



**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.

Islamabad Branch

Pure. Profit.

# EARNING CREDIBILITY IN THE CAPITAL CITY OF PAKISTAN

 Islamabad Branch

**SHAH FAISAL MOSQUE  
(ISLAMABAD)**



# FUND INFORMATION

## MANAGEMENT COMPANY

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

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. Mohammad Shoaib, CFA	Chief Executive Officer
Mr. Muhammad Abdullah Ahmed	Nominee Director - MBL
Mr. Mohammad Furquan R Kidwai	Independent Director
Mr. Ijaz Farooq	Nominee Director - MBL
Mr. Moin M. Fudda	Independent Director
Ms. Saima 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. Moin M. Fudda	Chairman
Mr. Ariful Islam	Member
Mr. Naeem Abdul Sattar	Member
Mr. Mohammad Shoaib, CFA	Member

## TRUSTEE

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

## AUDITORS

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

## SHARIAH ADVISER

Meezan Bank Limited

## BANKERS TO THE FUND

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](http://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

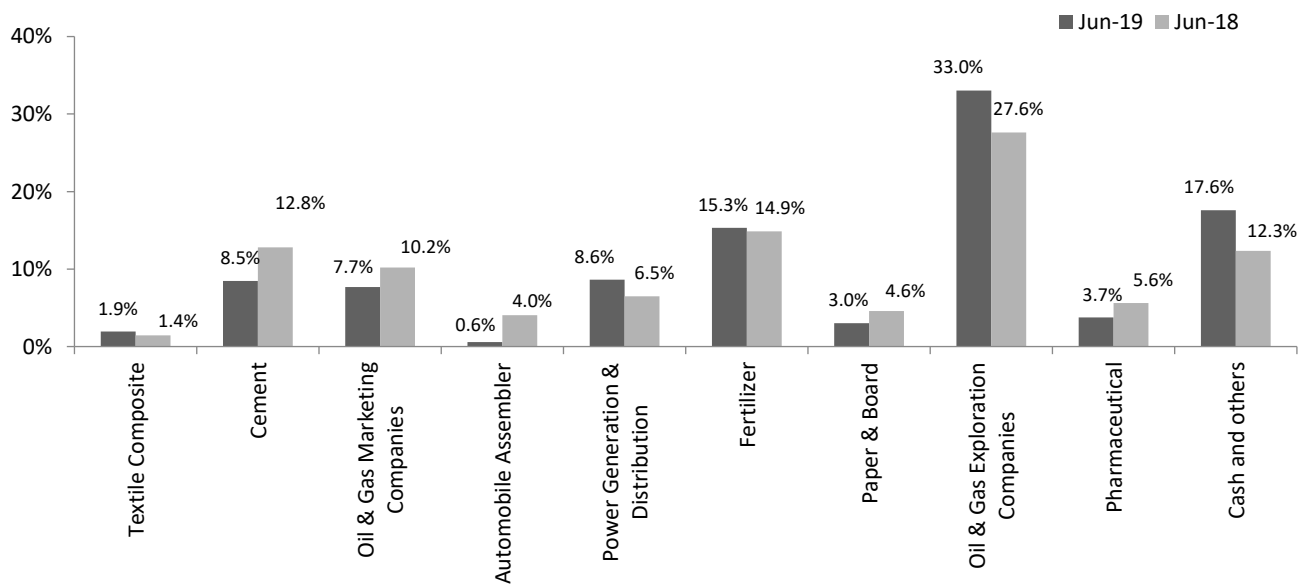
The objective of MIF is to provide optimum returns to the investors from investment in Shariah Compliant stocks for the given level of risk, while abiding by all applicable rules and regulations. Total return refers to the returns from capital gains (realized and unrealized), dividend income and other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

### Strategy, Investment Policy and Asset Allocation

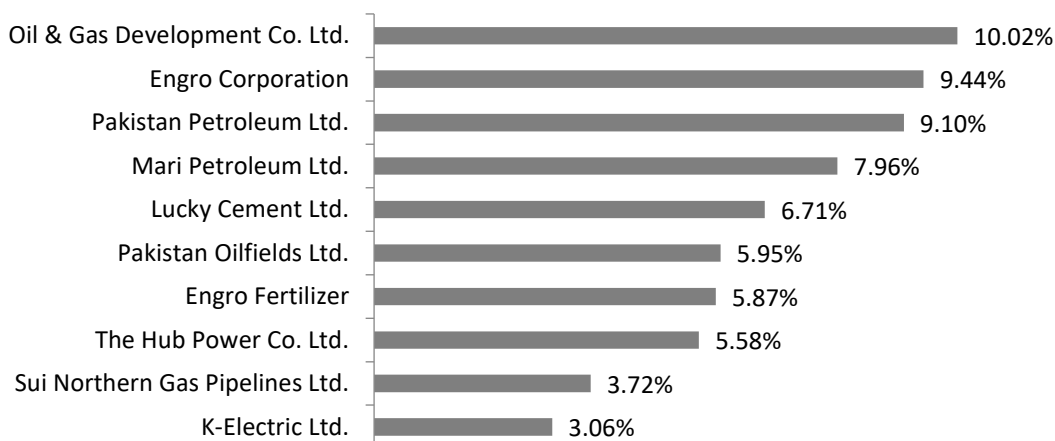
The performance of MIF is linked directly to the performance of equity market. The fund manager, Al Meezan Investment Management Limited, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. To control risk, the exposure in growth stocks is balanced against 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 97.5%. However, it maintained an average exposure close to 94.7% in equities during the year, while closing the period at around 97%. The fund maintained a heavy exposure to the Oil and Gas Exploration sector which was further increased during the year as expected earnings rose due to continuous rupee depreciation. Exposure to cement sector was gradually reduced due to weak outlook and was used to finance positions in Oil and gas exploration, Power, Fertilizer and Textile sectors.

### Sector Allocation for the year ended FY18 and FY19



## Top Holdings

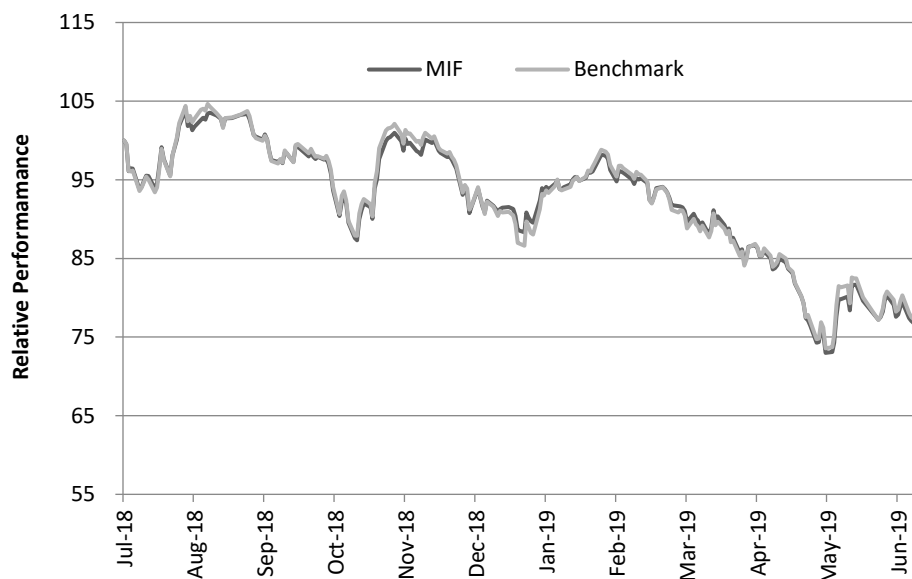


### Performance Review

During fiscal year 2019, Meezan Islamic Fund (MIF) provided a negative return of 24.33% (including all expenses) to its investors while KSE Meezan Index (KMI 30) depreciated by 23.84% to close at 54,119 pts.

	<u>MIF</u>	<u>KMI-30</u>
Net Asset Value (NAV) as on June 30, 2018 –Rs.	63.33	71,060
Net Asset Value (NAV) as on June 30, 2019 –Rs.	47.92	54,119
Return During the Period	<b>-24.33%</b>	<b>-23.84%</b>

MIF posted a total loss of Rs. 7,882 million in the fiscal year 2019 as compared to a total loss of Rs. 7,010 million last year. Total loss comprised of realized and unrealized losses on investments of Rs. 2,224 million and Rs. 7,381 million respectively, while the net outflow in the Fund during the year was 4,424 million. Dividend income contributed Rs. 1,528 million to income, while profit on saving accounts with banks amounted to Rs. 194 million. After accounting for expenses of Rs. 1,068 million, the Fund posted a net loss of Rs. 8,950 million. The net assets of the Fund as at June 30, 2019 were Rs. 25,740 million as compared to Rs. 39,115 million at the end of year depicting a decline of 34.19%. The net asset value per unit as at June 30, 2019 was Rs. 47.92 as compared to Rs. 63.33 per unit as on June 30, 2018. The net outflow during the year was Rs. 4,385 mn.



### 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, 2019 an amount of Rs. 27.45 million was accrued as charity payable.

### Distributions

There is NIL distribution by the Fund during the fiscal year ended June 30, 2019.

### Summary of Actual Proxy Voted By the Fund

	Resolutions	For	Against	Abstain
<b>Number</b>	4	4	-	-
<b>Percentage</b>	100%	100%	-	-

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



# Meezan Bank

The Premier Islamic Bank

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

August 1, 2019/ Dhu Al-Qi'dah 28, 1440

**Alhamdulillah**, the period from July 2018 to June 30, 2019 was the Sixteenth 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, 2019 and their evaluation according to the screening criteria established by us. (December 31, 2018 accounts of the Investee companies have been used for the following calculations\*):

Company Name	(i) Nature of Business	(ii)** Debt to Assets (<37%)	(iii) Non-Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Oil & Gas Development Company	Oil & Gas Exploration Companies	0.00%	12.32%	4.26%	36%	77.25	128
Engro Corporation Ltd	Fertilizer	33.98%	20.80%	3.52%	66%	(144.42)	
Mari Petroleum Ltd	Oil & Gas Exploration Companies	11.14%	15.09%	1.04%	33%	(597.55)	

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Lucky Cement	Cement	13.58%	0.03%	2.09%	76%	(65)	
Engro Fertilizer	Fertilizer	25.93%	6.57%	0.43%	76%	(32.98)	
Pakistan Petroleum Ltd.	Oil & Gas Exploration Companies	0.02%	11.98%	1.31%	39%	47.24	149.66
Pakistan Oil Fields	Oil & Gas Exploration Companies	0.00%	0.01%	3.2%	52.39%	(9.27)	
The Hub Power Co. Ltd.***	Power Generation & Distribution Company	31.38%	0.00%	0.43%	41%	(29.25)	

\* 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.

- ii. On the basis of information provided by the management, all operations of MIF for the year ended June 30, 2019 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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S.M.C.H.S. Main Shahra-e-Faisal  
Karachi - 74400. Pakistan.  
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Fax: (92-21) 34326021 - 23  
URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)



**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, 2019 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 20, 2019



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, 2019, 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, 2019, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
2	<b>Net Asset Value</b> (Refer note 6 to the financial statements)	
	<p>The investments constitute the most significant component of the net asset value. The investments of the Fund as at June 30, 2019 amounted to Rs 25,014.329 million.</p> <p>The existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2019 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>Tested the design and operating effectiveness of the key controls for valuation of investments;</li> <li>Obtained independent confirmations for verifying the existence of the investment portfolio as at June 30, 2019 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; and</li> <li>Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies.</li> </ul>

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



### Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of 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 Requirement**

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

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

  
 Chartered Accountants  
 Karachi  
 Date: September 18, 2019

**MEEZAN ISLAMIC FUND  
STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2019**



**Meezan  
Islamic Fund**

	2019	2018
Note	-----Rupees in '000-----	
<b>Assets</b>		
Balances with banks	5 1,340,974	2,730,709
Investments	6 25,014,329	37,188,682
Receivable against sale of investments	152,085	-
Receivable against conversion of units	62,891	98,887
Dividend receivable	117,132	150,745
Advances, deposits and other receivables	7 18,566	22,332
<b>Total assets</b>	<b>26,705,977</b>	<b>40,191,355</b>
<b>Liabilities</b>		
Payable to Al Meezan Investment Management Limited- Management Company	8 79,964	195,109
Payable to Central Depository Company of Pakistan Limited - Trustee	9 2,579	3,805
Payable to the Securities and Exchange Commission of Pakistan	10 32,360	1,254
Payable against redemption and conversion of units	74,075	183,929
Payable against purchase of investments	122,665	16,430
Payable to Meezan Bank Limited	135	42,013
Accrued expenses and other liabilities	11 653,860	634,161
<b>Total liabilities</b>	<b>965,638</b>	<b>1,076,701</b>
<b>NET ASSETS</b>	<b><u>25,740,339</u></b>	<b><u>39,114,654</u></b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>	<b><u>25,740,339</u></b>	<b><u>39,114,654</u></b>
<b>CONTINGENCIES AND COMMITMENTS</b>	12	
<b>NUMBER OF UNITS IN ISSUE</b>	<b><u>537,113,594</u></b>	<b><u>617,631,854</u></b>
	<b>Rupees</b>	
<b>NET ASSET VALUE PER UNIT</b>	<b><u>47.9235</u></b>	<b><u>63.3300</u></b>

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

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

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

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

\_\_\_\_\_  
Director

**MEEZAN ISLAMIC FUND**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019	2018
----- Rupees in '000-----			
<b>Income</b>			
Dividend income		1,528,402	2,055,136
Profit on saving account with banks		193,892	176,400
Realised loss on sale of investments		(2,223,676)	(2,894,594)
		(501,382)	(663,058)
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.3	(7,380,729)	(6,346,583)
<b>Total loss</b>		(7,882,111)	(7,009,641)
<b>Expenses</b>			
Remuneration of Al Meezan Investment Management Limited - Management Company	8.1	681,257	884,489
Sindh Sales Tax on remuneration of the Management Company	8.2	88,563	114,984
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	35,063	45,224
Sindh Sales Tax on remuneration of the Trustee	9.2	4,558	5,879
Annual fees to the Securities and Exchange Commission of Pakistan	10.1	32,360	42,013
Auditors' remuneration	13	740	697
Fees and subscription		3,989	5,239
Legal and professional charges		160	67
Brokerage expense		19,869	20,355
Bank and settlement charges		3,614	6,405
Allocated expenses	8.3	34,063	44,224
Selling and marketing expenses	8.4	136,251	176,898
Printing expenses		297	995
Charity expense	11.1	27,448	30,495
<b>Total expenses</b>		1,068,232	1,377,964
<b>Net loss for the year before taxation</b>		(8,950,343)	(8,387,605)
Taxation	16	-	-
<b>Net loss for the year after taxation</b>		(8,950,343)	(8,387,605)
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		-	-
Income already paid on units redeemed		-	-
<b>Accounting income available for distribution</b>			
- Relating to capital gains		-	-
- Excluding capital gains		-	-

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

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**For Al 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, 2019



**Meezan**  
Islamic Fund

	Note	2019	2018
		----- Rupees in '000-----	
Net loss for the year after taxation		(8,950,343)	(8,387,605)
Other comprehensive income for the year			
<i>Income that may be re-classified subsequently to Income Statement</i>			
Net unrealised diminution in the value of investments classified as 'available-for-sale'	6.4	-	(858,603)
<b>Total comprehensive loss for the year</b>		<u>(8,950,343)</u>	<u>(9,246,208)</u>

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

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

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

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

\_\_\_\_\_  
Director

**MEEZAN ISLAMIC FUND  
STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	2019				2018			
	Capital Value	Undistributed income / (Accumulated losses)	Unrealised diminution on 'available for sale' investments	Total	Capital Value	Undistributed income	Unrealised diminution on 'available for sale' investments	Total
	(Rupees in '000)				(Rupees in '000)			
<b>Net assets at the beginning of the year as previously reported (Audited)</b>	32,024,698	6,467,562	622,394	39,114,654	38,516,545	14,855,167	1,480,997	54,852,709
Change in accounting policy - note 3.2	-	622,394	(622,394)	-	-	-	-	-
<b>Net assets at the beginning of the year</b>	<b>32,024,698</b>	<b>7,089,956</b>	<b>-</b>	<b>39,114,654</b>	<b>38,516,545</b>	<b>14,855,167</b>	<b>1,480,997</b>	<b>54,852,709</b>
Issuance of 372,029,911 units (June 30, 2018: 409,530,180 units)								
- Capital value (at net asset value per unit at the beginning of the year)	23,560,654	-	-	23,560,654	31,292,201	-	-	31,292,201
- Element of loss	(2,065,476)	-	-	(2,065,476)	(3,510,449)	-	-	(3,510,449)
Total proceeds on issuance of units	21,495,178	-	-	21,495,178	27,781,752	-	-	27,781,752
Redemption of 452,548,171 units (June 30, 2018: 509,804,708 units)								
- Capital value (at net asset value per unit at the beginning of the year)	28,659,876	-	-	28,659,876	38,954,178	-	-	38,954,178
- Element of income	(2,740,726)	-	-	(2,740,726)	(4,680,579)	-	-	(4,680,579)
Total payments on redemption of units	25,919,150	-	-	25,919,150	34,273,599	-	-	34,273,599
Total comprehensive loss for the year	-	(8,950,343)	-	(8,950,343)	-	(8,387,605)	(858,603)	(9,246,208)
Distribution during the year	-	-	-	-	-	-	-	-
Refund of Capital during the year	-	-	-	-	-	-	-	-
Net loss for the year less distribution	-	(8,950,343)	-	(8,950,343)	-	(8,387,605)	(858,603)	(9,246,208)
<b>Net assets at the end of the year</b>	<b>27,600,726</b>	<b>(1,860,387)</b>	<b>-</b>	<b>25,740,339</b>	<b>32,024,698</b>	<b>6,467,562</b>	<b>622,394</b>	<b>39,114,654</b>
Undistributed income brought forward								
- Realised income		12,814,145				9,682,347		
- Unrealised loss		(6,346,583)				5,172,820		
		6,467,562				14,855,167		
Change in accounting policy - note 3.2		622,394				-		
		7,089,956				14,855,167		
Accounting income available for distribution (after adjusting income already paid on units redeemed)								
- Relating to capital gains		-				-		
- Excluding capital gains		-				-		
Net loss for the year after taxation		(8,950,343)				(8,387,605)		
Distribution during the year		-				-		
Undistributed income carried forward		<u>(1,860,387)</u>				<u>6,467,562</u>		
(Accumulated losses) / undistributed income carried forward								
- Realised income		5,520,342				12,814,145		
- Unrealised loss		(7,380,729)				(6,346,583)		
		<u>(1,860,387)</u>				<u>6,467,562</u>		
					(Rupees)			(Rupees)
Net assets value per unit at the beginning of the year					<u>63.3300</u>			<u>76.4100</u>
Net assets value per unit at the end of the year					<u>47.9235</u>			<u>63.3300</u>

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

AU 1 2

For Al Meezan Investment Management Limited  
(Management Company)

Chief Executive

Chief Financial Officer

Director



**MEEZAN ISLAMIC FUND  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2019**



**Meezan  
Islamic Fund**

	2019	2018
	----- Rupees in '000 -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year before taxation	(8,950,343)	(8,387,605)
<b>Adjustments for:</b>		
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	7,380,729 <u>(1,569,614)</u>	6,346,583 <u>(2,041,022)</u>
<b>Decrease / (increase) in assets</b>		
Investments	4,793,624	6,054,996
Dividend receivable	33,613	101,756
Receivable against sale of investment	(152,085)	-
Advances, deposits and other receivables	3,766	16,152
	<u>4,678,918</u>	<u>6,172,904</u>
<b>(Decrease) / increase in liabilities</b>		
Payable to AI Meezan Investment Management Limited - Management Company	(115,145)	3,114
Payable to Central Depository Company of Pakistan Limited - Trustee	(1,226)	(1,472)
Payable to the Securities and Exchange Commission of Pakistan	31,106	(774)
Payable to Meezan Bank Limited	(41,878)	(6,526)
Payable against purchase of investment	106,235	(48,523)
Accrued expenses and other liabilities	19,699	(203,180)
	<u>(1,209)</u>	<u>(257,361)</u>
<b>Net cash generated from operating activities</b>	<u>3,108,095</u>	<u>3,874,521</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net receipts from issuance of units	21,531,174	29,213,047
Net payments against redemption of units	(26,029,004)	(34,199,627)
Dividend paid	-	(345,340)
<b>Net cash used in financing activities</b>	<u>(4,497,830)</u>	<u>(5,331,920)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(1,389,735)</u>	<u>(1,457,399)</u>
Cash and cash equivalents at the beginning of the year	2,730,709	4,188,108
<b>Cash and cash equivalents at the end of the year</b>	<u>5</u> <u>1,340,974</u>	<u>2,730,709</u>

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

AU/LS

**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, 2019**

**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 JCR-VIS dated December 28, 2018 (2018: AM1 dated December 29, 2017) and by PACRA dated June 28, 2019. 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 in accordance with the process prescribed under the Shariah guidelines issued by the Shariah Advisor are accounted for on substance rather than the form prescribed by the aforementioned guidelines. This practice is being followed to comply with the requirements of the accounting and reporting standards as applicable in Pakistan.

**3 BASIS OF PREPARATION**

**3.1 Statement of compliance**

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

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

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

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

Effective from July 01, 2018, the fund has adopted IFRS 9: "Financial Instruments" which has replaced IAS 39: "Financial Instruments: Recognition and Measurement". The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach rather than 'incurred credit losses' approach, as previously given under IAS 39. The ECL has impact on all the assets of the Fund which are exposed to credit risk. However, majority of the assets of the Fund that are exposed to credit risk pertain to counter parties which have high credit rating. Therefore, the management believes that the impact of ECL would be very minimal and hence, the same has not been accounted for in these financial statements.

All equity investments are required to be measured in the "Statement of Assets and Liabilities" at fair value, with gains and losses recognized 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 Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

IFRS 9 requires securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis to be recognized as Fair value through profit or loss (FVPL). The management considers its investment in equity securities being managed as a group of assets and hence has classified them as FVPL. Accordingly, the Fund's investment portfolio in equity securities is classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. Consequently, on adoption of IFRS 9 all investments in equity instruments which were previously classified as "available for sale" have been transferred / redesignated as FVPL.

The Fund has adopted modified retrospective restatement approach for adopting IFRS-9 and accordingly, all changes arising on adoption of IFRS-9 have been adjusted at the beginning of the current year.

The effect of this change in accounting policy is as follows:

	As at June 30, 2018 (as previously stated)	Change	As at July 1, 2018	As at June 30, 2019
----- Rs. in '000 -----				
<b>Impact on Statement of Assets and Liabilities</b>				
Investments - 'Available for sale'	3,125,246	(3,125,246)	-	-
Investments - 'At fair value through profit or loss'	34,063,436	3,125,246	37,188,682	25,014,329
<b>Impact on Statement of Unitholders' fund</b>				
Unrealised appreciation / (diminution) on 'Available-for-sale' investments	622,394	(622,394)	-	-
Undistributed income	6,467,562	622,394	7,089,956	

There is no impact on the income statement, statement of comprehensive income and cash flow statement of the Fund on adoption of IFRS 9.

There are no other standards, amendments to standards or interpretations that are effective for annual accounting periods beginning on July 1, 2018 that have a material effect on the financial statements of the Fund.

### 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)
- IFRS 9 - 'Financial instruments' (amendment)	January 1, 2019
- 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.

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There are certain other standards, amendments 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 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 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 except for the change in accounting policy as explained in note 3.2 above.

### 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.

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#### 4.3.2 Impairment

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

#### 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.

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#### 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).

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#### 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	2019	2018
			----- Rupees in '000 -----	
	Balances with banks in:			
	Savings accounts	5.1	1,340,177	2,686,559
	Current account		797	44,150
			<u>1,340,974</u>	<u>2,730,709</u>

5.1 The balances in saving accounts have expected profit rates ranging from 3.32% to 12.50% per annum (2018: 2.00% to 6.60% per annum).

6	INVESTMENTS	Note	2019	2018
			----- Rupees in '000 -----	
	Investments - 'available for sale'	6.1	-	3,125,246
	Investments - 'at fair value through profit or loss'	6.2	25,014,329	34,063,436
			<u>25,014,329</u>	<u>37,188,682</u>

6.1 During the year, the Fund has adopted IFRS-9: "Financial Instruments" which has replaced IAS-39: "Financial Instruments: Recognition and Measurement". As a result of adoption of IFRS-9, investments amounting to Rs. 3,125.246 million have been reclassified from 'Available for sale' category as at June 30, 2018 to 'fair value through profit or loss' category with effect from July 1, 2018 (as disclosed in note 3.2).

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

Name of the investee company	As at July 1, 2018	Transfers from 'Available for sale' category upon adoption of IFRS 9 - note 3.2	As at July 1, 2018 - Adjusted	Purchases during the year	Bonus / Right issue	Sales during the year	As at June 30, 2019	Carrying value as at June 30, 2019	Market value as at June 30, 2019	Unrealised appreciation / (diminution) as at June 30, 2019	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) -----		----- % -----			
<b>Sectors / companies</b>													
<b>Automobile assembler</b>													
Ghandhara Industries Limited	364,000	-	364,000	199,200	374,000	160,000	777,200	239,068	67,904	(171,164)	0.26	0.27	1.82
Honda Atlas Cars (Pakistan) Limited	2,500,200	233,700	2,733,900	183,500	-	2,837,000	80,400	24,386	11,925	(12,461)	0.05	0.05	0.06
Millat Tractors Company Limited	116,900	-	116,900	840	-	36,600	81,140	96,411	69,974	(26,437)	0.27	0.28	0.18
Pak Suzuki Motor Company Limited	110,700	-	110,700	155,000	-	265,700	-	-	-	-	-	-	-
											0.58	0.60	2.06
<b>Automobile parts and accessories</b>													
Gandhara Nissan Limited	1,742,972	-	1,742,972	10,000	-	1,478,600	274,372	48,597	14,385	(34,212)	0.06	0.06	0.48
The General Tyre and Rubber Company of Pakistan Limited	109,600	-	109,600	-	27,720	137,320	-	-	-	-	-	-	-
Thal Limited (note 6.2.1)	7	-	7	-	-	7	-	-	-	-	-	-	-
											0.06	0.06	0.48

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Name of the investee company	As at July 1, 2018	Transfers from 'Available for sale' category upon adoption of IFRS 9 - note 3.2	As at July 1, 2018 - Adjusted	Purchases during the year	Bonus / Right issue	Sales during the year	As at June 30, 2019	Carrying value as at June 30, 2019	Market value as at June 30, 2019	Unrealised appreciation / (diminution) as at June 30, 2019	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)		%			
<b>Chemicals</b>													
Engro Polymer & Chemicals Limited *	12,403,500	-	12,403,500	5,676,500	4,866,221	5,305,500	17,640,721	529,875	475,594	(54,281)	1.85	1.90	1.94
ICI Pakistan Limited	1,074,110	75	1,074,185	145,700	-	36,150	1,183,735	927,483	630,303	(297,180)	2.45	2.52	1.28
Lotte Chemical Pakistan Limited	-	-	-	3,451,000	-	666,500	2,784,500	44,408	42,464	(1,944)	0.16	0.17	0.18
Sitara Chemicals Industries Limited	30,500	-	30,500	-	-	-	30,500	11,234	9,329	(1,905)	0.04	0.04	0.14
Sitara Peroxide Limited	-	-	-	650,000	-	650,000	-	-	-	-	-	-	-
											4.50	4.63	3.54
<b>Cement</b>													
Attock Cement Company Limited	-	-	-	270,200	-	-	270,200	34,820	19,295	(15,525)	0.07	0.08	0.20
Cherat Cement Company Limited	6,437,212	-	6,437,212	-	-	6,437,212	-	-	-	-	-	-	-
D.G. Khan Cement Company Limited	6,054,822	-	6,054,822	1,802,400	-	5,489,000	2,368,222	216,707	133,899	(82,808)	0.52	0.54	0.54
Dewan Cement Company Limited	2,619,000	-	2,619,000	-	-	2,619,000	-	-	-	-	-	-	-
Fauji Cement Company Limited	2,000	-	2,000	1,359,500	-	1,361,500	-	-	-	-	-	-	-
Kohat Cement Company Limited	3,352,500	-	3,352,500	330,500	1,005,750	774,400	3,914,350	357,274	205,621	(151,653)	0.80	0.82	1.95
Lucky Cement Limited	5,077,829	279,000	5,356,829	1,058,700	-	1,714,100	4,701,429	2,344,430	1,788,753	(555,677)	6.95	7.15	1.45
Maple Leaf Cement Factory Limited	2,276,500	-	2,276,500	9,040,500	-	6,535,000	4,782,000	136,075	114,242	(21,833)	0.44	0.46	0.72
Pioneer Cement Limited	10,983,300	-	10,983,300	-	-	10,983,300	-	-	-	-	-	-	-
											8.78	9.05	4.86
<b>Paper and Board</b>													
Cherat Packaging Limited	344,813	-	344,813	335,600	51,721	-	732,134	104,589	59,039	(45,550)	0.23	0.24	1.89
Century Paper & Board Mills	500	-	500	-	-	500	-	-	-	-	-	-	-
Packages Limited	1,614,053	2,027,850	3,641,903	140,450	-	1,307,500	2,474,853	1,192,959	743,842	(449,117)	2.89	2.97	2.77
											3.12	3.21	4.66
<b>Technology and communication</b>													
Avanceon Limited	25,000	-	25,000	1,711,500	431,800	53,000	2,115,300	107,048	103,734	(3,314)	0.40	0.41	1.11
Netsol Technologies Limited	-	-	-	2,070,300	-	1,083,200	987,100	77,922	65,040	(12,882)	0.25	0.26	1.10
Pakistan Telecommunication Company Limited "A"	-	-	-	800,000	-	-	800,000	6,884	6,616	(268)	0.03	0.03	0.02
Systems Limited	852,000	-	852,000	164,000	59,600	420,000	655,600	60,972	62,918	1,946	0.24	0.25	0.53
											0.92	0.95	2.76
<b>Refinery</b>													
Attock Refinery Limited	154,400	-	154,400	146,400	200	301,000	-	-	-	-	-	-	-
National Refinery Limited	89,155	-	89,155	101,000	-	190,155	-	-	-	-	-	-	-
Pakistan Refinery Limited	-	-	-	3,500	-	3,500	-	-	-	-	-	-	-
											-	-	-
<b>Miscellaneous</b>													
Shifa International Hospitals Limited	88	-	88	-	-	88	-	-	-	-	-	-	-
<b>Commercial Banks</b>													
Meezan Bank Limited (an associate of the Fund)	-	577	577	11,583,000	858,520	4,401,500	8,040,597	649,582	700,818	51,236	2.72	2.80	0.63
BankIslami Pakistan Limited	-	875	875	-	-	875	-	-	-	-	-	-	-
											2.72	2.80	0.63
<b>Oil and Gas Marketing Companies</b>													
Attock Petroleum Limited	327,579	-	327,579	84,640	65,515	-	477,734	223,078	137,831	(85,247)	0.54	0.55	0.48
Hascol Petroleum Limited (note 6.2.3)	980,397	-	980,397	738,900	439,573	78,400	2,080,470	400,046	142,762	(257,284)	0.55	0.57	1.04
Hi-Tech Lubricants Limited	2,035,500	-	2,035,500	-	-	2,035,500	-	-	-	-	-	-	-
Pakistan State Oil Company Limited (note 6.2.3)	4,183,727	1,787,400	5,971,127	486,900	1,148,725	3,105,000	4,501,752	1,168,851	763,632	(405,219)	2.97	3.05	1.15
Sui Southern Gas Pipelines Limited	1,693,500	-	1,693,500	912,000	-	1,850,000	755,500	18,274	15,624	(2,650)	0.06	0.06	0.09
Sui Northern Gas Pipelines Limited	14,258,300	-	14,258,300	4,410,500	-	4,409,000	14,259,800	1,309,194	990,914	(318,280)	3.85	3.96	2.25
											7.97	8.19	5.01



Name of the investee company	As at July 1, 2018	Transfers from 'Available for sale' category upon adoption of IFRS 9 - note 3.2	As at July 1, 2018 - Adjusted	Purchases during the year	Bonus / Right issue	Sales during the year	As at June 30, 2019	Carrying value as at June 30, 2019	Market value as at June 30, 2019	Unrealised appreciation / (diminution) as at June 30, 2019	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)			
								Number of shares			(Rupees in '000)			%		
<b>Oil and Gas Exploration Companies</b>																
<b>Oil and Gas Development</b>																
Company Limited	25,784,700	-	25,784,700	6,207,900	-	11,666,700	20,325,900	3,108,728	2,672,653	(436,075)	10.38	10.68	0.47			
Pakistan Oilfields Limited	2,620,597	415,600	3,036,197	548,550	595,439	271,050	3,909,136	2,140,249	1,586,679	(553,570)	6.16	6.34	1.38			
Pakistan Petroleum Limited	9,530,950	-	9,530,950	7,066,700	1,449,682	1,239,700	16,807,632	3,065,117	2,427,526	(637,591)	9.43	9.70	0.74			
Mari Petroleum Company Limited (note 6.2.3)	1,975,820	-	1,975,820	52,840	200,338	126,160	2,102,838	2,873,322	2,122,457	(750,865)	8.25	8.48	1.73			
											34.22	35.20	4.32			
<b>Pharmaceuticals</b>																
Abbott Laboratories (Pakistan) Limited	562,350	-	562,350	6,950	-	459,950	109,350	74,690	51,902	(22,788)	0.20	0.21	0.11			
AGP Limited	5,623,500	-	5,623,500	453,000	-	1,113,000	4,963,500	436,652	340,149	(96,503)	1.32	1.36	1.77			
Glaxo Smithkline Pakistan Limited	50,816	-	50,816	-	-	45,000	5,816	965	554	(411)	-	-	-			
Glaxo Smithkline Consumer Healthcare Products Limited	411,256	-	411,256	161,700	-	214,300	358,656	134,123	69,221	(64,902)	0.27	0.28	0.31			
Highnoon Laboratories Limited (note 6.2.3)	726	-	726	-	72	-	798	298	202	(96)	-	-	-			
The Searle Company Limited (note 6.2.3)	3,204,329	281,397	3,485,726	965,000	531,153	1,330,200	3,651,679	989,592	535,190	(454,402)	2.08	2.14	1.72			
											3.87	3.99	3.91			
<b>Power Generation and Distribution</b>																
The Hub Power Company Limited	6,738,716	10,377,900	17,116,616	3,665,901	-	1,878,000	18,904,517	1,645,744	1,488,731	(157,013)	5.78	5.95	1.63			
K - Electric Limited (6.2.1)	181,109,500	-	181,109,500	14,512,500	-	9,493,500	186,128,500	1,053,461	817,104	(236,357)	3.17	3.27	0.67			
											8.95	9.22	2.30			
<b>Cable &amp; Electrical Goods</b>																
Pak Elektron Limited	1,850	-	1,850	9,500	-	11,350	-	-	-	-	-	-	-			
<b>Fertilizer</b>																
Dawood Hercules Corporation Limited	4,503,400	-	4,503,400	721,600	-	5,225,000	-	-	-	-	-	-	-			
Engro Corporation Limited (note 6.2.2)	9,910,267	-	9,910,267	686,700	850,506	1,966,900	9,480,573	2,708,100	2,518,040	(190,060)	9.78	10.07	1.65			
Engro Fertilizers Limited	31,274,200	-	31,274,200	174,500	-	6,987,000	24,461,700	1,832,447	1,564,815	(267,632)	6.08	6.26	1.83			
											15.86	16.33	3.48			
<b>Engineering</b>																
Amreli Steels Limited	-	-	-	300,000	-	300,000	-	-	-	-	-	-	-			
Crescent Steel & Allied Products Limited	70,600	-	70,600	-	-	70,600	-	-	-	-	-	-	-			
International Industries Limited	737,400	-	737,400	382,000	-	187,000	932,400	191,536	71,860	(119,676)	0.28	0.29	0.78			
International Steel Limited	2,988,000	-	2,988,000	1,518,800	-	2,039,000	2,467,800	216,975	97,996	(118,979)	0.38	0.39	0.57			
Mughal Iron & Steel Industries Limited	566,000	-	566,000	2,000	-	568,000	-	-	-	-	-	-	-			
K.S.B. Pumps Company Limited	79,900	-	79,900	-	-	-	79,900	22,372	8,070	(14,302)	0.03	0.03	0.61			
											0.69	0.71	1.96			
<b>Food and Personal Care Products</b>																
Al-Shaheer Corporation Limited (note 6.2.3)	60,741	-	60,741	-	-	-	60,741	1,655	765	(890)	-	-	0.04			
Al-Tahur Limited	-	-	-	1,081,132	-	972,000	109,132	2,299	2,151	(148)	0.01	0.01	0.07			
Friesland Campina Engro Pakistan Limited (Formerly Engro Foods Limited)	14,221	-	14,221	3,500	-	-	17,721	1,586	1,034	(552)	-	-	-			
National Foods Limited (note 6.2.1)	-	-	-	197,100	-	-	197,100	36,949	36,298	(651)	0.14	0.15	0.16			
											0.15	0.16	0.27			

Name of the investee company	As at July 1, 2018	Transfers from 'Available for sale' category upon adoption of IFRS 9 - note 3.2	As at July 1, 2018 - Adjusted	Purchases during the year	Bonus / Right issue	Sales during the year	As at June 30, 2019	Carrying value as at June 30, 2019	Market value as at June 30, 2019	Unrealised appreciation / (diminution) as at June 30, 2019	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)			
								Number of shares			(Rupees in '000)			%		
<b>Vanaspati &amp; Allied Industries</b>																
Unity Foods Limited	1,159,000	-	1,159,000	15,706,346	-	5,152,500	11,712,846	187,877	120,642	(67,235)	0.47	0.48	2.15			
<b>Glass and Ceramics</b>																
Tariq Glass Industries Limited	-	-	-	792,500	-	-	792,500	75,239	60,729	(14,510)	0.24	0.24	1.08			
<b>Textile Composite</b>																
Feroze1888 Mills Limited	-	-	-	2,291,500	-	749,000	1,542,500	104,306	155,592	51,286	0.60	0.62	0.41			
Kohinoor Textile Mills Limited (note 6.2.3)	2,014	-	2,014	871,500	-	201,000	672,514	29,667	16,846	(12,821)	0.07	0.07	0.22			
Nishat Mills Limited	3,991,400	104,000	4,095,400	2,050,100	-	770,800	5,374,700	748,702	501,675	(247,027)	1.95	2.01	1.53			
											2.62	2.70	2.16			
<b>Textile and Apparel</b>																
Interloop Limited	-	-	-	8,335,000	-	-	8,335,000	382,240	368,990	(13,250)	1.43	1.48	0.96			
<b>Right Certificates</b>																
<b>Chemicals</b>																
Engro Polymer & Chemicals Limited*	4,866,221	-	4,866,221	-	-	4,866,221	-	-	-	-	-	-	-			
<b>Power Generation and Distribution</b>																
The Hub Power Company Limited*	-	-	-	2,034,401	-	2,034,401	-	-	-	-	-	-	-			
<b>Vanaspati &amp; Allied Industries</b>																
Unity Foods Limited*	-	-	-	10,430,346	-	10,430,346	-	-	-	-	-	-	-			
<b>Total as at June 30, 2019</b>								<u>32,395,058</u>	<u>25,014,329</u>	<u>(7,380,729)</u>						
<b>Total as at June 30, 2018</b>								<u>40,410,019</u>	<u>34,063,436</u>	<u>(6,346,583)</u>						

\* The right certificates were exercised during the year and the shares are included in the investment in Engro Polymer and Chemicals Limited, The Hub Power Company Limited and Unity Foods Limited above.

- 6.2.1** All shares have a nominal value of Rs 10 each except for the shares of Thal 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.
- 6.2.2** Investments include 1,000,000 shares of Engro Corporation Limited, having market value of Rs 265.60 million as at June 30, 2019 (June 30, 2018: Rs. 313.86 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.
- 6.2.3** 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.

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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 current year. Subsequent to the year ended June 30, 2019, 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, 2019, the bonus shares of the Fund withheld by certain companies at the time of declaration of bonus shares amounted to Rs 40.686 million (2018: Rs 73.918 million).

	2019	2018
	----- Rupees '000 -----	
<b>6.3 Unrealised diminution on re-measurement of investments classified as Financial assets at fair value through profit or loss</b>		
Market value of investments	25,014,329	34,063,436
Carrying value of investments	<u>(32,395,058)</u>	<u>(40,410,019)</u>
	<u>(7,380,729)</u>	<u>(6,346,583)</u>
<b>6.4 Net unrealised diminution on re-measurement of investments classified as 'available-for-sale'</b>		
Market value of investments	-	3,125,246
Carrying value of investments	<u>-</u>	<u>(2,502,852)</u>
	-	622,394
Less: unrealised diminution on re-measurement of investments classified as available for sale as at July 1	<u>-</u>	<u>1,480,997</u>
	<u>-</u>	<u>(858,603)</u>
<b>7 ADVANCES, DEPOSITS AND OTHER RECEIVABLES</b>		
Security deposit with Central Depository Company of Pakistan Limited	100	100
Security deposit with National Clearing Company of Pakistan Limited	2,500	2,500
Advance against IPO subscription	-	500
Profit receivable on saving accounts with banks	15,966	19,232
	<u>18,566</u>	<u>22,332</u>

8	PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note	2019	2018
			----- Rupees '000 -----	
	Management fee payable	8.1	43,986	65,700
	Sindh Sales Tax payable on remuneration of the Management Company	8.2	5,718	8,541
	Allocated expenses payable	8.3	2,199	3,285
	Selling and marketing expenses payable	8.4	27,811	114,604
	Sales load payable		221	2,636
	Sindh Sales Tax on sales load payable		29	343
			<u>79,964</u>	<u>195,109</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 2% of the average annual net assets in case of an Equity Scheme. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 2% (2018: 2%) per annum of the average net assets of the Fund during the year ended June 30, 2019. The remuneration is payable to the Management Company monthly in arrears.

8.2 During the year, an amount of Rs 88.563 million (2018: Rs 114.984 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 91.387 million (2018: Rs 118.387 million) has been paid to the Management Company which acts as a collecting agent.

8.3 Uptil June 19, 2019 in accordance with Regulation 60 of the NBFC Regulations, the Management Company was entitled to charge expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS) at the rate of 0.1% of the average annual net assets of the scheme or actual whichever is less. During the year, SECP vide SRO 639 dated June 20, 2019 has removed the maximum cap of 0.1%. Accordingly, the Management Company can now charge actual expenses related to registrar services, accounting, operations and valuation services to the CIS with effect from June 20, 2019.

However, the Management Company continued to charge expenses at the rate 0.1% of the average annual net assets of the Fund for both the periods i.e from July 1, 2018 to June 19, 2019 and from June 20, 2019 to June 30, 2019, being lower than actual expenses.

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 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.

9	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2019	2018
			-----Rupees in '000-----	
	Trustee fee payable	9.1	2,282	3,367
	Sindh Sales Tax payable on trustee fee	9.2	297	438
			<u>2,579</u>	<u>3,805</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 Rs 0.7 million or 0.20% per annum of NAV, whichever is higher
- on amount exceeding Rs 1,000 million Rs 2 million plus 0.10% per annum of NAV, on amount exceeding Rs 1,000 million

9.2 During the year, an amount of Rs 4.558 million (2018: Rs. 5.879 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 4.700 million (2018: Rs 6.048 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 classified as a Equity Scheme is required to pay to the Securities and Exchange Commission of Pakistan an amount equal to 0.095% (June 30, 2018: 0.095%) of the average annual net assets of the Fund as annual fee.

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11 ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2019	2018
		-----Rupees in '000-----	
Auditors' remuneration payable		480	630
Printing charges payable		483	321
Shariah advisor fee payable		2,245	2,148
Charity payable	11.1	30,781	29,281
Brokerage payable		9,357	-
Withholding tax payable		922	922
Capital gain tax payable		4,237	4,291
Provision for Sindh Workers' Welfare Fund	11.2	340,482	340,482
Zakat payable		399	185
Sales load payable		-	11
Sindh Sales Tax on sales load		-	1
Provision for Federal Excise Duty and related Sindh Sales Tax on sales load	11.3	32,607	31,217
Provision for Federal Excise Duty and related Sindh Sales Tax on management fee	11.3	231,867	224,672
		<u>653,860</u>	<u>634,161</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, 2019, non-shariah compliant income amounting to Rs 27.448 million (2018: Rs 30.495 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.

- 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, 2019, the net asset value of the Fund as at June 30, 2019 would have been higher by Re. 0.63 per unit (2018: Re 0.55 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 01 July 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

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

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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, 2018 would have been higher by Re 0.49 (2018: Re 0.41) per unit.

During the year, FED amounting to Rs. 8.585 million has been paid to the Fund by the Management Company in respect of management fee and sales load pertaining to prior periods.

## 12 CONTINGENCIES AND COMMITMENTS

12.1 There were no contingencies and commitments outstanding as at June 30, 2019 and June 30, 2018.

## 13 AUDITORS' REMUNERATION

	2019	2018
	-----Rupees in '000-----	
Annual audit fee	552	509
Half yearly review fee	159	159
Out of pocket expenses	29	29
	740	697

## 14 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2019 is 3.14% 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 PERFORMANCE TABLE

	2019	2018	2017	2016
Net assets (Rs. '000) (ex-distribution)	25,740,339	39,114,651	54,852,709	32,554,406
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	47.9235	63.3300	76.4100	66.2100
Offer price per unit as at June 30, (Rs.) (ex-distribution)	49.0065	64.7613	78.1400	67.9600
Highest offer price per unit (Rs.)	66.7191	79.1600	94.0900	72.0300
Lowest offer price per unit (Rs.)	46.8951	60.4300	68.3600	56.9400
Highest redemption price per unit (Rs.)	65.2446	77.4100	92.0100	70.1700
Lowest redemption price per unit (Rs.)	45.8587	59.0900	66.8500	55.4700
Distribution (%)				
Interim	N/A	N/A	N/A	5.90
Final	N/A	N/A	5.00	4.40
Date of distribution				
Interim	N/A	June 23, 2018	June 23, 2017	June 23, 2016
Final	N/A	N/A	N/A	July 3, 2015
Income distribution (Rupees in '000)	N/A	N/A	N/A	-
Growth distribution (Rupees in '000)	N/A	N/A	3,316,003	2,277,467
Total return (%)	(24.33)	(17.12)	22.96	17.40
	<b>One Year</b>	<b>Two Year</b>	<b>Three Year</b>	<b>Four Year</b>
Average annual return as at June 30, 2019 (%)	(24.33)	(20.81)	(8.30)	(2.45)

### Investment portfolio composition of the Fund

Investment portfolio composition of the Fund is as described in note 6.

Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate as described in note 19.

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## 16 TAXATION

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

## 17 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 17.1** Connected persons include Al Meezan Investment Management Limited being the Management Company, the Central Depository Company of Pakistan 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.
- 17.2** 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.
- 17.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, and the Trust Deed.
- 17.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 17.5** The details of transactions carried out by the Fund with connected persons during the year and balances with them as at year end are as follows:

Balances	2019	2018
	-----Rupees in '000-----	
<b>Al Meezan Investment Management Limited (Management Company)</b>		
Remuneration payable	43,986	65,700
Sindh Sales Tax on management fee payable	5,718	8,541
Sales load payable	221	2,636
Sindh Sales Tax and on sales load payable	29	343
Allocated expenses	2,199	3,285
Selling and marketing expense payable	27,811	114,604
Investment of 10,011,729 units (2018: 7,290,007 units)	479,797	461,676
<b>Central Depository Company of Pakistan Limited - CDC (Trustee)</b>		
Security deposits refundable	100	100
Remuneration Payable	2,282	3,367
Sindh Sales Tax on trustee fee payable	297	438
<b>Meezan Bank Limited</b>		
Balance with bank	113,831	514,696
Profit receivable on saving accounts	508	482
Sales load payable	119	1,110
Sindh Sales Tax on sales load payable	16	144
Investment in 8,040,597 shares (2018: 577 shares)	700,818	47
Investment of 12,475,049 units (2018: 12,475,049 units)	597,848	790,045
<b>Al Meezan Investment Management Limited - Employees' Gratuity Fund</b>		
Investment of 180,189 units (2018: 180,189 units)	8,635	11,411

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	2019	2018
	-----Rupees in '000-----	
<b>Meezan Financial Planning Fund of Funds - Aggressive Allocation Plan</b> Investment of 5,706,435 units (2018: 5,893,702 units)	<u>273,472</u>	<u>373,276</u>
<b>Meezan Financial Planning Fund of Funds - Moderate Allocation Plan</b> Investment of 2,116,314 units (2018: 2,444,911 units)	<u>101,421</u>	<u>154,836</u>
<b>Meezan Financial Planning Fund of Funds - Conservative Allocation Plan</b> Investment of 1,149,027 units (2018: 1,116,559 units)	<u>55,065</u>	<u>70,712</u>
<b>Meezan Financial Planning Fund of Funds - MAAP - I</b> Investment of 171,373 units (2018: nil units)	<u>8,213</u>	<u>-</u>
<b>Meezan Financial Planning Fund of Funds - MAAP - IV</b> Investment of nil units (2018: 3,990,160 units)	<u>-</u>	<u>252,697</u>
<b>Meezan Strategic Allocation Fund - MSAP - I</b> Investment of 3,358,170 units (2018: 16,154,958 units)	<u>160,935</u>	<u>1,023,093</u>
<b>Meezan Strategic Allocation Fund - MSAP - II</b> Investment of 2,983,781 units (2018: 7,263,762 units)	<u>142,993</u>	<u>460,014</u>
<b>Meezan Strategic Allocation Fund - MSAP - III</b> Investment of 10,949,083 units (2018: 15,057,857 units)	<u>524,718</u>	<u>953,614</u>
<b>Meezan Strategic Allocation Fund - MSAP - IV</b> Investment of 12,489,103 units (2018: 17,367,260 units)	<u>598,522</u>	<u>1,099,869</u>
<b>Meezan Strategic Allocation Fund - MSAP - V</b> Investment of 3,635,008 units (2018: 4,968,509 units)	<u>174,202</u>	<u>314,656</u>
<b>Directors and executives of the Management Company</b> Investment of 1,016,776 units (2018: 6,611,012 units)	<u>48,727</u>	<u>418,675</u>
<b>Transactions during the year</b>	<b>For the year ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
	-----Rupees in '000-----	
<b>Al Meezan Investment Management Limited - Management Company</b>		
Remuneration for the year	<u>681,257</u>	<u>884,489</u>
Sindh Sales Tax on management fee	<u>88,563</u>	<u>114,984</u>
Allocated expenses	<u>34,063</u>	<u>44,224</u>
Selling and marketing expenses	<u>136,251</u>	<u>176,898</u>
Issuance of 9,950,748 units (2018: 3,079,227 units)	<u>533,253</u>	<u>200,116</u>
Redemption of 7,229,026 units (2018: 7,559,016 units)	<u>435,200</u>	<u>500,000</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	<u>35,063</u>	<u>45,224</u>
Sindh Sales Tax on remuneration of the Trustee	<u>4,558</u>	<u>5,879</u>
CDS charges	<u>881</u>	<u>939</u>
<b>Meezan Bank Limited</b>		
Profit on saving accounts	<u>3,338</u>	<u>3,067</u>
Purchase of 11,583,000 shares (2018: 585,500 shares)	<u>1,028,161</u>	<u>42,735</u>
Sale of 4,401,500 shares (2018: 5,390,000 shares)	<u>403,299</u>	<u>402,209</u>
Bonus issue of 858,520 shares (2018: nil shares)	<u>-</u>	<u>-</u>
Right issue of nil shares (2018: 302,410 shares)	<u>-</u>	<u>15,121</u>
Dividend income	<u>21,923</u>	<u>11,120</u>

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	For the year ended June 30,	
	2019	2018
	-----Rupees in '000-----	
<b>Meezan Financial Planning Fund of Funds - Aggressive Allocation Plan</b>		
Issuance of 897,308 units (2018: 1,483,388 units)	49,654	101,641
Redemption of 1,084,575 units (2018: 1,345,266 units)	58,020	91,653
<b>Meezan Financial Planning Fund of Funds - Moderate Allocation Plan</b>		
Issuance of 421,442 units (2018: 844,035 units)	22,096	55,185
Redemption of 750,039 units (2018: 1,076,095 units)	43,846	71,957
<b>Meezan Financial Planning Fund of Funds - Conservative Allocation Plan</b>		
Issuance of 417,630 units (2018: 466,107 units)	22,559	30,738
Redemption of 385,162 units (2018: 684,717 units)	22,528	45,916
<b>Meezan Financial Planning Fund of Funds - MAAP - I</b>		
Issuance of 660,324 units (2018: 5,743,872 units)	34,250	396,000
Redemption of 488,951 units (2018: 19,161,669 units)	25,369	1,358,884
<b>Meezan Financial Planning Fund of Funds - MAAP - II</b>		
Issuance of nil units (2018: 660,921 units)	-	44,000
Redemption of nil units (2018: 11,519,979 units)	-	733,000
<b>Meezan Financial Planning Fund of Funds - MAAP - III</b>		
Issuance of nil units (2018: 12,630,712 units)	-	833,000
Redemption of nil units (2018: 41,120,601 units)	-	2,667,494
<b>Meezan Financial Planning Fund of Funds - MAAP - IV</b>		
Issuance of nil units (2018: 1,265,749 units)	-	84,000
Redemption of 3,990,160 units (2018: 6,297,397 units)	249,454	432,260
<b>Meezan Strategic Allocation Fund - MSAP - I</b>		
Issuance of 5,815,081 units (2018: 5,512,380 units)	337,500	360,000
Redemption of 18,611,869 units (2018: 13,719,672 units)	1,103,435	904,570
<b>Meezan Strategic Allocation Fund - MSAP - II</b>		
Issuance of 1,453,481 units (2018: 2,169,030 units)	79,000	144,000
Redemption of 5,733,462 units (2018: 5,213,170 units)	320,470	347,650
<b>Meezan Strategic Allocation Fund - MSAP - III</b>		
Issuance of 1,966,861 units (2018: 2,518,261 units)	107,400	167,000
Redemption of 6,075,635 units (2018: 5,795,234 units)	336,840	382,690
<b>Meezan Strategic Allocation Fund - MSAP - IV</b>		
Issuance of 2,195,916 units (2018: 8,813,267 units)	120,000	605,000
Redemption of 7,074,073 units (2018: 7,649,800 units)	399,610	508,880
<b>Meezan Strategic Allocation Fund - MSAP - V</b>		
Issuance of 646,341 units (2018: 6,593,519 units)	34,750	434,838
Redemption of 1,979,842 units (2018: 1,625,010 units)	108,291	110,000
<b>Directors and executives of the Management Company</b>		
Issuance of 712,437 units (2018: 2,589,514 units)	42,876	176,934
Redemption of 6,332,657 units (2018: 2,029,869 units)	342,916	145,479

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

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**18 FINANCIAL INSTRUMENTS BY CATEGORY**
**Financial assets**

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

2019		
At amortised cost	At fair value through profit or loss	Total
Rupees in '000		
1,340,974	-	1,340,974
-	25,014,329	25,014,329
152,085	-	152,085
62,891	-	62,891
117,132	-	117,132
18,566	-	18,566
<u>1,691,648</u>	<u>25,014,329</u>	<u>26,705,977</u>

**Financial liabilities**

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

2019		
At fair value through profit or loss	At amortised cost	Total
Rupees in '000		
-	79,964	79,964
-	2,579	2,579
-	74,075	74,075
-	122,665	122,665
-	135	135
-	43,346	43,346
-	<u>322,764</u>	<u>322,764</u>

**Financial assets**

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

2018		
At amortised cost	At fair value through profit or loss	Total
Rupees in '000		
2,730,709	-	2,730,709
-	37,188,682	37,188,682
98,887	-	98,887
150,745	-	150,745
22,332	-	22,332
<u>3,002,673</u>	<u>37,188,682</u>	<u>40,191,355</u>

**Financial liabilities**

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

2018		
At fair value through profit or loss	At amortised cost	Total
Rupees in '000		
-	195,109	195,109
-	3,805	3,805
-	183,929	183,929
-	16,430	16,430
-	42,013	42,013
-	32,392	32,392
-	<u>473,678</u>	<u>473,678</u>

**19 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:

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## 19.1 Market risk

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

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, 2019, 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, 2019, 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 13.402 million (2018: Rs 26.866 million).

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

As at June 30, 2019, the Fund does not hold any fixed rate instrument that may expose the Fund to fair value 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, 2019 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, 2019 can be determined as follows:

	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 -----						
<b>Financial assets</b>						
Balances with banks	3.32% - 12.50%	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
<b>Financial liabilities</b>						
Payable to Al 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
<b>On-balance sheet gap (a)</b>		1,340,177	-	-	25,043,036	26,383,213
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-	-
<b>Total interest rate sensitivity gap (a+b)</b>		1,340,177	-	-		
<b>Cumulative interest rate sensitivity gap</b>		1,340,177	1,340,177	1,340,177		

2018					
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	2.00% - 6.60%	2,686,559	-	-	44,150	2,730,709
Investments		-	-	-	37,188,682	37,188,682
Receivable against conversion of units		-	-	-	98,887	98,887
Dividend receivable		-	-	-	150,745	150,745
Advances, deposits and other receivables		-	-	-	22,332	22,332
		2,686,559	-	-	37,504,796	40,191,355

**Financial liabilities**

Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	195,109	195,109
Payable to Central Depository Company Limited - Trustee		-	-	-	3,805	3,805
Payable against redemption and conversion of units		-	-	-	183,929	183,929
Payable against purchase of investments		-	-	-	16,430	16,430
Payable to Meezan Bank Limited		-	-	-	42,013	42,013
Accrued expenses and other liabilities		-	-	-	32,392	32,392
		-	-	-	473,678	473,678

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

	2,686,559	-	-	37,031,118	39,717,677
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**Off-balance sheet financial instruments**

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

	-	-	-	-	-
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**Total interest rate sensitivity gap (a+b)**

	2,686,559	-	-		
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**Cumulative interest rate sensitivity gap**

	2,686,559	2,686,559	2,686,559		
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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 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 'available-for-sale' or 'at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The NBFC Regulations also limit individual equity securities to no more than 15% of net assets and issued capital of the investee company and sector exposure limit to 40% of the net assets.

In case of 1% increase / decrease in KMI 30 index on June 30, 2019, with all other variables held constant, the total income of the Fund and "other comprehensive income" for the year would increase / decrease by Rs 250.143 million and Rs nil million respectively (2018: Rs. 340.634 and Rs 31.252 million respectively) and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as available-for-sale and 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, 2019 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KMI 30 Index.

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## 19.2 Liquidity risk

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

The Fund is exposed to daily 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:

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						
<b>Financial assets</b>						
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
	<b>1,689,048</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,016,929</b>	<b>26,705,977</b>
<b>Financial liabilities</b>						
Payable to AI 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
	<b>279,418</b>	<b>12,082</b>	<b>31,264</b>	<b>-</b>	<b>-</b>	<b>322,764</b>
<b>Net assets / (liabilities)</b>	<b>1,409,630</b>	<b>(12,082)</b>	<b>(31,264)</b>	<b>-</b>	<b>25,016,929</b>	<b>26,383,213</b>

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2018						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
Rupees in '000						
<b>Financial assets</b>						
Balances with banks	2,730,709	-	-	-	-	2,730,709
Investments	-	-	-	-	37,188,682	37,188,682
Receivable against conversion of units	98,887	-	-	-	-	98,887
Dividend receivable	150,745	-	-	-	-	150,745
Advances, deposits and other receivables	19,732	-	-	-	2,600	22,332
	<b>3,000,073</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,191,282</b>	<b>40,191,355</b>
<b>Financial liabilities</b>						
Payable to Al Meezan Investment Management - Management Company	195,109	-	-	-	-	195,109
Payable to Central Depository Company (CDC) Limited - Trustee	3,805	-	-	-	-	3,805
Payable against redemption and conversion of units	183,929	-	-	-	-	183,929
Payable against purchase of investments	16,430	-	-	-	-	16,430
Payable to Meezan Bank Limited	42,013	-	-	-	-	42,013
Accrued expenses and other liabilities	12	2,778	29,602	-	-	32,392
	<b>441,298</b>	<b>2,778</b>	<b>29,602</b>	<b>-</b>	<b>-</b>	<b>473,678</b>
<b>Net assets / (liabilities)</b>	<b>2,558,775</b>	<b>(2,778)</b>	<b>(29,602)</b>	<b>-</b>	<b>37,191,282</b>	<b>39,717,677</b>

### 19.3 Credit risk

19.3.1 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:

	2019		2018	
	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	1,340,974	1,340,974	2,730,709	2,730,709
Investments	25,014,329	-	37,188,682	-
Receivable against sale of investments	152,085	152,085	-	-
Receivable against conversion of units	62,891	62,891	98,887	98,887
Dividend receivable	117,132	117,132	150,745	150,745
Advances, deposits and other receivables	18,566	18,566	22,332	22,332
	<b>26,705,977</b>	<b>1,691,648</b>	<b>40,191,355</b>	<b>3,002,673</b>

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 25,014.329 million (2018: 37,188.682 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.

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### 19.3.2 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	
	2019	2018
AAA	2.42	59.17
AA+	34.76	23.95
AA-	0.00	0.56
AA	6.52	0.24
A+	51.63	16.08
A	4.67	-
	<u>100.00</u>	<u>100.00</u>

### 19.3.3 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.

## 20 FAIR VALUE MEASUREMENT

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

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

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, 2019, the Fund held the following financial instruments measured at fair values:

	2019		
	Level 1	Level 2	Level 3
	Rupees in '000		
<b>Financial assets</b>			
At fair value through profit or loss	25,014,329	-	-
	<u>25,014,329</u>	<u>-</u>	<u>-</u>
	2018		
	Level 1	Level 2	Level 3
	Rupees in '000		
<b>Financial assets</b>			
At fair value through profit or loss	34,063,436	-	-
Available-for-sale	3,125,246	-	-
	<u>37,188,682</u>	<u>-</u>	<u>-</u>

**21 UNIT HOLDERS' FUND RISK MANAGEMENT**

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

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 19, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

**22 UNIT HOLDING PATTERN OF THE FUND**

Category	2019			2018		
	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	26,140	13,544,277	52.62	26,052	20,292,579	51.88
Associated Companies / Directors	17	3,151,048	12.24	17	6,356,494	16.25
Insurance Companies	6	879,855	3.42	9	1,091,815	2.79
Banks and DFIs	3	219,815	0.85	4	189,799	0.49
Retirement Funds	143	4,539,812	17.64	165	6,519,868	16.67
Public Limited Companies	3	207,614	0.81	-	-	-
Others	166	3,197,918	12.42	186	4,664,099	11.92
	<u>26,478</u>	<u>25,740,339</u>	<u>100.00%</u>	<u>26,433</u>	<u>39,114,654</u>	<u>100.00%</u>

**23 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
BMA Capital Management Limited	11%	JS Global Capital Limited	11%
Alfalah Securities (Private) Limited	9%	Arif Habib Limited	9%
AKD Securities Limited	8%	Foundation Securities (Private) Limited	8%
Top Line Securities (Private) Limited	7%	AKD Securities Limited	7%
JS Global Capital Limited	7%	Alfalah Securities (Private) Limited	6%
Fortune Securities Limited	7%	Optimus Capital Management (Private) Limited	6%
Foundation Securities (Private) Limited	6%	BMA Capital Management Limited	6%
Optimus Capital Management (Private) Limited	6%	Next Capital Limited	5%
Arif Habib Limited	6%	Elixir Securities Pakistan (Private) Limited	5%
Shajar Capital Pakistan (Private) Limited	5%	Top Line Securities (Private) Limited	5%

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## 24 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	Twenty Nine years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Twenty Three years
Mr. Muhammad Mohsin	Head of Equity / Director - Research	MBA	Twenty Two years
Mr. Ahmed Hassan	SVP Investments	CFA / MBA	Twelve years
Mr. Ali Khan	VP Product Development	CFA / FRM / MBA	Nine years
Mr. Zain Malik	VP Investments	CFA / BBA	Ten years
Mr. Asif Imtiaz	AVP Investments	CFA / MBA - Finance	Eleven years
Mr. Imad Ansari	Head of Risk Management	B.S Actuarial Sciences & Risk Management / MBA - Finance	Fourteen years
Mr. Ali Asghar	VP/Head of Research	CFA / MBA (in progress)	Eight years

24.1 The Fund manager of the Fund is Mr. Muhammad Mohsin. The Fund Manager is not managing any other fund.

## 25 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					
		July 6, 2018	August 09, 2018	October 18, 2018	February 14, 2019	April 18, 2019	May 23, 2019
Mr. Ariful Islam	Chairman	Yes	No	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib	Chief Executive Officer	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Moin M. Fudda	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Atif Azim *	Director	Yes	Yes	Yes	Yes	Yes	Resigned
Mr. Ijaz Farooq	Director	No	Yes	No	Yes	Yes	No
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Abdullah Ahmed	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Arshad Majeed	Director	Yes	Yes	No	Yes	Yes	Yes
Ms. Saima Kamila Khan	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Naeem Sattar	Director	Yes	Yes	Yes	Yes	Yes	Yes

\*Mr. Atif Azim resigned on May 07, 2019.

## 26 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.

## 27 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 19, 2019.

## 28 GENERAL

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

*AM*

For Al Meezan Investment Management Limited  
(Management Company)

Chief Executive

Chief Financial Officer

Director



**Al Meezan  
Mutual Fund**

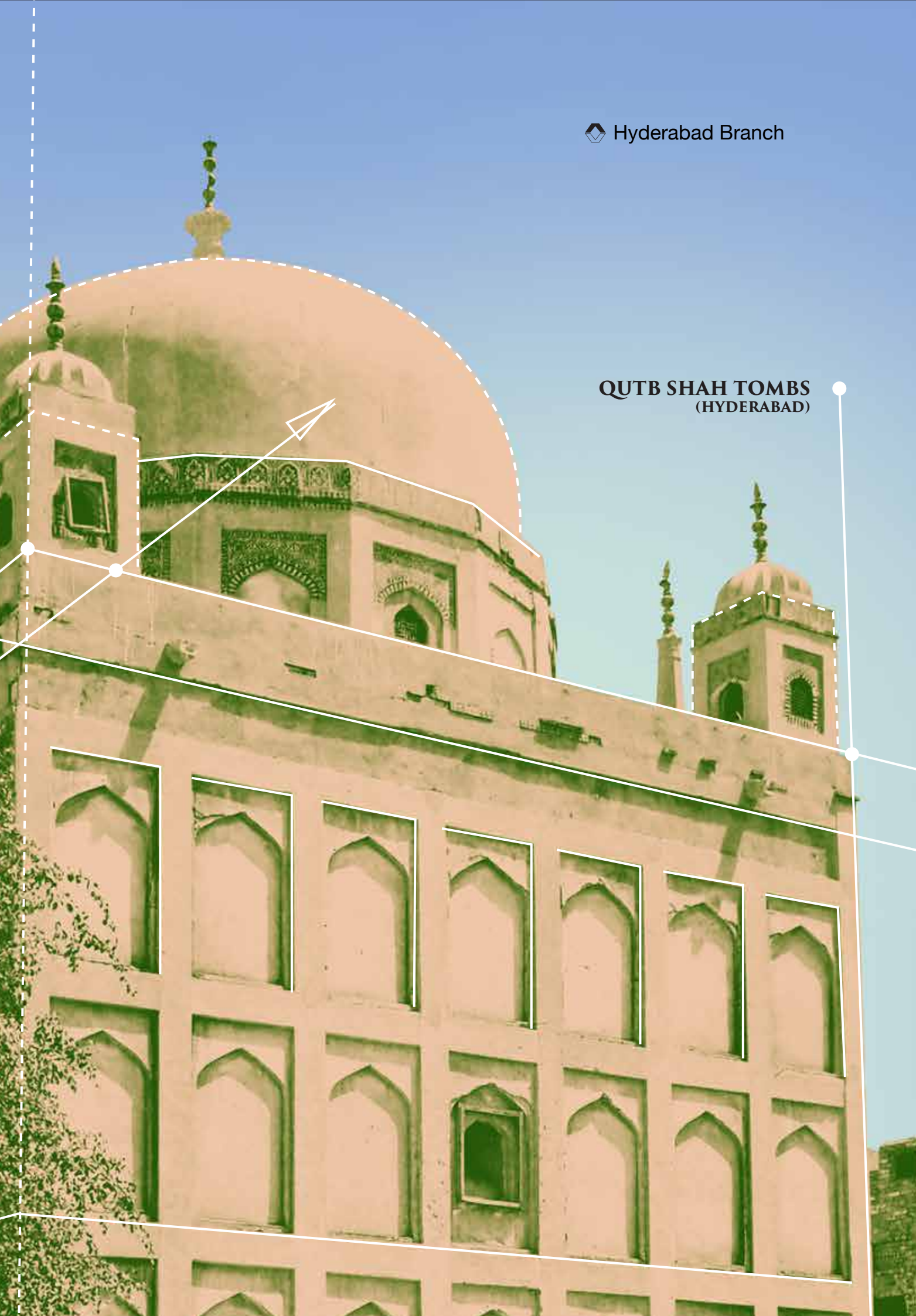
## **AL-MEEZAN MUTUAL FUND (AMMF)**

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

## **REACHING NEW MILESTONES IN THE SECOND BIGGEST CITY OF SINDH**



**QUTB SHAH TOMBS  
(HYDERABAD)**



# FUND INFORMATION

## MANAGEMENT COMPANY

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

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. Mohammad Shoaib, CFA	Chief Executive Officer
Mr. Muhammad Abdullah Ahmed	Nominee Director - MBL
Mr. Mohammad Furquan R Kidwai	Independent Director
Mr. Ijaz Farooq	Nominee Director - MBL
Mr. Moin M. Fudda	Independent Director
Ms. Saima 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. Moin M. Fudda	Chairman
Mr. Ariful Islam	Member
Mr. Naeem Abdul Sattar	Member
Mr. Mohammad Shoaib, CFA	Member

## TRUSTEE

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

## AUDITORS

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

## SHARIAH ADVISER

Meezan Bank Limited

## BANKERS TO THE FUND

Allied Bank Limited	Habib Metropolitan Bank Limited - Islamic Banking
Al Baraka Islamic Bank B.S.C (E.C)	MCB Islamic Bank Limited
Askari Bank Limited - Islamic Banking	Meezan Bank Limited
Bank Al Habib Limited - Islamic Banking	National Bank of Pakistan - Islamic Banking
Bank Alfalah Limited	Sindh Bank Limited
Bank Islami Pakistan Limited	UBL Ameen - Islamic Banking
Dubai Islamic Bank Pakistan Limited	
Faysal Bank Limited - 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](http://www.meezanbank.com)

## DISTRIBUTORS

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

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

### Type of Fund

Open end equity fund

### Objective

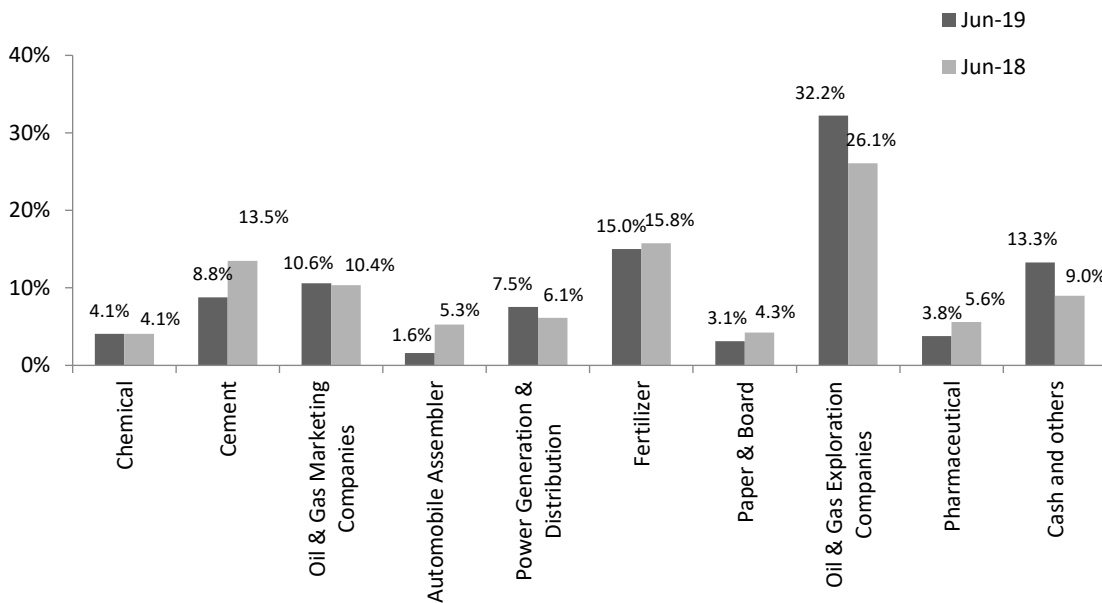
The objective of AMMF is to provide maximum total return to the shareholders by investing in “Shariah compliant” equity avenues for the given level of risk, while abiding by the Regulations and any other prevailing rules and regulations.

### Strategy, Investment Policy and Asset Allocation

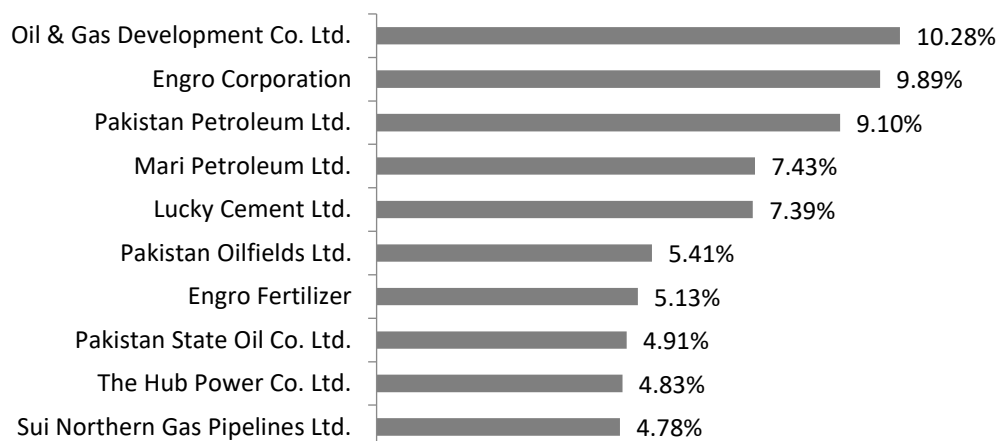
The performance of AMMF is directly linked to the performance of the equity market. The fund manager, Al Meezan Investment Management Limited, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. To control risk, the exposure in growth stocks is balanced 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 95% exposure to equities, touched a maximum of 98.3% and minimum of around 92% during the fiscal year, on average remaining around 95% invested and while closing the year at 97% invested percentage. Although allocation remained diversified across sectors, major holdings remained in the Oil & Gas Exploration and Fertilizer sectors. However, exposure in Paper and Board, Auto Assemblers and Cement sectors was gradually reduced due to weak outlook.

### Sector Allocation for the year ended FY18 and FY19



## Top Holdings

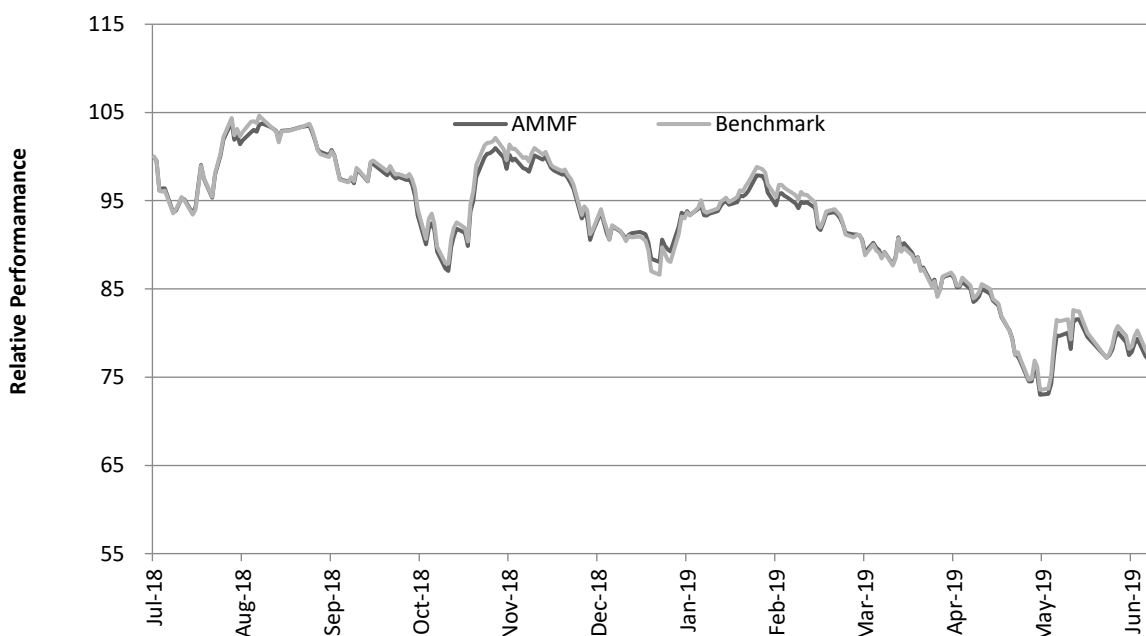


### Performance Review

During FY19, Al Meezan Mutual Fund (AMMF) provided a negative return of 24.36% to its investors while the KSE Meezan Index (KMI 30) depreciated by 23.84% to close at 54,119 pts.

	<u>AMMF (NAV)</u>	<u>KMI-30 (Index Points)</u>
Net Asset Value (NAV) as on June 30, 2018- Rs.	17.66	71,060
Net Asset Value (NAV) as on June 30, 2019- Rs.	13.36	54,119
Return During the Period	-24.36%	-23.84%

AMMF posted a total loss of Rs. 1,471 million in the fiscal year 2019 as compared to a total loss of Rs. 926 million last year. Total loss comprised of realized and unrealized capital losses on investments of Rs. 493 million and Rs. 1,308 million respectively, while the net outflow in the Fund during the year was 425 million. Dividend income contributed Rs. 299 million to income, while profit on saving accounts with banks amounted to Rs. 31 million. After accounting for expenses of Rs. 200 million, the Fund posted a net loss of Rs. 1,671 million. The net assets of the Fund as at June 30, 2019 were Rs. 4,768 million as compared to Rs. 6,864 million last year depicting a decline of 31%. The net asset value per unit as at June 30, 2019 was Rs. 13.35 as compared to Rs. 17.66 per unit as on June 30, 2018. The net outflow during the year was Rs. 423 mn.



### 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, 2019 an amount of Rs. 5.3 million was accrued as charity payable.

### Distributions

There is NIL distribution by the Fund during the fiscal year ended June 30, 2019.

### Summary of Actual Proxy Voted By the Fund

	Resolutions	For	Against	Abstain
<b>Number</b>	4	4	-	-
<b>Percentage</b>	100%	100%	-	-

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

**Breakdown of unit holdings by size:**

(As on June 30, 2019)

<b>Range (Units)</b>	<b>No. of investors</b>
1 - 9,999	3,028
10,000 - 49,999	881
50,000 - 99,999	232
100,000 - 499,999	207
500,000 and above	54
<b>Total</b>	<b>4,402</b>





# Meezan Bank

The Premier Islamic Bank

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

August 1, 2019/ Dhu Al-Qi'dah 28, 1440

**Alhamdulillah**, the period from July 2018 to June 30, 2019 was the Twenty fourth 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 *Shari'ah* advisors of the Fund and are issuing the report in accordance with clause 8.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shari'ah* compliance of the Fund's activity

In the capacity of *Shari'ah 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, 2019 and their evaluation according to the screening criteria established by us. (December 31, 2018 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)
Engro Corporation Ltd	Fertilizer	33.98%	20.80%	3.52%	66%	(144.42)	
Oil & Gas Development Company	Oil & Gas Exploration Companies	0.00%	12.32%	4.25%	36%	77.25	128
Mari Petroleum Ltd	Oil & Gas Exploration Companies	11.14%	15.09%	1.04%	33%	(597.55)	





Lucky Cement	Cement	13.58%	0.03%	2.09%	76%	(65)	
Pakistan Oil Fields	Oil & Gas Exploration Companies	0.00%	0.01%	3.2%	52.39%	(9.27)	
Engro Fertilizer	Fertilizer	25.93%	6.57%	0.43%	76%	(32.98)	
Pakistan Petroleum Ltd.	Oil & Gas Exploration Companies	0.02%	11.98%	1.31%	39%	47.24	149.66
The Hub Power Co. Ltd.***	Power Generation & Distribution Company	31.38%	0.00%	0.43%	41%	(29.25)	

\* 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.

- ii. On the basis of information provided by the management, all operations of AMMF for the year ended June 30, 2019 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  
*Shari'ah* Advisor

**Head Office**

CDC House, 99-B, Block 'B'  
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**

**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, 2019 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 20, 2019



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, 2019, 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, 2019, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following is the key audit matter:

Table with 3 columns: S. No., Key Audit Matter, and How the matter was addressed in our audit. Row 1: 1, Net Asset Value (Refer note 6 to the financial statements), and detailed audit procedures for investment valuation.

AM

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 18, 2019



**AL MEEZAN MUTUAL FUND  
STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2019**

	Note	2019 (Rupees in '000)	2018 (Rupees in '000)
<b>Assets</b>			
Balances with banks	5	271,162	440,313
Investments	6	4,614,607	6,555,048
Receivable against sale of investments		20,993	-
Receivable against conversion of units		13,534	6,503
Dividend receivable		25,200	19,091
Advances, deposits, prepayments and other receivables	7	8,444	8,445
<b>Total assets</b>		<b>4,953,940</b>	<b>7,029,400</b>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited - Management Company	8	14,897	33,696
Payable to Central Depository Company of Pakistan Limited - Trustee	9	552	747
Payable to the Securities and Exchange Commission of Pakistan	10	5,952	7,236
Payable to Meezan Bank Limited		23	199
Payable against purchase of investments		3,468	-
Payable against conversion and redemption of units		45,466	19,411
Dividend payable		4,917	4,917
Accrued expenses and other liabilities	11	110,859	99,184
<b>Total liabilities</b>		<b>186,134</b>	<b>165,390</b>
<b>NET ASSETS</b>		<b>4,767,806</b>	<b>6,864,010</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>4,767,806</b>	<b>6,864,010</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		
<b>NUMBER OF UNITS IN ISSUE</b>		<b>357,035,000</b>	<b>388,711,880</b>
		(Rupees)	
<b>NET ASSET VALUE PER UNIT</b>		<b>13.3539</b>	<b>17.6583</b>

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

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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, 2019**

	Note	2019 (Rupees in '000)	2018
<b>Income</b>			
Dividend income		298,529	357,313
Profit on saving account with banks		30,699	22,550
Realised loss on sale of investments - net		(492,541)	(458,507)
		(163,313)	(78,644)
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.4	(1,307,555)	(847,665)
<b>Total loss</b>		<b>(1,470,868)</b>	<b>(926,309)</b>
<b>Expenses</b>			
Remuneration of Al Meezan Investment Management Limited - Management Company	8.1	125,315	152,325
Sindh Sales Tax on remuneration of the Management Company	8.2	16,291	19,803
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	7,266	8,616
Sindh Sales Tax on remuneration of the Trustee	9.2	945	1,120
Annual fee to Securities and Exchange Commission of Pakistan	10	5,952	7,236
Auditors' remuneration	13	891	754
Fees and subscription		772	911
Legal and professional charges		-	49
Brokerage expense		4,755	3,918
Bank and settlement charges		1,044	875
Allocated expenses	8.3	6,266	7,616
Selling and marketing expenses	8.4	25,063	30,465
Printing expenses		-	156
Charity expense	11.1	5,268	5,031
<b>Total expenses</b>		<b>199,828</b>	<b>238,875</b>
<b>Net loss for the year before taxation</b>		<b>(1,670,696)</b>	<b>(1,165,184)</b>
Taxation	16	-	-
<b>Net loss for the year after taxation</b>		<b>(1,670,696)</b>	<b>(1,165,184)</b>
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		-	-
Income already paid on units redeemed		-	-
<b>Accounting income available for distribution</b>		<b>-</b>	<b>-</b>
- Relating to capital gains		-	-
- Excluding capital gains		-	-

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

AMIL

**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, 2019



**Al Meezan**  
**Mutual Fund**

	Note	2019 (Rupees in '000)	2018 (Rupees in '000)
Net loss for the year after taxation		(1,670,696)	(1,165,184)
Other comprehensive (loss) / income for the year			
<i>Income that may be re-classified subsequently to Income Statement</i>			
Net unrealised diminution in the value of investments classified as 'available-for-sale'	6.5	-	(348,931)
<b>Total comprehensive loss for the year</b>		<u>(1,670,696)</u>	<u>(1,514,115)</u>

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

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

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

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

\_\_\_\_\_  
Director

**AL MEEZAN MUTUAL FUND  
STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	2019				2018			
	Capital Value	Undistributed income / (Accumulated losses)	Unrealised appreciation / (diminution) on 'available for sale' investments	Total	Capital Value	Undistributed income	Unrealised appreciation / (diminution) on 'available for sale' investments	Total
	(Rupees in '000)				(Rupees in '000)			
<b>Net assets at the beginning of the year as previously reported (Audited)</b>	5,302,941	1,361,518	199,551	6,864,010	6,004,281	2,526,702	548,482	9,079,465
Change in accounting policy - note 3.2	-	199,551	(199,551)	-	-	-	-	-
<b>Net assets at the beginning of the year</b>	5,302,941	1,561,069	-	6,864,010	6,004,281	2,526,702	548,482	9,079,465
Issuance of 132,552,885 units (2018: 85,725,163 units)								
- Capital value (at net asset value per unit at the beginning of the year)	2,340,659	-	-	2,340,659	1,812,230	-	-	1,812,230
- Element of loss	(243,925)	-	-	(243,925)	(196,184)	-	-	(196,184)
<b>Total proceeds on issuance of units</b>	2,096,734	-	-	2,096,734	1,616,046	-	-	1,616,046
Redemption of 164,229,765 units (2018: 126,424,524 units)								
- Capital value (at net asset value per unit at the beginning of the year)	2,900,018	-	-	2,900,018	2,673,883	-	-	2,673,883
- Element of income	(377,776)	-	-	(377,776)	(356,497)	-	-	(356,497)
<b>Total payments on redemption of units</b>	2,522,242	-	-	2,522,242	2,317,386	-	-	2,317,386
<b>Total comprehensive loss for the year</b>	-	(1,670,696)	-	(1,670,696)	-	(1,165,184)	(348,931)	(1,514,115)
Distribution during the year	-	-	-	-	-	-	-	-
Refund of Capital during the year	-	-	-	-	-	-	-	-
<b>Net loss for the year less distribution</b>	-	(1,670,696)	-	(1,670,696)	-	(1,165,184)	(348,931)	(1,514,115)
<b>Net assets at the end of the year</b>	4,877,433	(109,627)	-	4,767,806	5,302,941	1,361,518	199,551	6,864,010
Undistributed income brought forward								
- Realised income		2,209,183				1,760,181		
- Unrealised loss		(847,665)				766,521		
		1,361,518				2,526,702		
Change in accounting policy - note 3.2		199,551				-		
		1,561,069				2,526,702		
Accounting income available for distribution (after adjusting income already paid on units redeemed)								
- Relating to capital gains		-				-		
- Excluding capital gains		-				-		
		-				-		
<b>Net loss for the year after taxation</b>		(1,670,696)				(1,165,184)		
Distribution during the year		-				-		
<b>(Accumulated losses) / undistributed income carried forward</b>		(109,627)				1,361,518		
<b>(Accumulated losses) / Undistributed income carried forward</b>								
- Realised income		1,197,928				2,209,183		
- Unrealised loss		(1,307,555)				(847,665)		
		(109,627)				1,361,518		
				(Rupees)				(Rupees)
Net assets value per unit at the beginning of the year				17.6583				21.1400
Net assets value per unit at the end of the year				13.3539				17.6583

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

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**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, 2019



Al Meezan  
Mutual Fund

	Note	2019 (Rupees in '000)	2018 (Rupees in '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss for the year before taxation		(1,670,696)	(1,165,184)
<b>Adjustments for:</b>			
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		1,307,555	847,665
		(363,141)	(317,519)
<b>(Increase) / decrease in assets</b>			
Investments - net		632,886	683,373
Dividend receivable		(6,109)	21,390
Receivable against sale of investments		(20,993)	-
Advances, deposits, prepayments and other receivables		1	6,451
		605,785	711,214
<b>Increase / (decrease) in liabilities</b>			
Payable to Al Meezan Investment Management Limited - Management Company		(18,799)	2,271
Payable to Central Depository Company of Pakistan Limited - Trustee		(195)	(214)
Payable to the Securities and Exchange Commission of Pakistan		(1,284)	(117)
Payable to Meezan Bank Limited		(176)	(585)
Payable against purchase of investments		3,468	(15,116)
Accrued expenses and other liabilities		11,675	(22,936)
		(5,311)	(36,697)
<b>Net cash generated from operating activities</b>		237,333	356,998
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts against issuance and conversion of units		2,089,703	1,626,916
Payment against issuance and conversion of units		(2,496,187)	(2,304,805)
Dividend paid		-	(37,232)
<b>Net cash used in financing activities</b>		(406,484)	(715,121)
<b>Net decrease in cash and cash equivalents</b>		(169,151)	(358,123)
Cash and cash equivalents at the beginning of the year		440,313	798,436
<b>Cash and cash equivalents at the end of the year</b>	5	271,162	440,313

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

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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, 2019**

**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 unitholders safe and stable stream of halal income on their investments and to generate superior long-term risk adjusted returns. The Fund shall also keep an exposure in short-term instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns, if available, at any given point of time. 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 JCR-VIS dated December 28, 2018 (2018: AM1 dated December 29, 2017) and by PACRA dated June 28, 2019. 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 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 VIII A 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.

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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

Effective from July 01, 2018, the Fund has adopted IFRS 9: "Financial Instruments" which has replaced IAS 39: "Financial Instruments: Recognition and Measurement". The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach rather than 'incurred credit losses' approach, as previously given under IAS 39. The ECL has impact on all the assets of the Fund which are exposed to credit risk. However, majority of the assets of the Fund that are exposed to credit risk pertain to counter parties which have high credit rating. Therefore, the management believes that the impact of ECL would be very minimal and hence, the same has not been accounted for in these financial statements.

All equity investments are required to be measured in the "Statement of Assets and Liabilities" at fair value, with gains and losses recognized 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 Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

IFRS 9 requires securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis to be recognized as Fair value through profit or loss (FVPL). The management considers its investment in equity securities being managed as a group of assets and hence has classified them as FVPL. Accordingly, the Fund's investment portfolio in equity securities is classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. Consequently, on adoption of IFRS 9 all investments in equity instruments which were previously classified as "available for sale" have been transferred / redesignated as FVPL.

The Fund has adopted modified retrospective restatement approach for adopting IFRS-9 and accordingly, all changes arising on adoption of IFRS-9 have been adjusted at the beginning of the current year.

The effect of this change in accounting policy is as follows:

	As at June 30, 2018 (as previously stated)	Change	As at July 1, 2018	As at June 30, 2019
-----Rs. In '000-----				
<b>Impact on Statement of Assets and Liabilities</b>				
Investments - 'available for sale'	814,267	(814,267)	-	-
Investments - 'At fair value through profit or loss'	5,740,781	814,267	6,555,048	4,614,607
<b>Impact on Statement of Unitholders' fund</b>				
Unrealised appreciation on 'available-for-sale' investments	199,551	(199,551)	-	-
(Accumulated loss) / undistributed income	1,361,518	199,551	1,561,069	(109,627)

There is no impact on the income statement, statement of comprehensive income and cash flow statement of the Fund on the date of adoption of IFRS 9.

There are no other standards, amendments to standards or interpretations that are effective for annual accounting periods beginning on July 1, 2018 that have a material effect on the financial statements of the Fund.

### 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:

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<b>Amendments</b>	<b>Effective date (accounting periods beginning on or after)</b>
- IFRS 9 - 'Financial instruments' (amendment)	January 1, 2019
- 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, 2019 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 except for the change in accounting policy as explained in note 3.2 above.

### 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.

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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 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.

Al Meezan

#### 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.

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## 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.

	Note	2019	2018
		----- Rupees in '000 -----	
<b>5</b>	<b>BALANCES WITH BANKS</b>		
	Balances with banks in:		
	Savings accounts	5.1 263,605	427,181
	Current account	7,557	13,132
		<u>271,162</u>	<u>440,313</u>

5.1 The balances in saving accounts of the Fund carry profit rates ranging from 3.32% to 12.50% per annum (2018: 2.00% to 6.60% per annum).

	Note	2019	2018
		----- Rupees in '000 -----	
<b>6</b>	<b>INVESTMENTS</b>		
	Investments - 'available for sale'	6.1 -	814,267
	Investments - 'at fair value through profit or loss'	4,614,607	5,740,781
		<u>4,614,607</u>	<u>6,555,048</u>

6.1 During the year, the Fund has adopted IFRS-9: "Financial Instruments" which has replaced IAS-39: "Financial Instruments: Recognition and Measurement". As a result of adoption of IFRS-9, investments amounting to Rs. 814.267 million have been reclassified from 'Available for sale' category as at June 30, 2018 to the 'fair value through profit or loss' category with effect from July 1, 2018 (as disclosed in note 3.2).

	Note	2019	2018
		----- Rupees in '000 -----	
<b>6.2</b>	<b>Investments - 'at fair value through profit or loss'</b>		
	Listed equity securities	6.3 <u>4,614,607</u>	<u>5,740,781</u>

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## 6.3 Investments in equity securities - listed

Name of the investee company	As at July 1, 2018	Transfers from 'Available for sale' category upon adoption of IFRS 9 - note 3.2	As at July 1, 2018 - Adjusted	Purchases during the year	Bonus / right shares	Sales during the year	As at June 30, 2019	Carrying value as at June 30, 2019	Market Value as at June 30, 2019	Unrealised appreciation / (diminution) as at June 30, 2019	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)			
							(Number of shares)			(Rupees in '000)			%			
<b>Cement</b>																
Cherat Cement Company Limited	1,360,940	-	1,360,940	80,000	-	1,440,940	-	-	-	-	-	-	-	-	-	-
Dewan Cement Limited	928,500	-	928,500	-	-	928,500	-	-	-	-	-	-	-	-	-	-
DG Khan Cement Company Limited	1,309,905	3,500	1,313,405	1,475,000	-	2,440,000	348,405	27,734	19,699	(8,035)	0.41	0.43	0.08	-	-	-
Fauji Cement Company Limited	-	-	-	1,500,000	-	1,500,000	-	-	-	-	-	-	-	-	-	-
Kohat Cement Limited	610,400	-	610,400	-	183,120	63,000	730,520	69,158	38,374	(30,784)	0.80	0.83	0.36	-	-	-
Lucky Cement Limited	436,640	465,027	901,667	349,400	-	287,000	964,067	484,291	366,799	(117,492)	7.69	7.95	0.30	-	-	-
Maple Leaf Cement Limited	713,812	-	713,812	1,271,000	-	1,559,500	425,312	10,770	10,161	(609)	0.21	0.22	0.06	-	-	-
Pioneer Cement Limited	1,709,300	-	1,709,300	200,000	-	1,901,500	7,800	369	177	(192)	-	-	-	-	-	-
											9.11	9.43	0.80			
<b>Commercial Banks</b>																
BankIslami Pakistan Limited	-	875	875	-	-	875	-	-	-	-	-	-	-	-	-	-
Meezan Bank Limited	-	-	-	2,576,500	102,550	1,781,000	898,050	75,547	78,274	2,727	1.64	1.70	0.07	-	-	-
											1.64	1.70	0.07			
<b>Oil and Gas Exploration Companies</b>																
Mari Petroleum Company Limited (note 6.3.3)	322,100	-	322,100	10,000	33,210	-	365,310	500,391	368,718	(131,673)	7.73	7.99	0.30	-	-	-
Oil and Gas Development Company Limited	3,627,400	-	3,627,400	1,725,000	-	1,472,600	3,879,800	588,719	510,155	(78,564)	10.70	11.06	0.09	-	-	-
Pakistan Oilfields Limited	600,851	31,340	632,191	220,000	117,438	308,000	661,629	355,353	268,549	(86,804)	5.63	5.82	0.23	-	-	-
Pakistan Petroleum Limited	1,665,533	-	1,665,533	1,296,000	265,489	100,000	3,127,022	569,901	451,636	(118,265)	9.47	9.79	0.14	-	-	-
											33.53	34.66	0.76			
<b>Oil &amp; Gas Marketing Companies</b>																
Attock Petroleum Limited	71,500	240	71,740	22,650	14,348	3,600	105,138	51,437	30,333	(21,104)	0.64	0.66	0.11	-	-	-
Hascal Petroleum Limited (note 6.3.3)	144,196	-	144,196	84,000	66,661	89,100	205,757	43,460	14,119	(29,341)	0.30	0.31	0.10	-	-	-
Hi-Tech Lubricant Limited	195,000	-	195,000	-	-	195,000	-	-	-	-	-	-	-	-	-	-
Pakistan State Oil Company Limited (note 6.3.3)	577,764	445,376	1,023,140	408,500	213,267	208,000	1,436,907	361,584	243,743	(117,841)	5.11	5.28	0.37	-	-	-
Sui Northern Gas Pipeline Limited	2,936,500	-	2,936,500	1,150,000	-	675,000	3,411,500	317,428	237,065	(80,363)	4.97	5.14	0.54	-	-	-
Sui Southern Gas Company Limited	-	-	-	50,000	-	50,000	-	-	-	-	-	-	-	-	-	-
											11.02	11.39	1.12			
<b>Engineering</b>																
Amreli Steels Limited	-	-	-	350,000	-	350,000	-	-	-	-	-	-	-	-	-	-
Crescent Steel and Allied Products Limited	121,600	-	121,600	-	-	121,600	-	-	-	-	-	-	-	-	-	-
International Industries Limited	88,700	-	88,700	85,000	-	173,700	-	-	-	-	-	-	-	-	-	-
International Steel Limited	25,100	-	25,100	711,000	-	736,100	-	-	-	-	-	-	-	-	-	-
K.S.B. Pumps Company Limited	500	-	500	-	-	500	-	-	-	-	-	-	-	-	-	-
<b>Automobile Assembler</b>																
Gandhara Industries Limited	63,850	-	63,850	75,000	63,850	34,000	168,700	51,248	14,739	(36,509)	0.31	0.32	0.40	-	-	-
Honda Atlas Cars (Pakistan) Limited	296,800	96,000	392,800	118,000	-	510,800	-	-	-	-	-	-	-	-	-	-
Millat Tractors Company Limited	85,750	-	85,750	2,000	-	12,000	75,750	89,440	65,325	(24,115)	1.37	1.42	0.17	-	-	-
Pak Suzuki Motor Company Limited	117,500	-	117,500	-	-	117,500	-	-	-	-	-	-	-	-	-	-
											1.68	1.74	0.57			
<b>Automobile Parts and Accessories</b>																
Gandhara Nissan Limited	297,663	-	297,663	-	-	294,500	3,163	568	166	(402)	-	-	0.01	-	-	-
Thal Limited (note 6.3.1)	213	-	213	-	-	213	-	-	-	-	-	-	-	-	-	-
											-	-	0.01			
<b>Technology and Communication</b>																
Pakistan Telecommunication Company Limited "A"	-	-	-	200,000	-	200,000	-	-	-	-	-	-	-	-	-	-
Avanceon Limited	65,000	-	65,000	369,000	2,400	228,000	208,400	9,510	10,220	710	0.21	0.22	0.11	-	-	-
Systems Limited	155,500	-	155,500	27,000	15,750	25,000	173,250	16,071	16,627	556	0.35	0.36	0.14	-	-	-
											0.56	0.58	0.25			

Name of the investee company	As at July 1, 2018	Transfers from 'Available for sale' category upon adoption of IFRS 9 - note 3.2	As at July 1, 2018 - Adjusted	Purchases during the year	Bonus / right shares	Sales during the year	As at June 30, 2019	Carrying value as at June 30, 2019	Market Value as at June 30, 2019	Unrealised appreciation / (diminution) as at June 30, 2019	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)					
										(Number of shares)			(Rupees in '000)			%		
<b>Chemicals</b>																		
Dynea Pakistan Limited (note 6.3.1)	1,000	-	1,000	-	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-
Engro Polymer & Chemicals Limited *	2,741,000	-	2,741,000	2,818,041	-	4,193,500	1,365,541	41,312	36,815	(4,497)	0.77	0.80	0.15					
ICI Pakistan Limited	119,122	91,557	210,679	21,000	-	-	231,679	182,804	123,362	(59,442)	2.59	2.67	0.25					
Lotte Chemical Pakistan Limited	-	-	-	1,500,000	-	1,500,000	-	-	-	-	-	-	-					
Sitara Chemical Industries Limited	57,000	-	57,000	-	-	-	57,000	20,994	17,435	(3,559)	0.37	0.38	0.27					
Sitara Peroxide Limited	-	-	-	124,000	-	124,000	-	-	-	-	-	-	-					
											3.73	3.85	0.67					
<b>Fertilizer</b>																		
Dawood Hercules Corporation Limited	905,200	-	905,200	94,000	-	999,200	-	-	-	-	-	-	-					
Engro Fertilizers Limited	5,297,000	-	5,297,000	-	-	1,321,000	3,976,000	297,842	254,345	(43,497)	5.33	5.51	0.30					
Engro Corporation Limited (note 6.3.2)	1,947,900	-	1,947,900	117,000	169,790	387,800	1,846,890	527,062	490,534	(36,528)	10.29	10.63	0.32					
											15.62	16.14	0.62					
<b>Paper and Board</b>																		
Century Paper and Board Mills	500	-	500	-	-	500	-	-	-	-	-	-	-					
Cherat Packaging Limited	146,301	-	146,301	82,100	21,945	1,500	248,846	34,592	20,067	(14,525)	0.42	0.43	0.64					
Packages Limited	204,850	362,878	567,728	31,000	-	151,300	447,428	215,747	134,479	(81,268)	2.82	2.91	0.50					
											3.24	3.34	1.14					
<b>Food and Personal Care Products</b>																		
Al-Shaheer Corporation Limited (note 6.3.3)	12,230	-	12,230	-	-	-	12,230	333	154	(179)	-	-	0.01					
At-Tahir Limited	-	-	-	355,042	-	355,042	-	-	-	-	-	-	-					
Friesland Campina Engro Pakistan Limited (Formerly Engro Foods Limited)	800	-	800	-	-	800	-	-	-	-	-	-	-					
National Foods Limited (note 6.3.1)	-	-	-	4,500	100	-	4,600	898	847	(51)	0.02	0.02	-					
											0.02	0.02	0.01					
<b>Glass and Ceramics</b>																		
Shabbir Tiles and Ceramics Limited (note 6.3.1)	-	-	-	500	-	500	-	-	-	-	-	-	-					
Tariq Glass Industries Limited	-	-	-	294,700	-	15,000	279,700	25,740	21,433	(4,307)	0.45	0.46	0.38					
											0.45	0.46	0.38					
<b>Power Generation and Distribution</b>																		
The Hub Power Company Limited	1,392,000	1,445,600	2,837,600	979,216	-	776,000	3,040,816	262,304	239,464	(22,840)	5.02	5.19	0.26					
K-Electric Limited (note 6.3.1)	29,861,500	-	29,861,500	7,081,000	-	6,429,000	30,513,500	174,043	133,954	(40,089)	2.81	2.90	0.11					
											7.83	8.09	0.37					
<b>Pharmaceuticals</b>																		
Abbott Laboratories Pakistan Limited	43,200	-	43,200	5,000	-	43,050	5,150	3,299	2,444	(855)	0.05	0.05	0.01					
AGP Limited	1,019,250	-	1,019,250	206,000	-	20,000	1,205,250	105,141	82,596	(22,545)	1.73	1.79	0.43					
GlaxoSmithKline Consumer Health Care Limited	249,900	-	249,900	8,100	-	50,000	208,000	83,834	40,144	(43,690)	0.84	0.87	0.18					
GlaxoSmithKline Pakistan Limited	20,000	-	20,000	-	-	20,000	-	-	-	-	-	-	-					
Highnoon Laboratories Limited (note 6.3.3)	1,448	-	1,448	-	144	-	1,592	594	403	(191)	0.01	0.01	0.01					
The Searle Company Limited (note 6.3.3)	501,007	-	501,007	250,900	76,741	409,400	419,248	98,135	61,445	(36,690)	1.29	1.33	0.20					
											3.92	4.05	0.83					
<b>Textile Composite</b>																		
Kohinoor Textile Mills Limited	-	-	-	150,000	-	150,000	-	-	-	-	-	-	-					
Nishat Mills Limited	624,700	-	624,700	496,200	-	491,500	629,400	83,944	58,748	(25,196)	1.23	1.27	0.18					
											1.23	1.27	0.18					
<b>Textile Weaving</b>																		
Feroze1888 Mills Limited	-	-	-	450,000	-	7,000	443,000	30,163	44,685	14,522	0.94	0.97	0.12					
<b>Textiles and Apparel</b>																		
Interloop Limited	-	-	-	2,233,000	-	100,000	2,133,000	97,896	94,428	(3,468)	1.98	2.05	0.25					

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Name of the investee company	As at July 1, 2018	Transfers from 'Available for sale' category upon adoption of IFRS 9 - note 3.2	As at July 1, 2018 - Adjusted	Purchases during the year	Bonus / right shares	Sales during the year	As at June 30, 2019	Carrying value as at June 30, 2019	Market Value as at June 30, 2019	Unrealised appreciation / (diminution) as at June 30, 2019	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)
							(Number of shares)	(Rupees in '000)			%		
<b>Refinery</b>													
Attock Refinery Limited	600	-	600	10,000	150	10,750	-	-	-	-	-	-	-
Byco Petroleum Pakistan Limited	-	-	-	1,000	-	1,000	-	-	-	-	-	-	-
National Refinery Limited	3,000	-	3,000	-	-	3,000	-	-	-	-	-	-	-
<b>Vanaspati and Allied Industries</b>													
Unity Foods Limited	400,000	-	400,000	1,665,345	-	905,500	1,159,845	12,506	11,946	(560)	0.25	0.26	0.21
<b>Miscellaneous</b>													
Shifa International Hospitals Limited	90	-	90	-	-	90	-	-	-	-	-	-	-
<b>Right Certificate</b>													
<b>Chemicals</b>													
Engro Polymer & Chemicals Limited *	1,088,170	-	1,088,170	-	-	1,088,170	-	-	-	-	-	-	-
<b>Vanaspati and Allied Industries</b>													
Unity Foods Limited *	-	-	-	-	1,243,345	1,243,345	-	-	-	-	-	-	-
<b>Power Generation and Distribution</b>													
The Hub Power Company Limited *	-	-	-	-	329,216	329,216	-	-	-	-	-	-	-
<b>Total as at June 30, 2019</b>							<b>5,922,162</b>	<b>4,614,607</b>	<b>(1,307,555)</b>				
<b>Total as at June 30, 2018</b>							<b>6,588,446</b>	<b>5,740,781</b>	<b>(847,665)</b>				

\* The right certificates were exercised during the year and the shares are included in the investment in Engro Polymer and Chemicals Limited, The Hub Power Company Limited and Unity Foods Limited above.

- 6.3.1** All shares have a nominal value of Rs 10 each except for the shares of Thal Limited, Dynea Pakistan Limited, National Foods Limited and Shabbir Tiles and Ceramics Limited which have a nominal value of Rs 5 each and K-Electric Limited which have a nominal value of Rs 3.5 each.
- 6.3.2** 150,000 shares (June 30, 2018: 150,000 shares) of Engro Corporation Limited, having market value of Rs 39.84 million (June 30, 2018: Rs 47.08 million) as at June 30, 2019, have been pledged as collateral in favour of National Clearing Company Pakistan Limited against exposure margins and mark to market losses.
- 6.3.3** 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 current year. Subsequent to the year ended June 30, 2019, 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.

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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, 2019, the bonus shares of the Fund withheld by certain companies at the time of declaration of bonus shares amounted to Rs. 6.060 million (2018: 11.069 million).

	Note	2019	2018
		----- Rupees in '000 -----	
<b>6.4 Unrealised diminution on re-measurement of investments classified as financial assets at fair value through profit or loss</b>			
Market value of investments	6.3	4,614,607	5,740,781
Carrying value of investments	6.3	(5,922,162)	(6,588,446)
		<u>(1,307,555)</u>	<u>(847,665)</u>
<b>6.5 Net unrealised diminution on re-measurement of investments classified as 'available-for-sale'</b>			
Market value of investments	6.3	-	814,267
Carrying value of investments	6.3	-	(614,716)
		-	199,551
Less: unrealised diminution on re-measurement of investments classified as available for sale as at July 1		-	(548,482)
		-	<u>(348,931)</u>
<b>7 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Security deposit with Central Depository Company of Pakistan Limited		238	238
Security deposit with National Clearing Company of Pakistan Limited		2,500	2,500
Advance against Initial Public Offer subscription		-	500
Prepayments		28	-
Profit accrued on balances with banks		5,678	5,207
		<u>8,444</u>	<u>8,445</u>
<b>8 PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>			
Management fee payable	8.1	8,138	11,568
Sindh Sales Tax payable on remuneration of the Management Company	8.2	1,058	1,504
Allocated expenses payable	8.3	407	579
Sales load payable		82	94
Sindh Sales Tax on sales load		11	12
Selling and marketing expenses payable	8.4	5,201	19,939
		<u>14,897</u>	<u>33,696</u>
<b>8.1</b>	As per regulation 61 of the NBFC Regulations 2008, Management Company is entitled to a remuneration equal to an amount not exceeding 2% of the average annual net assets in case of an Equity Scheme. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 2% (2018: 2%) per annum of the average net assets of the Fund during the year ended June 30, 2019. The remuneration is payable to the Management Company monthly in arrears.		
<b>8.2</b>	During the year, an amount of Rs. 16.291 million (2018: Rs. 19.803 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. 16.737 million (2018: Rs. 20.336 million) has been paid to the Management Company which acts as a collecting agent.		

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- 8.3** Uptil June 19, 2019 in accordance with Regulation 60 of the NBFC Regulations, the Management Company was entitled to charge expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS) at the rate of 0.1% of the average annual net assets of the scheme or actual whichever is less. During the year, SECP vide SRO 639 dated June 20, 2019 has removed the maximum cap of 0.1%. Accordingly, the Management Company can now charge actual expenses related to registrar services, accounting, operations and valuation services to the CIS with effect from June 20, 2019.

However, the Management Company continued to charge expenses at the rate 0.1% of the average annual net assets of the Fund for both the periods i.e from July 1, 2018 to June 19, 2019 and from June 20, 2019 to June 30, 2019, being lower than actual expenses.

- 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 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.

	Note	2019	2018
----- Rupees in '000 -----			
<b>9</b>	<b>PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>		
	Trustee fee payable	9.1	489
	Sindh Sales Tax payable on trustee fee	9.2	63
		552	747

- 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      Rs 0.7 million or 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 0.945 million (2018: Rs. 1.120 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. 0.967 million (2018: Rs. 1.145 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 classified as a Equity Scheme is required to pay to the Securities and Exchange Commission of Pakistan an amount equal to 0.095% (June 30, 2018: 0.095%) of the average annual net assets of the Fund as annual fee.

	Note	2019	2018
----- Rupees in '000 -----			
<b>11</b>	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
	Auditors' remuneration payable	565	695
	Brokerage payable	4,775	1,694
	Shariah advisor fee payable	817	372
	Charity payable	11.1	5,197
	Withholding tax payable	7,394	1,237
	Capital gain tax payable	695	721
	Provision for Federal Excise Duty and related Sindh Sales Tax on management fee	11.2	37,524
	Provision for Federal Excise Duty and related Sindh Sales Tax on sales load	11.2	3,732
	Provision for Sindh Workers' Welfare Fund (SWWF)	11.3	50,068
	Zakat payable	92	22
		110,859	99,184

- 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, 2019, non-Shariah compliant income amounting to Rs 5.268 million (2018: Rs 5.031 million) was charged as an expense in the books of the Fund. As per the requirement of Clause 3.3.2 of Offering document, following is the list of charitable / welfare organizations to whom charity payments were made in excess of Rs. 200,000 during the year ended June 30, 2019.

- Akhuwat Foundation
- Alamgir Welfare Trust
- Idara Al Khair
- Jamiyat Punjabi Saudagaran-e-Delhi
- The Hunar Foundation
- Shaukat Khanum - Memorial Cancer Hospital & Research Center

- 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 41.257 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, 2019 would have been higher by Re 0.12 (2018: Re 0.10) per unit.

During the year, FED amounting to Rs. 1.811 million has been paid to the Fund by the Management Company in respect of management fee and sales load pertaining to prior years.

- 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, 2019, the net asset value of the Fund as at June 30, 2019 would have been higher by Re. 0.14 per unit (2018: Re 0.13 per unit).

## 12 CONTINGENCIES AND COMMITMENTS

- 12.1** There were no other contingencies and commitments outstanding as at June 30, 2019 and June 30, 2018.

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13 AUDITORS' REMUNERATION	2019	2018
	----- Rupees in '000 -----	
Annual audit fee	567	465
Half yearly review	128	110
Fee for other certifications	120	120
Out of pocket expenses	76	76
	<u>891</u>	<u>771</u>

#### 14 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2019 is 3.19% 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 PERFORMANCE TABLE	2019	2018	2017	2016	2015
Net assets (Rs. in '000) (ex-distribution)	4,767,806	6,864,010	9,079,465	5,418,397	4,006,911
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	13.3539	17.6583	21.1400	17.9900	16.2800
Offer price per unit as at June 30 (Rs.) (ex-distribution)	13.6557	18.0574	21.6200	18.4700	16.7100
Highest offer price per unit (Rs.)	18.6141	21.9300	25.5900	19.5700	17.8200
Lowest offer price per unit (Rs.)	13.0763	16.7800	18.9000	15.4900	13.5400
Highest redemption price per unit (Rs.)	18.2027	21.4500	25.0200	19.0700	17.3600
Lowest redemption price per unit (Rs.)	12.7874	16.4100	18.4800	15.0900	13.1600
Distribution (%)					
- Annual	N/A	N/A	N/A	N/A	N/A
- Interim	N/A	N/A	10.00	8.20	6.80
Dates of distribution	N/A	N/A	June 23, 2018	June 24, 2016	June 26, 2015
Income distribution (Rupees in '000)	N/A	N/A	412,311	235,503	142,033
Growth distribution (Rupees in '000)	N/A	N/A	N/A	N/A	418,364
Total return (%)	-24%	-16%	23%	16%	22%
	<b>One year</b>	<b>Two year</b>	<b>Three year</b>	<b>Four year</b>	<b>Five year</b>
Average annual return (%) as at June 30, 2019	-24%	-20%	-6%	0%	4%

#### Investment portfolio composition of the Fund

Investment portfolio composition of the Fund is as described in note 6.

Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate as described in note 19.

#### 16 TAXATION

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

#### 17 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

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

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- 17.2 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.
- 17.3 Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 17.4 Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 17.5 The details of transactions carried out by the Fund with connected persons during the year and balances with them as at year end are as follows:

<b>Balances</b>	<b>2019</b>	<b>2018</b>
	----- Rupees in '000 -----	
<b>Al Meezan Investment Management Limited (Management Company)</b>		
Remuneration Payable	8,138	11,568
Sindh Sales Tax on management fee payable	1,058	1,504
Sales load payable	82	94
Sindh Sales Tax on sales load payable	11	12
Allocated expenses payable	407	579
Selling and marketing expenses payable	5,201	19,939
Investment of 37,780,110 units (2018: 49,744,595 units)	504,511	878,407
<b>Central Depository Company of Pakistan Limited - CDC (Trustee)</b>		
Security deposit refundable	238	238
Remuneration payable	489	661
Sindh Sales Tax on trustee fee payable	63	86
<b>Meezan Bank Limited</b>		
Profit receivable on saving account	548	394
Balance with bank	33,383	62,131
Sales load payable	20	176
Sindh Sales Tax on sales load	3	23
Investment of 22,232,227 units (2018: 22,232,227 units)	296,887	392,583
Investment in 898,050 shares (2018: nil shares)	78,274	-
<b>M SAF - Meezan Strategic Allocation Plan - I</b>		
Investment of 18,848,469 units (2018: 12,933,368 units)	251,700	228,381
<b>M SAF - Meezan Strategic Allocation Plan - II</b>		
Investment of 22,818,600 units (2018: 22,818,600 units)	304,717	402,938
<b>M SAF - Meezan Strategic Allocation Plan - IV</b>		
Investment of 1,877,734 units (2018: 1,877,734 units)	25,075	33,158
<b>Meezan Financial Planning Fund of Funds - MAAP - I</b>		
Investment 39,791 units (2018: 39,791 units)	531	703
<b>Meezan Financial Planning Fund of Funds - MAAP - IV</b>		
Investment of nil units (2018: 1,304,322 units)	-	23,034
<b>Directors and executives of the Management Company</b>		
Investment 32,730,550 units (2018: 19,238,654 units)	437,080	339,722
<b>Pakistan Kuwait Investment Company (Private) Limited</b>		
Investment of 16,895,690 units (2018: 16,895,690 units)	225,623	298,349
<b>Unitholders holding 10% or more units of the Fund</b>	504,511	-

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## Transactions during the year

For the year ended June 30,  
2019 2018  
----- Rupees in '000 -----

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

Remuneration charged	125,315	152,325
Sindh Sales Tax on remuneration of the Management Company	16,291	19,803
Allocated expenses	6,266	7,616
Selling and marketing expenses	25,063	30,465
Issuance of 3,939,591 units (2018: 9,972,626 units)	61,050	178,927
Redemption of 5,931,451 units (2018: 9,972,626 units)	100,000	178,927

**Central Depository Company of Pakistan Limited - CDC (Trustee)**

Remuneration of the Trustee	7,266	8,616
Sindh Sales Tax on remuneration of the Trustee	945	1,120
CDS charges	217	168

**Meezan Bank Limited**

Profit on saving account	647	381
Purchase of 2,576,500 shares (2018: nil shares)	229,377	-
Sale of 1,781,000 shares (2018: 65,000 shares)	160,017	5,132
Issuance of nil units (2018: 1,131,074 units)	-	22,316

**MSAF - Meezan Strategic Allocation Plan - I**

Issuance of 5,972,333 units (2018: 1,139,692 units)	100,000	20,000
Redemption of 57,232 units (2018: 1,695,601 units)	760	31,000

**MSAF - Meezan Strategic Allocation Plan - II**

Redemption of nil units (2018: 3,227,112 units)	-	59,000
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**MSAF - Meezan Strategic Allocation Plan - IV**

Redemption of nil units (2018: 273,484 units)	-	5,000
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**Meezan Financial Planning Fund of Funds - MAAP - I**

Issuance of nil units (2018: 2,332,317 units)	-	43,000
Redemption of nil units (2018: 5,709,108 units)	-	110,990

**Meezan Financial Planning Fund of Funds - MAAP - IV**

Redemption of 1,304,322 units (2018: 2,636,917 units)	21,964	49,000
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**Directors and executives of the Management Company**

Issuance of 15,998,263 units (2018: 3,085,022 units)	219,503	57,044
Redemption of 2,534,463 units (2018: 2,562,223 units)	40,705	47,446

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

## 18 FINANCIAL INSTRUMENTS BY CATEGORY

----- 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
	339,305	4,614,607	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

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

**Financial assets**

Balances with banks	440,313	-	440,313
Investments	-	6,555,048	6,555,048
Receivable against conversion of units	6,503	-	6,503
Dividend receivable	19,091	-	19,091
Advances, deposits and other receivables	8,445	-	8,445
	474,352	6,555,048	7,029,400

2018		
At amortised cost	At fair value through profit or loss	Total
----- Rupees in '000 -----		

**Financial liabilities**

Payable to Al Meezan Investment Management Limited - Management Company	-	33,696	33,696
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	747	747
Payable to Meezan Bank Limited	-	199	199
Payable against conversion and redemption of units	-	19,411	19,411
Dividend payable	-	4,917	4,917
Accrued expenses and other liabilities	-	7,690	7,690
	-	66,660	66,660

2018		
At fair value through profit or loss	At amortised cost	Total
----- Rupees in '000 -----		

**19 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:

**19.1 Market risk**

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

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.

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**(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, 2019, 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. 2.636 million (2018: Rs. 4.272 million).

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

As at 30 June 2019, 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, 2019 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, 2019 can be determined as follows:

2019						
Effective yield / profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total	
	Up to three months	More than three months and up to one year	More than one year			
----- Rupees in '000 -----						
<b>Financial assets</b>						
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
		<b>263,605</b>	<b>-</b>	<b>-</b>	<b>4,690,307</b>	<b>4,953,912</b>
<b>Financial liabilities</b>						
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
		<b>-</b>	<b>-</b>	<b>-</b>	<b>80,677</b>	<b>80,677</b>
<b>On-balance sheet gap (a)</b>		<b>263,605</b>	<b>-</b>	<b>-</b>	<b>4,609,630</b>	<b>4,873,235</b>
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total profit rate sensitivity gap (a+b)</b>		<b>263,605</b>	<b>-</b>	<b>-</b>		
<b>Cumulative profit rate sensitivity gap</b>		<b>263,605</b>	<b>263,605</b>	<b>263,605</b>		

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2018						
Effective yield / profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total	
	Up to three months	More than three months and up to one year	More than one year			
----- Rupees in '000 -----						
<b>Financial assets</b>						
Balances with banks	2.00% - 6.60%	427,181	-	-	13,132	440,313
Investments		-	-	-	6,555,048	6,555,048
Receivable against conversion of units		-	-	-	6,503	6,503
Dividend receivable		-	-	-	19,091	19,091
Advances, deposits and other receivables		-	-	-	8,445	8,445
		427,181	-	-	6,602,219	7,029,400
<b>Financial liabilities</b>						
Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	33,696	33,696
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	747	747
Payable to Meezan Bank Limited		-	-	-	199	199
Payable against conversion and redemption of units		-	-	-	19,411	19,411
Dividend payable		-	-	-	4,917	4,917
Accrued expenses and other liabilities		-	-	-	7,690	7,690
		-	-	-	66,660	66,660
<b>On-balance sheet gap (a)</b>		427,181	-	-	6,535,559	6,962,740
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-	-
<b>Total profit rate sensitivity gap (a+b)</b>		427,181	-	-		
<b>Cumulative profit rate sensitivity gap</b>		427,181	427,181	427,181		

## (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, 2019, the total income of the Fund and "other comprehensive income" with all other variables held constant, would increase / decrease by Rs 46.146 million and Rs nil million (2018: Rs 57.408 million and Rs 8.143 million) respectively and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as available-for-sale and 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, 2019 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KMI 30 Index.

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## 19.2 Liquidity risk

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

The Fund is exposed to daily 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:

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	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
	<b>336,567</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,617,345</b>	<b>4,953,912</b>

### 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
	<b>74,098</b>	<b>6,579</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80,677</b>

### Net assets / (liabilities)

AM

	<b>262,469</b>	<b>(6,579)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,617,345</b>	<b>4,873,235</b>
--	----------------	----------------	----------	----------	----------	------------------	------------------

2018						
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	440,313	-	-	-	-	440,313
Investments	-	-	-	-	6,555,048	6,555,048
Receivable against conversion of units	6,503	-	-	-	-	6,503
Dividend receivable	19,091	-	-	-	-	19,091
Advances, deposits and other receivables	5,207	-	-	-	3,238	8,445
	<b>471,114</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,558,286</b>	<b>7,029,400</b>

**Financial liabilities**

Payable to Al Meezan Investment Management Limited - Management Company	33,696	-	-	-	-	33,696
Payable to Central Depository Company of Pakistan Limited - Trustee	747	-	-	-	-	747
Payable to Meezan Bank Limited	199	-	-	-	-	199
Payable against conversion and redemption of units	19,411	-	-	-	-	19,411
Dividend payable	4,917	-	-	-	-	4,917
Accrued expenses and other liabilities	1,694	5,996	-	-	-	7,690
	<b>60,664</b>	<b>5,996</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66,660</b>

**Net assets / (liabilities)**

	<b>410,450</b>	<b>(5,996)</b>	<b>-</b>	<b>-</b>	<b>6,558,286</b>	<b>6,962,740</b>
--	----------------	----------------	----------	----------	------------------	------------------

**19.3 Credit risk**

**19.3.1** 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:

2019		2018	
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	271,162	271,162	440,313	440,313
Investment	4,614,607	-	6,555,048	-
Receivable against issue of units	13,534	13,534	6,503	6,503
Dividend receivable	25,200	25,200	19,091	19,091
Advances, deposits, and other receivables	8,444	8,444	8,445	8,445
	<b>4,932,947</b>	<b>318,340</b>	<b>7,029,400</b>	<b>474,352</b>

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 4,614.607 million (2018: Rs 6,555.048 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.

*Handwritten signature*

### 19.3.2 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	
	2019	2018
AAA	0.03%	66.69%
AA+	41.01%	32.95%
AA	0.10%	-
AA-	0.00%	0.06%
A+	58.73%	0.30%
A	0.13%	-
	<b>100%</b>	<b>100%</b>

### 19.3.3 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.

## 20 FAIR VALUE MEASUREMENT

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

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

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, 2019, the Fund held the following financial instruments measured at fair values:

	2019		
	Level 1	Level 2	Level 3
<b>Financial assets</b>	'(Rupees in '000)		
At fair value through profit or loss	4,614,607	-	-
Available-for-sale	-	-	-
	<b>4,614,607</b>	<b>-</b>	<b>-</b>
	-----		
	2018		
	Level 1	Level 2	Level 3
<b>Financial assets</b>	'(Rupees in '000)		
At fair value through profit or loss	5,740,781	-	-
Available-for-sale	814,267	-	-
	<b>6,555,048</b>	<b>-</b>	<b>-</b>



**21 UNIT HOLDERS' FUND RISK MANAGEMENT**

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

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 19, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

**22 UNIT HOLDING PATTERN OF THE FUND**

Category	2019			2018		
	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	4,329	1,410,777	29.59	4,091	2,567,694	37.41
Associated Companies / Directors	8	1,876,037	39.35	7	2,190,033	31.91
Insurance Companies	1	118,104	2.48	1	156,173	2.28
Banks and DFIs	3	380,456	7.98	2	402,387	5.86
Retirement Funds	24	894,304	18.76	30	1,300,944	18.95
Public Limited Companies	1	148	-	1	195	-
Others	36	87,980	1.84	39	246,584	3.59
	<b>4,402</b>	<b>4,767,806</b>	<b>100%</b>	<b>4,171</b>	<b>6,864,010</b>	<b>100%</b>

**23 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
Optimus Capital Management (Private) Limited	8%	JS Global Capital Limited	9%
Taurus Securities Limited	8%	Optimus Capital Management (Pvt) Limited	8%
Foundation Securities (Private) Limited	7%	Arif Habib Securities Limited	8%
Invest and Finance Securities Limited	6%	Foundation Securities (Private) Limited	7%
AKD Securities Limited	6%	Taurus Securities Limited	7%
BMA Capital Management Limited	6%	Fortune Securities Limited	6%
Alfalah Securities (Private) Limited	6%	Alfalah Securities (Private) Limited	6%
Arif Habib Securities Limited	5%	Standard Capital Securities (Private) Limited	6%
Summit Capital Market	5%	BMA Capital Management Limited	5%
Intermarket Securities Limited	5%	Aba Ali Habib Securities (Private) Limited	4%



## 24 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	Twenty Nine years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Twenty Three years
Mr. Muhammad Mohsin	Head of Equity / Director - Research	MBA	Twenty Two years
Mr. Ahmed Hassan	SVP Investments	CFA / MBA	Twelve years
Mr. Ali Khan	VP Product Development	CFA / FRM / MBA	Nine years
Mr. Zain Malik	VP Investments	CFA / BBA	Ten years
Mr. Asif Imtiaz	AVP Investments	CFA / MBA - Finance	Eleven years
Mr. Imad Ansari	Head of Risk Management	B.S Actuarial Sciences & Risk Management / MBA - Finance	Fourteen years
Mr. Ali Asghar	VP/Head of Research	CFA / MBA (in progress)	Eight years

24.1 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

## 25 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					
		July 6, 2018	August 09, 2018	October 18, 2018	February 14, 2019	April 18, 2019	May 23, 2019
Mr. Ariful Islam	Chairman	Yes	No	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib	Chief Executive Officer	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Moin M. Fudda	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Atif Azim *	Director	Yes	Yes	Yes	Yes	Yes	Resigned
Mr. Ijaz Farooq	Director	No	Yes	No	Yes	Yes	No
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Abdullah Ahmed	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Arshad Majeed	Director	Yes	Yes	No	Yes	Yes	Yes
Ms. Saima Kamila Khan	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Naeem Sattar	Director	Yes	Yes	Yes	Yes	Yes	Yes

\*Mr. Atif Azim resigned on May 07, 2019.

## 26 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.

## 27 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 19, 2019.

## 28 GENERAL

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

MAI

For Al 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.



# REDEFINING INVESTMENT IN THE CITY OF LIGHTS

**KMC BUILDING  
(KARACHI)**



## FUND INFORMATION

### MANAGEMENT COMPANY

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

### BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

### CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

### AUDIT COMMITTEE

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

### RISK MANAGEMENT COMMITTEE

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

### HUMAN RESOURCE & REMUNERATION COMMITTEE

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

### TRUSTEE

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

### AUDITORS

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

### SHARIAH ADVISER

Meezan Bank Limited

### BANKERS TO THE FUND

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](http://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

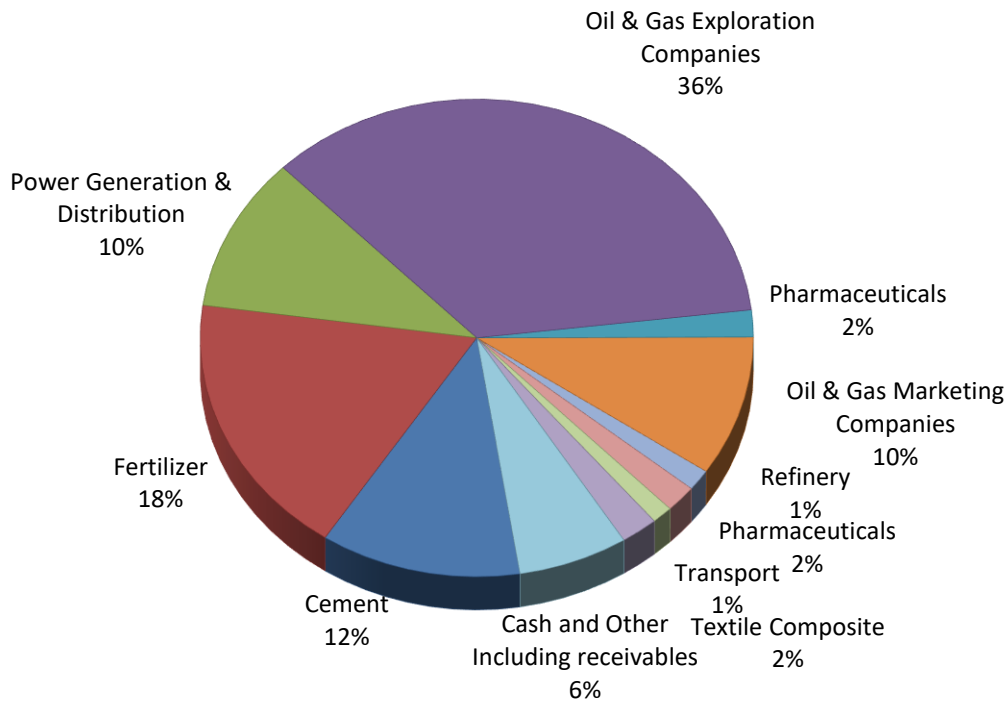
The objective of KMIF is to provide investors an opportunity to track the performance of the KSE-Meezan Index 30 (KMI 30) by investing in companies of the Index in proportion to their weightages.

### 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.

As on June 30, 2019, the asset allocation of the fund is as given below:

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

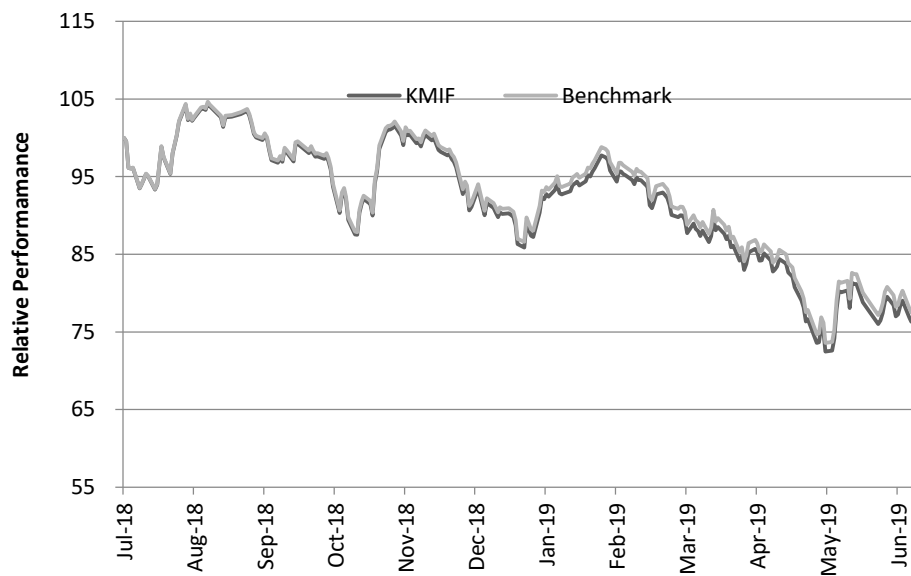


### Performance Review

During FY19, KSE Meezan Index Fund (KMIF) provided a return of negative 25.06% to its investors while KSE Meezan Index (KMI 30) returned negative 23.84% to close at 54,119 pts. On a gross basis, the fund's return was -23.26%, thus tracking 97.56% of the benchmark return with tracking error remaining within the stipulated limits.

	<b>KMIF</b>	<b>KMI-30</b>
Net Asset Value (NAV) as on June 30, 2018	70.66	71,060
Net Asset Value (NAV) as on June 30, 2019	52.95	54,119
Return During the Period	-25.06%	-23.84%

KMIF posted a total loss of Rs. 450 million in the fiscal year 2019 as compared to a total loss of Rs. 187 million last year. Total loss comprised of realized and unrealized capital losses on investments of Rs. 90 million and Rs. 447 million respectively, while the net inflow in the Fund during the year was 310 million. Dividend income contributed Rs. 84 million to income, while profit on saving accounts with banks amounted to Rs. 0.55 million. After accounting for expenses of Rs. 30 million, the Fund posted a net loss of Rs. 480 million. The net assets of the Fund as at June 30, 2019 were Rs. 1,517 million as compared to Rs. 1,687 million at the end of last year depicting a decline of 10%. The net asset value per unit as at June 30, 2019 was Rs. 52.95 as compared to Rs. 70.66 per unit as on June 30, 2018.



### 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, 2019 an amount of Rs. 1.843 million was accrued as charity payable.

## Distributions

There is NIL distribution by the Fund during the fiscal year ended June 30, 2019.

## Summary of Actual Proxy Voted By the Fund

	Resolutions	For	Against	Abstain
Number	2	2	-	-
Percentage	100%	100%	-	-

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

## Breakdown of unit holdings by size:

(As on June 30, 2019)

Range (Units)	No. of investors
1 - 9,999	920
10,000 - 49,999	87
50,000 - 99,999	10
100,000 - 499,999	10
500,000 and above	8
<b>Total</b>	<b>1,035</b>





# Meezan Bank

The Premier Islamic Bank

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

August 1, 2019/ Dhu Al-Qi'dah 28, 1440

**Alhamdulillah**, the period from July 2018 to June 30, 2019 was the Seventh 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 *Shari'ah* advisors of the Fund and are issuing the report in accordance with clause 8.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shari'ah* compliance of the Fund's activity

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

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

- i. We have reviewed and approved the modes of investments of KMIF in light of *Shari'ah* requirements. Following is the list of the top equity holdings of KMIF as on June 30, 2019 and their evaluation according to the screening criteria established by us. (December 31, 2018 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)
Pakistan Petroleum Ltd.	Oil & Gas Exploration Companies	0.02%	11.98%	1.31%	39%	47.24	149.66
Oil & Gas Development Company	Oil & Gas Exploration Companies	0.00%	12.32%	4.26%	36%	77.25	128
Engro Corporation Ltd	Fertilizer	33.98%	20.80%	3.52%	66%	(144.42)	

Page 1 of 2



Pakistan Oil Fields	Oil & Gas Exploration Companies	0.00%	0.01%	3.2%	52.39%	(9.27)	
Lucky Cement	Cement	13.58%	0.03%	2.09%	76%	(65)	
The Hub Power Company***	Power Generation and Distribution	31.38%	0.00%	0.43%	41%	(29.25)	
Engro Fertilizer	Fertilizer	25.93%	6.57%	0.43%	76%	(32.98)	
Sui Northern Gas Pipelines Ltd.	Oil & Gas Marketing Companies	15.27%	0.00%	1.51%	50%	(360.99)	
Mari Petroleum Ltd	Oil & Gas Exploration Companies	11.14%	15.09%	1.04%	33%	(597.55)	

\* 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.

- ii. On the basis of information provided by the management, all operations of KMIF for the year ended June 30, 2019 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  
*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**

**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, 2019 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 20, 2019



**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, 2019, 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, 2019, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

**Basis for Opinion**

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

**Key Audit Matters**

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

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<b>Net Asset Value</b> (Refer note 6 to the financial statements)	
	<p>The investments constitute the most significant component of the net asset value. The investments of the Fund as at June 30, 2019 amounted to Rs 1,522.876 million.</p> <p>The existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2019 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>▪ Tested the design and operating effectiveness of the key controls for valuation of investments;</li> <li>▪ Obtained independent confirmations for verifying the existence of the investment portfolio as at June 30, 2019 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; and</li> <li>▪ Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies.</li> </ul>

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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 Requirement**

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

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

  
Chartered Accountants  
Karachi

Date: September 18, 2019

**KSE MEEZAN INDEX FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT JUNE 30, 2019**



**KSE-Meezan**  
**Index Fund**

	Note	2019	2018
-----Rupees in '000'-----			
<b>Assets</b>			
Balances with banks	5	8,935	19,141
Investments	6	1,522,876	1,686,929
Receivable against conversion of units		40,106	654
Dividend receivable		9,994	62
Deposits and other receivables	7	2,756	2,781
<b>Total assets</b>		<b>1,584,667</b>	<b>1,709,567</b>
<b>Liabilities</b>			
Remuneration of AI Meezan Investment Management Limited - - Management Company	8	1,507	1,803
Payable to Central Depository Company of Pakistan Limited - Trustee	9	229	253
Payable to Securities and Exchange Commission of Pakistan	10	1,564	1,647
Payable to Meezan Bank Limited		14	43
Payable against conversion and redemption of units		274	69
Payable against purchase of investments		44,670	266
Accrued expenses and other liabilities	11	19,271	18,006
<b>Total liabilities</b>		<b>67,529</b>	<b>22,087</b>
<b>NET ASSETS</b>		<b>1,517,138</b>	<b>1,687,480</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>1,517,138</b>	<b>1,687,480</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		
<b>NUMBER OF UNITS IN ISSUE</b>		<b>28,653,899</b>	<b>23,882,324</b>
		<b>(Rupees)</b>	
<b>NET ASSET VALUE PER UNIT</b>		<b>52.9470</b>	<b>70.6581</b>

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

**KSE MEEZAN INDEX FUND  
INCOME STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2019**

	Note	2019 -----Rupees in '000'-----	2018
<b>Income</b>			
Dividend income		83,572	91,836
Profit on saving accounts with banks		555	305
Net realised loss on sale of investments		(89,688)	(96,851)
Other income		2,084	1,176
		(3,477)	(3,534)
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.2	(446,872)	(183,503)
<b>Total loss</b>		(450,349)	(187,037)
<b>Expenses</b>			
Remuneration of AI Meezan Investment Management Limited - Management Company	8.1	16,463	17,339
Sindh Sales Tax on remuneration of the Management Company	8.2	2,140	2,254
Allocated expenses	8.3	1,646	1,734
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	2,645	2,731
Sindh Sales Tax on remuneration of the Trustee	9.2	344	355
Annual fees to Securities and Exchange Commission of Pakistan	10	1,564	1,647
Brokerage expense		1,642	1,673
Auditors' remuneration	13	385	359
Fee and subscription		561	568
Printing expense		40	36
Legal and professional charges		-	49
Charity expense	11.2	1,726	1,678
Bank and settlement charges		632	38
<b>Total expenses</b>		29,788	30,461
<b>Net loss for the year before taxation</b>		(480,137)	(217,498)
Taxation	16	-	-
<b>Net loss for the year after taxation</b>		(480,137)	(217,498)
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		-	-
Income already paid on units redeemed		-	-
<b>Accounting income available for distribution</b>		-	-
- Relating to capital gains		-	-
- Excluding capital gains		-	-

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

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**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, 2019**



**KSE-Meezan  
Index Fund**

	2019	2018
	-----Rupees in '000'-----	
<b>Net loss for the year after taxation</b>	(480,137)	(217,498)
Other comprehensive income for the year	-	-
<b>Total comprehensive loss for the year</b>	<u>(480,137)</u>	<u>(217,498)</u>

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

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**For Al-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, 2019**

	2019			2018		
	Capital Value	Undistributed income / (accumulated losses)	Total	Capital Value	Undistributed income	Total
	------(Rupees in '000)-----			------(Rupees in '000)-----		
<b>Net assets at the beginning of the year</b>	1,469,611	217,869	1,687,480	1,473,507	435,367	1,908,874
Issuance of 15,900,473 units (2018: 15,357,871 units)						
- Capital value (at net asset value per unit at the beginning of the year)	1,123,497	-	1,123,497	1,221,872	-	1,221,872
- Element of loss	(113,994)	-	(113,994)	(52,313)	-	(52,313)
Total proceeds on issuance of units	1,009,503	-	1,009,503	1,169,559	-	1,169,559
Redemption of 11,128,898 units (2018: 15,468,331 units)						
- Capital value (at net asset value per unit at the beginning of the year)	786,347	-	786,347	1,230,660	-	1,230,660
- Element of income	(86,639)	-	(86,639)	(57,205)	-	(57,205)
Total payments on redemption of units	699,708	-	699,708	1,173,455	-	1,173,455
Total comprehensive loss for the year	-	(480,137)	(480,137)	-	(217,498)	(217,498)
Distribution during the year	-	-	-	-	-	-
Net loss for the year less distribution	-	(480,137)	(480,137)	-	(217,498)	(217,498)
<b>Net assets at the end of the year</b>	<u>1,779,406</u>	<u>(262,268)</u>	<u>1,517,138</u>	<u>1,469,611</u>	<u>217,869</u>	<u>1,687,480</u>
<b>Undistributed income brought forward</b>						
- Realised income		401,372			485,214	
- Unrealised loss		(183,503)			(49,847)	
		<u>217,869</u>			<u>435,367</u>	
Accounting income available for distribution						
- Relating to capital gains		-			-	
- Excluding capital gains		-			-	
Net loss for the year after taxation		(480,137)			(217,498)	
Distribution during the year		-			-	
(Accumulated losses) / undistributed income carried forward		<u>(262,268)</u>			<u>217,869</u>	
(Accumulated losses) / undistributed income carried forward						
- Realised income		184,604			401,372	
- Unrealised loss		(446,872)			(183,503)	
		<u>(262,268)</u>			<u>217,869</u>	
			(Rupees)			(Rupees)
Net assets value per unit at the beginning of the year		<u>70.6581</u>				<u>79.5600</u>
Net assets value per unit at the end of the year		<u>52.9470</u>				<u>70.6581</u>

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

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**For Al 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, 2019**



**KSE-Meezan  
Index Fund**

	Note	2019	2018
		(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss for the year before taxation		(480,137)	(217,498)
<b>Adjustments for:</b>			
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		446,872	183,503
		(33,265)	(33,995)
<b>Decrease / (increase) in assets</b>			
Investments - net		(282,819)	45,649
Receivable against investments		-	155,028
Dividend receivable		(9,932)	6,882
Deposits and other receivables		25	74
		(292,726)	207,633
<b>(Decrease) / Increase in liabilities</b>			
Payable to AI Meezan Investment Management Limited - Management Company		(296)	(373)
Payable to Central Depository Company of Pakistan Limited - Trustee		(24)	(33)
Payable to Securities and Exchange Commission of Pakistan		(83)	555
Payable to Meezan Bank Limited		(29)	(4)
Payable against investments		44,404	266
Accrued expenses and other liabilities		1,265	(13,706)
		45,237	(13,295)
<b>Net cash (used in) / generated from operating activities</b>		(280,754)	160,343
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts against issuance and conversion of units		970,051	1,169,750
Payment against redemption and conversion of units		(699,503)	(1,175,111)
Dividend paid		-	(146,426)
<b>Net cash generated from / (used in) financing activities</b>		270,548	(151,787)
<b>Net decrease in cash and cash equivalents during the year</b>		(10,206)	8,556
Cash and cash equivalents at the beginning of the year		19,141	10,585
<b>Cash and cash equivalents at the end of the year</b>	5	8,935	19,141

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

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

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

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

\_\_\_\_\_  
Director

## **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 JCR-VIS dated December 28, 2018 (2018: AM1 dated December 29, 2017) and by PACRA 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.

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

Effective from July 01, 2018, the fund has adopted IFRS 9: "Financial Instruments" which has replaced IAS 39: "Financial Instruments: Recognition and Measurement". The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach rather than 'incurred credit losses' approach, as previously given under IAS 39. The ECL has impact on all the assets of the Fund which are exposed to credit risk. However, majority of the assets of the Fund that are exposed to credit risk pertain to counter parties which have high credit rating. Therefore, the management believes that the impact of ECL would be very minimal and hence, the same has not been accounted for in these financial statements.

All equity investments are required to be measured in the "Statement of Assets and Liabilities" at fair value, with gains and losses recognized 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 Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

IFRS 9 requires securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis to be recognized as Fair value through profit or loss (FVPL). The management considers its investment in equity securities being managed as a group of assets and hence has classified them as FVPL. Accordingly, the Fund's investment portfolio in equity securities continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost.

The adoption of IFRS-9 did not have any impact on classification and measurement of financial assets and financial liabilities on the date of its adoption.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on July 1, 2018 that have a material effect on the financial statements of the Fund.

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

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

<b>Amendments</b>	<b>Effective date (accounting periods beginning on or after)</b>
- IFRS 9 - 'Financial instruments' (amendment)	January 1, 2019
- 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, 2019 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.

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### 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 except for the change in accounting policy as explained in note 3.2 above.

### 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 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.

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

#### 4.11 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement, on the date when the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of securities classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Dividend income is recognised when the Fund's right to receive the same is established i.e. on the commencement of date of book closure of the investee company / institution declaring the dividend.
- Profit on saving accounts with bank is recognised on a time proportion basis using the effective yield method.

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#### 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 Preliminary expenses and floatation costs

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

#### 4.14 Taxation

##### Current

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

##### Deferred

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

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

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

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

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

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

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

#### 4.16 Foreign currency translation

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

5	BALANCES WITH BANKS	Note	2019	2018
			(Rupees in '000)	
	Balances with banks in:			
	Savings accounts	5.1	7,559	18,559
	Current account		1,376	582
			<u>8,935</u>	<u>19,141</u>

5.1 The balances in saving accounts have expected profit rates ranging from 3.32% to 12.30% per annum (2018: 2.00% to 2.4% per annum).

6	INVESTMENTS	Note	2019	2018
			(Rupees in '000)	
	At fair value through profit or loss			
	Quoted equity securities	6.1	<u>1,522,876</u>	<u>1,686,929</u>

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**6.1 Investments in equity securities - listed**

Shares of listed companies - fully paid up ordinary shares with a face value of Rs. 10 each except K-Electric Limited whose shares have a face value of Rs 3.5 each.

Name of the Investee Company	As at July 01, 2018	Acquired during the year	Bonus / Right shares during the year	Sold during the year	As at June 30, 2019	Carrying value as at June 30, 2019	Market value as at June 30, 2019	Unrealised gain / (loss) as at June 30, 2019	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 held			Rupees in '000'			Percentage		
<b>Sectors / companies</b>													
<b>Automobile Assembler</b>													
Millat Tractors Limited	39,920	8,920	-	48,840	-	-	-	-	-	-	-		
Pak Suzuki Motor Company Limited	41,000	11,800	-	52,800	-	-	-	-	-	-	-		
<b>Cable And Electrical Goods</b>													
Pak Elektron Limited	448,803	296,500	-	180,000	565,303	17,737	11,317	(6,420)	0.75	0.11	0.74		
<b>Cement</b>													
D.G. Khan Cement Company Limited	400,000	208,400	-	109,900	498,500	51,945	28,185	(23,760)	1.86	0.01	1.85		
Fauji Cement Company Limited	1,370,875	784,500	-	420,000	1,735,375	38,115	27,297	(10,818)	1.80	0.13	1.79		
Lucky Cement Limited	237,130	130,650	-	75,100	292,680	142,293	111,356	(30,937)	7.34	0.09	7.31		
Maple Leaf Cement Limited	491,955	242,700	-	130,500	604,155	28,419	14,433	(13,986)	0.95	0.09	0.95		
<b>Chemical</b>													
Engro Polymer & Chemicals Limited *	420,000	954,771	-	347,500	1,027,271	34,768	27,695	(7,073)	1.83	0.11	1.82		
Lotte Chemical Pakistan Limited	-	976,000	-	118,500	857,500	14,699	13,077	(1,622)	0.86	0.06	0.86		
<b>Engineering</b>													
International Industries Limited	97,100	52,600	-	27,200	122,500	24,553	9,441	(15,112)	0.62	0.10	0.62		
International Steels Limited	314,000	164,300	-	84,900	393,400	35,363	15,622	(19,741)	1.03	0.09	1.03		
Mughal Iron & Steel Industries Limited	113,000	52,000	-	165,000	-	-	-	-	-	-	-		
<b>Investment Banks / Investment Companies / Securities Companies</b>													
Dawood Hercules Corporation Limited	607,875	136,200	-	744,075	-	-	-	-	-	-	-		
<b>Fertilizers</b>													
Engro Corporation Limited	530,819	277,500	63,581	155,000	716,900	204,807	190,409	(14,398)	12.55	0.12	12.50		
Engro Fertilizer Limited	1,106,636	559,500	-	309,000	1,357,136	100,664	86,816	(13,848)	5.72	0.10	5.70		
<b>Food And Personal Care Products</b>													
FrieslandCampina Engro Pakistan Limited (formerly Engro Foods Limited)	140,500	123,000	-	89,000	174,500	14,465	10,179	(4,286)	0.67	0.02	0.67		
<b>Oil And Gas Exploration Companies</b>													
Mari Petroleum Company Limited	39,731	26,160	4,079	14,940	55,030	72,635	55,544	(17,091)	3.66	0.05	3.65		
Oil & Gas Development Company Limited	1,188,218	608,300	-	336,900	1,459,618	221,257	191,925	(29,332)	12.65	0.03	12.60		
Pakistan Oilfields Limited	197,867	188,700	40,113	132,550	294,130	150,260	119,385	(30,875)	7.87	0.10	7.84		
Pakistan Petroleum Limited	885,526	607,900	133,353	372,500	1,254,279	225,254	181,156	(44,098)	11.94	0.06	11.90		
<b>Oil And Gas Marketing Companies</b>													
Hascol Petroleum Limited	93,453	81,200	37,877	53,200	159,330	29,438	10,933	(18,505)	0.72	0.08	0.72		
Pakistan State Oil Company Limited	-	453,900	-	55,200	398,700	91,050	67,631	(23,419)	4.46	0.10	4.44		
Shell Pakistan Limited	-	58,700	-	9,800	48,900	13,567	8,922	(4,645)	0.59	0.05	0.59		
Sui Northern Gas Pipelines Limited	513,833	303,500	-	171,500	645,833	59,020	44,879	(14,141)	2.96	0.10	2.95		
Sui Southern Gas Company Limited	567,231	299,000	-	171,000	695,231	20,297	14,377	(5,920)	0.95	0.08	0.94		
<b>Paper &amp; Board</b>													
Packages Limited	56,462	30,850	-	26,500	60,812	26,732	18,278	(8,454)	1.20	0.07	1.20		
<b>Pharmaceuticals</b>													
The Searle Company Limited	135,995	87,000	20,864	52,100	191,759	51,395	28,104	(23,291)	1.85	0.09	1.85		
<b>Power Generation &amp; Distribution</b>													
K-Electric Limited (face value of Rs. 3.5)	5,001,540	2,242,500	-	993,000	6,251,040	34,632	27,442	(7,190)	1.81	0.02	1.80		
Kot Addu Power Company Limited	262,000	-	-	262,000	-	-	-	-	-	-	-		
The Hub Power Company Limited *	1,256,732	866,165	-	419,000	1,703,897	146,928	134,182	(12,746)	8.84	0.15	8.81		

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Name of the Investee Company	As at July 01, 2018	Acquired during the year	Bonus / Right shares during the year	Sold during the year	As at June 30, 2019	Carrying value as at June 30, 2019	Market value as at June 30, 2019	Unrealised gain / (loss) as at June 30, 2019	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 held -----						----- Rupees in '000' -----			----- Percentage -----			
<b>Refinery</b>												
Attock Refinery Limited	62,733	70,600	15,658	50,900	98,091	14,981	7,580	(7,401)	0.50	0.09	0.50	
Byco Petroleum Pakistan Limited	-	1,386,500	-	175,500	1,211,000	10,674	7,763	(2,911)	0.51	0.02	0.51	
National Refinery Limited	46,348	31,900	-	19,200	59,048	20,503	6,700	(13,803)	0.44	0.07	0.44	
Pakistan Refinery Limited	165,000	54,000	-	219,000	-	-	-	-	-	-	-	
<b>Textile Composite</b>												
Nishat Mills Limited	285,700	160,500	-	87,900	358,300	48,983	33,444	(15,539)	2.20	0.10	2.20	
<b>Transport</b>												
Pakistan International Bulk Terminal Limited	-	2,529,000	-	301,000	2,228,000	24,314	18,804	(5,510)	1.24	0.12	1.22	
<b>Right Certificates</b>												
<b>Chemical</b>												
Engro Polymer & Chemicals Limited *	154,290	-	-	154,290	-	-	-	-	-	-	-	
<b>Power Generation &amp; Distribution</b>												
The Hub Power Company Limited *			186,187	186,187	-	-	-	-	-	-	-	
<b>Total as at June 30, 2019</b>						<b>1,969,748</b>	<b>1,522,876</b>	<b>(446,872)</b>	<b>100</b>		<b>100</b>	
<b>Total as at June 30, 2018</b>						<b>1,870,432</b>	<b>1,686,929</b>	<b>(183,503)</b>	<b>-</b>			

\* The right certificates were exercised during the year and the shares are included in the investment in Engro Polymer and Chemicals Limited and The Hub Power Company Limited above.

**6.1.1** Investments include 682,000 shares (June 30, 2018: 682,000 shares) of Pakistan Petroleum Limited having market value of Rs 98.50 million as at June 30, 2019 (June 30, 2018: Rs 146.56 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.

**6.1.2** 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 current year. Subsequent to the year ended June 30, 2019, 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.

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As at June 30, 2019, the bonus shares of the Fund withheld by certain companies at the time of declaration of bonus shares amounted to Rs. 0.883 million (2018: Rs. 1.58 million).

6.2 Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	Note	2019 (Rupees in '000)	2018
Market value of investments	6.1	1,522,876	1,686,929
Carrying value of investments	6.1	1,969,748	1,870,432
		<u>(446,872)</u>	<u>(183,503)</u>
<b>7 DEPOSITS AND OTHER RECEIVABLES</b>			
Profit receivable on saving account		153	178
Security deposit with Central Depository Company of Pakistan Limited		103	103
Security deposit with the National Clearing Company of Pakistan Limited		2,500	2,500
		<u>2,756</u>	<u>2,781</u>
<b>8 PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>			
Management fee payable	8.1	1,224	1,422
Sindh Sales Tax payable on remuneration of the Management Company	8.2	159	185
Allocated expenses payable	8.3	122	142
Sales load payable		1	48
Sindh Sales Tax payable on sales load		1	6
		<u>1,507</u>	<u>1,803</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 1.5% of the average annual net assets in case of Index Schemes. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 1% (2018: 1%) per annum of the average net assets of the Fund during the year ended June 30, 2019. The remuneration is payable to the Management Company monthly in arrears.
- 8.2** During the year, an amount of Rs. 2.140 million (2018: Rs 2.254 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. 2.166 million (2018: Rs. 2.292 million) has been paid to the Management Company which acts as a collecting agent.
- 8.3** Uptil June 19, 2019 in accordance with Regulation 60 of the NBFC Regulations, the Management Company was entitled to charge expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS) at the rate of 0.1% of the average annual net assets of the scheme or actual whichever is less. During the year, SECP vide SRO 639 dated June 20, 2019 has removed the maximum cap of 0.1%. Accordingly, the Management Company can now charge actual expenses related to registrar services, accounting, operations and valuation services to the CIS with effect from June 20, 2019.

However, the Management Company continued to charge expenses at the rate 0.1% of the average annual net assets of the Fund for both the periods i.e from July 1, 2018 to June 19, 2019 and from June 20, 2019 to June 30, 2019, being lower than actual expenses.

9 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2019 (Rupees in '000)	2018
Trustee fee payable	9.1	183	204
Sindh Sales Tax payable on trustee fee	9.2	46	49
		<u>229</u>	<u>253</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

- from Rs 1,000 million and above

Rs 0.7 million or 0.2% per annum of net assets, whichever is higher.

Rs 2.0 million plus 0.10% per annum of net assets exceeding Rs 1,000 million.

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- 9.2 During the year, an amount of Rs 0.344 million (2018: Rs. 0.355 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. 0.347 million (2018: Rs. 0.359 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 classified as a Index Scheme is required to pay to the Securities and Exchange Commission of Pakistan an amount equal to 0.095% of the average annual net assets of the Fund as annual fee.

11 ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2019 (Rupees in '000)	2018
Auditors' remuneration payable		225	325
Printing charges payable		115	77
Provision for Federal Excise Duty and related Sindh Sales Tax on management fee	11.1	5,741	5,404
Provision for Federal Excise Duty and related Sindh Sales Tax on sales load		497	429
Brokerage payable		1,071	769
Shariah advisor fee payable		264	269
Charity payable	11.2	1,843	1,117
Withholding tax payable		245	323
Provision for Sindh Workers' Welfare Fund	11.3	9,270	9,270
Zakat payable		-	23
		19,271	18,006

- 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 0.22 (June 30, 2018: Re 0.24) per unit.

During the year, FED amounting to Rs. 0.405 million has been paid to the fund by the Management Company in respect of management fee and sales load pertaining to prior periods.

- 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, 2019, non-shariah compliant income amounting to Rs 1.73 million (2018: Rs. 1.68 million) was charged as an expense in the books of the Fund. As per the requirement of Clause 3.3.2 of Offering document, following is the list of charitable / welfare organizations to whom charity payments were made in excess of Rs. 200,000 during the year ended June 30, 2019:

- Sharmeen Khan Memorial Foundation; and
- National Institute of Blood Diseases.

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- 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, 2019, the net asset value of the Fund as at June 30, 2019 would have been higher by Re. 0.32 per unit (2018: Re 0.39 per unit).

## 12 CONTINGENCIES AND COMMITMENTS

- 12.1** There were no contingencies and commitments outstanding as at June 30, 2019 and June 30, 2018.

## 13 AUDITORS' REMUNERATION

	2019	2018
	(Rupees in '000)	
Annual audit fee	228	202
Half yearly review of condensed interim financial statements	101	101
Fee for other certifications	40	40
Out of pocket expenses	16	16
	385	359

## 14 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2019 is 1.81% which includes 0.26% representing government levies on the Fund, sales taxes, federal excise duties, annual fee to the SECP, etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Index scheme.

## 15 PERFORMANCE TABLE

	2019	2018	2017	2016	2015
Net assets (Rs in '000) (ex-distribution)	1,517,138	1,687,480	1,908,874	881,629	1,159,323
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	52.9470	70.6581	79.56	78.91	71.7
Offer price per unit as at June 30 (Rs.) (ex-distribution)	54.2760	72.4316	81.36	81	73.79
Highest offer price per unit (Rs.)	73.3295	66.4	109.77	85.05	77.64
Lowest offer price per unit (Rs.)	50.8823	83.95	80.6	65.44	61.18
Highest redemption price per unit (Rs.)	75.1701	82.0908	107.34	82.86	75.44
Lowest redemption price per unit (Rs.)	52.1594	64.767	78.82	63.75	59.45
Distribution (%)	N/A	N/A	24	4.7	3.7
Date of distribution	N/A	N/A	June 23, 2017	June 24, 2016	July 3, 2015
Growth distribution (Rupees in '000)	N/A	N/A	270,893	24,604	N/A
Total return (%)	(25)	(11)	16	13	17
Average annual return (%) as at June 30, 2019	One Year (25)	Two Year (18)	Three Year (8)	Four Year (3)	Five Year 1

Investment portfolio composition of the Fund as described in Note 6.

Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate as described in note 19.

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## 16 TAXATION

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

## 17 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 17.1 Connected persons include Al Meezan Investment Management Limited being the Management Company, the Central Depository Company of Pakistan 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.
- 17.2 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.
- 17.3 Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.
- 17.4 Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 17.5 The details of transactions carried out by the Fund with connected persons during the year and balances with them as at year end are as follows:

	2019	2018
	(Rupees in '000)	
<b>Balances</b>		
<b>Al Meezan Investment Management Limited (Management Company)</b>		
Remuneration Payable	1,224	1,422
Sindh Sales Tax on management fee	159	185
Sales load payable	1	48
Sindh Sales Tax on sales load	1	6
Allocated expenses payable	122	142
Outstanding 7,651,969 units (2018: 4,241,874 units) - at net asset value	405,149	299,723
<b>Central Depository Company of Pakistan Limited (CDC) - Trustee</b>		
Trustee fee payable	183	204
Sindh Sales Tax on Trustee fee payable	46	49
Security Deposit	103	103
<b>Meezan Bank Limited</b>		
Bank balance	3,425	1,744
Profit receivable on saving accounts	62	25
Sales load payable	14	43
Sindh Sales Tax on sales load payable	2	6
Outstanding 2,113,224 units (2018: 2,113,224 units) - at net asset value	111,889	149,316
<b>Directors and their close family members and key management</b>		
Outstanding 18,925 units (2018: 19,890 units) - at net asset value	1,002	1,405
<b>Unitholders holding 10% or more units of the Fund</b>		
Investment as at June 30, 2019: 9,725,888 units (June 30, 2018: 9,725,888 units)	514,957	687,213

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**2019**                      **2018**  
(Rupees in '000)

**AI Meezan Investment Management Limited (GF)**

Investment as at June 30, 2019: 133,559 units (2018: nil units)

7,072                      -
**Meezan Strategic Allocation Fund MSAP-I**

Investment as at June 30, 2019: 201,580 units (2018: nil units)

10,673                      -
**Meezan Strategic Allocation Fund MSAP-II**

Investment as at June 30, 2019: 137,526 units (2018: nil units)

7,282                      -
**Meezan Strategic Allocation Fund MSAP-III**

Investment as at June 30, 2019: 167,669 units (2018: nil units)

8,879                      -
**Meezan Strategic Allocation Fund MSAP-IV**

Investment as at June 30, 2019: 190,276 units (2018: nil units)

10,075                      -
**Meezan Strategic Allocation Fund MSAP-V**

Investment as at June 30, 2019: 56,518 units (2018: nil units)

2,992                      -
**For the year ended June 30,**
**2019**                      **2018**

(Rupees in '000)

**Transactions during the year**
**AI Meezan Investment Management Limited (Management Company)**

Remuneration charged

16,463                      17,339

Sindh Sales Tax on remuneration of the Management Company

2,140                      2,254

Allocated expenses

1,646                      1,734

Issue of 4,655,875 units (2018: 309,662 units)

291,388                      22,500

Redemption of 1,245,780 units (2018: nil units)

76,200                      -
**Central Depository Company of Pakistan Limited (CDC) - Trustee**

Remuneration of the Trustee

2,645                      2,731

Sindh Sales Tax on remuneration of the Trustee

344                      355

CDS charges

84                      90
**Meezan Bank Limited**

Profit on saving account

214                      67
**Meezan Financial Planning Fund of Funds - MAAP I**

Issue of nil units (2018: 911,030 units)

-                      64,736

Redemption of nil units (2018: 1,259,360 units)

-                      91,118
**Directors and their close family members and key management**
**personnel of the Management Company**

Issue of 749,321 units (2018: 4,933 units)

50,056                      365

Redemption of 750,286 units (2018: 369,419 units)

38,776                      26,367
**Meezan Strategic Allocation Fund MSAP-I**

Issue of 201,580 units (2018: nil units)

10,700                      -
**Meezan Strategic Allocation Fund MSAP-II**

Issue of 137,526 units (2018: nil units)

7,300                      -
**Meezan Strategic Allocation Fund MSAP-III**

Issue of 167,669 units (2018: nil units)

8,900                      -
**Meezan Strategic Allocation Fund MSAP-IV**

Issue of 190,276 units (2018: nil units)

10,100                      -
**Meezan Strategic Allocation Fund MSAP-V**

Issue of 56,518 units (2018: nil units)

3,000                      -
**17.6** Other balances due to / from related parties / connected persons are included in the respective notes to the financial statements.

## 18 FINANCIAL INSTRUMENTS BY CATEGORY

2019			
At amortised cost	At fair value through profit or loss	Total	
Rupees in '000'			
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	2,756	-	2,756
	<u>61,791</u>	<u>1,522,876</u>	<u>1,584,667</u>

**Financial assets**

Balances with banks

Investments

Receivable against conversion of units

Dividend receivable

Deposits and other receivables

2019			
At fair value through profit or loss	At amortised cost	Total	
Rupees in '000'			
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
	<u>-</u>	<u>50,212</u>	<u>50,212</u>

**Financial liabilities**

Payable to AI Meezan Investment Management Limited - Management Company

Payable to Central Depository Company Limited - Trustee

Payable to Meezan Bank Limited

Payable against conversion and redemption of units

Payable against purchase of investments

Accrued expenses and other liabilities

2018			
At amortised cost	At fair value through profit or loss	Total	
Rupees in '000'			
Balances with banks	19,141	-	19,141
Investments	-	1,686,929	1,686,929
Receivable against conversion of units	654	-	654
Dividend receivable	62	-	62
Deposits and other receivables	2,781	-	2,781
	<u>22,638</u>	<u>1,686,929</u>	<u>1,709,567</u>

**Financial assets**

Balances with banks

Investments

Receivable against conversion of units

Dividend receivable

Deposits and other receivables

2018			
At fair value through profit or loss	At amortised cost	Total	
Rupees in '000'			
Payable to AI Meezan Investment Management Limited - Management Company	-	1,803	1,803
Payable to Central Depository Company Limited - Trustee	-	253	253
Payable to Meezan Bank Limited	-	43	43
Payable against conversion and redemption of units	-	69	69
Payable against purchase of investments	-	266	266
Accrued expenses and other liabilities	-	2,580	2,580
	<u>-</u>	<u>5,014</u>	<u>5,014</u>

**Financial liabilities**

Payable to AI Meezan Investment Management Limited - Management Company

Payable to Central Depository Company Limited - Trustee

Payable to Meezan Bank Limited

Payable against conversion and redemption of units

Payable against purchase of investments

Accrued expenses and other liabilities

## 19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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**19.1 Market risk**

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

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, 2019, 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**

During the year ended June 30, 2019, the net income would have increased / (decreased) by Rs. 0.08 million (2018: Rs. 0.186 million) had the profit rates on profit and loss saving accounts increased / (decreased) by 100 basis points.

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, 2019 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, 2019 can be determined as follows:

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' -----					
<b>Financial assets</b>					
Balances with banks	3.32% - 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
<b>Financial liabilities</b>					
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
<b>On-balance sheet gap (a)</b>		7,559	-	1,526,896	1,534,455
<b>Off-balance sheet financial instruments</b>		-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-
<b>Total profit rate sensitivity gap (a+b)</b>		7,559	-	-	-
<b>Cumulative profit rate sensitivity gap</b>		7,559	7,559	7,559	

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2018					
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	2.00% to 2.40%	18,559	-	-	582	19,141
Investments		-	-	-	1,686,929	1,686,929
Receivable against conversion of units		-	-	-	654	654
Dividend receivable		-	-	-	62	62
Deposits and other receivables		-	-	-	2,781	2,781
		<b>18,559</b>	<b>-</b>	<b>-</b>	<b>1,691,008</b>	<b>1,709,567</b>

#### Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	1,803	1,803
Payable to Central Depository Company Limited - Trustee		-	-	-	253	253
Payable to Meezan Bank Limited		-	-	-	43	43
Payable against conversion and redemption of units		-	-	-	69	69
Payable against purchase of investments		-	-	-	266	266
Accrued expenses and other liabilities		-	-	-	2,580	2,580
		-	-	-	<b>5,014</b>	<b>5,014</b>

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

	<b>18,559</b>	<b>-</b>	<b>-</b>	<b>1,685,994</b>	<b>1,704,553</b>
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#### Off-balance sheet financial instruments

	-	-	-	-	-
--	---	---	---	---	---

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

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

	<b>18,559</b>	<b>-</b>	<b>-</b>		
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#### Cumulative profit rate sensitivity gap

	<b>18,559</b>	<b>18,559</b>	<b>18,559</b>		
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#### (ii) Currency risk

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

#### (iii) Price risk

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

Equity price risk is the risk that the fair value of equity instruments decreases as a result of changes in the level of equity indices and the value of individual stocks.

In case of 1% increase / decrease in KMI 30 index on June 30, 2019, with all other variables held constant, the total comprehensive income of the Fund for the year would increase / decrease by Rs. 15.229 million (2018: Rs. 16.869 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, 2019 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KMI-30 Index.

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## 19.2 Liquidity risk

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

The Fund is exposed to daily 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.

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:

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'						
<b>Financial assets</b>						
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
	<b>59,188</b>	-	-	-	<b>1,525,479</b>	<b>1,584,667</b>
<b>Financial liabilities</b>						
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
	<b>50,212</b>	-	-	-	-	<b>50,212</b>
<b>Net assets / (liabilities)</b>	<b>8,976</b>	-	-	-	<b>1,525,479</b>	<b>1,534,455</b>

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2018						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
Rupees in '000'						
<b>Financial assets</b>						
Balances with banks	19,141	-	-	-	-	19,141
Investments	-	-	-	-	1,686,929	1,686,929
Receivable against conversion of units	654	-	-	-	-	654
Dividend receivable	62	-	-	-	-	62
Deposits and other receivables	178	-	-	-	2,603	2,781
	<b>20,035</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,689,532</b>	<b>1,709,567</b>
<b>Financial liabilities</b>						
Payable to Al Meezan Investment Management Limited - Management Company	1,803	-	-	-	-	1,803
Payable to Central Depository Company Limited - Trustee	253	-	-	-	-	253
Payable to Meezan Bank Limited	43	-	-	-	-	43
Payable against conversion and redemption of units	69	-	-	-	-	69
Payable against purchase of investments	266	-	-	-	-	266
Accrued expenses and other liabilities	2,580	-	-	-	-	2,580
	<b>5,014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,014</b>
<b>Net assets / (liabilities)</b>	<b>15,021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,689,532</b>	<b>1,704,553</b>

### 19.3 Credit risk

19.3.1 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:

	2019		2018	
	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	8,935	8,935	19,141	19,141
Investments	1,522,876	-	1,686,929	-
Receivable against conversion of units	40,106	40,106	654	654
Dividend receivables	9,994	9,994	62	62
Deposits and other receivables	2,756	2,756	2,781	2,781
	<b>1,584,667</b>	<b>61,791</b>	<b>1,709,567</b>	<b>22,638</b>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2019 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.

### 19.3.2 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:

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Rating	% of financial assets exposed to credit risk	
	2019	2018
AAA	0.01	0.05
AA+	99.98	99.87
AA	0.01	-
AA-	-	0.08
	<u>100.00</u>	<u>100.00</u>

## 20 FAIR VALUE MEASUREMENT

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

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

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, 2019, the Fund held the following financial instruments measured at fair values:

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>

2018		
Level 1	Level 2	Level 3
Rupees in '000		

### Financial assets

At fair value through profit or loss

1,686,929	-	-
<u>1,686,929</u>	<u>-</u>	<u>-</u>

## 21 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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.

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

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

## 22 UNIT HOLDING PATTERN OF THE FUND

Category	2019			2018		
	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	1,014	262,510	17.30	912	317,520	18.82
Associated Companies /						
Directors	6	445,048	29.34	3	449,039	26.61
Retirement Funds	5	82,671	5.45	11	100,171	5.94
Others	10	726,909	47.91	5	820,750	48.63
	<u>1,035</u>	<u>1,517,138</u>	<u>100.00</u>	<u>931</u>	<u>1,687,480</u>	<u>100.00</u>

## 23 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
Standard Capital Securities (Private) Limited	8.94	Topline Securities (Private) Limited	8.66
Foundation Securities (Private) Limited	8.28	Optimus Capital Management Limited	6.74
Alfalah Securities (Private) Limited	8.17	Insight Securities (Private) Limited	7.49
Aba Ali Habib Securities (Private) Limited	7.58	Taurus Securities Limited	6.10
Intermarket Securities (Private) Limited	7.20	Aba Ali Habib Securities (Private) Limited	5.56
Fortune Securities (Private) Limited	5.07	Vector Capital (Private) Limited	6.10
Fawad Yousuf Securities (Private) Limited	5.03	Al Habib Capital market (Private) Limited	5.99
Shajar Capital Pakistan (Private) Limited	4.74	BMA Capital Management Limited	5.45
Topline Securities (Private) Limited	4.44	BIPL Securities Limited	5.13
Vector Capital (Private) Limited	4.31	Alfalah Securities (Private) Limited	5.35

## 24 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	Twenty nine years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Twenty three years
Mr. Muhammad Mohsin	Head of Equity / Director - Research	MBA	Twenty two years
Mr. Ahmed Hassan	SVP Investments	CFA / MBA	Twelve years
Mr. Ali Khan	VP Product Development	CFA / FRM / MBA	Nine years
Mr. Zain Malik	VP Investments	CFA / BBA	Ten years
Mr. Asif Imtiaz	AVP Investments	CFA / MBA - Finance	Eleven years
Mr. Imad Ansari	Head of Risk Management	B.S Actuarial Sciences & Risk Management / MBA - Finance	Fourteen years
Mr. Ali Asghar	VP / Head of Research	CFA / MBA (in progress)	Eight years

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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

## 25 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					
		July 6, 2018	August 09, 2018	October 18, 2018	February 14, 2019	April 18, 2019	May 23, 2019
Mr. Ariful Islam	Chairman	Yes	No	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib	Chief Executive Officer	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Moin M. Fudda	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Atif Azim *	Director	Yes	Yes	Yes	Yes	Yes	Resigned
Mr. Ijaz Farooq	Director	No	Yes	No	Yes	Yes	No
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Abdullah Ahmed	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Arshad Majeed	Director	Yes	Yes	No	Yes	Yes	Yes
Ms. Saima Kamila Khan	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Naeem Sattar	Director	Yes	Yes	Yes	Yes	Yes	Yes

\* Mr. Atif Azim resigned on May 07, 2019.

## 26 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.

## 27 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 19, 2019.

## 28 GENERAL

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

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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.

 Peshawar Branch





# BUILDING ON THE VALUES OF GROWTH IN THE CITY OF FLOWERS



**ISLAMIA  
COLLEGE  
(PESHAWAR)**

## FUND INFORMATION

### MANAGEMENT COMPANY

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

### BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

### CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

### AUDIT COMMITTEE

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

### RISK MANAGEMENT COMMITTEE

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

### HUMAN RESOURCE & REMUNERATION COMMITTEE

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

### TRUSTEE

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

### AUDITORS

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

### SHARIAH ADVISER

Meezan Bank Limited

### BANKERS TO THE FUND

Al Baraka Islamic Bank B.S.C (E.C)  
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](http://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.

### Performance Review

MDEF posted a total loss of Rs. 540 million in FY19. Total loss comprised of realised and unrealized loss on investments of Rs. 289 million and Rs. 339 million respectively, while the net inflow in the Fund during the year was 511 million. Dividend income contributed Rs. 80 million to income while profit on saving accounts with banks amounted to Rs. 8 million. After accounting for expenses of Rs. 66 million, the Fund posted a net loss of Rs. 606 million. The net assets of the Fund as at June 30, 2019 were Rs. 1,761 million. The net asset value per unit as at June 30, 2019 was Rs. 35.51.

### 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, 2019 an amount of Rs. 1.516 million was accrued as charity payable.

### Distributions

There is NIL distribution by the Fund during the period ended June 30, 2019.

### Summary of Actual Proxy Voted By the Fund

	Resolutions	For	Against	Abstain
Number	3	3	-	-
Percentage	100%	100%	-	-

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

### Breakdown of unit holdings by size

(As on June 30, 2019)

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	12
<b>Total</b>	<b>13</b>



# Meezan Bank

The Premier Islamic Bank

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

August 1, 2019/ Dhu Al-Qi'dah 28, 1440

**Alhamdulillah**, the period from July 2018 to June 30, 2019 was the Second 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 *Shari'ah* advisors of the Fund and are issuing the report in accordance with clause 8.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shari'ah* compliance of the Fund's activity

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

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure *Shari'ah* compliance 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, 2019 and their evaluation according to the screening criteria established by us. (December 31, 2018 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)
Engro Corporation Ltd	Fertilizer	33.98%	20.80%	3.52%	66%	(144.42)	
Oil & Gas Development Company	Oil & Gas Exploration Companies	0.00%	12.32%	4.26%	36%	77.25	128



Pakistan Petroleum Ltd.	Oil & Gas Exploration Companies	0.02%	11.98%	1.31%	39%	47.24	149.66
Lucky Cement	Cement	13.58%	0.03%	2.09%	76%	(65)	
Engro Fertilizer	Fertilizer	25.93%	6.57%	0.43%	76%	(32.98)	
Pakistan Oil Fields	Oil & Gas Exploration Companies	0.00%	0.01%	3.2%	52.39%	(9.27)	
Sui Northern Gas Company	Oil & Gas Marketing Companies	15.27%	0.00%	1.51%	50%	(360.99)	
The Hub Power Co.Ltd.***	Power Generation & Distribution Company	31.38%	0.00%	0.43%	41%	(29.25)	

\* 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.

- ii. On the basis of information provided by the management, all operations of MDEF for the year ended June 30, 2019 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  
*Shariah* Advisor

**Head Office**

CDC House, 99-B, Block 'B'  
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](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto: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, 2019 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 20, 2019



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, 2019, 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, 2019, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<b>Net Asset Value</b> (Refer note 6 to the financial statements)	
	<p>The investments constitute the most significant component of the net asset value. The investments of the Fund as at June 30, 2019 amounted to Rs 1,658.927 million.</p> <p>The existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2019 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>Tested the design and operating effectiveness of the key controls for valuation of investments;</li> <li>Obtained independent confirmations for verifying the existence of the investment portfolio as at June 30, 2019 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; and</li> <li>Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies.</li> </ul>

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





### Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of 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 Requirement**

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

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

  
Chartered Accountants  
Karachi  
Date: September 18, 2019

**MEEZAN DEDICATED EQUITY FUND  
STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2019**



	2019	2018
Note	-----Rupees in '000'-----	
<b>Assets</b>		
Balances with banks	5 110,688	122,500
Investments	6 1,658,927	1,741,607
Dividend receivable	1,120	2,103
Advances, deposits and other receivables	7 1,886	2,661
<b>Total assets</b>	<b>1,772,621</b>	<b>1,868,871</b>
<b>Liabilities</b>		
Payable to AI Meezan Investment Management Limited - Management Company	8 5,286	7,319
Payable to Central Depository Company of Pakistan Limited - Trustee	9 263	269
Payable to the Securities and Exchange Commission of Pakistan	10 1,864	922
Payable against purchase of investments	-	2,530
Payable against redemption and conversion of units	1,500	-
Accrued expenses and other liabilities	11 2,634	999
<b>Total liabilities</b>	<b>11,547</b>	<b>12,039</b>
<b>NET ASSETS</b>	<b>1,761,074</b>	<b>1,856,832</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>	<b>1,761,074</b>	<b>1,856,832</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	12	
<b>NUMBER OF UNITS IN ISSUE</b>	<b>49,596,421</b>	<b>38,257,817</b>
<b>NET ASSET VALUE PER UNIT</b>	<b>35.5081</b>	<b>48.5347</b>

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

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**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, 2019**

		2019	For the period from October 9, 2017 to June 30, 2018
	Note	-----Rupees in '000'-----	
<b>Income</b>			
Profit on balances with banks		8,115	3,480
Dividend income		79,935	30,907
Realised (loss) / gain on sale of investments - net		(289,217)	15,479
		(201,167)	49,866
Net unrealised diminution on re-measurement of investments classified as financial assets at 'fair value through profit or loss'	6.2	(338,750)	(83,815)
		-	
<b>Total loss</b>		(539,917)	(33,949)
<b>Expenses</b>			
Remuneration of Al Meezan Investment Management Limited - Management Comp	8.1	39,234	19,414
Sindh Sales Tax on remuneration of the Management Company	8.2	5,100	2,524
Allocated expenses	8.3	1,962	969
Selling and marketing expenses	8.4	7,847	3,883
Remuneration of Central Depository Company of Pakistan Limited- Trustee	9.1	2,962	1,648
Sindh Sales Tax on remuneration of the Trustee	9.2	385	214
Annual fees to the Securities and Exchange Commission of Pakistan	10	1,864	922
Brokerage expense		4,284	3,327
Auditors' remuneration	13	235	200
Annual listing fee		28	190
Charity expense	11.1	1,529	487
Printing expense		40	30
Legal and professional charges		-	27
Fee and subscription		532	392
Bank and settlement charges		435	899
<b>Total expenses</b>		66,437	35,126
<b>Net loss for the year before taxation</b>		(606,354)	(69,075)
Taxation	16	-	-
<b>Net loss for the year after taxation</b>		(606,354)	(69,075)
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		-	-
Income already paid on units redeemed		-	-
		-	-
<b>Accounting income available for distribution</b>			
- Relating to capital gains		-	-
- Excluding capital gains		-	-
		-	-

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

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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, 2019**



**Meezan**  
Dedicated Equity Fund

	2019	For the period from October 9, 2017 to June 30, 2018
Note	-----Rupees in '000'-----	
Net loss for the year after taxation	(606,354)	(69,075)
Other comprehensive income / (loss) for the year	-	-
<b>Total comprehensive loss for the year</b>	<u>(606,354)</u>	<u>(69,075)</u>

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

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

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

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

\_\_\_\_\_  
Director

**MEEZAN DEDICATED EQUITY FUND**  
**STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	2019			For the period from October 9, 2017 to June 30, 2018		
	Capital Value	Accumulated losses	Total	Capital Value	Accumulated losses	Total
	(Rupees in '000)			(Rupees in '000)		
<b>Net assets at the beginning of the year</b>	1,925,907	(69,075)	1,856,832	-	-	-
Issue of 97,417,209 units (2018: 94,710,721 units)						
- Capital value (at net asset value per unit at the beginning of the year)	4,728,115	-	4,728,115	4,735,536	-	4,735,536
- Element of loss	(438,627)	-	(438,627)	9,965	-	9,965
<b>Total proceeds on issuance of units</b>	<b>4,289,488</b>	<b>-</b>	<b>4,289,488</b>	<b>4,745,501</b>	<b>-</b>	<b>4,745,501</b>
Redemption of 86,078,605 units (2018: 56,452,904 units)						
- Capital value (at net asset value per unit at the beginning of the year)	4,177,799	-	4,177,799	2,822,646	-	2,822,646
- Element of income	(398,907)	-	(398,907)	(3,052)	-	(3,052)
<b>Total payments on redemption of units</b>	<b>3,778,892</b>	<b>-</b>	<b>3,778,892</b>	<b>2,819,594</b>	<b>-</b>	<b>2,819,594</b>
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(606,354)</b>	<b>(606,354)</b>	<b>-</b>	<b>(69,075)</b>	<b>(69,075)</b>
<b>Distribution during the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net loss for the year less distribution</b>	<b>-</b>	<b>(606,354)</b>	<b>(606,354)</b>	<b>-</b>	<b>(69,075)</b>	<b>(69,075)</b>
<b>Net assets at the end of the year</b>	<b>2,436,503</b>	<b>(675,429)</b>	<b>1,761,074</b>	<b>1,925,907</b>	<b>(69,075)</b>	<b>1,856,832</b>
<b>Accumulated losses brought forward</b>						
- Realised income		14,740			-	
- Unrealised loss		(83,815)			-	
		<u>(69,075)</u>			<u>-</u>	
<b>Accounting income available for distribution</b>		<u>-</u>			<u>-</u>	
- Relating to capital gains		-			-	
- Excluding capital gains		-			-	
<b>Net loss for the year after taxation</b>		<u>(606,354)</u>			<u>(69,075)</u>	
<b>Distribution during the year</b>		-			-	
<b>Accumulated losses carried forward</b>		<u>(675,429)</u>			<u>(69,075)</u>	
<b>Accumulated losses carried forward</b>						
- Realised loss		(336,679)			14,740	
- Unrealised loss		(338,750)			(83,815)	
		<u>(675,429)</u>			<u>(69,075)</u>	
		(Rupees)			(Rupees)	
<b>Net assets value per unit at the beginning of the year</b>		<u>48.5347</u>			<u>-</u>	
<b>Net assets value per unit at the end of the year</b>		<u>35.5081</u>			<u>48.5347</u>	

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

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**For Al 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, 2019**



**Meezan**  
Dedicated Equity Fund

	2019	For the period from October 9, 2017 to June 30, 2018
Note	-----Rupees in '000'-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year before taxation	(606,354)	(69,075)
<b>Adjustments for</b>		
Net unrealised diminution on re-measurement of investments classified assets at 'fair value through profit or loss'	338,750 (267,604)	83,815 14,740
<b>Decrease / (Increase) in assets</b>		
Investments	(256,070)	(1,825,422)
Dividend receivable	983	(2,103)
Advances, deposits and other receivables	775	(2,661)
	(254,312)	(1,830,186)
<b>(Decrease) / Increase in liabilities</b>		
Payable to Al Meezan Investment Management Limited - Management Company	(2,033)	7,319
Payable to Central Depository Company of Pakistan Limited - Trustee	(6)	269
Payable to the Securities and Exchange Commission of Pakistan	942	922
Payable against purchase of investments	(2,530)	2,530
Accrued expenses and other liabilities	1,635	999
	(1,992)	12,039
<b>Net cash used in operating activities</b>	(523,908)	(1,803,407)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts against issuance of units and conversion of units	4,289,488	4,745,501
Payment against redemption of units and conversion of units	(3,777,392)	(2,819,594)
<b>Net cash generated from financing activities</b>	512,096	1,925,907
<b>Net (decrease) / increase in cash and cash equivalents during the year</b>	(11,812)	122,500
Cash and cash equivalents at the beginning of the year	122,500	-
<b>Cash and cash equivalents at the end of the year</b>	5 110,688	122,500

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

**MEEZAN DEDICATED EQUITY FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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 JCR-VIS dated December 28, 2018 (2018: AM1 dated December 29, 2017) and by PACRA 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 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.

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

Effective from July 01, 2018, the fund has adopted IFRS 9: "Financial Instruments" which has replaced IAS 39: "Financial Instruments: Recognition and Measurement". The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach rather than 'incurred credit losses' approach, as previously given under IAS 39. The ECL has impact on all the assets of the Fund which are exposed to credit risk. However, majority of the assets of the Fund that are exposed to credit risk pertain to counter parties which have high credit rating. Therefore, the management believes that the impact of ECL would be very minimal and hence, the same has not been accounted for in these condensed interim financial statements.

All equity investments are required to be measured in the "Statement of Assets and Liabilities" at fair value, with gains and losses recognized 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 Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

IFRS 9 requires securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis to be recognized as Fair value through profit or loss (FVPL). The management considers its investment in equity securities being managed as a group of assets and hence has classified them as FVPL. Accordingly, the Fund's investment portfolio in equity securities continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost.

The adoption of IFRS-9 did not have any impact on classification and measurement of financial assets and financial liabilities on the date of its adoption.

There are no other standards, amendments to standards or interpretations that are effective for annual accounting periods beginning on July 1, 2018 that have a material effect on the financial statements of the Fund.

### 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)
- IFRS 9 - 'Financial instruments' (amendment)	January 1, 2019
- 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, 2019 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).

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### 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 except for the change in accounting policy as explained in note 3.2 above.

### 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 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 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.

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#### 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.

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#### 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.

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#### 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	2019 (Rupees in '000)	2018 (Rupees in '000)
	Balances with banks in:			
	Savings accounts	5.1	109,870	122,326
	Current accounts		818	174
			<u>110,688</u>	<u>122,500</u>

5.1 The balances in saving accounts have expected profit rates ranging from 3.32 % to 12.35% per annum (2018: 2.00% to 2.4% per annum).

6	INVESTMENTS	Note	2019 (Rupees in '000)	2018 (Rupees in '000)
	<b>Investment at 'fair value through profit or loss'</b>			
	Listed equity securities	6.1	<u>1,658,927</u>	<u>1,741,607</u>

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

Shares of listed companies - fully paid up ordinary shares with a face value of Rs. 10 each except K-Electric Limited whose shares have a face value of Rs 3.5 each.

Name of the investee company	As at July 1, 2018	Purchases during the year	Bonus issue / Right shares	Sales during the year	As at June 30, 2019	Carrying value as at June 30, 2019	Market value as at June 30, 2019	Unrealised gain / (loss) as at June 30, 2019	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
						(Rupees in '000)		%			
----- Number of shares -----											

#### Sectors / companies

##### Automobile Assembler

Ghandhara industries Limited	33,000	65,000	33,000	111,700	19,300	5,093	1,686	(3,407)	0.10	0.05	0.10
Millat Tractors Limited	13,000	5,000	-	17,200	800	883	690	(193)	0.04	-	0.04
Pak Suzuki Motors Company Limited	27,100	-	-	27,100	-	-	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	-	107,700	-	107,400	300	70	44	(26)	-	-	-

##### Automobile Parts & Accessories

General Tyre & Rubber Company Limited	25,000	-	9,100	34,100	-	-	-	-	-	-	-
Ghandhara Nissan Limited	139,458	-	-	139,300	158	28	8	(20)	-	-	-

##### Commercial Bank

Meezan Bank Limited (an associate)	500	1,141,500	41,005	607,500	575,505	49,153	50,164	1,011	2.85	0.04	3.02
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##### Cement

Attock Cement Pakistan Limited	-	124,700	-	109,500	15,200	1,654	1,085	(569)	0.06	0.01	0.07
Cherat Cement Company Limited	96,500	18,500	-	115,000	-	-	-	-	-	-	-
Dewan Cement Limited	369,500	-	-	369,500	-	-	-	-	-	-	-
D.G. Khan Cement Company Limited	305,600	955,000	-	1,054,500	206,100	14,296	11,653	(2,643)	0.66	0.05	0.70
Lucky Cement Limited	263,400	360,100	-	309,850	313,650	147,160	119,334	(27,826)	6.78	0.10	7.19
Maple Leaf Cement Factory Limited	570,000	1,070,000	-	1,240,000	400,000	9,218	9,556	338	0.54	0.06	0.58
Kohat Cement Company Limited	29,900	311,000	8,970	75,500	274,370	19,885	14,413	(5,472)	0.82	0.14	0.87
Fauji Cement Company Limited	-	915,000	-	915,000	-	-	-	-	-	-	-
Pioneer Cement Limited	98,000	302,000	-	400,000	-	-	-	-	-	-	-

Name of the investee company	As at July 1, 2018	Purchases during the year	Bonus issue / Right shares	Sales during the year	As at June 30, 2019	Carrying value as at June 30, 2019	Market value as at June 30, 2019	Unrealised gain / (loss) as at June 30, 2019	Percentage in relation to		
									Net Assets of the fund	Paid-up capital of investee company (with face value of investment)	Total market value of investments
Number of shares						Rupees in '000			%		
<b>Chemical</b>											
Engro Polymer & Chemicals Limited	588,450	2,968,194	-	2,232,000	1,324,644	44,191	35,712	(8,479)	2.03	0.15	2.15
ICI Pakistan Limited	73,200	2,500	-	24,600	51,100	40,701	27,209	(13,492)	1.55	0.06	1.64
Lotte Chemical Pakistan Limited	-	500,000	-	206,000	294,000	4,730	4,484	(246)	0.25	0.02	0.27
Sitara Peroxide Limited	-	400,000	-	400,000	-	-	-	-	-	-	-
<b>Engineering</b>											
Amreli Steels Limited	139,000	-	-	139,000	-	-	-	-	-	-	-
International Industries Limited	64,800	178,200	-	204,200	38,800	6,607	2,990	(3,617)	0.17	0.03	0.18
International Steels Limited	247,500	741,000	-	733,500	255,000	10,870	10,126	(744)	0.57	0.06	0.61
Mughal Iron & Steel Industries Limited	382,500	-	-	382,500	-	-	-	-	-	-	-
<b>Fertilizer</b>											
Engro Corporation Limited	544,900	447,000	46,530	431,600	606,830	174,910	161,174	(13,736)	9.15	0.11	9.72
Engro Fertilizers Limited	1,403,000	557,000	-	595,000	1,365,000	102,549	87,319	(15,230)	4.96	0.10	5.26
<b>Investment Banks / Investment Companies / Securities Companies</b>											
Dawood Hercules Corporation Limited	-	90,200	-	90,200	-	-	-	-	-	-	-
<b>Food &amp; Personal Care Product</b>											
At-Tahur Limited	-	510,083	-	510,000	83	2	2	-	-	-	-
<b>Glass &amp; Ceramics</b>											
Tariq Glass Industries Limited	-	185,000	-	42,500	142,500	13,515	10,920	(2,595)	0.62	0.19	0.66
<b>Oil and Gas Exploration Companies</b>											
Mari Petroleum Company Limited	42,320	52,800	4,940	6,700	93,360	116,985	94,231	(22,754)	5.35	0.08	5.68
Pakistan Oilfields Limited	142,800	230,100	28,560	95,900	305,560	156,174	124,024	(32,150)	7.04	0.11	7.48
Pakistan Petroleum Limited	642,000	1,128,700	96,300	759,500	1,107,500	197,226	159,956	(37,270)	9.08	0.05	9.64
Oil and Gas Development Company Limited	919,600	1,668,700	-	1,157,400	1,430,900	210,267	188,149	(22,118)	10.68	0.03	11.34
<b>Oil and Gas Marketing Companies</b>											
Attock Petroleum Limited	-	35,000	-	-	35,000	12,070	10,098	(1,972)	0.57	0.04	0.61
Hascol Petroleum Limited	106,400	322,400	75,030	177,600	326,230	48,313	22,386	(25,927)	1.27	0.16	1.35
Pakistan State Oil Company Limited (note 6.1.1)	210,300	767,900	39,060	579,000	438,260	98,409	74,342	(24,067)	4.22	0.11	4.48
Sui Northern Gas Pipeline Limited	689,100	1,854,500	-	1,312,500	1,231,100	99,884	85,549	(14,335)	4.86	0.19	5.16
Sui Southern Gas Company Limited	1,159,000	355,500	-	1,505,000	9,500	177	196	19	0.01	-	0.01
<b>Paper and Board</b>											
Cherat Packaging Limited	-	32,400	-	300	32,100	5,522	2,589	(2,933)	0.15	0.08	0.16
Packages Limited	125,550	31,500	-	136,700	20,350	7,486	6,116	(1,370)	0.35	0.02	0.37
<b>Pharmaceuticals</b>											
Abbott Laboratories (Pakistan) Limited	6,000	-	-	6,000	-	-	-	-	-	-	-
AGP Limited	462,500	38,500	-	268,000	233,000	20,661	15,967	(4,694)	0.91	0.08	0.96
GlaxoSmithKline Consumer Healthcare Pakistan Limited	22,000	8,000	-	15,000	15,000	5,697	2,895	(2,802)	0.16	0.01	0.17
GlaxoSmithKline Pakistan Limited	10,000	-	-	10,000	-	-	-	-	-	-	-
The Searle Company Limited	147,700	341,300	29,655	300,600	218,055	44,155	31,958	(12,197)	1.81	0.10	1.93
<b>Power Generation and Distribution</b>											
K-Electric Limited (face value of Rs. 3.5)	7,435,000	6,240,000	-	2,713,500	10,961,500	63,305	48,121	(15,184)	2.73	0.04	2.90
The Hub Power Company Limited	621,500	1,134,617	-	433,000	1,323,117	109,849	104,195	(5,654)	5.92	0.11	6.28

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Name of the investee company	As at July 1, 2018	Purchases during the year	Bonus issue / Right shares	Sales during the year	As at June 30, 2019	Carrying value as at June 30, 2019	Market value as at June 30, 2019	Unrealised gain / (loss) as at June 30, 2019	Percentage in relation to		
									Net Assets of the fund	Paid-up capital of investee company (with face value of investment)	Percentage of total market value of investments
Number of shares						(Rupees in '000)			%		
<b>Technology &amp; Communication</b>											
Avanceon Limited	50,000	310,000	87,800	157,500	290,300	14,733	14,236	(497)	0.81	0.15	0.86
<b>Pakistan Telecommunication Company Limited</b>											
NetSol Technologies Limited	-	2,090,000	-	2,090,000	-	-	-	-	-	-	-
Systems Limited	-	324,800	-	117,900	206,900	18,063	13,633	(4,430)	0.77	0.23	0.82
	120,000	-	9,500	27,000	102,500	9,432	9,837	405	0.56	0.08	0.59
<b>Refinery</b>											
Attock Refinery Limited	15,800	-	200	15,000	1,000	172	77	(95)	-	-	-
National Refinery Limited	58,650	-	-	58,650	-	-	-	-	-	-	-
<b>Textile Composite</b>											
Kohinoor Textile Mills Limited	-	200,000	-	200,000	-	-	-	-	-	-	-
Nishat Mills Limited	305,600	394,900	-	316,100	384,400	53,632	35,880	(17,752)	2.04	0.11	2.16
Feroze1888 Mills Limited	-	340,000	-	103,500	236,500	15,929	23,856	7,927	1.35	0.06	1.44
Interloop Limited	-	883,382	-	-	883,382	39,895	39,107	(788)	2.22	0.10	2.37
<b>Vanaspati &amp; Allied Industries</b>											
Unity Foods limited	300,000	338,376	-	351,000	287,376	4,126	2,960	(1,166)	0.17	0.05	0.18
<b>Rights Certificate</b>											
Engro Polymer & Chemicals Limited *	273,226	-	-	273,226	-	-	-	-	-	-	-
The Hub Power Company Limited*	-	-	107,630	107,630	-	-	-	-	-	-	-
Unity Foods Limited*	-	-	288,379	288,379	-	-	-	-	-	-	-
<b>Total at at June 30, 2019</b>						<b>1,997,677</b>	<b>1,658,927</b>	<b>(338,750)</b>	<b>94.18</b>		<b>100.00</b>
<b>Total at at June 30, 2018</b>						<b>1,825,422</b>	<b>1,741,607</b>	<b>(83,815)</b>	<b>-</b>		

\* The right certificates were exercised during the year and the shares are included in the investment in Engro Polymer and Chemicals Limited, The Hub Power Company Limited and Unity Foods 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 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 current year. Subsequent to the year ended June 30, 2019, 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, 2019, the bonus shares of the Fund withheld by certain companies at the time of declaration of bonus shares amounted to Rs. 0.23 million (2018: Rs. 0.36 million).

6.2	Unrealised diminution on re-measurement of investments classified as financial assets at fair value through profit or loss	Note	2018 (Rupees in '000)	2018
	Market value of investments	6.1	1,658,927	1,741,607
	Carrying value of investments	6.1	1,997,677	1,825,422
			<u>(338,750)</u>	<u>(83,815)</u>

## 7 ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Profit receivable on savings account		487	532
Advance tax	7.1	1,296	1,526
Advance against Initial Public Offer		-	500
Security deposit with Central Depository Company of Pakistan Limited		103	103
		<u>1,886</u>	<u>2,661</u>

- 7.1 As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on dividend 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 withholders. The tax withheld on dividends as at June 30, 2019 amounts to Rs 1.296 million (June 30, 2018: Rs. 1.526 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, 2019 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	2019 (Rupees in '000)	2018
	Management fee payable	8.1	3,013	3,129
	Sindh Sales Tax payable on remuneration of the Management Company	8.2	392	407
	Allocated expenses payable	8.3	158	156
	Selling and marketing expenses payable	8.4	1,723	3,627
			<u>5,286</u>	<u>7,319</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 2% of the average annual net assets in case of equity schemes. 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, 2019. The remuneration is payable to the Management Company monthly in arrears.

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- 8.2 During the year, an amount of Rs. 5.100 million (2018: Rs 2.524 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 5.115 million (2018: Rs. 2.117 million) has been paid to the Management Company which acts as a collecting agent.
- 8.3 Uptil June 19, 2019 in accordance with Regulation 60 of the NBFC Regulations, the Management Company was entitled to charge expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS) at the rate of 0.1% of the average annual net assets of the scheme or actual whichever is less. During the year, SECP vide SRO 639 dated June 20, 2019 has removed the maximum cap of 0.1%. Accordingly, the Management Company can now charge actual expenses related to registrar services, accounting, operations and valuation services to the CIS with effect from June 20, 2019.

However, the Management Company continued to charge expenses at the rate 0.1% of the average annual net assets of the Fund for both the periods i.e from July 1, 2018 to June 19, 2019 and from June 20, 2019 to June 30, 2019, being lower than actual expenses.

- 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 shall be 0.4% per annum of the net assets of the fund or actual expenses whichever is lower. Accordingly, such expenses have been charged to the Fund at the rate of 0.4% of the net assets of the Fund being lower than actual expenses incurred.

9	PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2019	2018
			(Rupees in '000)	
	Trustee fee payable	9.1	233	239
	Sindh Sales Tax payable on trustee fee	9.2	30	30
			<u>263</u>	<u>269</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 0.385 million (2018: Rs. 0.214 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.0.386 million (2018: Rs. 0.184 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 classified as an Equity Scheme is required to pay to the Securities and Exchange Commission of Pakistan an amount equal to 0.095% of the average annual net assets of the Fund as annual fee.

11	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2019	2018
			(Rupees in '000)	
	Auditors' remuneration payable		150	200
	Printing charges payable		60	20
	Shariah advisor fee payable		263	269
	Charity payable	11.1	1,516	487
	Brokerage payable		640	-
	Withholding tax payable		5	23
			<u>2,634</u>	<u>999</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.

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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. 1.516 million (June 30, 2018: Rs. 0.487 million) is outstanding in this regard.

## 12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2019 and June 30, 2018.

13 AUDITORS' REMUNERATION	2019	2018
	(Rupees in '000)	
Annual audit fee	162	150
Half yearly review	58	50
Out of Pocket expense	15	-
	235	200

## 14 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2019 is 3.39% which includes 0.41% 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 PERFORMANCE TABLE	2019	2018
Net assets (Rs in '000) (ex-distribution)	1,761,074	1,856,832
Net assets value / redemption price per unit as at June 30 (Rs)	35.508	48.535
Offer price per unit as at June 30 (Rs)	36.712	50.180
Highest offer price per unit (Rs)	51.827	56.317
Lowest offer price per unit (Rs)	35.816	47.890
Highest redemption price per unit (Rs)	50.128	54.470
Lowest redemption price per unit (Rs)	34.642	46.319
Distribution (%)	N/A	N/A
Date of distribution	N/A	N/A
Total return (%)	(26.8)	(2.90)
Average annual return (%) as at June 30, 2019	(26.8)	(15.69)

Investment portfolio composition of the Fund is described in Note 6.

## 16 TAXATION

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

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

- 17.1** Connected persons include Al Meezan Investment Management Limited being the Management Company, the Central Depository Company (CDC) 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.
- 17.2** 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.
- 17.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, and the Trust Deed.
- 17.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 17.5** The details of transactions carried out by the Fund with connected persons during the year and balances with them as at year end are as follows:

	2019	2018
	(Rupees in '000)	
<b>Balances</b>		
<b>Al Meezan Investment Management Company Limited - Management Company</b>		
Remuneration payable	3,013	3,129
Sindh Sales Tax payable on management fee	392	407
Selling and marketing expenses payable	1,723	3,627
Allocated expense payable	158	156
<b>Meezan Bank Limited</b>		
Balances with bank	32,482	110,332
Profit receivable on saving accounts	297	281
Investments of shares: 575,505 shares (June 30, 2018: 500 shares)	50,164	32
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	233	239
Sindh Sales Tax on trustee fee payable	30	30
Security deposit	103	103
<b>Meezan Financial Planning Fund of Funds MAAP I</b>		
Investment of 11,269,149 units (June 30, 2018: 12,759,249)	400,146	619,266
<b>Meezan Financial Planning Fund of Funds MAAP - IV</b>		
Investment of nil units ( June 30, 2018: 2,136,721 units)	-	103,705
<b>Meezan Strategic Allocation Fund MSAP - I</b>		
Investment of 8,724,481 units ( June 30, 2018: 3,762,961 units)	309,790	182,634
<b>Meezan Strategic Allocation Fund MSAP - II</b>		
Investment of 1,238,827 units ( June 30, 2018: 1,953,574 units)	43,988	94,817
<b>Meezan Strategic Allocation Fund MSAP - III</b>		
Investment of 1,980,130 units ( June 30, 2018: 2,190,402 units)	70,311	106,311
<b>Meezan Strategic Allocation Fund MSAP - IV</b>		
Investment of 1,740,577 units ( June 30, 2018: 1,979,375 units)	61,805	96,068
<b>Meezan Strategic Allocation Fund MSAP - V</b>		
Investment of 978,486 units ( June 30, 2018: 1,433,085 units)	34,744	69,554

	2019	2018
	(Rupees in '000)	
<b>Meezan Strategic Allocation Fund MCPP-III</b>		
Investment of 5,644,620 units ( June 30, 2018: 2,917,421 units)	<u>200,430</u>	<u>141,596</u>
<b>Meezan Strategic Allocation Fund -II MCPP-IV</b>		
Investment of 10,044,192 units ( June 30, 2018: 7,003,244 units)	<u>356,650</u>	<u>339,900</u>
<b>Meezan Strategic Allocation Fund -II MCPP-V</b>		
Investment of 3,081,261 units ( June 30, 2018: 2,121,785 units)	<u>109,410</u>	<u>102,980</u>
<b>Meezan Strategic Allocation Fund-II MCPP-VI</b>		
Investment of 2,745,310 units ( June 30, 2018: nil units)	<u>97,481</u>	<u>-</u>
<b>Meezan Strategic Allocation Fund-II MCPP-VII</b>		
Investment of 1,477,397 units ( June 30, 2018: nil units)	<u>52,460</u>	<u>-</u>
<b>Meezan Strategic Allocation Fund-II MCPP-VIII</b>		
Investment of 518,566 units ( June 30, 2018: nil units)	<u>18,413</u>	<u>-</u>
<b>Meezan Strategic Allocation Fund-III MCPP - IX</b>		
Investment of 153,424 units ( June 30, 2018: nil units)	<u>5,448</u>	<u>-</u>
	<b>2019</b>	<b>For the period from October 9, 2017 to June 30, 2018</b>
	(Rupees in '000)	
<b>Transactions during the year / period</b>		
<b>Al Meezan Investment Management Limited - Management Company</b>		
Remuneration for the year / period	<u>39,234</u>	<u>19,414</u>
Sindh Sales Tax on management fee for the year / period	<u>5,100</u>	<u>2,524</u>
Allocated expenses	<u>1,962</u>	<u>969</u>
Selling and marketing expense	<u>7,847</u>	<u>3,883</u>
<b>Meezan Bank Limited</b>		
Profit on saving account	<u>3,204</u>	<u>2,254</u>
Shares purchased during the year / period: 1,141,500 shares (June 30, 2018: 510,000 shares)	<u>102,716</u>	<u>32,875</u>
Bonus shares received: 41,005 units (June 30, 2018: nil shares)	<u>-</u>	<u>-</u>
Shares sold during the year / period: 607,500 shares (June 30, 2018: 509,500 shares)	<u>56,059</u>	<u>39,653</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration for the year / period	<u>2,962</u>	<u>1,648</u>
Sindh Sales Tax on trustee fee	<u>385</u>	<u>214</u>
CDS charges	<u>170</u>	<u>-</u>
<b>Meezan Financial Planning Fund of Funds - MAAP - I</b>		
Units issued: 825,518 units (June 30, 2018: 18,456,183)	<u>34,000</u>	<u>918,000</u>
Units redeemed: 2,315,618 units (June 30, 2018: 5,696,934)	<u>97,691</u>	<u>288,000</u>
<b>Meezan Financial Planning Fund of Funds - MAAP - II</b>		
Units issued: nil units (June 30, 2018: 444,265)	<u>-</u>	<u>22,000</u>
Units redeemed: nil units (June 30, 2018: 444,265)	<u>-</u>	<u>21,520</u>
<b>Meezan Financial Planning Fund of Funds MAAP - III</b>		
Units issued: nil units (June 30, 2018: 17,958,612)	<u>-</u>	<u>865,000</u>
Units redeemed: nil units (June 30, 2018: 17,958,612)	<u>-</u>	<u>891,768</u>

At / /

For the  
period from  
October 9,  
2017 to June  
30, 2018  
(Rupees in '000)

<b>Meezan Financial Planning Fund of Funds MAAP - IV</b>		
Units issued: nil units (June 30, 2018: 2,216,179)	-	113,000
Units redeemed: 2,136,721 units (June 30, 2018: 79,458)	<u>99,023</u>	<u>4,000</u>
<b>Meezan Strategic Allocation Fund MSAP - I</b>		
Units issued: 14,365,939 units (June 30, 2018: 7,726,043)	<u>669,000</u>	<u>381,000</u>
Units redeemed: 9,404,419 units (June 30, 2018: 3,963,082)	<u>420,970</u>	<u>194,000</u>
<b>Meezan Strategic Allocation Fund MSAP - II</b>		
Units issued: 195,176 units (June 30, 2018: 2,052,896)	<u>7,000</u>	<u>104,000</u>
Units redeemed: 909,923 units (June 30, 2018: 99,322)	<u>34,830</u>	<u>5,000</u>
<b>Meezan Strategic Allocation Fund MSAP - III</b>		
Units issued: 250,940 units (June 30, 2018: 2,348,643)	<u>9,000</u>	<u>119,000</u>
Units redeemed: 461,212 units (June 30, 2018: 158,241)	<u>19,170</u>	<u>7,900</u>
<b>Meezan Strategic Allocation Fund MSAP - IV</b>		
Units issued: 2,607,475 units (June 30, 2018: 4,944,378)	<u>110,000</u>	<u>251,000</u>
Units redeemed: 2,846,273 units (June 30, 2018: 2,965,003)	<u>122,580</u>	<u>151,000</u>
<b>Meezan Strategic Allocation Fund MSAP - V</b>		
Units issued: 83,647 units (June 30, 2018: 2,899,237)	<u>3,000</u>	<u>146,000</u>
Units redeemed: 538,246 units (June 30, 2018: 1,466,152)	<u>24,450</u>	<u>75,000</u>
<b>Meezan Strategic Allocation Fund MCPP-III</b>		
Units issued: 16,203,722 units (June 30, 2018: 15,724,509)	<u>715,130</u>	<u>807,000</u>
Units redeemed: 13,476,523 units (June 30, 2018: 12,807,088)	<u>601,052</u>	<u>642,455</u>
<b>Meezan Strategic Allocation Fund -II MCPP-IV</b>		
Units issued: 33,787,207 units (June 30, 2018: 16,839,668)	<u>1,484,100</u>	<u>866,500</u>
Units redeemed: 30,746,259 units (June 30, 2018: 9,836,424 units)	<u>1,368,353</u>	<u>490,850</u>
<b>Meezan Strategic Allocation Fund -II MCPP-V</b>		
Units issued: 10,794,498 units (June 30, 2018: 3,100,087 units)	<u>472,600</u>	<u>153,000</u>
Units redeemed: 9,835,022 units (June 30, 2018: 978,302 units)	<u>431,268</u>	<u>48,100</u>
<b>Meezan Strategic Allocation Fund-II MCPP-VI</b>		
Units issued: 9,942,055 units ( June 30, 2018: nil units)	<u>434,500</u>	<u>-</u>
Units redeemed: 7,196,745 units ( June 30, 2018: nil units)	<u>305,924</u>	<u>-</u>
<b>Meezan Strategic Allocation Fund-II MCPP-VII</b>		
Units issued: 5,339,238 units ( June 30, 2018: nil units)	<u>230,900</u>	<u>-</u>
Units redeemed: 3,861,841 units ( June 30, 2018: nil units)	<u>164,842</u>	<u>-</u>
<b>Meezan Strategic Allocation Fund-II MCPP-VIII</b>		
Units issued: 2,825,733 units ( June 30, 2018: nil units)	<u>113,000</u>	<u>-</u>
Units redeemed: 2,307,167 units ( June 30, 2018: nil units)	<u>87,232</u>	<u>-</u>
<b>Meezan Strategic Allocation Fund-III MCPP - IX</b>		
Units issued: 195,853 units ( June 30, 2018: nil units)	<u>7,250</u>	<u>-</u>
Units redeemed: 42,429 units ( June 30, 2018: nil units)	<u>1,500</u>	<u>-</u>

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

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## 18 FINANCIAL INSTRUMENTS BY CATEGORY

2019		
At amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		
Balances with banks	-	110,688
Investments	1,658,927	1,658,927
Dividend receivable	-	1,120
Advances, deposits and other receivables	-	590
<b>112,398</b>	<b>1,658,927</b>	<b>1,771,325</b>

**Financial assets**

Balances with banks

Investments

Dividend receivable

Advances, deposits and other receivables

2019		
At fair value through profit or loss	At amortised cost	Total
(Rupees in '000)		
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 redemption and conversion of units	1,500	1,500
Accrued expenses and other liabilities	2,629	2,629
<b>-</b>	<b>9,678</b>	<b>9,678</b>

**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

Accrued expenses and other liabilities

2018		
At amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		
Balances with banks	-	122,500
Investments	1,741,607	1,741,607
Dividend receivable	-	2,103
Advances, deposits and other receivables	-	1,135
<b>125,738</b>	<b>1,741,607</b>	<b>1,867,345</b>

**Financial assets**

Balances with banks

Investments

Dividend receivable

Advances, deposits and other receivables

2018		
At fair value through profit or loss	At amortised cost	Total
(Rupees in '000)		
Payable to Al Meezan Investment Management Limited - Management Company	7,319	7,319
Payable to Central Depository Company of Pakistan Limited - Trustee	269	269
Payable against purchase of investments	2,530	2,530
Accrued expenses and other liabilities	976	976
<b>-</b>	<b>11,094</b>	<b>11,094</b>

**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

## 19 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.

## 19.1 Market risk

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

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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, 2019, 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. 1.1 million (2018: Rs. 1.22 million)

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

As at June 30, 2019 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, 2019 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, 2019 can be determined as follows:

----- 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		

**Financial assets**

Balances with banks	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 redemption and conversion of units		-	-	-	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**

	-	-	-	-	-
--	---	---	---	---	---

**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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2018					
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

(Rupees in '000)

<b>Financial assets</b>						
Balances with banks in:	2% - 2.4%	122,326	-	-	174	122,500
Investment		-	-	-	1,741,607	1,741,607
Dividend receivable		-	-	-	2,103	2,103
Advances, deposits and other receivables		-	-	-	1,135	1,135
		122,326	-	-	1,745,019	1,867,345
<b>Financial liabilities</b>						
Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	7,319	7,319
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	269	269
Payable against purchase of investments		-	-	-	2,530	2,530
Accrued expenses and other liabilities		-	-	-	976	976
		-	-	-	11,094	11,094
<b>On-balance sheet gap (a)</b>		122,326	-	-	1,733,925	1,856,251
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-	-
<b>Total profit rate sensitivity gap (a+b)</b>		122,326	-	-		
<b>Cumulative profit rate sensitivity gap</b>		122,326	122,326	122,326		

**(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, 2019, with all other variables held constant, the total comprehensive income of the Fund for the year would increase / decrease by Rs. 16.589 million (2018: Rs. 17.416 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, 2019 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KMI-30 Index.

**19.2 Liquidity risk**

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

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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:

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)						
<b>Financial assets</b>						
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
<b>Financial liabilities</b>						
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 redemption and conversion of units	1,500	-	-	-	-	1,500
Accrued expenses and other liabilities	2,629	-	-	-	-	2,629
	9,678	-	-	-	-	9,678
<b>Net assets / (liabilities)</b>	102,720	-	-	-	1,658,927	1,761,647
2018						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
(Rupees in '000)						
<b>Financial assets</b>						
Balances with banks	122,500	-	-	-	-	122,500
Investments	-	-	-	-	1,741,607	1,741,607
Dividend receivable	2,103	-	-	-	-	2,103
Advances, deposits and other receivables	635	-	-	-	500	1,135
	125,238	-	-	-	1,742,107	1,867,345
<b>Financial liabilities</b>						
Payable to Al Meezan Investment Management Limited - Management Company	7,319	-	-	-	-	7,319
Payable to the Central Depository Company of Pakistan Limited - Trustee	269	-	-	-	-	269
Payable against purchase of investments	2,530	-	-	-	-	2,530
Accrued expenses and other liabilities	20	956	-	-	-	976
	10,138	956	-	-	-	11,094
<b>Net assets / (liabilities)</b>	115,100	(956)	-	-	1,742,107	1,856,251

### 19.3 Credit risk

19.3.1 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:

	2019		2018	
	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	110,688	110,688	122,500	122,500
Investments	1,658,927	-	1,741,607	-
Dividend receivable	1,120	1,120	2,103	2,103
Advances, deposits and other receivables	590	590	2,661	2,661
	<u>1,771,325</u>	<u>112,398</u>	<u>1,868,871</u>	<u>127,264</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. 1.659 million (2018: Rs. 1.742 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.

#### 19.3.2 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	
	2019	2018
AA+	<u>95.19</u>	<u>100.00</u>
A+	<u>1.09</u>	<u>-</u>
AA	<u>3.72</u>	<u>-</u>

#### 19.3.3 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.

## 20 FAIR VALUE MEASUREMENT

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

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

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.

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### 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, 2019, the Fund held the following financial instruments measured at fair values:

	2019		
	Level 1	Level 2	Level 3
	(Rupees in '000)		
<b>Financial assets 'at fair value through profit or loss'</b>			
Shares of listed companies - 'ordinary shares'	1,658,927	-	-
	2018		
	Level 1	Level 2	Level 3
	(Rupees in '000)		
<b>Financial assets 'at fair value through profit or loss'</b>			
Shares of listed companies - 'ordinary shares'	1,741,607	-	-

## 21 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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.

## 22 UNIT HOLDING PATTERN OF THE FUND

Category	2019		
	Number of unit holders	Investment amount	Percentage of total
		Rupees in '000	%
Associated undertakings	13	1,761,074	100.00

Category	2018		
	Number of unit holders	Investment amount	Percentage of total
		Rupees in '000	%
Associated undertakings	10	1,856,832	100.00

## 23 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
Taurus Securities Limited	9%	AKD Securities Limited	13%
Optimus Capital Management Limited	8%	BMA Capital Management Limited	12%
Intermarket Securities Limited	7%	JS Global Capital Management Limited	11%
JS Global Capital Limited	7%	Shajar Capital Pakistan Private Limited	10%
Foundation Securities (Private) Limited	7%	Arif Habib Securities Limited	9%
BMA Capital Management Limited	6%	Brokerage Next Capital	7%
Vector Capital Management Limited	6%	Alfalah Securities (Private) Limited	6%
Arif Habib Limited	6%	Aba Ali Habib Securities (Private) Limited	6%
Topline Securities (Private) Limited	5%	Topline Securities (Private) Limited	6%
AKD Securities Limited	5%	Fortune Securities Limited	4%

## 24 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	Twenty Nine years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Twenty Three years
Mr. Muhammad Mohsin	Head of Equity / Director - Research	MBA	Twenty Two years
Mr. Ahmed Hassan	SVP Investments	CFA / MBA	Twelve years
Mr. Ali Khan	VP Product Development	CFA / FRM / MBA	Nine years
Mr. Zain Malik	VP Investments	CFA / BBA	Ten years
Mr. Asif Imtiaz	AVP Investments	CFA / MBA - Finance	Eleven years
Mr. Imad Ansari	Head of Risk Management	B.S Actuarial Sciences & Risk Management / MBA - Finance	Fourteen years
Mr. Ali Asghar	VP/Head of Research	CFA / MBA (in progress)	Eight 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

## 25 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					
		July 6, 2018	August 09, 2018	October 18, 2018	February 14, 2019	April 18, 2019	May 23, 2019
Mr. Ariful Islam	Chairman	Yes	No	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib	Chief Executive Officer	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Moin M. Fudda	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Atif Azim *	Director	Yes	Yes	Yes	Yes	Yes	Resigned
Mr. Ijaz Farooq	Director	No	Yes	No	Yes	Yes	No
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Abdullah Ahmed	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Arshad Majeed	Director	Yes	Yes	No	Yes	Yes	Yes
Ms. Saima Kamila Khan	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Naeem Sattar	Director	Yes	Yes	Yes	Yes	Yes	Yes

\* Mr. Atif Azim resigned on May 07, 2019.

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**26 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Management Company on **August 19, 2019.**

**27 GENERAL**

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

*All in*

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

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Chief Executive

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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).

 Swat Branch

 **WHITE PALACE  
MARGHAZAR  
(SWAT)**



# MAKING OUR MARK IN THE LAND OF MOUNTAINS



# FUND INFORMATION

## MANAGEMENT COMPANY

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

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

## CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

## AUDIT COMMITTEE

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

## RISK MANAGEMENT COMMITTEE

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

## HUMAN RESOURCE & REMUNERATION COMMITTEE

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

## TRUSTEE

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

## AUDITORS

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

## SHARIAH ADVISER

Meezan Bank Limited

## BANKERS TO THE FUND

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](http://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.

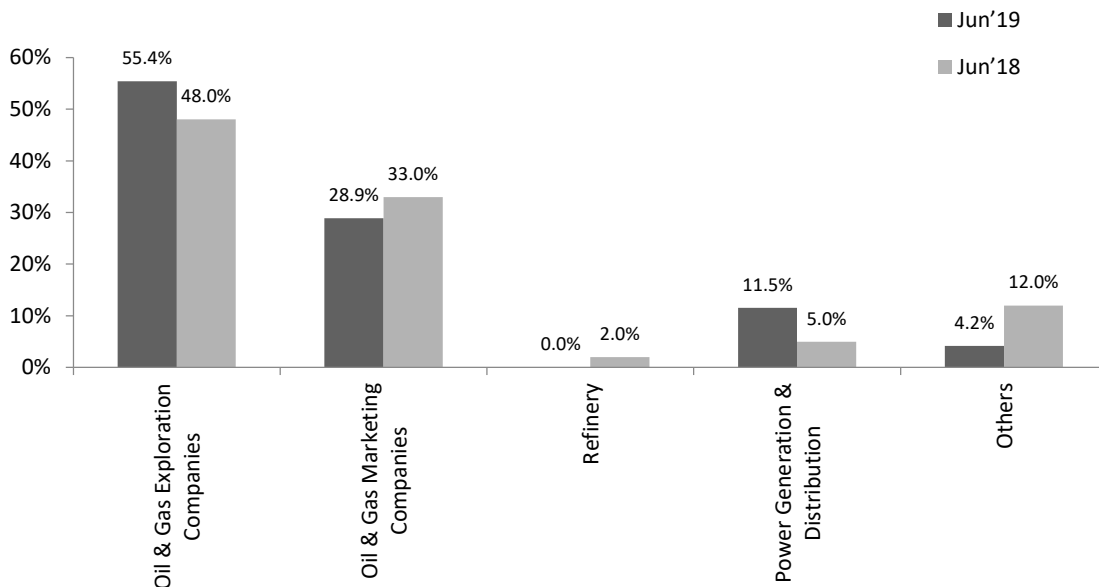
#### Objective

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.

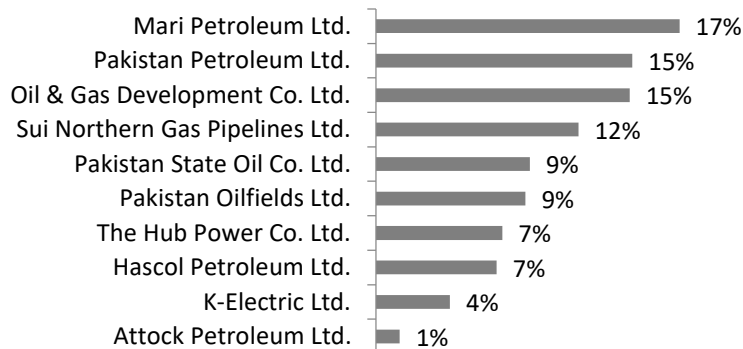
#### Strategy, Investment Policy and Asset Allocation

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 FY18 and FY19



## Top Holdings



### Performance Review

During FY19, Meezan Energy Fund (MEF) provided a return of -32.98% to its investors while the KSE Meezan Index (KMI 30) depreciated by 23.84% to close at 54,119 pts.

The Fund earned a gross loss of Rs. 311 million in fiscal year 2019. Total loss comprised of realized and unrealized capital losses on investments of Rs. 205 million and Rs. 141 million respectively, while the net outflow in the Fund during the year was 693 million. Dividend income contributed Rs. 32 million to income, while profit on saving accounts with banks amounted to Rs. 3 million. After accounting for expenses of Rs. 34 million, the Fund posted a net loss of Rs. 345 million. The net assets of the Fund as at June 30, 2019 were Rs. 599 million as compared to Rs. 1,637 million at the end of last year depicting a decline of 63%. The net asset value per unit as at June 30, 2019 was Rs. 33.36 as compared to Rs. 49.78 per unit as on June 30, 2018. The net outflow during the year was Rs. 691 mn.

	<u>MEF</u>	<u>KMI-30</u>
Net Asset Value (NAV) as on June 30, 2018 –Rs.	49.78	71,060
Net Asset Value (NAV) as on June 30, 2019 –Rs.	33.36	54,119
Return During the Period	-32.98%	-23.84%

### 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, 2019 an amount of Rs. 0.73 million was accrued as charity payable.

### Distributions

There is NIL distribution by the Fund during the fiscal year ended June 30, 2019.

### Summary of Actual Proxy Voted By the Fund

	Resolutions	For	Against	Abstain
<b>Number</b>	1	1	-	-
<b>Percentage</b>	100%	100%	-	-

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

**Breakdown of unit holdings by size:**

(As on June 30, 2019)

Range (Units)	No. of investors
1 - 9,999	1,181
10,000 - 49,999	224
50,000 - 99,999	30
100,000 - 499,999	7
500,000 and above	3
<b>Total</b>	<b>1,445</b>



# Meezan Bank

The Premier Islamic Bank

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

August 1, 2019/ Dhu Al-Qi'dah 28, 1440

**Alhamdulillah**, the period from July 2018 to June 30, 2019 was the Third year of operations of Meezan Energy Fund (MEF) under management of Al Meezan Investment Management Limited (Al Meezan). We, Meezan Bank Limited, are the *Shari'ah* advisors of the Fund and are issuing the report in accordance with clause 8.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shari'ah* compliance of the Fund's activity

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

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure *Shari'ah* compliance 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, 2019 and their evaluation according to the screening criteria established by us. (December 31, 2018 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	11.14%	15.09%	1.04%	33%	(597.55)	
Pakistan Petroleum Ltd.	Oil & Gas Exploration Companies	0.02%	11.98%	1.31%	39%	47.24	149.66



Oil & Gas Development Company	Oil & Gas Exploration Companies	0.00%	12.32%	4.26%	36%	77.25	128
Sui Northern Gas Company	Oil & Gas Marketing Companies	15.27%	0.00%	1.51%	50%	(360.99)	
Pakistan Oil Fields	Oil & Gas Exploration Companies	0.00%	0.01%	3.2%	52.39%	(9.27)	
Hascol Petroleum Ltd	Oil and Gas Marketing Companies	22.35%	1.29%	0.13%	62%	(182.72)	

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

ii. On the basis of information provided by the management, all operations of MEF for the year ended June 30, 2019 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  
*Shari'ah* Advisor

**Head Office**

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S.M.C.H.S. Main Shakra-e-Faisal  
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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, 2019 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 20, 2019



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, 2019, 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, 2019, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<b>Net Asset Value</b> (Refer note 6 to the financial statements)	
	<p>The investments constitute the most significant component of the net asset value. The investments of the Fund as at June 30, 2019 amounted to Rs 583.85 million.</p> <p>The existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2019 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>Tested the design and operating effectiveness of the key controls for valuation of investments;</li> <li>Obtained independent confirmations for verifying the existence of the investment portfolio as at June 30, 2019 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; and</li> <li>Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies.</li> </ul>

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



### Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of 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 Requirement**

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

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

  
Chartered Accountants

Karachi

Date: September 18, 2019

**MEEZAN ENERGY FUND  
STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2019**



**Meezan**  
Energy Fund

	Note	2019 (Rupees in '000)	2018
<b>Assets</b>			
Balances with banks	5	20,442	195,027
Investments	6	583,850	1,441,891
Receivable against conversion of units		557	12,736
Dividend receivable		2,127	3,697
Advances, deposits and other receivables	7	1,890	2,073
Preliminary expenses and floatation costs	8	483	683
<b>Total assets</b>		<u>609,349</u>	<u>1,656,107</u>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited - Management Company	9	2,039	8,016
Payable to Central Depository Company of Pakistan Limited - Trustee	10	129	244
Payable to Meezan Bank Limited		1	52
Payable to Securities and Exchange Commission of Pakistan		933	1,432
Payable against redemption and conversion of units		724	3,885
Payable against purchase of investments		3,424	2,314
Accrued expenses and other liabilities	12	3,396	3,591
<b>Total liabilities</b>		<u>10,646</u>	<u>19,534</u>
<b>NET ASSETS</b>		<u>598,703</u>	<u>1,636,573</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<u>598,703</u>	<u>1,636,573</u>
		<b>(Number of units)</b>	
<b>NUMBER OF UNITS IN ISSUE</b>		<u>17,944,102</u>	<u>32,874,573</u>
		<b>(Rupees)</b>	
<b>NET ASSET VALUE PER UNIT</b>		<u>33.3649</u>	<u>49.7823</u>

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

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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, 2019**

	2019 (Rupees in '000)	2018
<b>Income</b>		
Net realised loss on sale of investments	(205,302)	(76,865)
Dividend income	32,139	69,812
Profit on balances with banks	3,379	3,970
	<u>(169,784)</u>	<u>(3,083)</u>
Net unrealised (diminution) / appreciation on re-measurement of investments - 'at fair value through profit or loss'	6.2 (141,019)	24,737
<b>Total (loss) / income</b>	<u>(310,803)</u>	<u>21,654</u>
<b>Expenses</b>		
Remuneration to AI Meezan Investment Management Limited - Management Company	9.1 19,642	30,138
Sindh Sales Tax on remuneration of the Management Company	9.2 2,553	3,918
Remuneration to Central Depository Company of Pakistan Limited - Trustee	10.1 1,833	2,506
Sindh Sales Tax on Remuneration of the Trustee fee	10.2 238	326
Annual fee to Securities and Exchange Commission of Pakistan	11 933	1,432
Auditors' remuneration	14 287	313
Charity expense	12.1 732	1,513
Fees and subscription	563	564
Legal and professional charges	-	58
Brokerage expense	1,928	1,869
Bank and settlement charges	186	694
Printing charges	24	51
Selling and marketing expense	9.4 3,928	6,028
Amortisation of preliminary expenses and floatation costs	200	200
Allocated expenses	9.3 982	1,507
<b>Total expenses</b>	<u>34,029</u>	<u>51,117</u>
<b>Net loss for the year before taxation</b>	<u>(344,832)</u>	<u>(29,463)</u>
Taxation	17 -	-
<b>Net loss for the year after taxation</b>	<u>(344,832)</u>	<u>(29,463)</u>
<b>Allocation of net income for the year</b>		
Net income for the year after taxation	-	-
Income already paid on units redeemed	-	-
	<u>-</u>	<u>-</u>
<b>Accounting income available for distribution</b>		
- 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.

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**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, 2019**



**Meezan**  
Energy Fund

	2019	2018
	(Rupees in '000)	
Net loss for the year after taxation	(344,832)	(29,463)
Other comprehensive income	-	-
<b>Total comprehensive loss for the year</b>	<u>(344,832)</u>	<u>(29,463)</u>

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

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

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

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

\_\_\_\_\_  
Director

**MEEZAN ENERGY FUND**  
**STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	2019			2018		
	Capital Value	Accumulated Losses	Total	Capital Value	Undistributed income / (accumulated losses)	Total
	(Rupees in '000)			(Rupees in '000)		
<b>Net assets at beginning of the year</b>	1,660,781	(24,208)	1,636,573	1,134,009	5,255	1,139,264
Issue of 27,187,162 units (June 30, 2018: 41,452,434 units)						
- Capital value (at net asset value per unit at the beginning of the year)	1,353,439	-	1,353,439	2,082,156	-	2,082,156
- Element of loss	(265,069)	-	(265,069)	(1,483)	-	(1,483)
<b>Total proceeds on issuance of units</b>	<b>1,088,370</b>	<b>-</b>	<b>1,088,370</b>	<b>2,080,673</b>	<b>-</b>	<b>2,080,673</b>
Redemption of 42,117,633 units (June 30, 2018: 31,258,024 units)						
- Capital value (at net asset value per unit at the beginning of the year)	2,096,713	-	2,096,713	1,570,091	-	1,570,091
- Element of loss	(315,305)	-	(315,305)	(16,190)	-	(16,190)
<b>Total payments on redemption of units</b>	<b>1,781,408</b>	<b>-</b>	<b>1,781,408</b>	<b>1,553,901</b>	<b>-</b>	<b>1,553,901</b>
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(344,832)</b>	<b>(344,832)</b>	<b>-</b>	<b>(29,463)</b>	<b>(29,463)</b>
<b>Distribution during the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net loss for the year less distribution</b>	<b>-</b>	<b>(344,832)</b>	<b>(344,832)</b>	<b>-</b>	<b>(29,463)</b>	<b>(29,463)</b>
<b>Net assets at end of the year</b>	<b>967,743</b>	<b>(369,040)</b>	<b>598,703</b>	<b>1,660,781</b>	<b>(24,208)</b>	<b>1,636,573</b>
<b>(Accumulated losses) / undistributed income brought forward</b>						
- Realised (loss) / income		(48,945)			21,241	
- Unrealised income / (loss)		24,737			(15,986)	
		<u>(24,208)</u>			<u>5,255</u>	
<b>Accounting income available for distribution</b>						
- Realised (loss) / income		-			-	
- Unrealised income / (loss)		-			-	
		-			-	
<b>Net loss for the year after taxation</b>		(344,832)			(29,463)	
<b>Distribution during the year</b>		-			-	
<b>Accumulated losses carried forward</b>		<u>(369,040)</u>			<u>(24,208)</u>	
<b>Accumulated losses carried forward</b>						
- Realised loss		(228,021)			(48,945)	
- Unrealised (loss) / income		(141,019)			24,737	
		<u>(369,040)</u>			<u>(24,208)</u>	
		(Rupees)			(Rupees)	
Net asset value per unit at the beginning of the year		49.7823			50.2300	
Net asset value per unit at the end of the year		<u>33.3649</u>			<u>49.7823</u>	

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

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

Chief Executive

Chief Financial Officer

Director

**MEEZAN ENERGY FUND  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2019**



**Meezan  
Energy Fund**

	2019 (Rupees in '000)	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year before taxation	(344,832)	(29,463)
<b>Adjustments for:</b>		
Amortisation of preliminary expenses and floatation costs	200	200
Net unrealised diminution / (appreciation) on re-measurement of investments - 'at fair value through profit or loss'	141,019	(24,737)
	<u>(203,613)</u>	<u>(54,000)</u>
<b>(Increase) / decrease in assets</b>		
Investments	717,022	(357,160)
Dividend receivable	1,570	(505)
Advances, deposits and other receivables	183	(51)
	<u>718,775</u>	<u>(357,716)</u>
<b>Decrease in liabilities</b>		
Payable to Al Meezan Investment Management Limited - Management Company	(5,977)	3,231
Payable to Central Depository Company of Pakistan Limited - Trustee	(115)	41
Payable to Meezan Bank Limited	(51)	(868)
Payable to Securities and Exchange Commission of Pakistan	(499)	918
Payable against purchase of investments - net	1,110	2,198
Accrued expenses and other liabilities	(195)	(6,973)
	<u>(5,727)</u>	<u>(1,453)</u>
<b>Net cash generated from / (used in) operating activities</b>	<u>509,435</u>	<u>(413,169)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts against issuance and conversion of units	1,100,549	2,073,263
Dividend paid	-	(4,028)
Payment against redemption and conversion of units	(1,784,569)	(1,552,614)
<b>Net cash (used in) / generated from financing activities</b>	<u>(684,020)</u>	<u>516,621</u>
<b>Net (decrease) / increase in cash and cash equivalents during the year</b>	<u>(174,585)</u>	<u>103,452</u>
Cash and cash equivalents at beginning of the year	195,027	91,575
<b>Cash and cash equivalents at end of the year</b>	<u>20,442</u>	<u>195,027</u>

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

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**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, 2019**

**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 quality rating of AM1 by JCR-VIS dated December 28, 2018 (2018: AM1 dated December 29, 2017) and by PACRA dated June 28, 2019. 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.

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

Effective from July 01, 2018, the Fund has adopted IFRS 9: "Financial Instruments" which has replaced IAS 39: "Financial Instruments: Recognition and Measurement". The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach rather than 'incurred credit losses' approach, as previously given under IAS 39. The ECL has impact on all the assets of the Fund which are exposed to credit risk. However, majority of the assets of the Fund that are exposed to credit risk pertain to counter parties which have high credit rating. Therefore, the management believes that the impact of ECL would be very minimal and hence, the same has not been accounted for in these financial statements.

All equity investments are required to be measured in the "Statement of Assets and Liabilities" at fair value, with gains and losses recognized 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 Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

IFRS 9 requires securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis to be recognized as Fair value through profit or loss (FVPL). The management considers its investment in equity securities being managed as a group of assets and hence has classified them as FVPL. Accordingly, the Fund's investment portfolio in equity securities continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost.

The adoption of IFRS-9 did not have any impact on classification and measurement of financial assets and financial liabilities on the date of its adoption.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on July 1, 2018 that have a material effect on the financial statements of the Fund.

### 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)
- IFRS 9 - 'Financial instruments' (amendment)	January 1, 2019
- IAS 1 - 'Presentation of financial statements' (amendment)	January 1, 2020
- IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendment)	January 1, 2020

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

There are certain other standards, amendments and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2019 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 6.2).



### 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 except for the change in accounting policy as explained in note 3.2 above.

### 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 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 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.



#### 4.3.7 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.

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.

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#### 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 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 period of 5 years in accordance with the requirements set out in the Trust Deed of the Fund.

#### 4.14 Taxation

##### Current

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

##### Deferred

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

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

- 4.15 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).

#### 4.16 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.

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**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.

5	BALANCES WITH BANKS	Note	2019 (Rupees in '000)	2018
	Balances with banks in:			
	Savings accounts	5.1	19,835	191,184
	Current accounts		607	3,843
			20,442	195,027

5.1 The balances in saving accounts have expected profit rates ranging from 3.32% to 12.35% per annum (2018: 2% to 6.6% per annum).

6	INVESTMENTS	Note	2019 (Rupees in '000)	2018
	<b>Investment at 'fair value through profit or loss'</b>			
	Listed equity securities	6.1	583,850	1,441,891

**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 has nominal value of Rs. 3.50 each.

Name of the investee company	As at July 1, 2018	Purchases during the year	Bonus / Right issue	Sales during the year	As at June 30, 2019	Carrying value as at June 30, 2019	Market value as at June 30, 2019	Unrealised (loss) / gain as at June 30, 2019	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)		---%---	
<b>Sectors / companies</b>											
<b>Oil and Gas Exploration Companies</b>											
Mari Petroleum Company Limited	80,550	28,220	8,355	11,740	105,385	137,434	106,368	(31,066)	17.77	0.09	18.22
Oil and Gas Development Company Limited	1,509,100	839,000	-	1,671,500	676,600	98,692	88,966	(9,726)	14.86	0.02	15.24
Pakistan Oilfields Limited	223,400	110,500	33,880	238,600	129,180	61,185	52,433	(8,752)	8.76	0.05	8.98
Pakistan Petroleum Limited	1,343,100	450,000	125,265	1,296,600	621,765	111,118	89,802	(21,316)	15.00	0.03	15.38
<b>Oil and Gas Marketing Companies</b>											
Attock Petroleum Limited	10,000	17,000	2,000	-	29,000	10,738	8,367	(2,371)	1	0.03	1.43
Hascol Petroleum Limited	423,920	700,700	162,932	670,900	616,652	80,678	42,315	(38,363)	7	0.31	7.25
Hi-Tech Lubricants Limited	550,200	-	-	550,200	-	-	-	-	-	-	-
Pakistan State Oil Company Limited	369,700	468,100	61,940	581,500	318,240	63,824	53,983	(9,841)	9	0.08	9.25
Sui Northern Gas Pipelines Limited	1,740,300	997,000	-	1,716,000	1,021,300	84,446	70,970	(13,476)	12	0.16	12.16
Sui Southern Gas Pipelines Limited	1,557,000	300,000	-	1,840,000	17,000	350	352	2	0	-	0.06
<b>Power Generation and Distribution</b>											
Hub Power Company Limited	360,000	917,996	34,848	750,000	562,844	43,815	44,324	509	7	0.05	7.59
K - Electric Limited	7,728,000	3,863,000	-	5,675,000	5,916,000	32,589	25,970	(6,619)	4	0.02	4.45
<b>Refinery</b>											
Attock Refinery Limited	900	70,000	225	71,125	-	-	-	-	-	-	-
National Refinery Limited	72,000	-	-	72,000	-	-	-	-	-	-	-
<b>Total as at June 30, 2019</b>						<b>724,869</b>	<b>583,850</b>	<b>(141,019)</b>	<b>98</b>		<b>100</b>
<b>Total as at June 30, 2018</b>						<b>1,417,154</b>	<b>1,441,891</b>	<b>24,737</b>	<b>-</b>		<b>-</b>

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 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 current year. Subsequent to the year ended June 30, 2019, 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, 2019, the bonus shares of the Fund withheld by certain companies at the time of declaration of bonus shares amounted to Rs. 0.824 million (2018: 1.289 million).

6.2 Unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at fair value through profit or loss	Note	2019 (Rupees in '000)	2018
Market value of investments	6.1	583,850	1,441,891
Carrying value of investments	6.1	724,869	1,417,154
		<u>(141,019)</u>	<u>24,737</u>
<b>7 ADVANCES, DEPOSITS AND OTHER RECEIVABLES</b>			
Profit accrued on balances with banks		359	537
Security deposit with Central Depository Company of Pakistan Limited		100	100
Advance tax	7.1	1,431	1,436
		<u>1,890</u>	<u>2,073</u>

7.1 As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on dividend and profit on debt paid to the Fund has been deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced 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, 2019 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

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8	Note	2019	2018
(Rupees in '000)			
At the beginning of the year		683	883
Less: Amortisation during the year	8.1	200	200
At the end of the year		483	683

**8.1** Preliminary expenses and flotation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are amortised over a period 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	Note	2019	2018
(Rupees in '000)			
<b>PAYABLE TO AI MEEZAN MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>			
Management fee payable	9.1	1,137	2,670
Sindh Sales Tax payable on remuneration of the Management Company	9.2	148	347
Sales load		13	538
Sindh Sales Tax payable on sales load		2	70
Allocated expense payable	9.3	57	133
Selling and marketing expenses payable	9.4	682	4,258
		2,039	8,016

**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 2% of the average annual net assets in case of an equity scheme. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 2% (2018: 2%) per annum of the average net assets of the Fund during the year ended 30 June 2019. The remuneration is payable to the Management Company monthly in arrears.

**9.2** During the year, an amount of Rs. 2.553 million (2018: Rs 3.918 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. 2.753 million (2018: Rs.3.825 million) has been paid to the Management Company which acts as a collecting agent.

**9.3** Uptil June 19, 2019 in accordance with Regulation 60 of the NBFC Regulations, the Management Company was entitled to charge expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS) at the rate of 0.1% of the average annual net assets of the scheme or actual whichever is less. During the year, SECP vide SRO 639 dated June 20, 2019 has removed the maximum cap of 0.1%. Accordingly, the Management Company can now charge actual expenses related to registrar services, accounting, operations and valuation services to the CIS with effect from June 20, 2019.

However, the Management Company continued to charge expenses at the rate 0.1% of the average annual net assets of the Fund for both the periods i.e from July 1, 2018 to June 19, 2019 and from June 20, 2019 to June 30, 2019, being lower than actual expenses.

**9.4** 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 shall be 0.4% per annum of the net assets of the fund or actual expenses whichever is lower. Accordingly, such expenses have been charged to the Fund at the rate of 0.4% of the net assets of the Fund being lower than actual expenses incurred.

10	Note	2019	2018
(Rupees in '000)			
<b>PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN - TRUSTEE</b>			
Trustee fee payable	10.1	114	216
Sindh Sales Tax payable on remuneration of the Trustee	10.2	15	28
		129	244

**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 Rs 0.7 million or 0.20% per annum of net assets, whichever is higher.
- Over Rs. 1,000 million Rs 2 million plus 0.10% per annum of net assets exceeding Rs 1,000 million.

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- 10.2 During the year, an amount of Rs 0.238 million (2018: Rs. 0.326 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. 0.252 million (2018: Rs.0.321 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, a collective investment scheme classified as a equity scheme is required to pay to the Securities and Exchange Commission of Pakistan an amount equal to 0.095% of the average annual net assets of the Fund as annual fee.

	Note	2019 (Rupees in '000)	2018
<b>12 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration payable		195	245
Printing charges payable		38	21
Shariah advisor fee payable		265	267
Charity payable	12.1	924	1,492
Capital gain tax payable		211	25
Provision for Sindh Workers' Welfare Fund	12.2	1,527	1,527
Brokerage payable		231	-
Zakat payable		5	14
		<u>3,396</u>	<u>3,591</u>

- 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, 2019, non-Shariah compliant income amounting to Rs 0.732 million (2018: Rs 1.513 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 period from May 21, 2015 to June 30, 2019, the net asset value of the Fund as at June 30, 2019 would have been higher by Re. 0.09 per unit (2018: Re. 0.05 per unit).

## 13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2019 and June 30, 2018.

	2019 (Rupees in '000)	2018
<b>14 AUDITORS' REMUNERATION</b>		
Annual audit fee	210	251
Half yearly review	62	50
Out of pocket expenses	15	12
	<u>287</u>	<u>313</u>


**15 PERFORMANCE TABLE**

	2019	2018	2017
<b>Net assets (Rs. '000) (ex-distribution)</b>	598,703	1,636,573	1,139,264
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	33.3649	49.7823	50.2300
Offer price per unit as at June 30, (Rs.) (ex-distribution)	34.4960	51.4699	51.9300
Highest offer price per unit (Rs.)	51.5773	56.0800	63.7900
Lowest offer price per unit (Rs.)	33.5857	46.7400	50.0000
Highest redemption price per unit (Rs.)	49.8862	55.3300	61.7000
Lowest redemption price per unit (Rs.)	32.4845	45.2100	49.9600
Distribution (%)			
Interim	-	-	6.50
Final	-	-	-
Date of distribution			
Interim	-	-	June 23, 2017
Final	-	-	-
Income distribution (Rupees in '000)	-	-	-
Growth distribution (Rupees in '000)	-	-	69,559
Total return (%)	(32.98)	(0.89)	6.96
	<b>One Year</b>	<b>Two Year</b>	<b>Three Year</b>
Average annual return as at June 30, 2019 (%)	(32.98)	(18.50)	(10.77)

**Investment portfolio composition of the Fund**

Investment portfolio composition of the Fund is as described in note 6.

Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate as described in note 15.

**16 TOTAL EXPENSE RATIO**

The Total Expense Ratio (TER) of the Fund as at June 30, 2019 is 3.47% which includes 0.41% 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.

**17 TAXATION**

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

**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 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.

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- 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	2019	2018
	(Rupees in '000)	
<b>AI Meezan Investment Management Limited - Management Company</b>		
Remuneration payable	1,137	2,670
Sindh Sales Tax on management fee payable	148	347
Sales load payable	13	538
Sindh Sales Tax on sales load payable	2	70
Allocated expenses	57	133
Selling and marketing expense payable	682	4,258
Investment of 6,150,459 units (June 30, 2018: 8,090,670 units)	205,209	402,772
<b>Meezan Bank Limited</b>		
Bank balance	1,120	128,649
Profit receivable on saving accounts	162	203
Sales load payable	1	46
Sindh Sales Tax on sales load payable	-	6
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	114	216
Sindh Sales Tax on trustee fee payable	15	28
Security deposit	100	100
<b>Directors and executives of the Management Company</b>		
Investment of 234,114 units (June 30, 2018: 885,563 units)	7,811	44,085
<b>Unitholders holding 10 percent or more of the Fund</b>		
Investment of nil units (June 30, 2018: 3,826,614 units)	-	190,498
<b>Transactions during the year</b>		
	2019	2018
	(Rupees in '000)	
<b>AI Meezan Investment Management Limited - Management Company</b>		
Remuneration for the year	19,642	30,138
Sindh Sales Tax on remuneration of the Management Company	2,553	3,918
Allocated expenses	982	1,507
Selling and marketing expense	3,928	6,028
Units issued: 2,613,203 units (June 30, 2018: 4,955,848 units)	90,233	250,000
Units redeemed: 4,553,414 units (June 30, 2018: 1,090,991 units)	221,000	53,000
<b>Meezan Bank Limited</b>		
Profit on saving accounts	1,210	1,730
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	1,833	2,506
Sindh Sales Tax on Remuneration of the Trustee	238	326
CDS charges	73	90
<b>Directors and executives of the Management Company</b>		
Units issued: 1,710,794 units (June 30, 2018: 920,036 units)	69,365	45,012
Units redeemed: 2,362,243 units (June 30, 2018: 47,738 units)	86,903	2,356

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

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**19 FINANCIAL INSTRUMENTS BY CATEGORY**
**Financial assets**

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

2019		
At 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
<u>23,585</u>	<u>583,850</u>	<u>607,435</u>

**Financial liabilities**

Payable to AI 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
-	<u>7,970</u>	<u>7,970</u>

**Financial assets**

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

2018		
At amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		
195,027	-	195,027
-	1,441,891	1,441,891
12,736	-	12,736
3,697	-	3,697
637	-	637
<u>212,097</u>	<u>1,441,891</u>	<u>1,653,988</u>

**Financial liabilities**

Payable to AI 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

2018		
At fair value through profit or loss	At amortised cost	Total
(Rupees in '000)		
-	8,016	8,016
-	244	244
-	3,885	3,885
-	52	52
-	2,314	2,314
-	2,025	2,025
-	<u>16,536</u>	<u>16,536</u>

**20 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 unit holders 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.

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## 20.1 Market risk

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

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

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

### (i) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. As of June 30, 2019, 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. 0.198 million (2018: Rs. 0.01 million).

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

As at 30 June 2019, 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, 2019 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, 2019 can be determined as follows:

	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)						
<b>Financial assets</b>						
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
<b>Financial liabilities</b>						
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
Accrued expenses and other liabilities		-	-	-	1,653	1,653
		-	-	-	7,970	7,970
<b>On-balance sheet gap (a)</b>		19,835	-	-	579,630	599,465
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-	-
<b>Total profit rate sensitivity gap (a+b)</b>		19,835	-	-		
<b>Cumulative profit rate sensitivity gap</b>		19,835	19,835	19,835		

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2018					
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% - 6.60%	191,184	-	-	3,843	195,027
Investment		-	-	-	1,441,891	1,441,891
Receivable against issue of units		-	-	-	12,736	12,736
Dividend receivable		-	-	-	3,697	3,697
Advances, deposits and other receivables		-	-	-	637	637
		<b>191,184</b>	-	-	<b>1,462,804</b>	<b>1,653,988</b>

**Financial liabilities**

Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	8,016	8,016
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	244	244
Payable against conversion and redemption of units		-	-	-	3,885	3,885
Payable to Meezan Bank Limited		-	-	-	52	52
Payable against purchase of investments		-	-	-	2,314	2,314
Accrued expenses and other liabilities		-	-	-	2,025	2,025
		-	-	-	<b>16,536</b>	<b>16,536</b>

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

<b>191,184</b>	-	-	<b>1,446,268</b>	<b>1,637,452</b>
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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)**

<b>191,184</b>	-	-
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**Cumulative profit rate sensitivity gap**

<b>191,184</b>	<b>191,184</b>	<b>191,184</b>
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**(ii) Currency risk**

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

**(iii) Price risk**

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

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, 2019, with all other variables held constant, the total comprehensive income of the Fund for the year would increase / decrease by Rs. 5.839 million (2018: Rs.14.419 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.

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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, 2019 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:

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)						
<b>Financial assets</b>						
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
	<b>23,585</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>583,850</b>	<b>607,435</b>
<b>Financial liabilities</b>						
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
	<b>6,317</b>	<b>1,653</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,970</b>
<b>Net assets / (liabilities)</b>	<b>17,268</b>	<b>(1,653)</b>	<b>-</b>	<b>-</b>	<b>583,850</b>	<b>599,465</b>

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2018						
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	195,027	-	-	-	-	195,027
Investments	-	-	-	-	1,441,891	1,441,891
Receivable against conversion of units	12,736	-	-	-	-	12,736
Dividend receivable	3,697	-	-	-	-	3,697
Advances, deposits and other receivables	637	-	-	-	-	637
	<b>212,097</b>	-	-	-	<b>1,441,891</b>	<b>1,653,988</b>

**Financial liabilities**

Payable to Al Meezan Investment Management Limited - Management Company	8,016	-	-	-	-	8,016
Payable to Central Depository Company of Pakistan Limited - Trustee	244	-	-	-	-	244
Payable against conversion and redemption of units	3,885	-	-	-	-	3,885
Payable to Meezan Bank Limited	52	-	-	-	-	52
Payable against purchase of investments	2,314	-	-	-	-	2,314
Dividend payable	-	-	-	-	-	-
Accrued expenses and other liabilities	-	2,025	-	-	-	2,025
	<b>14,511</b>	<b>2,025</b>	-	-	-	<b>16,536</b>

**Net assets / (liabilities)**

	<b>197,586</b>	<b>(2,025)</b>	-	-	<b>1,441,891</b>	<b>1,637,452</b>
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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:

2019		2018	
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	20,442	20,442	195,027	195,027
Investments	583,850	-	1,441,891	-
Receivable against conversion of units	557	557	12,736	12,736
Dividend receivable	2,127	2,127	3,697	3,697
Advances, deposits and other receivables	459	459	637	637
	<b>607,435</b>	<b>23,585</b>	<b>1,653,988</b>	<b>212,097</b>

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 583.850 million (2018: Rs 1,441.891 million) is not exposed to credit risk.

**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 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	
	2019	2018
AAA	2.38	22.85
AA+	82.04	77.15
A+	15.58	-
	<b>100.00</b>	<b>100.00</b>

### 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, 2019, the Fund held the following financial instruments measured at fair values:

	2019		
	Level 1	Level 2	Level 3
	(Rupees in '000)		
<b>Financial assets</b>			
At fair value through profit or loss	583,850	-	-
	2018		
	Level 1	Level 2	Level 3
	(Rupees in '000)		
<b>Financial assets</b>			
At fair value through profit or loss	1,441,891	-	-

## 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.

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**23 UNIT HOLDING PATTERN OF THE FUND**

Category	2019			2018		
	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	1,432	358,289	59.84	1,523	777,758	47.52
Associated Companies /						
Directors	1	205,209	34.28	2	443,610	27.11
Retirement Funds	1	180	0.03	2	1,051	0.06
Insurance Companies	1	22,128	3.70	4	169,324	10.35
Others	10	12,897	2.15	11	244,830	14.96
	<b>1,445</b>	<b>598,703</b>	<b>100.00</b>	<b>1,542</b>	<b>1,636,573</b>	<b>100.00</b>

**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
JS Global Capital Limited	12%	BMA Capital Management Limited	13%
BMA Capital Management Limited	10%	AKD Securities Limited	12%
Optimus Capital Management (Private) Limited	9%	Foundation Securities (Private) Limited	11%
EFG Hermes Pakistan Limited	8%	Shajar Capital Pakistan (Private) Limited	9%
Foundation Securities (Private) Limited	8%	Arif Habib Limited	8%
Taurus Securities Limited	7%	Top Line Securities (Private) Limited	7%
Alfalah Securities (Private) Limited	7%	EFG Hermes Pakistan Limited	7%
Arif Habib Limited	6%	Standard Capital Securities (Private) Limited	5%
Vector Securities (Private) Limited	5%	Optimus Capital Management (Private) Limited	5%
Aba Ali Habib Securities (Private) Limited	5%	Next Capital Limited	4%

**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	Twenty Nine years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Twenty Three years
Mr. Muhammad Mohsin	Head of Equity / Director - Research	MBA	Twenty Two years
Mr. Ahmed Hassan	SVP Investments	CFA / MBA	Twelve years
Mr. Ali Khan	VP Product Development	CFA, FRM, MBA	Nine years
Mr. Zain Malik	VP Investments	CFA / BBA	Ten years
Mr. Asif Imtiaz	AVP Investments	CFA / MBA - Finance	Eleven years
Mr. Imad Ansari	Head of Risk Management	B.S Actuarial Sciences & Risk Management / MBA - Finance	Fourteen years
Mr. Ali Asghar	VP/Head of Research	CFA / MBA (in progress)	Eight 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:

AM



Name of Directors	Designation	Meeting held on					
		July 6, 2018	August 09, 2018	October 18, 2018	February 14, 2019	April 18, 2019	May 23, 2019
Mr. Ariful Islam	Chairman	Yes	No	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib	CEO	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Moin M. Fudda	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Atif Azim*	Director	Yes	Yes	Yes	Yes	Yes	Resigned
Mr. Ijaz Farooq	Director	No	Yes	No	Yes	Yes	No
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Abdullah Ahmed	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Arshad Majeed	Director	Yes	Yes	No	Yes	Yes	Yes
Ms. Saima Kamila Khan	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Naeem Sattar	Director	Yes	Yes	Yes	Yes	Yes	Yes

\* Mr. Atif Azeem resigned on May 07, 2019.

## 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 19, 2019.

## 29 GENERAL

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