24)
Payable to Securities and Exchange Commission of Pakistan		(1,222)	(83)
Payable to Meezan Bank Limited		79	(29)
Payable against purchase of investments		(10,910)	44,404
Accrued expenses and other liabilities		2,195	1,265
		(9,247)	45,237
Net cash used in operating activities		(316,709)	(280,754)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts against issuance and conversion of units		1,165,119	970,051
Payment against redemption and conversion of units		(810,995)	(699,503)
Net cash generated from financing activities		354,124	270,548
Net increase / (decrease) in cash and cash equivalents during the year		37,415	(10,206)
Cash and cash equivalents at the beginning of the year		8,935	19,141
Cash and cash equivalents at the end of the year	5	46,350	8,935

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

KSE MEEZAN INDEX 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** KSE Meezan Index Fund (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on March 13, 2012 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008, (NBFC Regulations, 2008). The Management Company has been licensed by Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, (the NBFC Rules) through a certificate of registration issued by SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi, 74400, Pakistan.
- 1.2** The Fund is a Shariah Compliant Index Fund that aims to provide investors an opportunity to track closely the performance of the KSE-Meezan Index 30 (KMI 30) by investing in companies of the index in proportion to their weightages. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah. The Management Company has appointed Meezan Bank Limited (MBL) as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.3** The Fund is an open-end fund listed on Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and be redeemed by surrendering them to the Fund. The Fund is categorized as a Shariah Compliant Index Fund.
- 1.4** 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.
- 1.5** 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:

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

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

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

3.4 Critical accounting estimates and judgments

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

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 4.3 and 6).

3.5 Accounting convention

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

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 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 Fair Value through Other Comprehensive Income (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.

4.3.2.1 Impairment loss on debt securities

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

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

4.3.3 Regular way contracts

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

4.3.4 Initial recognition and measurement

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

4.3.5 Derecognition

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

4.3.6 Derivatives

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

4.4 Financial liabilities

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

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

4.5 Offsetting of financial assets and financial liabilities

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

4.6 Provisions

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

4.7 Net asset value per unit

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

4.8 Issue and redemption of units

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

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

4.9 Distributions to unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on 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 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 SECP are recognised in the Income Statement on an accrual basis.

4.13 Taxation

Current

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

Deferred

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

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

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

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

4.14 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net 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.

4.15 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 (Rupees in '000)	2019 (Rupees in '000)
	Balances with banks in:			
	Savings accounts	5.1	43,559	7,559
	Current accounts		<u>2,791</u>	<u>1,376</u>
			<u>46,350</u>	<u>8,935</u>

5.1 The balances in saving accounts have expected profit rates ranging from 1.50% to 3.00% per annum (2019: 3.32% to 12.30% per annum).

6	INVESTMENTS	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
	At fair value through profit or loss			
	Quoted equity securities	6.1	<u>1,857,289</u>	<u>1,522,876</u>



6.1 Investments in equity securities - listed

Name of the investee company	As at July 1, 2019	Purchases during the year	Rights / 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 investee company (with face value of investment)	Total market value of investments		
					Number of shares			(Rupees in '000)			%		
Sectors / companies													
Automobile Assembler													
Honda Atlas Cars (Pakistan) Limited	-	95,700	-	24,500	71,200	11,502	13,790	2,288	0.74	0.05	0.74		
Milat Tractors Limited	-	71,600	6,662	27,850	50,412	36,442	35,599	(843)	1.92	0.11	1.92		
Pak Suzuki Motor Company Limited	-	61,600	-	17,800	43,800	9,640	7,088	(2,552)	0.38	0.05	0.38		
									3.04	0.22	3.04		
Automobile Parts & Accessories													
Thal Limited (note 6.1.1)	-	82,300	-	82,300	-	-	-	-	-	-	-		
									-	-	-		
Bank													
Meezan Bank Limited (an associate of the Fund)	-	956,600	-	216,899	739,701	59,818	50,928	(8,890)	2.74	0.06	2.74		
									2.74	0.06	2.74		
Cable And Electrical Goods													
Pak Elektron Limited	565,303	246,000	-	230,500	580,803	12,233	13,318	1,085	0.72	0.12	0.72		
									0.72	0.12	0.72		
Cement													
D.G. Khan Cement Company Limited	498,500	205,500	-	185,500	518,500	31,685	44,244	12,559	2.38	0.12	2.38		
Fauji Cement Company Limited	1,735,375	797,500	-	739,000	1,793,875	28,087	30,281	2,194	1.63	0.13	1.63		
Lucky Cement Limited	292,680	131,665	-	102,165	322,180	127,987	148,712	20,725	8.01	0.10	8.01		
Maple Leaf Cement Factory Limited *	604,155	912,681	-	1,063,500	453,336	9,540	11,778	2,238	0.63	0.07	0.63		
									12.65	0.42	12.65		
Chemical													
Engro Polymer & Chemicals Limited	1,027,271	280,000	-	501,000	806,271	22,039	20,141	(1,898)	1.08	0.09	1.08		
Lotte Chemical Pakistan Limited	857,500	373,000	-	297,500	933,000	13,321	9,283	(4,038)	0.50	0.06	0.50		
									1.58	0.15	1.58		
Engineering													
International Industries Limited	122,500	-	-	122,500	-	-	-	-	-	-	-		
International Steels Limited	393,400	177,000	-	203,499	366,901	16,201	18,950	2,749	1.02	0.08	1.02		
									1.02	0.08	1.02		
Fertilizer													
Engro Corporation Limited	716,900	363,395	-	197,973	882,322	246,963	258,452	11,489	13.92	0.15	13.92		
Engro Fertilizers Limited	1,357,136	858,102	-	441,420	1,773,818	114,202	106,926	(7,276)	5.76	0.13	5.76		
									19.67	0.29	19.67		
Food And Personal Care													
Frieslandcampina Engro Pakistan Limited	174,500	255,500	-	210,500	219,500	16,608	16,135	(473)	0.87	0.03	0.87		
									0.87	0.03	0.87		
Investment Banks / Investment Companies / Securities Companies													
Dawood Hercules Corporation Limited	-	1,164,500	-	223,100	941,400	117,397	120,424	3,027	6.48	0.20	6.48		
									6.48	0.20	6.48		
Oil And Gas Exploration Companies													
Mari Petroleum Company Limited	55,030	26,740	5,835	21,700	65,905	64,660	81,501	16,841	4.39	0.05	4.39		
Oil & Gas Development Company Limited	1,459,618	643,662	-	431,499	1,671,781	209,163	182,224	(26,939)	9.81	0.04	9.81		
Pakistan Oilfields Limited	294,130	139,663	-	96,707	337,086	130,220	118,192	(12,028)	6.36	0.12	6.36		
Pakistan Petroleum Limited (note: 6.1.2)	1,254,279	637,246	249,235	506,969	1,633,791	187,673	141,780	(45,893)	7.63	0.07	7.63		
									28.20	0.28	28.20		
Oil And Gas Marketing Companies													
Attock Petroleum Limited	-	63,900	-	63,900	-	-	-	-	-	-	-		
Hascol Petroleum Limited *	159,330	629,609	-	788,468	471	5	6	1	0.00	0.00	0.00		
Pakistan State Oil Company Limited	398,700	691,316	-	547,259	542,757	98,649	85,842	(12,807)	4.62	0.14	4.62		
Shell Pakistan Limited	48,900	-	-	48,900	-	-	-	-	-	-	-		
Sui Northern Gas Pipelines Limited	645,833	286,500	-	228,000	704,333	46,775	38,457	(8,318)	2.07	0.11	2.07		
Sui Southern Gas Company Limited	695,231	356,000	-	310,000	741,231	14,135	9,888	(4,247)	0.53	0.08	0.53		
									7.23	0.33	7.23		

Name of the investee company	As at July 1, 2019	Purchases during the year	Rights / 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 investee company (with face value of investment)	Total market value of investments
----- Number of shares -----						----- (Rupees in '000) -----			----- % -----		
Paper & Board											
Packages Limited	60,812	7,600	-	68,412	-	-	-	-	-	-	-
Pharmaceuticals											
AGP Limited	-	248,000	-	248,000	-	-	-	-	-	-	-
The Searle Company Limited	191,759	129,000	-	70,800	249,959	39,151	49,799	10,648	2.68	0.12	2.68
									2.68	0.12	2.68
Power Generation & Distribution											
K-Electric Limited (note 6.1.1)	6,251,040	2,529,500	-	2,695,500	6,085,040	25,293	18,316	(6,977)	0.99	0.02	0.99
The Hub Power Company Limited	1,703,897	2,734,320	-	2,017,167	2,421,050	210,111	175,526	(34,585)	9.45	0.21	9.45
									10.44	0.23	10.44
Refinery											
Attock Refinery Limited	98,091	58,200	-	37,299	118,992	10,164	10,628	464	0.57	0.11	0.57
Byco Petroleum Pakistan Limited	1,211,000	-	-	1,211,000	-	-	-	-	-	-	-
National Refinery Limited	59,048	-	-	59,048	-	-	-	-	-	-	-
									0.57	0.11	0.57
Technology & Communication											
Netsol Technologies Limited	-	113,500	-	31,600	81,900	4,733	4,071	(662)	0.22	0.09	0.22
									0.22	0.09	0.22
Textile Composite											
Nishat Mills Limited	358,300	141,500	-	105,900	393,900	35,658	30,728	(4,930)	1.65	0.11	1.65
									1.65	0.11	1.65
Transport											
Pakistan International Bulk Terminal Limited	2,228,000	240,000	-	2,468,000	-	-	-	-	-	-	-
									-	-	-
Vanaspati & Allied Industries											
Unity Foods Limited	-	453,000	-	69,000	384,000	5,734	4,282	(1,452)	0.23	0.07	0.23
									0.23	0.07	0.23
Right Certificates											
Cement											
Maple Leaf Cement Factory Limited *	-	-	546,681	546,681	-	-	-	-	-	-	-
Oil And Gas Marketing Companies											
Hascol Petroleum Limited *	-	-	607,320	607,320	-	-	-	-	-	-	-
Total as at June 30, 2020						1,955,789	1,857,289	(98,500)			
Total as at June 30, 2019						1,969,748	1,522,876	(446,872)			

* The right certificates were exercised during the year and the shares are included in the investment in Maple Leaf Cement Factory Limited and Hascol Petroleum Limited.

- 6.1.1** All shares have a face value of Rs 10 each except for the shares of K-Electric Limited and Thal Limited which have a face value of Rs 3.5 and 5 each respectively.
- 6.1.2** Investments include 682,000 shares (2019: 682,000 shares) of Pakistan Petroleum Limited having market value of Rs 59.184 million as at June 30, 2020 (2019: Rs 98.501 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 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 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.

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. 1.160 million (2019: Rs. 0.883 million).

	Note	2020	2019
		(Rupees in '000)	
6.2 Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'			
Market value of investments	6.1	1,857,289	1,522,876
Less: Carrying value of investments	6.1	<u>1,955,789</u>	<u>1,969,748</u>
		<u>(98,500)</u>	<u>(446,872)</u>
7 DEPOSITS AND OTHER RECEIVABLES			
Profit receivable on saving account		29	153
Security deposit with Central Depository Company of Pakistan Limited		103	103
Security deposit with the National Clearing Company of Pakistan Limited		<u>2,500</u>	<u>2,500</u>
		<u>2,632</u>	<u>2,756</u>
8 PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Management fee payable	8.1	1,511	1,224
Sindh Sales Tax on management fee payable	8.2	196	159
Allocated expenses payable	8.3	151	122
Sales load payable		204	1
Sindh Sales Tax payable on sales load		<u>26</u>	<u>1</u>
		<u>2,088</u>	<u>1,507</u>
8.1	As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the Offering Document subject to the total expense ratio limit. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 1% (2019: 1%) per annum of the average net assets of the Fund during the year ended June 30, 2020. The remuneration is payable to the Management Company monthly in arrears.		
8.2	During the year, an amount of Rs. 2.224 million (2019: Rs 2.140 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. 2.187 million (2019: Rs. 2.166 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.

9 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2020	2019
(Rupees in '000)			
Trustee fee payable	9.1	210	183
Sindh Sales Tax payable on trustee fee	9.2	49	46
		<u>259</u>	<u>229</u>

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

Net Assets (Rs.)	Fee
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 0.352 million (2019: Rs. 0.344 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. 0.320 million (2019: Rs. 0.347 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 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.

11 ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2020	2019
(Rupees in '000)			
Auditors' remuneration payable		224	225
Printing charges payable		124	115
Provision for Federal Excise Duty and related Sindh Sales Tax on management fee	11.1	5,741	5,741
Provision for Federal Excise Duty and related Sindh Sales Tax on sales load		497	497
Brokerage payable		1,437	1,071
Shariah advisor fee payable		269	264
Charity payable	11.2	3,115	1,843
Withholding tax payable		266	245
Provision for Sindh Workers' Welfare Fund	11.3	9,782	9,270
Zakat payable		11	-
		<u>21,466</u>	<u>19,271</u>

- 11.1** 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 6.238 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 0.18 (2019: Re 0.22) per unit.

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

During the year ended June 30, 2020, non-shariah compliant income amounting to Rs 2.972 million (2019: Rs. 1.726 million) was charged as an expense in the books of the Fund, and Rs. 1.700 million was disbursed to following charitable welfare organisations respectively:

S. No.	Charitable Organisations	Amount Rupees in '000
1	Marie Adelaide Leprosy Centre	200
2	Idara AL Khair	500
3	Shaukat Khanum Memorial Cancer Hospital	1,000
	Total	<u>1,700</u>

- 11.3** 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. 0.28 per unit (2019: Re 0.32 per unit).

12 CONTINGENCIES AND COMMITMENTS

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

13 AUDITORS' REMUNERATION	2020	2019
	(Rupees in '000)	
Annual audit fee	224	228
Half yearly review of condensed interim financial statements	100	101
Fee for other certifications	40	40
Out of pocket expenses	6	16
	<u>370</u>	<u>385</u>

14 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2020 is 1.95% (2019: 1.81%) which includes 0.23% (2019: 0.26%) representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, federal excise duties, annual fee to the SECP, etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as a Index 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. The Fund has not recorded any tax liability as the Fund does not have such distributable income for 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 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:

Balances	2020	2019
	(Rupees in '000)	
Al Meezan Investment Management Limited (Management Company)		
Management fee payable	1,511	1,224
Sindh Sales Tax on management fee payable	196	159
Allocated expenses payable	151	122
Sales load payable	204	1
Sindh Sales Tax payable on sales load	26	1
Outstanding 12,467,051 units (2019: 7,651,969 units) - at net asset value	665,901	405,149
Central Depository Company of Pakistan Limited (CDC) - Trustee		
Trustee fee payable	210	183
Sindh Sales Tax payable on trustee fee	49	46
Security Deposit	103	103
Meezan Bank Limited		
Bank balance	8,068	3,425
Profit receivable on saving accounts	16	62
Sales load payable	82	14
Sindh Sales Tax on sales load payable	11	2
Shariah advisor fee payable	269	264
Outstanding 2,113,224 units (2019: 2,113,224 units) - at net asset value	112,873	111,889
Investment in 739,301 shares (2019: nil shares)	50,928	-
Directors and their close family members and key management		
Outstanding 626,396 units (2019: 18,925 units) - at net asset value	33,458	1,002
Unitholders holding 10% or more units of the Fund		
Investment as at June 30, 2020: 9,725,888 units (2019: 9,725,888 units)	519,488	514,957



	2020	2019
	(Rupees in '000)	
AI Meezan Investment Management Limited (GF)		
Investment as at June 30, 2020: 133,559 units (2019: 133,559 units)	7,134	7,072
Meezan Strategic Allocation Fund MSAP-I		
Investment as at June 30, 2020: 4,311 units (2019: 201,580 units)	230	10,673
Meezan Strategic Allocation Fund MSAP-II		
Investment as at June 30, 2020: 137,526 units (2019: 137,526 units)	7,346	7,282
Meezan Strategic Allocation Fund MSAP-III		
Investment as at June 30, 2020: 374,075 units (2019: 167,669 units)	19,980	8,878
Meezan Strategic Allocation Fund MSAP-IV		
Investment as at June 30, 2020: 396,682 units (2019: 190,276 units)	21,188	10,075
Meezan Strategic Allocation Fund MSAP-V		
Investment as at June 30, 2020: 56,518 units (2019: 56,518 units)	3,019	2,992
	For the year ended June 30,	
	2020	2019
	(Rupees in '000)	
Transactions during the year		
AI Meezan Investment Management Limited (Management Company)		
Remuneration of Management Company	17,105	16,463
Sindh Sales Tax on remuneration of the Management Company	2,224	2,140
Allocated expenses	1,711	1,646
Issue of 7,015,589 units (2019: 4,655,875 units)	360,600	291,388
Redemption of 2,200,507 units (2019: 1,245,780 units)	125,500	76,200
Central Depository Company of Pakistan Limited (CDC) - Trustee		
Remuneration of the Trustee	2,711	2,645
Sindh Sales Tax on remuneration of the Trustee	352	344
CDS charges	117	84
Meezan Bank Limited		
Profit on saving accounts with banks	489	214
Dividend income	2,776	-
Shariah advisor fee	544	533
Purchase of 956,600 shares (2019: nil shares)	77,697	-
Sale of 216,899 shares (2019: nil shares)	19,100	-
Directors and their close family members and key management personnel of the Management Company		
Issue of 608,497 units (2019: 749,321 units)	40,915	50,056
Redemption of 1,026 units (2019: 750,286 units)	55	38,776
Meezan Strategic Allocation Fund MSAP-I		
Issue of nil units (2019: 201,580 units)	-	10,700
Redemption of 197,269 units (2019: nil units)	10,000	-
Meezan Strategic Allocation Fund MSAP-II		
Issue of nil units (2019: 137,526 units)	-	7,300
Meezan Strategic Allocation Fund MSAP-III		
Issue of 206,406 units (2019: 167,669 units)	10,000	8,900
Meezan Strategic Allocation Fund MSAP-IV		
Issue of 206,406 units (2019: 190,276 units)	10,000	10,100
Meezan Strategic Allocation Fund MSAP-V		
Issue of nil units (2019: 56,518 units)	-	3,000
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' -----		
Balances with banks	46,350	46,350
Investments	-	1,857,289
Receivable against conversion of units	1,130	1,130
Dividend receivable	8,277	8,277
Deposits and other receivables	2,632	2,632
	<u>58,389</u>	<u>1,915,678</u>

2020		
At fair value through profit or loss	At amortised cost	Total
----- Rupees in '000' -----		
Financial liabilities		
Payable to Al Meezan Investment Management Limited - Management Company	-	2,088
Payable to Central Depository Company Limited - Trustee	-	259
Payable to Meezan Bank Limited	-	93
Payable against conversion and redemption of units	-	497
Payable against purchase of investments	-	33,760
Accrued expenses and other liabilities	-	5,169
	<u>-</u>	<u>41,866</u>

2019		
At amortised cost	At fair value through profit or loss	Total
----- Rupees in '000' -----		
Financial assets		
Balances with banks	8,935	8,935
Investments	-	1,522,876
Receivable against conversion of units	40,106	40,106
Dividend receivable	9,994	9,994
Deposits and other receivables	2,756	2,756
	<u>61,791</u>	<u>1,584,667</u>

2019		
At fair value through profit or loss	At amortised cost	Total
----- Rupees in '000' -----		
Financial liabilities		
Payable to Al Meezan Investment Management Limited - Management Company	-	1,507
Payable to Central Depository Company Limited - Trustee	-	229
Payable to Meezan Bank Limited	-	14
Payable against conversion and redemption of units	-	274
Payable against purchase of investments	-	44,670
Accrued expenses and other liabilities	-	3,518
	<u>-</u>	<u>50,212</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. 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.0.0370 million (2019: Rs. 0.006 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' -----						
Financial assets						
Balances with banks	1.50% - 3.00%	43,559	-	-	2,791	46,350
Investments		-	-	-	1,857,289	1,857,289
Receivable against conversion of units		-	-	-	1,130	1,130
Dividend receivable		-	-	-	8,277	8,277
Deposits and other receivables		-	-	-	2,632	2,632
		43,559	-	-	1,872,119	1,915,678
Financial liabilities						
Payable to AI Meezan Investment Management Limited - Management Company		-	-	-	2,088	2,088
Payable to Central Depository Company Limited - Trustee		-	-	-	259	259
Payable to Meezan Bank Limited		-	-	-	93	93
Payable against conversion and redemption of units		-	-	-	497	497
Payable against purchase of investments		-	-	-	33,760	33,760
Accrued expenses and other liabilities		-	-	-	5,169	5,169
		-	-	-	41,866	41,866
On-balance sheet gap (a)		43,559	-	-	1,830,253	1,873,812
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total profit rate sensitivity gap (a+b)		43,559	-	-		
Cumulative profit rate sensitivity gap		43,559	43,559	43,559		

----- 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	3.32% to 12.30%	7,559	-	-	1,376	8,935
Investments		-	-	-	1,522,876	1,522,876
Receivable against conversion of units		-	-	-	40,106	40,106
Dividend receivable		-	-	-	9,994	9,994
Deposits and other receivables		-	-	-	2,756	2,756
		7,559	-	-	1,577,108	1,584,667
Financial liabilities						
Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	1,507	1,507
Payable to Central Depository Company Limited - Trustee		-	-	-	229	229
Payable to Meezan Bank Limited		-	-	-	14	14
Payable against conversion and redemption of units		-	-	-	274	274
Payable against purchase of investments		-	-	-	44,670	44,670
Accrued expenses and other liabilities		-	-	-	3,518	3,518
		-	-	-	50,212	50,212
On-balance sheet gap (a)		7,559	-	-	1,526,896	1,534,455
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total profit rate sensitivity gap (a+b)		7,559	-	-		
Cumulative profit rate sensitivity gap		7,559	7,559	7,559		

(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.

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. 18.573 million (2019: Rs. 15.229 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.

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' -----						
Financial assets						
Balances with banks	46,350	-	-	-	-	46,350
Investments	-	-	-	-	1,857,289	1,857,289
Receivable against conversion of units	1,130	-	-	-	-	1,130
Dividend receivable	8,277	-	-	-	-	8,277
Deposits and other receivables	29	-	-	-	2,603	2,632
	55,786	-	-	-	1,859,892	1,915,678
Financial liabilities						
Payable to AI Meezan Investment Management Limited - Management Company	2,088	-	-	-	-	2,088
Payable to Central Depository Company Limited - Trustee	259	-	-	-	-	259
Payable to Meezan Bank Limited	93	-	-	-	-	93
Payable against conversion and redemption of units	497	-	-	-	-	497
Payable against purchase of investments	33,760	-	-	-	-	33,760
Accrued expenses and other liabilities	5,169	-	-	-	-	5,169
	41,866	-	-	-	-	41,866
Net assets / (liabilities)	13,920	-	-	-	1,859,892	1,873,812
----- 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	8,935	-	-	-	-	8,935
Investments	-	-	-	-	1,522,876	1,522,876
Receivable against conversion of units	40,106	-	-	-	-	40,106
Dividend receivable	9,994	-	-	-	-	9,994
Deposits and other receivables	153	-	-	-	2,603	2,756
	59,188	-	-	-	1,525,479	1,584,667
Financial liabilities						
Payable to AI Meezan Investment Management Limited - Management Company	1,507	-	-	-	-	1,507
Payable to Central Depository Company Limited - Trustee	229	-	-	-	-	229
Payable to Meezan Bank Limited	14	-	-	-	-	14
Payable against conversion and redemption of units	274	-	-	-	-	274
Payable against purchase of investments	44,670	-	-	-	-	44,670
Accrued expenses and other liabilities	3,518	-	-	-	-	3,518
	50,212	-	-	-	-	50,212
Net assets / (liabilities)	8,976	-	-	-	1,525,479	1,534,455

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	46,350	46,350	8,935	8,935
Investments	1,857,289	-	1,522,876	-
Receivable against conversion of units	1,130	1,130	40,106	40,106
Dividend receivable	8,277	8,277	9,994	9,994
Deposits and other receivables	2,632	2,632	2,756	2,756
	1,915,678	58,389	1,584,667	61,791

The maximum exposure to credit risk before any credit enhancement as at June 30, 2020 is the carrying amount of the financial assets.

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. The credit rating profile of balances with banks is as follows:

Rating	% of financial assets exposed to credit risk	
	2020	2019
AAA	-	0.01
AA+	100.00	99.98
AA	-	0.01
	100.00	100.00

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
	Rupees in '000		
Financial assets			
At fair value through profit or loss	1,857,289	-	-
	<u>1,857,289</u>	<u>-</u>	<u>-</u>

	2019		
	Level 1	Level 2	Level 3
	Rupees in '000		
Financial assets			
At fair value through profit or loss	1,522,876	-	-
	<u>1,522,876</u>	<u>-</u>	<u>-</u>

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, 2008 every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

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

In accordance with the risk management policies as stated in note 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	1,077	304,803	16.41	1,014	262,510	17.30
Associated Companies / Directors	8	837,672	45.11	6	445,048	29.34
Retirement Funds	6	62,275	3.35	5	82,671	5.45
Others	6	652,423	35.13	10	726,909	47.91
	<u>1,097</u>	<u>1,857,173</u>	<u>100.00</u>	<u>1,035</u>	<u>1,517,138</u>	<u>100.00</u>

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
Shajar Capital Pakistan (Private) Limited	9.47	Standard Capital Securities (Private) Limited	8.94
BMA Capital Management Limited	8.27	Foundation Securities (Private) Limited	8.28
AKD Securities Limited	7.78	Alfalah Securities (Private) Limited	8.17
Vector Capital (Private) Limited	7.65	Aba Ali Habib Securities (Private) Limited	7.58
Aba Ali Habib Securities (Private) Limited	6.82	Intermarket Securities (Private) Limited	7.20
Optimus Capital Management (Private) Limited	6.66	Fortune Securities (Private) Limited	5.07
Insight Securities (Private) Limited	5.80	Fawad Yousuf Securities (Private) Limited	5.03
Topline Securities (Private) Limited	5.79	Shajar Capital Pakistan (Private) Limited	4.74
Standard Capital Securities (Private) Limited	5.07	Topline Securities (Private) Limited	4.44
Fortune Securities (Private) Limited	5.04	Vector Capital (Private) Limited	4.31

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 :

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

Chief Executive

Chief Financial Officer

Director



Meezan
Energy Fund

Meezan Energy Fund (MEF)

Meezan Energy Fund (MEF) is a Shariah compliant Energy Sector (Equity) Scheme. It is an actively managed fund offering a simple way to take exposure to Shariah compliant energy sector stocks available at Pakistan Stock Exchange (PSX).

TELE TRANSACTION FACILITY

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FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. Mohammad Shoaib, CFA	Chief Executive Officer
Mr. Muhammad Abdullah Ahmed	Nominee Director - MBL
Mr. Mohammad Furquan R Kidwai	Independent Director
Mr. Ijaz Farooq	Nominee Director - MBL
Mr. Moin M. Fudda	Independent Director
Ms. Saima Shaukat Khan (Kamila)	Independent Director
Mr. Arshad Majeed	Nominee Director - MBL
Mr. Naeem Abdul Sattar	Nominee Director - PKIC
Syed Amir Ali Zaidi	Nominee Director - PKIC

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Ariful Islam	Chairman
Mr. Moin M. Fudda	Member
Mr. Naeem Abdul Sattar	Member
Mr. Mohammad Shoaib, CFA	Member

TRUSTEE

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

AUDITORS

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

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

Allied Bank Limited	Habib Metropolitan Bank Limited - Islamic Banking
Al Baraka Islamic Bank B.S.C (E.C)	Meezan Bank Limited
Bank Al Habib Limited - Islamic Banking	

LEGAL ADVISER

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

TRANSFER AGENT

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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited

REPORT OF THE FUND MANAGER Meezan Energy Fund (MEF)

Type of Fund

Sector specific open end equity fund. The fund was launched on November 29, 2016.

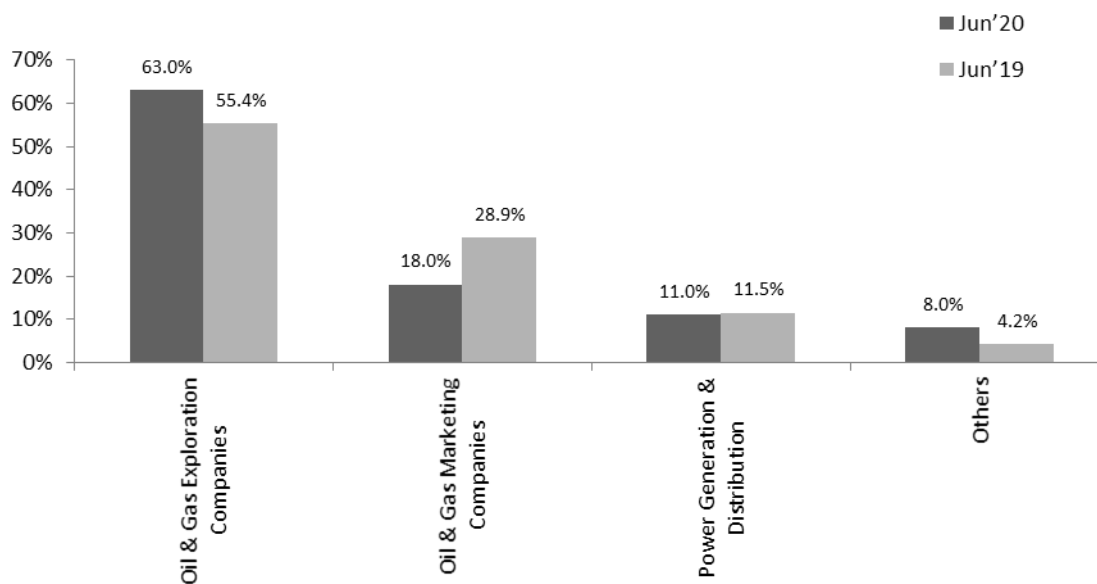
Objective

The objective of MEF is to seek long term capital appreciation through investments in Shariah compliant equity stocks, primarily from the energy sector/segment/industry as defined in the constitutive documents, and provide maximum total return to the shareholders for the given level of risk, while abiding by the Regulations and any other prevailing rules and regulations.

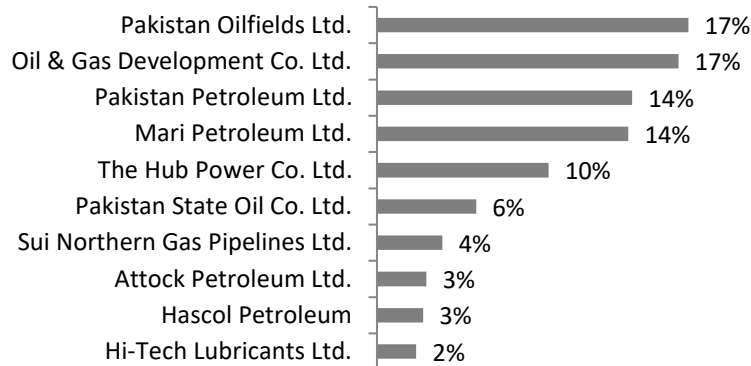
Strategy, Investment Policy and Asset Allocation

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

Sector Allocation for the year ended FY19 and FY20



Top Holdings



Performance Review

During FY20, Meezan Energy Fund (MEF) provided a negative return of -10.04% to its investors while the KSE Meezan Index (KMI 30) appreciated by 1.62% to close at 54,995 pts.

	<u>MEF</u>	<u>KMI-30</u>
Net Asset Value (NAV) as on June 30, 2019 –Rs.	33.36	54,119
Net Asset Value (NAV) as on June 30, 2020 –Rs.	30.02	54,995
Return During the Period	-10.04%	1.62%

The Fund earned a gross loss of Rs. 32 million in fiscal year 2020 as compared to total loss of Rs. 311 million last year. Total loss comprised of realized and unrealized capital losses on investments of Rs. 51 million and Rs. 0.03 million respectively. Dividend income contributed Rs. 16 million to income, while profit on saving accounts with banks amounted to Rs. 3 million. After accounting for expenses of Rs. 21 million, the Fund posted a net loss of Rs. 53 million. The net assets of the Fund as at June 30, 2020 were Rs. 542 million as compared to Rs. 599 million at the end of last year depicting a decline of 9%. The net asset value per unit as at June 30, 2020 was Rs. 30.02 as compared to Rs. 33.36 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. 1 million was accrued as charity payable.

Distributions

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

Breakdown of unit holdings by size:

(As on June 30, 2020)

Range (Units)	No. of investors
1 - 9,999	1,304
10,000 - 49,999	221
50,000 - 99,999	30
100,000 - 499,999	12
500,000 and above	3
Total	1,570

Summary of Actual Proxy Voted By the Fund

	Resolutions	For	Against	Abstain
Number	2	2	0	0
Percentage		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. 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
Net assets (Rs. '000) (ex-distribution)	541,866	598,703	1,636,573
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	30.0200	33.3649	49.7823
Offer price per unit as at June 30, (Rs.) (ex-distribution)	31.0376	34.4960	51.4699
Highest offer price per unit (Rs.)	43.6558	51.5773	56.0800
Lowest offer price per unit (Rs.)	23.9526	33.5857	46.7400
Highest redemption price per unit (Rs.)	42.2244	49.8862	55.3300
Lowest redemption price per unit (Rs.)	23.1673	32.4845	45.2100
Distribution (%)			
Interim	-	-	-
Final	-	-	-
Date of distribution			
Interim	-	-	-
Final	-	-	-
Income distribution (Rupees in '000)	-	-	-
Growth distribution (Rupees in '000)	-	-	-
Total return (%)	(10.03)	(32.98)	(0.89)
	One Year	Two Year	Three Year
Average annual return as at June 30, 2020 (%)	(10.03)	(22.35)	(15.77)



Meezan Bank
The Premier Islamic Bank

Report of the *Shari'ah* Advisor –Meezan Energy 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 Energy Fund (MEF) 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 MEF in light of *Shari'ah* requirements. Following is the list of the top equity holdings of MEF 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 vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Pakistan Oilfields Ltd.	Oil & Gas Exploration Companies	0.00%	1.35%	4.09%	44.36%	7.96	446.72
Oil & Gas Development Company Ltd.	Oil & Gas Exploration Companies	0.00%	7.95%	7.74%****	33.64%	90.21	142.32



Pakistan Petroleum Ltd.	Oil & Gas Exploration Companies	0.01%	8.64%	1.59%	31.91%	58.79	137
Mari Petroleum Ltd.	Oil & Gas Exploration Companies	7.83%	17.76%	3.13%	30.37%	(664.23)	
The Hub Power Co. Ltd. ***	Power Generation & Distribution Company	32.34%	0.00%	7.32%	53.77%	(43.08)	
Pakistan State Oil Co. Ltd.	Oil and Gas Marketing Companies	29.22%	0.00%	0.90%	33.12	(19.38)	

- * 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 MEF 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 MEF 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

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326021 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN ENERGY 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 Energy 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 Energy Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meezan Energy Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	Net Asset Value (Refer note 6 to the financial statements)	
	Investments constitute the most significant component of the net asset value. Investments of the Fund as at June 30, 2020 amounted to Rs 518.105 million. The existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2020 was considered a high risk area and therefore we considered this as a key audit matter.	Our audit procedures amongst others included the following: <ul style="list-style-type: none">▪ Tested the design and operating effectiveness of the key controls for valuation of investments;▪ Obtained independent confirmations for verifying the existence of the investment portfolio as at June 30, 2020 and traced it with the books and records of the Fund; and▪ Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies.

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

	2020	2019	
Note	(Rupees in '000)		
Assets			
Balances with banks	5	3,214	20,442
Investments	6	518,105	583,850
Receivable against conversion of units		8,224	557
Dividend receivable		109	2,127
Receivable against sale of investments		30,650	-
Advances, deposit and other receivables	7	4,127	1,890
Preliminary expenses and floatation costs	8	283	483
Total assets		<u>564,712</u>	<u>609,349</u>
Liabilities			
Payable to Al Meezan Investment Management Limited - Management Company	9	1,687	2,039
Payable to Central Depository Company of Pakistan Limited - Trustee	10	104	129
Payable to Meezan Bank Limited		345	1
Payable to Securities and Exchange Commission of Pakistan	11	109	933
Payable against redemption and conversion of units		13,036	724
Payable against purchase of investments		2,776	3,424
Accrued expenses and other liabilities	12	4,789	3,396
Total liabilities		<u>22,846</u>	<u>10,646</u>
NET ASSETS		<u>541,866</u>	<u>598,703</u>
CONTINGENCIES AND COMMITMENTS	13		
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		<u>541,866</u>	<u>598,703</u>
		(Number of units)	
NUMBER OF UNITS IN ISSUE		<u>18,050,159</u>	<u>17,944,102</u>
		(Rupees)	
NET ASSET VALUE PER UNIT		<u>30.0200</u>	<u>33.3649</u>

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

For Al-Meezan Investment Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

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

	2020	2019
Note	(Rupees in '000)	
Income		
Net realised loss on sale of investments	(51,043)	(205,302)
Dividend income	16,092	32,139
Profit on balances with banks	2,527	3,379
	<u>(32,424)</u>	<u>(169,784)</u>
Net unrealised diminution on re-measurement of investments - 'at fair value through profit or loss'	6.2 (29)	(141,019)
Total loss	<u>(32,453)</u>	<u>(310,803)</u>
Expenses		
Remuneration to AI Meezan Investment Management Limited - Management Company	9.1 10,860	19,642
Sindh Sales Tax on remuneration of the Management Company	9.2 1,412	2,553
Remuneration to Central Depository Company of Pakistan Limited - Trustee	10.1 1,089	1,833
Sindh Sales Tax on Remuneration of the Trustee fee	10.2 142	238
Annual fee to Securities and Exchange Commission of Pakistan	11 109	933
Auditors' remuneration	14 281	287
Charity expense	12.1 631	732
Fees and subscription	565	563
Brokerage expense	2,501	1,928
Bank and settlement charges	373	186
Printing charges	-	24
Selling and marketing expense	17 2,172	3,928
Amortisation of preliminary expenses and floatation costs	8 200	200
Allocated expenses	16 543	982
Total expenses	<u>20,878</u>	<u>34,029</u>
Net loss for the year before taxation	<u>(53,331)</u>	<u>(344,832)</u>
Taxation	18 -	-
Net loss for the year after taxation	<u>(53,331)</u>	<u>(344,832)</u>
Allocation of net income for the year		
Net income for the year after taxation	-	-
Income already paid on units redeemed	-	-
	<u>-</u>	<u>-</u>
Accounting income available for distribution		
- Relating to capital gains	-	-
- Excluding capital gains	-	-
	<u>-</u>	<u>-</u>

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

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

Chief Executive

Chief Financial Officer

Director

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



Meezan
Energy Fund

	2020	2019
	(Rupees in '000)	
Net loss for the year after taxation	(53,331)	(344,832)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>(53,331)</u>	<u>(344,832)</u>

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

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

Chief Executive

Chief Financial Officer

Director

**MEEZAN ENERGY 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)		
Net assets at beginning of the year	967,743	(369,040)	598,703	1,660,781	(24,208)	1,636,573
Issue of 56,619,350 units (June 30, 2019: 27,187,162 units)						
- Capital value (at net asset value per unit at the beginning of the year)	1,889,099	-	1,889,099	1,353,439	-	1,353,439
- Element of loss	(71,676)	-	(71,676)	(265,069)	-	(265,069)
Total proceeds on issuance of units	1,817,423	-	1,817,423	1,088,370	-	1,088,370
Redemption of 56,513,293 units (June 30, 2019: 42,117,633 units)						
- Capital value (at net asset value per unit at the beginning of the year)	1,885,560	-	1,885,560	2,096,713	-	2,096,713
- Element of loss	(64,631)	-	(64,631)	(315,305)	-	(315,305)
Total payments on redemption of units	1,820,929	-	1,820,929	1,781,408	-	1,781,408
Total comprehensive loss for the year	-	(53,331)	(53,331)	-	(344,832)	(344,832)
Distribution during the year	-	-	-	-	-	-
Net loss for the year less distribution	-	(53,331)	(53,331)	-	(344,832)	(344,832)
Net assets at end of the year	964,237	(422,371)	541,866	967,743	(369,040)	598,703
Accumulated losses / undistributed income brought forward						
- Realised loss		(228,021)			(48,945)	
- Unrealised (loss) / income		(141,019)			24,737	
		<u>(369,040)</u>			<u>(24,208)</u>	
Accounting income available for distribution						
- Realised (loss) / income		-			-	
- Unrealised income / (loss)		-			-	
Net loss for the year after taxation		(53,331)			(344,832)	
Distribution during the year		-			-	
Accumulated losses carried forward		<u>(422,371)</u>			<u>(369,040)</u>	
Accumulated losses carried forward						
- Realised loss		(422,342)			(228,021)	
- Unrealised loss		(29)			(141,019)	
		<u>(422,371)</u>			<u>(369,040)</u>	
		(Rupees)			(Rupees)	
Net assets value per unit at the beginning of the year		<u>33.3649</u>			<u>49.7823</u>	
Net assets value per unit at the end of the year		<u>30.0200</u>			<u>33.3649</u>	

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

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

Chief Executive

Chief Financial Officer

Director



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

	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year before taxation		(53,331)	(344,832)
Adjustments for:			
Amortisation of preliminary expenses and floatation costs		200	200
Net unrealised diminution on re-measurement of investments - 'at fair value through profit or loss'	6.2	29	141,019
		(53,102)	(203,613)
Decrease in assets			
Investments		65,716	717,022
Receivable against sale of investments		(30,650)	
Dividend receivable		2,018	1,570
Advances, deposit and other receivables		(2,237)	183
		34,847	718,775
Decrease in liabilities			
Payable to Al Meezan Investment Management Limited - Management Company		(352)	(5,977)
Payable to Central Depository Company of Pakistan Limited - Trustee		(25)	(115)
Payable to Meezan Bank Limited		344	(51)
Payable to Securities and Exchange Commission of Pakistan		(824)	(499)
Payable against purchase of investments - net		(648)	1,110
Accrued expenses and other liabilities		1,393	(195)
		(112)	(5,727)
Net cash (used in) / generated from operating activities		(18,367)	509,435
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts against issuance and conversion of units		1,809,756	1,100,549
Payment against redemption and conversion of units		(1,808,617)	(1,784,569)
Net cash generated from / (used in) from financing activities		1,139	(684,020)
Net decrease in cash and cash equivalents during the year		(17,228)	(174,585)
Cash and cash equivalents at beginning of the year		20,442	195,027
Cash and cash equivalents at end of the year	5	3,214	20,442

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

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

Chief Executive

Chief Financial Officer

Director

MEEZAN ENERGY 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 Energy Fund (the Fund) was established under a trust deed executed between Al Meezan Investment Management Company as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Trust Deed was executed on September 09, 2016 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shariah-e-Faisal, Karachi 74400, Pakistan.
- 1.2** The objective of the Fund is to seek long term capital appreciation through investments in Shariah compliant equity stocks, primarily from the energy sector / segment / industry, as defined in the constitutive documents. 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.
- 1.3** 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. The Fund is categorised as an Open End Shariah Compliant (Islamic) Equity Scheme in accordance with Circular 7 of 2009 issued by the SECP.
- 1.4** The Management Company has been assigned a 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 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 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 year 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 years 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.

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 6.2) and provision for taxation (notes 4.14 and 18)

3.5 Accounting convention

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

3.6 Functional and presentation currency

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years.

4.2 Cash and cash equivalents

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

4.3 Financial assets

4.3.1 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 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.

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

4.9 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.

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

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 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 year. 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 will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.

4.11 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement currently, on the date when the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of securities classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in the year 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 book closure of the investee company / institution declaring the dividend.
- Profit on balances with banks 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 year 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 year when the differences reverse based on enacted tax rates.

- 4.15 The income of the Fund is exempt from income tax under clause 99 of Part I to the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 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 to the Second Schedule to the Income Tax Ordinance, 2001. Moreover, super tax introduced in the Finance Act, 2015 is also not applicable on funds (Section 4B of the Income Tax Ordinance, 2001).

4.16 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 (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.

4.17 Foreign currency translation

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

	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
5			
BALANCES WITH BANKS			
Balances with banks in:			
Savings accounts	5.1	2,545	19,835
Current accounts		669	607
		<u>3,214</u>	<u>20,442</u>
5.1			
The balances in saving accounts have expected profit rates ranging from 2.31% to 7.40% per annum (2019: 3.32% to 12.35% per annum).			
	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
6			
INVESTMENTS			
Investment at 'fair value through profit or loss'			
Listed equity securities	6.1	<u>518,105</u>	<u>583,850</u>

6.1 Investment at 'fair value through profit or loss'

All shares have a nominal value of Rs.10 each except for the shares of K-Electric Limited which have nominal value of Rs. 3.50 each.

Name of the investee company	As at July 1, 2019	Purchases during the year	Bonus / Right 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 (loss) / gain 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 Investment	
-----Number of shares-----						------(Rupees in '000)-----			-----%-----			
Sectors / companies												
Oil and Gas Exploration Companies												
Mari Petroleum Company Limited (note 6.1.1)	105,385	47,500	7,619	96,260	64,244	67,561	79,446	11,885	14.66	0.05	15.33	
Oil and Gas Development Company Limited	676,600	1,360,428	-	1,162,800	874,228	93,999	95,291	1,292	17.59	0.02	18.39	
Pakistan Oilfields Limited	129,180	298,000	-	146,500	280,680	96,737	98,415	1,678	18.16	0.10	19.00	
Pakistan Petroleum Limited (note 6.1.1)	621,765	1,243,000	81,953	1,018,000	928,718	93,067	80,594	(12,473)	14.87	0.03	15.56	
									65.28	0.20	68.28	
Oil and Gas Marketing Companies												
Attock Petroleum Limited	29,000	37,800	-	15,600	51,200	16,752	15,626	(1,126)	2.88	0.05	3.02	
Hascol Petroleum Limited	616,652	2,956,859	-	2,499,500	1,074,011	12,722	14,607	1,885	2.70	0.11	2.82	
Hi-Tech Lubricants Limited	-	460,000	-	50,000	410,000	11,553	12,415	862	2.29	0.35	2.40	
Pakistan State Oil Company Limited (note 6.1.1)	318,240	296,400	62,248	478,500	198,388	30,145	31,377	1,232	5.79	0.04	6.06	
Shell Pakistan Limited	-	49,000	-	-	49,000	8,309	8,946	637	1.65	0.05	1.73	
Sui Northern Gas Pipelines Limited	1,021,300	1,007,500	-	1,650,000	378,800	21,034	20,682	(352)	3.82	0.06	3.99	
Sui Southern Gas Pipelines Limited	17,000	-	-	17,000	-	-	-	-	-	-	-	
									19.13	0.66	20.02	
Power Generation and Distribution												
Hub Power Company Limited	562,844	1,085,600	-	900,000	748,444	57,019	54,262	(2,757)	10.01	0.06	10.47	
K - Electric Limited	5,916,000	4,091,000	-	7,866,000	2,141,000	9,236	6,444	(2,792)	1.19	0.01	1.24	
									11.20	0.07	11.71	
Refinery												
National Refinery Limited	-	25,000	-	25,000	-	-	-	-	-	-	-	
Rights Certificates												
Oil And Gas Marketing Companies												
Hascol Petroleum Limited *	-	-	1,976,859	1,976,859								
Total as at June 30, 2020						518,134	518,105	(29)	96		100	
Total as at June 30, 2019						724,869	583,850	(141,019)	98			

6.1.1 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 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.

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 Pakistan state oil company limited at the time of declaration of bonus shares amounted to Rs. 0.922 million (June 30, 2019: Rs. 0.824 million).

- 6.1.2** Investments include 65,000 shares of Pakistan Petroleum Limited and 26,500 share of Pakistan Oilfields Limited, having market value of Rs 5.6407 million and 9.2917 million as at June 30, 2020 (June 30, 2019: nil) 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.

6.2 Unrealised diminution on re-measurement of investments classified as financial assets at fair value through profit or loss	Note	2020	2019
		(Rupees in '000)	
Market value of investments	6.1	518,105	583,850
Carrying value of investments	6.1	518,134	724,869
		<u>(29)</u>	<u>(141,019)</u>

7 ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Profit accrued on balances with banks		96	359
Security deposit with Central Depository Company of Pakistan Limited		100	100
'Security deposit with National Clearing Company of Pakistan Limited		2,500	-
Advance tax	7.1	1,431	1,431
		<u>4,127</u>	<u>1,890</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 prior years, withholding tax on dividend and profit on debt paid to the Fund was deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholder. The tax withheld on dividends and profit on debt amounts to Rs 1.431 million.

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

8 PRELIMINARY EXPENSES AND FLOATATION COSTS	Note	2020	2019
		(Rupees in '000)	
At the beginning of the year		483	683
Less: Amortisation during the year	8.1	200	200
At the end of the year		<u>283</u>	<u>483</u>

- 8.1** Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are amortised over a year of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulation.



9	PAYABLE TO AI MEEZAN MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note	2020	2019
			(Rupees in '000)	
	Management fee payable	9.1	928	1,137
	Sindh Sales Tax payable on remuneration of the Management Company	9.2	121	148
	Sales load		66	13
	Sindh Sales Tax payable on sales load		9	2
	Allocated expense payable	16	46	57
	Selling and marketing expenses payable	17	517	682
			1,687	2,039

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 2% (2019: 2%) per annum of the average net assets of the Fund during the year ended 30 June 2020. The remuneration is payable to the Management Company monthly in arrears.

9.2 During the year, an amount of Rs. 1.412 million (2019: Rs. 2.553 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. 1.439 million (2019: Rs.2.753 million) has been paid to the Management Company which acts as a collecting agent.

10	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN - TRUSTEE	Note	2020	2019
			(Rupees in '000)	
	Trustee fee payable	10.1	92	114
	Sindh Sales Tax payable on remuneration of the Trustee	10.2	12	15
			104	129

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 1,000 million 0.20% per annum of net assets
- Over Rs. 1,000 million Rs 2 million plus 0.10% per annum of net assets exceeding Rs 1,000 million.

10.2 During the year, an amount of Rs 0.142 million (2019: Rs. 0.238 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. 0.145 million (2019: Rs.0.252 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, an investment scheme classified as equity 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 funds 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
	Printing charges payable		34	38
	Shariah advisor fee payable		269	265
	Charity payable	12.1	655	924
	Capital gain tax payable		425	211
	Provision for Sindh Workers' Welfare Fund	12.2	1,527	1,527
	Brokerage payable		1,679	231
	Zakat payable		5	5
			4,789	3,396

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

During the year ended June 30, 2020, non-Shariah compliant income amounting to Rs 0.631 million (2019: Rs 0.732 million) was charged as an expense in the books of the Fund. This will be distributed as charity after the approval of the Shariah Advisor.

- 12.2** 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 year 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. 0.08 per unit (2019: Re 0.09 per unit).

13 CONTINGENCIES AND COMMITMENTS

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

14 AUDITORS' REMUNERATION	2020	2019
	(Rupees in '000)	
Annual audit fee	212	210
Half yearly review	54	62
Out of pocket expenses	15	15
	<u>281</u>	<u>287</u>

15 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2020 is 3.83% which includes 0.36% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund , sales taxes , annual fee to the SECP, Shariah advisors fee. This ratio is within the maximum limit of 4.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as a Equity 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.

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 a year of three years (i.e from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense was 0.4% per annum of the net assets of the Fund or actual expenses whichever is lower.



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

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. The Fund has not recorded any tax liability as the Fund has incurred a net loss 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:

Balances	2020	2019
	(Rupees in '000)	
AI Meezan Investment Management Limited - Management Company		
Remuneration payable	928	1,137
Sindh Sales Tax on management fee payable	121	148
Sales load payable	66	13
Sindh Sales Tax on sales load payable	9	2
Allocated expenses	46	57
Selling and marketing expense payable	517	682
Investment of 5,379,191 units (June 30, 2019: 6,150,459 units)	161,483	205,209

	2020	2019
	(Rupees in '000)	
Meezan Bank Limited		
Bank balance	2,651	1,120
Profit receivable on saving accounts	72	162
Sales load payable	306	1
Sindh Sales Tax on sales load payable	40	-
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee payable	92	114
Sindh Sales Tax on trustee fee payable	12	15
Security deposit	100	100
Directors and executives of the Management Company		
Investment of 23,930 units (June 30, 2019: 234,114 units)	718	7,811
Transactions during the year		
AI Meezan Investment Management Limited - Management Company		
Remuneration for the year	10,860	19,642
Sindh Sales Tax on remuneration of the Management Company	1,412	2,553
Allocated expenses	543	982
Selling and marketing expense	2,172	3,928
Units issued: 972,238 units (June 30, 2019: 2,613,203)	30,179	90,233
Units redeemed: 1,743,506 units (June 30, 2019: 4,553,414 units)	61,000	221,000
Meezan Bank Limited		
Profit on saving accounts	1,668	1,210
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	1,089	1,833
Sindh Sales Tax on Remuneration of the Trustee	142	238
CDS charges	84	73
Directors and executives of the Management Company		
Units issued: 3,389,033 units (June 30, 2019: 1,710,7940 units)	104,901	69,365
Units redeemed: 3,528,353 units (June 30, 2019: 2,362,243 units)	100,594	86,903

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		
	Amortised Cost	At fair value through profit or loss	Total
	(Rupees in '000)		
Financial assets			
Balances with banks	3,214	-	3,214
Investments	-	518,105	518,105
Receivable against conversion of units	8,224	-	8,224
Dividend receivable	109	-	109
Receivable against sale of investments	30,650	-	30,650
Advances, deposits and other receivables	193	-	193
	42,390	518,105	560,495



Financial liabilities

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

2020		
At fair value through profit or loss	At amortised cost	Total
(Rupees in '000)		
-	1,687	1,687
-	104	104
-	13,036	13,036
-	345	345
-	2,776	2,776
-	2,832	2,832
-	20,780	20,780

Financial assets

Balances with banks
 Investments
 Receivable against conversion of units
 Dividend receivable
 Advances, deposits and other receivables

2019		
Amortised Cost	At fair value through profit or loss	Total
(Rupees in '000)		
20,442	-	20,442
-	583,850	583,850
557	-	557
2,127	-	2,127
459	-	459
23,585	583,850	607,435

Financial liabilities

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

2019		
At fair value through profit or loss	At amortised cost	Total
(Rupees in '000)		
-	2,039	2,039
-	129	129
-	724	724
-	1	1
-	3,424	3,424
-	1,653	1,653
-	7,970	7,970

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management objectives and policies:

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

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

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 and the regulations laid down by the SECP.

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

(i) **Profit rate risk**

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market 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. 0.025 million (2019: Rs. 0.198 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 and KIBOR rates 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 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 in:	2.31% - 7.40%				
Investment	2,545	-	-	669	3,214
Receivable against issue of units	-	-	-	518,105	518,105
Dividend receivable	-	-	-	8,224	8,224
Receivable against sale of investments	-	-	-	109	109
Advances, deposits and other receivables	-	-	-	30,650	30,650
	-	-	-	193	193
	2,545	-	-	557,950	560,495

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company	-	-	-	1,687	1,687
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	104	104
Payable against conversion and redemption of units	-	-	-	13,036	13,036
Payable to Meezan Bank Limited	-	-	-	345	345
Payable against purchase of investments	-	-	-	2,776	2,776
Accrued expenses and other liabilities	-	-	-	2,832	2,832
	-	-	-	20,780	20,780

On-balance sheet gap (a)

2,545 - - 537,170 539,715

Off-balance sheet financial instruments

- - - - -

Off-balance sheet gap (b)

- - - - -

Total profit rate sensitivity gap (a+b)

2,545 - -

Cumulative profit rate sensitivity gap

2,545 2,545 2,545

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 in:	3.32% to 12.35%	19,835	-	-	607	20,442
Investment		-	-	-	583,850	583,850
Receivable against issue of units		-	-	-	557	557
Dividend receivable		-	-	-	2,127	2,127
Advances, deposits and other receivables		-	-	-	459	459
		19,835	-	-	587,600	607,435

Financial liabilities

Payable to AI Meezan Investment Management Limited - Management Company		-	-	-	2,039	2,039
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	129	129
Payable against conversion and redemption of units		-	-	-	724	724
Payable to Meezan Bank Limited		-	-	-	1	1
Payable against purchase of investments		-	-	-	3,424	3,424
Accrued expenses and other liabilities		-	-	-	1,653	1,653
		-	-	-	7,970	7,970

On-balance sheet gap (a)

19,835	-	-	579,630	599,465
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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)

19,835	-	-		
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Cumulative profit rate sensitivity gap

19,835	19,835	19,835		
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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 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. 5.1811 million (2019: Rs.5.839 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 year at the end of the reporting year to the contractual maturity dates. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:

----- 2020 -----						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
----- (Rupees in '000) -----						
Financial assets						
Balances with banks	3,214	-	-	-	-	3,214
Investments	-	-	-	-	518,105	518,105
Receivable against conversion of units	8,224	-	-	-	-	8,224
Dividend receivable	109	-	-	-	-	109
Receivable against sale of investments	30,650	-	-	-	-	30,650
Advances, deposits and other receivables	193	-	-	-	-	193
	42,390	-	-	-	518,105	560,495
Financial liabilities						
Payable to Al Meezan Investment Management Limited - Management Company	1,687	-	-	-	-	1,687
Payable to Central Depository Company of Pakistan Limited - Trustee	104	-	-	-	-	104
Payable against conversion and redemption of units	13,036	-	-	-	-	13,036
Payable to Meezan Bank Limited	345	-	-	-	-	345
Payable against purchase of investments	2,776	-	-	-	-	2,776
Dividend payable	-	-	-	-	-	-
Accrued expenses and other liabilities	-	2,832	-	-	-	2,832
	17,948	2,832	-	-	-	20,780
Net assets / (liabilities)	24,442	(2,832)	-	-	518,105	539,715

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	20,442	-	-	-	-	20,442
Investments	-	-	-	-	583,850	583,850
Receivable against conversion of units	557	-	-	-	-	557
Dividend receivable	2,127	-	-	-	-	2,127
Advances, deposits and other receivables	459	-	-	-	-	459
	23,585	-	-	-	583,850	607,435
Financial liabilities						
Payable to Al Meezan Investment Management Limited - Management Company	2,039	-	-	-	-	2,039
Payable to Central Depository Company of Pakistan Limited - Trustee	129	-	-	-	-	129
Payable against conversion and redemption of units	724	-	-	-	-	724
Payable to Meezan Bank Limited	1	-	-	-	-	1
Payable against purchase of investments	3,424	-	-	-	-	3,424
Dividend payable	-	-	-	-	-	-
Accrued expenses and other liabilities	-	1,653	-	-	-	1,653
	6,317	1,653	-	-	-	7,970
Net assets / (liabilities)	17,268	(1,653)	-	-	583,850	599,465

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 in '000)				
Balances with banks	3,214	3,214	20,442	20,442
Investments	518,105	-	583,850	-
Receivable against conversion of units	8,224	8,224	557	557
Dividend receivable	109	109	2,127	2,127
Receivable against sale of investments	30,650	30,650	-	-
Advances, deposits and other receivables	193	193	459	459
	560,495	42,390	607,435	23,585

The difference in the balance as per the statement of assets and liabilities and maximum exposure is due to the fact that investment in equity securities of Rs 518.106 million (2019: Rs 583.850 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 profit accrued on bank balances, dividend receivable and receivable against sale of units and against investments. The credit rating profile of balances with banks is as follows:

Rating	% of financial assets exposed to credit risk	
	2020	2019
AAA	0.93	2.38
AA+	88.29	82.04
A+	10.78	15.58
	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.

21 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

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

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

Fair value hierarchy

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

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

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

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

As at June 30, 2020, the Fund held the following financial instruments measured at fair values:

	2020		
	Level 1	Level 2	Level 3
	(Rupees in '000)		
Financial assets			
At fair value through profit or loss	518,105	-	-
	2019		
	Level 1	Level 2	Level 3
	(Rupees in '000)		
Financial assets			
At fair value through profit or loss	583,850	-	-

22 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

23 UNIT HOLDING PATTERN OF THE FUND

Category	----- 2020 -----			----- 2019 -----		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total
Individuals	1,421	364,318	67.23	1,432	358,289	59.84
Associated Companies /						
Directors	1	161,484	29.80	1	205,209	34.28
Retirement Funds	1	162	0.03	1	180	0.03
Insurance Companies	-	-	-	1	22,128	3.70
Others	19	15,902	2.94	10	12,897	2.15
	1,442	541,866	100.00	1,445	598,703	100.00

24 LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

----- 2019 -----		----- 2018 -----	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Spectrum Securities (Private) Limited	11%	JS Global Capital Limited	12%
JS Global Capital Limited	10%	BMA Capital Management Limited	10%
Optimus Capital Management Private Limited	7%	Optimus Capital Management (Private) Limited	9%
Top Line Securities (Private) Limited	7%	EFG Hermes Pakistan Limited	8%
Taurus Securities Limited	6%	Foundation Securities (Private) Limited	8%
Arif Habib Limited	6%	Taurus Securities Limited	7%
BMA Capital Management Limited	6%	Alfalah Securities (Private) Limited	7%
Standard Capital Sec (Private) Limited	5%	Arif Habib Limited	6%
Invest & Finance Securities Limited	5%	Vector Securities (Private) Limited	5%
AKD Securities Limited	5%	Aba Ali Habib Securities (Private) Limited	5%

25 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

Name	Designation	Qualification	Overall experience
Mr. Mohammad Shoab	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 name of the fund manager is Mr. Ahmed Hassan. Other funds being managed by the fund manager are as follows:

- Al Meezan Mutual Fund
- Meezan Tahaffuz Pension Fund

26 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

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

27 CORRESPONDING FIGURES

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

28 DATE OF AUTHORISATION FOR ISSUE

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

29 GENERAL

29.1 Regulatory reliefs due to COVID - 19

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

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

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



29.2 Operational Risk Management

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

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

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

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

Chief Executive

Chief Financial Officer

Director



Meezan
Dedicated Equity Fund

Meezan Dedicated Equity Fund (MDEF)

Meezan Dedicated Equity Fund aims to provide Fund of Funds scheme a dedicated platform to seek long term capital appreciation.

**LARGEST INDUSTRY
CUSTOMER** BASE OF OVER
120,000



FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. Mohammad Shoaib, CFA	Chief Executive Officer
Mr. Muhammad Abdullah Ahmed	Nominee Director - MBL
Mr. Mohammad Furquan R Kidwai	Independent Director
Mr. Ijaz Farooq	Nominee Director - MBL
Mr. Moin M. Fudda	Independent Director
Ms. Saima Shaukat Khan (Kamila)	Independent Director
Mr. Arshad Majeed	Nominee Director - MBL
Mr. Naeem Abdul Sattar	Nominee Director - PKIC
Syed Amir Ali Zaidi	Nominee Director - PKIC

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Ariful Islam	Chairman
Mr. Moin M. Fudda	Member
Mr. Naeem Abdul Sattar	Member
Mr. Mohammad Shoaib, CFA	Member

TRUSTEE

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

AUDITORS

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

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

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

LEGAL ADVISER

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

TRANSFER AGENT

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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited

REPORT OF THE FUND MANAGER Meezan Dedicated Equity Fund

Type of Fund

Open end Shariah Compliant Equity Scheme

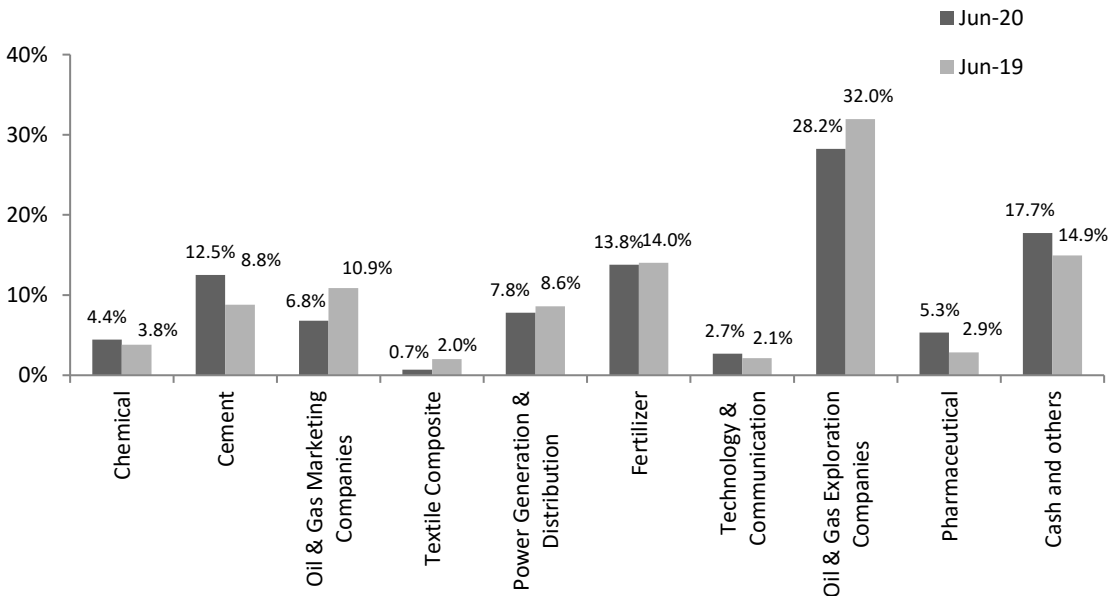
Objective

The investment objective of the fund is to provide Fund of Funds schemes a dedicated equity platform to seek long term capital appreciation.

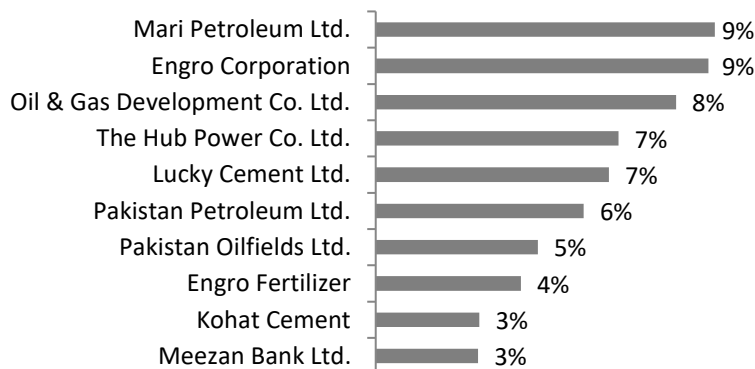
Investment Policy

It primarily invests in Shariah compliant listed equity securities or securities whose listing has been approved by the exchange. In case the fund manager expects the stock market to drop, based on his analysis of macroeconomic factors such as interest rates, economic growth rates, political climate, corporate earnings, stock market valuations, etc., the portfolio may be temporarily allocated to other allowable asset classes, subject to the prescribed limits.

Sector Allocation for the year ended FY19 and FY20



Top Holdings



Performance Review

During fiscal year 2020, Meezan Dedicated Fund (MDEF) provided a negative return of 2.56% to its investors while KSE Meezan Index (KMI 30) appreciated by 1.62% to close at 54,995 pts.

	<u>MDEF</u>	<u>KMI-30</u>
Net Asset Value (NAV) as on June 30, 2019 –Rs.	35.51	54,119
Net Asset Value (NAV) as on June 30, 2020 –Rs.	34.60	54,995
Return During the Period	-2.56%	1.62%

MDEF posted a total loss of Rs. 78 million in FY20. Total loss comprised of realised loss and unrealized gain on investments of Rs. 164 million and Rs. 31 million respectively. Dividend income contributed Rs. 48 million to income while profit on saving accounts with banks amounted to Rs. 8 million. After accounting for expenses of Rs. 38 million, the Fund posted a net loss of Rs. 116 million. The net assets of the Fund as at June 30, 2020 were Rs. 619 million. The net asset value per unit as at June 30, 2020 was Rs. 34.60.

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 period ended June 30, 2020 an amount of Rs. 1 million was accrued as charity payable.

Distributions

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

Breakdown of unit holdings by size

(As on June 30, 2020)

Range (Units)	No. of Investors
1 - 9,999	0
10,000 - 49,999	0
50,000 - 99,999	0
100,000 - 499,999	1
500,000 and above	7
Total	8

Summary of Actual Proxy Voted By the Fund

	Resolutions	For	Against	Abstain
Number	3	3	0	0
Percentage		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. 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
Net assets (Rs in '000) (ex-distribution)	619,015	1,761,074	1,856,832
Net assets value / redemption price per unit as at June 30 (Rs)	34.6044	35.5080	48.5347
Offer price per unit as at June 30 (Rs)	35.7775	36.7120	50.1800
Highest offer price per unit (Rs)	46.2032	51.8269	56.3168
Lowest offer price per unit (Rs)	26.9907	35.8160	47.8900
Highest redemption price per unit (Rs)	44.6883	50.1276	54.4703
Lowest redemption price per unit (Rs)	26.1058	34.6417	46.3193
Distribution (%)	N/A	N/A	N/A
Date of distribution	N/A	N/A	N/A
Total return (%)	- 2.56 -	26.80 -	2.90
Average annual return (%) as at June 30, 2020	- 2.56 -	15.55 -	16.78



Meezan Bank
The Premier Islamic Bank

Report of the *Shari'ah* Advisor –Meezan Dedicated Equity Fund

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

Alhamdulillah, the period from July 01, 2019 to June 30, 2020 was the Third year of operations of Meezan Dedicated Equity Fund (MDEF) 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 MDEF in light of *Shari'ah* requirements. Following is the list of the top equity holdings of MDEF 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)
Mari Petroleum Ltd.	Oil & Gas Exploration Companies	7.83%	17.76%	3.13%	30.37%	(664.23)	
Engro Corporation Ltd	Fertilizer	28.34%	22.25%	4.72%	58.58%	(220.56)	
Oil & Gas Development Co. Ltd.	Oil & Gas Exploration Companies	0.00%	7.95%	7.74%****	33.64%	90.21	142.32



The Hub Power Co. Ltd.**	Power Generation & Distribution Company	32.34%	0.00%	7.32%	53.77%	(43.08)	
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
Engro Fertilizer Ltd.	Fertilizer	26.23%	4.34%	1.34%	69.88%	(34.07)	
Kohat Cement Ltd.	Cement	22.30%	0.70%	0.07%	94.14%	(54.09)	

* 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 MDEF 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 MDEF 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

Shari'ah Advisor

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326021 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN DEDICATED EQUITY 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 Dedicated Equity 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 Dedicated Equity Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meezan Dedicated Equity Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following is the key audit matter:

S.No.	Key Audit Matter	How the matter was addressed in our audit
1	Net Asset Value (Refer note 6 to the financial statements)	
	Investments constitute the most significant component of the net asset value. Investments of the Fund as at June 30, 2020 amounted to Rs 595.501 million. The existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2020 was considered a high risk area and therefore we considered this as a key audit matter.	Our audit procedures amongst others included the following: <ul style="list-style-type: none">▪ Tested the design and operating effectiveness of the key controls for valuation of investments;▪ Obtained independent confirmations for verifying the existence of the investment portfolio as at June 30, 2020 and traced it with the books and records of the Fund; and▪ Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies.

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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 DEDICATED EQUITY FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2020**

	2020	2019
Note	-----Rupees in '000'-----	
Assets		
Balances with banks	22,127	110,688
Investments	595,501	1,658,927
Dividend receivable	178	1,120
Receivable against sale of investment	5,113	-
Advances, deposits and other receivables	3,929	1,886
Total assets	626,848	1,772,621
Liabilities		
Payable to AI Meezan Investment Management Limited - Management Company	1,818	5,286
Payable to Central Depository Company of Pakistan Limited - Trustee	117	263
Payable to the Securities and Exchange Commission of Pakistan	209	1,864
Payable against purchase of investments	2,616	-
Payable against redemption and conversion of units	36	1,500
Accrued expenses and other liabilities	3,037	2,634
Total liabilities	7,833	11,547
NET ASSETS	619,015	1,761,074
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)	619,015	1,761,074
CONTINGENCIES AND COMMITMENTS	12	
NUMBER OF UNITS IN ISSUE	17,888,339	49,596,421
NET ASSET VALUE PER UNIT	34.6044	35.5081

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

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

Chief Executive

Chief Financial Officer

Director

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

	2020	2019
Note	-----Rupees in '000'-----	
Income		
Profit on balances with banks	7,587	8,115
Dividend income	47,750	79,935
Realised loss on sale of investments - net	(164,323)	(289,217)
Other Income	500	-
	(108,486)	(201,167)
Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at 'fair value through profit or loss'	6.2 30,683	(338,750)
Total loss	(77,803)	(539,917)
Expenses		
Remuneration of Al Meezan Investment Management Limited - Management Company	8.1 20,568	39,234
Sindh Sales Tax on remuneration of the Management Company	8.2 2,674	5,100
Allocated expenses	15 1,028	1,962
Selling and marketing expenses	16 4,114	7,847
Remuneration of Central Depository Company of Pakistan Limited- Trustee	9.1 1,817	2,962
Sindh Sales Tax on remuneration of the Trustee	9.2 236	385
Annual fees to the Securities and Exchange Commission of Pakistan	10 209	1,864
Brokerage expense	4,526	4,284
Auditors' remuneration	13 386	235
Charity expense	11.1 1,350	1,529
Printing expense	10	40
Fee and subscription	570	560
Bank and settlement charges	511	435
Total expenses	37,999	66,437
Net loss for the year before taxation	(115,802)	(606,354)
Taxation	17 -	-
Net loss for the year after taxation	(115,802)	(606,354)
Allocation of net income for the year		
Net income for the year after taxation	-	-
Income already paid on units redeemed	-	-
Accounting income available for distribution	-	-
- Relating to capital gains	-	-
- Excluding capital gains	-	-

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

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

Chief Executive

Chief Financial Officer

Director

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



Meezan
Dedicated Equity Fund

	2020	2019
Note	-----Rupees in '000'-----	
Net loss for the year after taxation	(115,802)	(606,354)
Other comprehensive income / (loss) for the year	-	-
Total comprehensive loss for the year	<u>(115,802)</u>	<u>(606,354)</u>

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

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

Chief Executive

Chief Financial Officer

Director

**MEEZAN DEDICATED EQUITY 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)		
Net assets at the beginning of the year	2,436,503	(675,429)	1,761,074	1,925,907	(69,075)	1,856,832
Issue of 51,715,292 units (2019: 97,417,209 units)						
- Capital value (at net asset value per unit at the beginning of the year)	1,836,312	-	1,836,312	4,728,115	-	4,728,115
- Element of loss	(2,447)	-	(2,447)	(438,627)	-	(438,627)
Total proceeds on issuance of units	1,833,865	-	1,833,865	4,289,488	-	4,289,488
Redemption of 83,423,374 units (2019: 86,078,605 units)						
- Capital value (at net asset value per unit at the beginning of the year)	2,962,206	-	2,962,206	4,177,799	-	4,177,799
- Element of income	(102,084)	-	(102,084)	(398,907)	-	(398,907)
Total payments on redemption of units	2,860,122	-	2,860,122	3,778,892	-	3,778,892
Total comprehensive loss for the year	-	(115,802)	(115,802)	-	(606,354)	(606,354)
Distribution during the year	-	-	-	-	-	-
Net loss for the year less distribution	-	(115,802)	(115,802)	-	(606,354)	(606,354)
Net assets at the end of the year	<u>1,410,246</u>	<u>(791,231)</u>	<u>619,015</u>	<u>2,436,503</u>	<u>(675,429)</u>	<u>1,761,074</u>
Accumulated losses brought forward						
- Realised (loss) / income		(336,679)			14,740	
- Unrealised loss		(338,750)			(83,815)	
		<u>(675,429)</u>			<u>(69,075)</u>	
Accounting income available for distribution		-			-	
- Relating to capital gains		-			-	
- Excluding capital gains		-			-	
Net loss for the year after taxation		(115,802)			(606,354)	
Distribution during the year		-			-	
Accumulated losses carried forward		<u>(791,231)</u>			<u>(675,429)</u>	
Accumulated losses carried forward						
- Realised loss		(821,914)			(336,679)	
- Unrealised gain / (loss)		30,683			(338,750)	
		<u>(791,231)</u>			<u>(675,429)</u>	
		(Rupees)			(Rupees)	
Net assets value per unit at the beginning of the year	<u>35.5081</u>			<u>48.5347</u>		
Net assets value per unit at the end of the year	<u>34.6044</u>			<u>35.5081</u>		

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

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

Chief Executive

Chief Financial Officer

Director



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

Note	2020	2019
	-----Rupees in '000'-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year before taxation	(115,802)	(606,354)
Adjustments for		
Net unrealised (appreciation) / diminution on re-measurement of investments classified assets at 'fair value through profit or loss'	6.2 <u>(30,683)</u>	<u>338,750</u>
	(146,485)	(267,604)
Decrease / (Increase) in assets		
Investments	1,094,109	(256,070)
Dividend receivable	942	983
Receivable against sale of investment	(5,113)	-
Advances, deposits and other receivables	(2,043)	775
	1,087,895	(254,312)
(Decrease) in liabilities		
Payable to AI Meezan Investment Management Limited - Management Company	(3,468)	(2,033)
Payable to Central Depository Company of Pakistan Limited - Trustee	(146)	(6)
Payable to the Securities and Exchange Commission of Pakistan	(1,655)	942
Payable against purchase of investments	2,616	(2,530)
Accrued expenses and other liabilities	403	1,635
	(2,250)	(1,992)
Net cash generated from / (used in) operating activities	<u>939,160</u>	<u>(523,908)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts against issuance of units and conversion of units	1,833,865	4,289,488
Payment against redemption of units and conversion of units	(2,861,586)	(3,777,392)
Net cash (used in) / generated from financing activities	<u>(1,027,721)</u>	<u>512,096</u>
Net decrease in cash and cash equivalents during the year	<u>(88,561)</u>	<u>(11,812)</u>
Cash and cash equivalents at the beginning of the year	110,688	122,500
Cash and cash equivalents at the end of the year	5 <u><u>22,127</u></u>	<u><u>110,688</u></u>

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

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

Chief Executive

Chief Financial Officer

Director

**MEEZAN DEDICATED EQUITY 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 Dedicated Equity Fund (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on October 9, 2017 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, (the NBFC Regulations). The Management Company has been granted license by the SECP to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.2 The Fund has been formed to enable the unitholders to participate in a diversified portfolio of securities, which are Shariah compliant. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah 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.
- 1.3 The Fund is an open-end Shariah Compliant Equity 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 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.
- 1.5 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.

2 BASIS OF PRESENTATION

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

3 BASIS OF PREPARATION

3.1 Statement of compliance

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

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

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

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

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

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

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

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

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

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

3.4 Critical accounting estimates and judgments

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

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 Funds' functional and presentation currency.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years.

4.2 Cash and cash equivalents

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

4.3 Financial assets

4.3.1 Classification and subsequent measurement

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

4.11 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement currently, on the date when the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of securities classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- 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 Taxation

Current

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

Deferred

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

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

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

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

4.14 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net 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 (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 profit and loss account.

5	BALANCES WITH BANKS	Note	2020 (Rupees in '000)	2019
	Balances with banks in:			
	Savings accounts	5.1	18,385	109,870
	Current accounts		3,742	818
			<u>22,127</u>	<u>110,688</u>
5.1	The balances in saving accounts have expected profit rates ranging from 1.50% to 7.50% per annum (2019: 3.32% to 12.35% per annum).			
6	INVESTMENTS	Note	2020 (Rupees in '000)	2019
	Investment at 'fair value through profit or loss'			
	Listed equity securities	6.1	<u>595,501</u>	<u>1,658,927</u>

6.1 Investment at fair value through profit or loss - Listed equity securities

All shares have a nominal value of Rs. 10 each except for the shares of K-Electric Limited and Agriauto Industries Limited which have a nominal value of Rs. 3.50 and Rs. 5 each respectively.

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)			%		
Sectors / companies											
Automobile Assembler											
Gandhara Industries Limited	19,300	-	-	19,300	-	-	-	-	-	-	-
Gandhara Nissan Limited	158	-	-	158	-	-	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	300	16,400	-	6,600	10,100	1,717	1,956	239	0.32	0.01	0.33
Indus Motor Company Limited	-	11,560	-	6,820	4,740	5,723	4,716	(1,007)	0.76	0.01	0.79
Millat Tractors Limited	800	14,000	-	12,800	2,000	1,365	1,412	47	0.23	-	0.24
									1.31	0.02	1.36
Automobile Parts & Accessories											
Agriauto Industries Limited (Note 6.1.1)	-	40,000	-	20,000	20,000	4,166	3,640	(526)	0.59	0.14	0.61
									0.59	0.14	0.61
Commercial Bank											
BankIslami Pakistan Limited	-	665,000	-	585,010	79,990	904	605	(299)	0.10	0.01	0.10
Meezan Bank Limited (an associate)	575,505	15,000	-	329,500	261,005	22,848	17,970	(4,878)	2.90	0.02	3.02
									3.00	0.03	3.12
Cement											
Attock Cement Pakistan Limited	15,200	-	-	-	15,200	1,085	1,894	809	0.31	0.01	0.32
Cherat Cement Company Limited	-	310,000	6,500	271,500	45,000	3,261	3,923	662	0.63	0.02	0.66
D.G. Khan Cement Company Limited	206,100	409,000	-	534,100	81,000	6,489	6,912	423	1.12	0.02	1.16
Fauji Cement Company Limited	-	1,015,000	-	823,500	191,500	3,303	3,233	(70)	0.52	0.01	0.54
Kohat Cement Company Limited	274,370	87,000	-	229,000	132,370	9,938	18,194	8,256	2.94	0.07	3.06
Lucky Cement Limited	313,650	180,000	-	405,000	88,650	35,867	40,918	5,051	6.61	0.03	6.87
Maple Leaf Cement Factory Limited	400,000	752,500	-	1,022,500	130,000	3,417	3,377	(40)	0.55	0.01	0.57
									12.68	0.17	13.18
Chemical											
Engro Polymer & Chemicals Limited	1,324,644	1,336,000	-	2,398,000	262,644	7,506	6,561	(945)	1.06	0.03	1.10
ICI Pakistan Limited	51,100	5,000	-	30,800	25,300	13,806	17,576	3,770	2.84	0.03	2.95
Ittehad Chemical Limited	-	50,000	-	50,000	50,000	1,464	1,318	(146)	0.21	0.06	0.22
Lotte Chemical Pakistan Limited	294,000	1,436,500	-	1,619,000	111,500	1,201	1,109	(92)	0.18	0.01	0.19
Sitara Peroxide Limited	-	65,000	-	-	65,000	1,402	1,327	(75)	0.21	0.12	0.22
									4.50	0.25	4.68
Engineering											
Amreli Steels Limited	-	150,000	-	150,000	-	-	-	-	-	-	-
International Industries Limited	38,800	130,700	-	118,800	50,700	5,050	4,651	(399)	0.75	0.04	0.78
International Steels Limited	255,000	517,000	-	652,000	120,000	5,738	6,198	460	1.00	0.03	1.04
Mughal Iron & Steel Industries Limited	-	154,500	-	125,000	29,500	1,032	1,176	144	0.19	0.01	0.20
									1.94	0.08	2.02
Fertilizer											
Engro Corporation Limited	606,830	271,396	-	678,900	199,326	56,575	58,384	1,809	9.43	0.03	9.80
Engro Fertilizers Limited	1,365,000	823,893	-	1,766,500	422,393	25,074	25,462	388	4.11	0.03	4.28
Fatima Fertilizer Limited	-	57,000	-	-	57,000	1,579	1,524	(55)	0.25	-	0.26
									13.79	0.06	14.34
Investment Banks / Investment Companies / Securities Companies											
Dawood Hercules Corporation Limited	-	16,500	-	8,000	8,500	1,379	1,087	(292)	0.18	-	0.18
									0.18	-	0.18
Food & Personal Care Product											
At-Tahur Limited	83	-	8	-	91	2	2	-	-	-	-
									-	-	-
Glass & Ceramics											
Ghani Glass Limited	-	100,000	-	-	100,000	5,198	4,115	(1,083)	0.66	0.02	0.69
Tariq Glass Industries Limited	142,500	-	-	142,500	-	-	-	-	-	-	-
									0.66	0.02	0.69

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)			%		
Oil and Gas Exploration Companies													
Mari Petroleum Company Limited	93,360	22,400	6,688	74,340	48,108	48,100	59,493	11,393	9.61	0.04	9.99		
Oil & Gas Development Company Limited	1,430,900	541,000	-	1,488,700	483,200	52,218	52,669	451	8.51	0.01	8.84		
Pakistan Oilfields Limited	305,560	92,100	-	316,600	81,060	23,058	28,422	5,364	4.59	0.03	4.77		
Pakistan Petroleum Limited	1,107,500	909,604	-	1,596,700	420,404	35,293	36,483	1,190	5.89	0.02	6.13		
									28.60	0.10	29.73		
Oil and Gas Marketing Companies													
Attock Petroleum Limited	35,000	30,000	-	43,800	21,200	6,971	6,470	(501)	1.05	0.02	1.09		
Hascol Petroleum Limited	326,230	1,769,218	-	1,704,500	390,948	5,942	5,317	(625)	0.86	0.04	0.89		
Hi -Tech Lubricants Limited	-	100,000	-	-	100,000	2,768	3,028	260	0.49	0.09	0.51		
Pakistan State Oil Company Limited	438,260	405,500	32,112	774,100	101,772	14,197	16,096	1,899	2.60	0.02	2.70		
Sui Northern Gas Pipelines Limited	1,231,100	416,000	-	1,433,500	213,600	14,660	11,663	(2,997)	1.88	0.03	1.96		
Sui Southern Gas Company Limited	9,500	-	-	9,500	-	-	-	-	-	-	-		
									6.88	0.20	7.15		
Paper and Board													
Century Paper Limited	-	45,000	-	-	45,000	2,966	3,221	255	0.52	0.03	0.54		
Cherat Packaging Limited	32,100	-	-	32,100	-	-	-	-	-	-	-		
Packages Limited	20,350	12,300	-	-	32,650	10,286	11,336	1,050	1.83	0.04	1.89		
Roshan Packages Limited	-	50,500	-	-	50,500	1,061	1,132	71	0.18	0.04	0.19		
									3	0.11	2.62		
Pharmaceuticals													
AGP Limited	233,000	93,000	-	179,000	147,000	13,785	16,132	2,347	2.61	0.05	2.71		
Ferozsons laboratories Limited	-	10,000	-	10,000	-	-	-	-	-	-	-		
Glaxosmithkline Consumer Healthcare Limited	15,000	25,200	-	27,300	12,900	3,250	3,505	255	0.57	0.01	0.59		
Highnoon Laboratories Limited	-	26,400	-	21,000	5,400	2,626	2,707	81	0.44	0.02	0.45		
The Searle Company Limited	218,055	69,200	-	232,200	55,055	9,598	10,969	1,371	1.77	0.03	1.84		
									5.39	0.11	5.59		
Power Generation and Distribution													
Hub Power Company Limited	1,323,117	341,137	-	1,076,500	587,754	9,004	6,184	(2,820)	1.00	0.02	1.04		
K-Electric Limited (note 6.1.1)	10,961,500	400,000	-	9,307,000	2,054,500	46,550	42,612	(3,938)	6.88	0.02	7.16		
									7.88	0.04	8.20		
Refinery													
Attock Refinery Limited	1,000	-	-	1,000	-	-	-	-	-	-	-		
									-	-	-		
Technology & Communication													
Avanceon Limited	290,300	247,400	-	390,300	147,400	3,918	5,212	1,294	0.84	0.07	0.88		
Netsol Technologies Limited	206,900	164,000	-	370,900	-	-	-	-	-	-	-		
Systems Limited	102,500	44,500	-	84,200	62,800	6,559	11,535	4,976	1.86	0.05	1.94		
									2.70	0.12	2.82		
Textile Composite													
Feroze1888 Mills Limited	236,500	500	-	145,700	91,300	9,209	7,468	(1,741)	1.21	0.02	1.25		
Interloop Limited	883,382	-	-	676,000	207,382	9,181	9,108	(73)	1.47	0.02	1.53		
Nishat Mills Limited	384,400	300,000	-	628,200	56,200	5,229	4,384	(845)	0.71	0.02	0.74		
									3.39	0.06	3.52		
Vanaspati & Allied Industries													
Unity Foods limited	287,376	950,000	-	1,137,376	100,000	1,300	1,115	(185)	0.18	0.02	0.19		
									0.18	0.02	0.19		
Rights Certificate													
Oil And Gas Marketing Companies													
Hascol Petroleum Limited *	-	-	846,920	846,920	-	-	-	-	-	-	-		
Total at at June 30, 2020						564,818	595,501	30,683	96.20		100.00		
Total at at June 30, 2019						1,997,677	1,658,927	(338,750)	94.18				

* The right certificates were exercised during the year and the shares are included in the investment in Hascol Petroleum Limited above.

- 6.1.1** 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 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. 0.257 million (2019: Rs. 0.23 million).

	Note	2020 (Rupees in '000)	2019
6.2 Unrealised diminution on re-measurement of investments classified as financial assets at fair value through profit or loss			
Market value of investments	6.1	595,501	1,658,927
Carrying value of investments	6.1	564,818	1,997,677
		30,683	(338,750)
7 ADVANCES, DEPOSITS AND OTHER RECEIVABLES			
Profit receivable on savings account		30	487
Advance tax	7.1	1,296	1,296
Security deposit with Central Depository Company of Pakistan Limited		103	103
Security deposit with the National Clearing Company of Pakistan Limited		2,500	-
		3,929	1,886

- 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 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 before him by the withholder. The tax withheld on dividends as at June 30, 2020 amounts to Rs 1.296 million (June 30, 2019: Rs. 1.296 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.

8	PAYABLE TO AL MEEZAN MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note	2020	2019
		(Rupees in '000)		
	Management fee payable	8.1	1,024	3,013
	Sindh Sales Tax on Management fee payable	8.2	133	392
	Allocated expenses payable	15	58	158
	Selling and marketing expenses payable	16	603	1,723
			<u>1,818</u>	<u>5,286</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% 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.

8.2 During the year, an amount of Rs. 2.674 million (2019: Rs 5.100 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 2.933 million (2019: Rs. 5.115 million) has been paid to the Management Company which acts as a collecting agent.

9	PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2020	2019
		(Rupees in '000)		
	Trustee fee payable	9.1	104	233
	Sindh Sales Tax payable on trustee fee	9.2	13	30
			<u>117</u>	<u>263</u>

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

On net assets:	
- up to Rs. 1 billion	Rs 0.7 million or 0.2% per annum of net assets, whichever is higher.
- over Rs. 1 billion	Rs 2 million plus 0.1% per annum of net assets exceeding Rs 1 billion

9.2 During the year, an amount of Rs 0.236 million (2019: Rs. 0.385 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.0.253 million (2019: Rs. 0.386 million) was paid to the Trustee which acts as a collecting agent.

10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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

Effective from July 1, 2019, the SECP vide SRO No. 685(I)/2019 dated June 28, 2019, revised the rate of annual fee to 0.02% of net assets, applicable on all categories of CISs. Previously, the rate of annual fee applicable to equity funds was 0.095%. Accordingly, the Fund has charged SECP Fee at the rate of 0.02% of net assets during the current year.

11	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2020	2019
			(Rupees in '000)	
	Auditors' remuneration payable		250	150
	Printing charges payable		69	60
	Shariah advisor fee payable		269	263
	Charity payable	11.1	1,467	1,516
	Brokerage payable		982	640
	Withholding tax payable		-	5
			<u>3,037</u>	<u>2,634</u>

11.1 According to the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs. 1.467 million (June 30, 2019: Rs. 1.516 million) is outstanding in this regard.

12 CONTINGENCIES AND COMMITMENTS

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

13	AUDITORS' REMUNERATION	2020	2019
		(Rupees in '000)	
	Annual audit fee	329	162
	Half yearly review	54	58
	Out of Pocket expense	3	15
		<u>386</u>	<u>235</u>

14 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2020 is 3.70% (2019: 3.39%) which includes 0.36% 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 Equity Scheme.

15 ALLOCATED EXPENSES

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

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

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

16 SELLING AND MARKETING EXPENSES

The SECP has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds) initially for 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 net assets of the fund or actual expenses whichever is lower. Accordingly, such expenses have been charged to the Fund during the current year at the rate of 0.4% of the net assets of the Fund being lower than actual expenses incurred.

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

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

17 TAXATION

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

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. Furthermore, Super tax introduced in Finance Act, 2015 is also not applicable on funds as Section 4B of Income Tax Ordinance, 2001.

18 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

18.1 Connected persons include Al Meezan Investment Management Limited being the Management Company, the Central Depository Company of Pakistan (CDC) being the Trustee, Meezan Bank Limited being the holding company of the Management Company, Directors and executives of the Management Company, other collective investment schemes managed by the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company, Al Meezan Investment Management Limited - Employees Gratuity Fund and unit holders holding 10 percent or more of the Fund's net assets.

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

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

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

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

Balances	2020	2019
	(Rupees in '000)	
Al Meezan Investment Management Company Limited - Management Company		
Remuneration payable	1,024	3,013
Sindh Sales Tax payable on management fee	133	392
Selling and marketing expenses payable	603	1,723
Allocated expense payable	58	158
Meezan Bank Limited		
Balances with bank	10,123	32,482
Profit receivable on saving accounts	12	297
Investments of shares: 261,005 shares (2019: 575,505 shares)	17,970	50,164
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee payable	104	233
Sindh Sales Tax on trustee fee payable	13	30
Security deposit	103	103
Meezan Financial Planning Fund of Funds MAAP I		
Investment of 2,948,758 units (2019: 11,269,149)	102,040	400,146

	2020	2019
	(Rupees in '000)	
Meezan Strategic Allocation Fund MSAP - I Investment of 6,022,570 units (2019: 8,724,481 units)	<u>208,407</u>	<u>309,790</u>
Meezan Strategic Allocation Fund MSAP - II Investment of 320,475 units (2019: 1,238,827 units)	<u>11,090</u>	<u>43,988</u>
Meezan Strategic Allocation Fund MSAP - III Investment of 2,872,358 units (2019: 1,980,130 units)	<u>99,396</u>	<u>70,311</u>
Meezan Strategic Allocation Fund MSAP - IV Investment of 2,690,115 units (2019: 1,740,577 units)	<u>93,090</u>	<u>61,805</u>
Meezan Strategic Allocation Fund MSAP - V Investment of 1,001,742 units (2019: 978,486 units)	<u>34,665</u>	<u>34,744</u>
Meezan Strategic Allocation Fund MCPP-III Investment of nil units (2019: 5,644,620 units)	<u>-</u>	<u>200,430</u>
Meezan Strategic Allocation Fund -II MCPP-IV Investment of 1,007,398 units (2019: 10,044,192 units)	<u>34,860</u>	<u>356,650</u>
Meezan Strategic Allocation Fund -II MCPP-V Investment of nil units (2019: 3,081,261 units)	<u>-</u>	<u>109,410</u>
Meezan Strategic Allocation Fund-II MCPP-VI Investment of nil units (2019: 2,745,310 units)	<u>-</u>	<u>97,481</u>
Meezan Strategic Allocation Fund-II MCPP-VII Investment of nil units (2019: 1,477,397 units)	<u>-</u>	<u>52,460</u>
Meezan Strategic Allocation Fund-II MCPP-VIII Investment of nil units (2019: 518,566 units)	<u>-</u>	<u>18,413</u>
Meezan Strategic Allocation Fund-III MCPP - IX Investment of 1,024,923 units (2019: 153,424 units)	<u>35,467</u>	<u>5,448</u>
	2020	2019
	(Rupees in '000)	
Transactions during the year		
Al Meezan Investment Management Limited - Management Company		
Remuneration for the year	<u>20,568</u>	<u>39,234</u>
Sindh Sales Tax on management fee for the year	<u>2,674</u>	<u>5,100</u>
Allocated expenses	<u>1,028</u>	<u>1,962</u>
Selling and marketing expense	<u>4,114</u>	<u>7,847</u>
Meezan Bank Limited		
Profit on saving account	<u>5,405</u>	<u>3,204</u>
Shares purchased during the year: 15,000 shares (2019: 1,141,500 shares)	<u>1,508</u>	<u>102,716</u>
Shares sold during the year: 329,500 shares (2019: 607,500 shares)	<u>24,874</u>	<u>56,059</u>
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the year	<u>1,817</u>	<u>2,962</u>
Sindh Sales Tax on trustee fee	<u>236</u>	<u>385</u>
CDS charges	<u>135</u>	<u>170</u>

	2020 (Rupees in '000)	2019
Meezan Financial Planning Fund of Funds - MAAP - I		
Units issued: 2,108,051 units (2019: 825,518)	61,000	34,000
Units redeemed: 10,428,442 units (2019: 2,315,618)	<u>353,940</u>	<u>97,691</u>
Meezan Financial Planning Fund of Funds MAAP - IV		
Units redeemed: nil units (2019: 2,136,721)	-	99,023
Meezan Strategic Allocation Fund MSAP - I		
Units issued: 5,251,784 units (2019: 14,365,939)	152,000	669,000
Units redeemed: 7,953,695 units (2019: 9,404,419)	<u>275,200</u>	<u>420,970</u>
Meezan Strategic Allocation Fund MSAP - II		
Units issued: nil units (2019: 195,176)	-	7,000
Units redeemed: 918,352 units (2019: 909,923)	<u>38,300</u>	<u>34,830</u>
Meezan Strategic Allocation Fund MSAP - III		
Units issued: 3,501,696 units (2019: 250,940)	113,000	9,000
Units redeemed: 2,609,468 units (2019: 461,212)	<u>93,500</u>	<u>19,170</u>
Meezan Strategic Allocation Fund MSAP - IV		
Units issued: 4,574,900 units (2019: 2,607,475)	150,716	110,000
Units redeemed: 3,625,362 units (2019: 2,846,273)	<u>144,364</u>	<u>122,580</u>
Meezan Strategic Allocation Fund MSAP - V		
Units issued: 792,958 units (2019: 83,647)	27,000	3,000
Units redeemed: 769,702 units (2019: 538,246)	<u>29,650</u>	<u>24,450</u>
Meezan Strategic Allocation Fund MCPP-III		
Units issued: 12,671,266 units (2019: 16,203,722)	470,400	715,130
Units redeemed: 18,315,886 units (2019: 13,476,523)	<u>614,406</u>	<u>601,052</u>
Meezan Strategic Allocation Fund -II MCPP-IV		
Units issued: 11,288,176 units (2019: 33,787,207)	437,700	1,484,100
Units redeemed: 20,324,970 units (2019: 30,746,259 units)	<u>686,456</u>	<u>1,368,353</u>
Meezan Strategic Allocation Fund -II MCPP-V		
Units issued: 1,944,565 units (2019: 10,794,498 units)	75,300	472,600
Units redeemed: 5,025,826 units (2019: 9,835,022 units)	<u>172,285</u>	<u>431,268</u>
Meezan Strategic Allocation Fund-II MCPP-VI		
Units issued: 1,458,405 units (2019: 9,942,055 units)	58,200	434,500
Units redeemed: 4,203,715 units (2019: 7,196,745 units)	<u>139,374</u>	<u>305,924</u>
Meezan Strategic Allocation Fund-II MCPP-VII		
Units issued: 1,197,147 units (2019: 5,339,238 units)	47,000	230,900
Units redeemed: 2,674,544 units (2019: 3,861,841 units)	<u>89,075</u>	<u>164,842</u>
Meezan Strategic Allocation Fund-II MCPP-VIII		
Units issued: 2,929,551 units (2019: 2,825,733 units)	103,750	113,000
Units redeemed: 3,448,117 units (2019: 2,307,167 units)	<u>117,124</u>	<u>87,232</u>
Meezan Strategic Allocation Fund-III MCPP - IX		
Units issued: 3,983,797 units (2019: 195,853 units)	137,300	7,250
Units redeemed: 3,112,298 units (2019: 42,429 units)	<u>105,950</u>	<u>1,500</u>

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

19 FINANCIAL INSTRUMENTS BY CATEGORY
Financial assets

Balances with banks
Investments
Dividend receivable
Receivable against sale of investment
Advances, deposits and other receivables

2020		
At amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		
22,127	-	22,127
-	595,501	595,501
178	-	178
5,113	-	5,113
2,633	-	2,633
<u>30,051</u>	<u>595,501</u>	<u>625,552</u>

Financial liabilities

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

2020		
At fair value through profit or loss	At amortised cost	Total
(Rupees in '000)		
-	1,818	1,818
-	117	117
-	36	36
-	2,616	2,616
-	3,037	3,037
-	<u>7,624</u>	<u>7,624</u>

Financial assets

Balances with banks
Investments
Dividend receivable
Advances, deposits and other receivables

2019		
At amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		
110,688	-	110,688
-	1,658,927	1,658,927
1,120	-	1,120
590	-	590
<u>112,398</u>	<u>1,658,927</u>	<u>1,771,325</u>

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company
Payable to Central Depository Company of Pakistan Limited - Trustee
Payable against purchase of investments
Accrued expenses and other liabilities

2019		
At fair value through profit or loss	At amortised cost	Total
(Rupees in '000)		
-	5,286	5,286
-	263	263
-	1,500	1,500
-	2,629	2,629
-	<u>9,678</u>	<u>9,678</u>

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

20.1 Market risk

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

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

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

(i) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. As of June 30, 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. 0.18 million (2019: Rs. 1.1 million)

b) Sensitivity analysis for fixed rate instruments

As at June 30, 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:

Effective profit rate (%)	2020				Total
	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	
	Up to three months	More than three months and up to one year	More than one year		
Financial assets					
Balances with banks	18,385	-	-	3,742	22,127
Investment	-	-	-	595,501	595,501
Dividend receivable	-	-	-	178	178
Receivable against sale of investment	-	-	-	5,113	5,113
Advances, deposits and other receivables	-	-	-	2,633	2,633
	18,385	-	-	607,167	625,552
Financial liabilities					
Payable to Al Meezan Investment Management Limited - Management Company	-	-	-	1,818	1,818
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	-	-	117	117
Payable against redemption and conversion of units	-	-	-	36	36
Payable against purchase of investments	-	-	-	2,616	2,616
Accrued expenses and other liabilities	-	-	-	3,037	3,037
	-	-	-	7,624	7,624
On-balance sheet gap (a)	18,385	-	-	599,543	617,928
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap (b)	-	-	-	-	-
Total profit rate sensitivity gap (a+b)	18,385	-	-		
Cumulative profit rate sensitivity gap	18,385	18,385	18,385		

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

(Rupees in '000)

Financial assets

Balances with banks in:	3.32% to 12.35%	109,870	-	-	818	110,688
Investment		-	-	-	1,658,927	1,658,927
Dividend receivable		-	-	-	1,120	1,120
Advances, deposits and other receivables		-	-	-	590	590
		109,870	-	-	1,661,455	1,771,325

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	5,286	5,286
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	263	263
Payable against purchase of investments		-	-	-	1,500	1,500
Accrued expenses and other liabilities		-	-	-	2,629	2,629
		-	-	-	9,678	9,678

On-balance sheet gap (a)

109,870	-	-	1,651,777	1,761,647
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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)

109,870	-	-		
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Cumulative profit rate sensitivity gap

109,870	109,870	109,870		
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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.

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. 5.96 million (2019: Rs. 16.589 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 5% 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.

20.2 Liquidity risk

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

The Fund is exposed to daily 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) -----						
Financial assets						
Balances with banks	22,127	-	-	-	-	22,127
Investments	-	-	-	-	595,501	595,501
Dividend receivable	178	-	-	-	-	178
Receivable against sale of investment	5,113	-	-	-	-	5,113
Advances, deposits and other receivables	2,633	-	-	-	-	2,633
	30,051	-	-	-	595,501	625,552
Financial liabilities						
Payable to Al Meezan Investment Management Limited - Management Company	1,818	-	-	-	-	1,818
Payable to the Central Depository Company of Pakistan Limited - Trustee	117	-	-	-	-	117
Payable against redemption and conversion of units	36	-	-	-	-	36
Payable against purchase of investments	2,616	-	-	-	-	2,616
Accrued expenses and other liabilities	3,037	-	-	-	-	3,037
	7,624	-	-	-	-	7,624
Net assets / (liabilities)	22,427	-	-	-	595,501	617,928
----- 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	110,688	-	-	-	-	110,688
Investments	-	-	-	-	1,658,927	1,658,927
Dividend receivable	1,120	-	-	-	-	1,120
Advances, deposits and other receivables	590	-	-	-	-	590
	112,398	-	-	-	1,658,927	1,771,325
Financial liabilities						
Payable to Al Meezan Investment Management Limited - Management Company	5,286	-	-	-	-	5,286
Payable to the Central Depository Company of Pakistan Limited - Trustee	263	-	-	-	-	263
Payable against purchase of investments	1,500	-	-	-	-	1,500
Accrued expenses and other liabilities	2,629	-	-	-	-	2,629
	9,678	-	-	-	-	9,678
Net assets / (liabilities)	102,720	-	-	-	1,658,927	1,761,647

20.3 Credit risk

20.3.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. 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		Rupees in '000	
Balances with banks	22,127	22,127	110,688	110,688
Investments	595,501	-	1,658,927	-
Dividend receivable	178	178	1,120	1,120
Receivable against sale of investment	5,113	5,113	-	-
Advances, deposits and other receivables	2,633	2,633	590	590
	<u>625,552</u>	<u>30,051</u>	<u>1,771,325</u>	<u>112,398</u>

Difference in the balance as per the statement of assets and liabilities and maximum exposure is due to the fact that investment in equity securities of Rs. 0.595 million (2019: Rs. 1.659 million) is 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 control 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.

20.3.2 Credit quality of financial assets

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

Rating	% of financial assets exposed to credit risk	
	2020	2019
AA+	98.81%	95.19%
A+	0.46%	1.09%
AA	0.74%	3.72%

20.3.3 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.

21 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

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

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

Fair value hierarchy

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

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

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

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

As at June 30, 2020, the Fund held the following financial instruments measured at fair values:

	----- 2020 -----		
	Level 1	Level 2	Level 3
	----- (Rupees in '000) -----		
Financial assets 'at fair value through profit or loss'			
Shares of listed companies - 'ordinary shares'	595,501	-	-
	=====	=====	=====
	----- 2019 -----		
	Level 1	Level 2	Level 3
	----- (Rupees in '000) -----		
Financial assets 'at fair value through profit or loss'			
Shares of listed companies - 'ordinary shares'	1,658,927	-	-
	=====	=====	=====

22 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

23 UNIT HOLDING PATTERN OF THE FUND

	----- 2020 -----		
Category	Number of unit holders	Investment amount	Percentage of total
		Rupees in '000	%
Associated undertakings	8	619,015	100.00
	=====	=====	=====
	----- 2019 -----		
Category	Number of unit holders	Investment amount	Percentage of total
		Rupees in '000	%
Associated undertakings	13	1,761,074	100.00
	=====	=====	=====

24 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	14%	Taurus Securities Limited	9%
Ismail Iqbal Securities (Private) Limited	11%	Optimus Capital Management Limited	8%
Aba ali habib Securities (Private) Limited	8%	Intermarket Securities Limited	7%
Taurus Securities Limited	8%	JS Global Capital Limited	7%
Insight Securities (Private) Limited	7%	Foundation Securities (Private) Limited	7%
Vector Capital Management Limited	6%	BMA Capital Management Limited	6%
Intermarket Securities Limited	5%	Vector Capital Management Limited	6%
Topline Securities (Private) Limited	5%	Arif Habib Limited	6%
AKD Securities Limited	5%	Topline Securities (Private) Limited	5%
Optimus Capital Management Limited	4%	AKD Securities Limited	5%

25 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

Name	Designation	Qualification	Overall experience
Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	Thirty years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Twenty Four years
Mr. Taha Javed	Head of Equities	CFA / MBA	Thirteen years
Mr. Ahmed Hassan	SVP Investments	CFA / MBA	Thirteen years
Mr. 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:

- Meezan Balanced 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
- KSE Meezan Index Fund

26 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

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

27 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**.

28 GENERAL

28.1 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.

28.2 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.

28.3 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