



Meezan
Islamic Income Fund

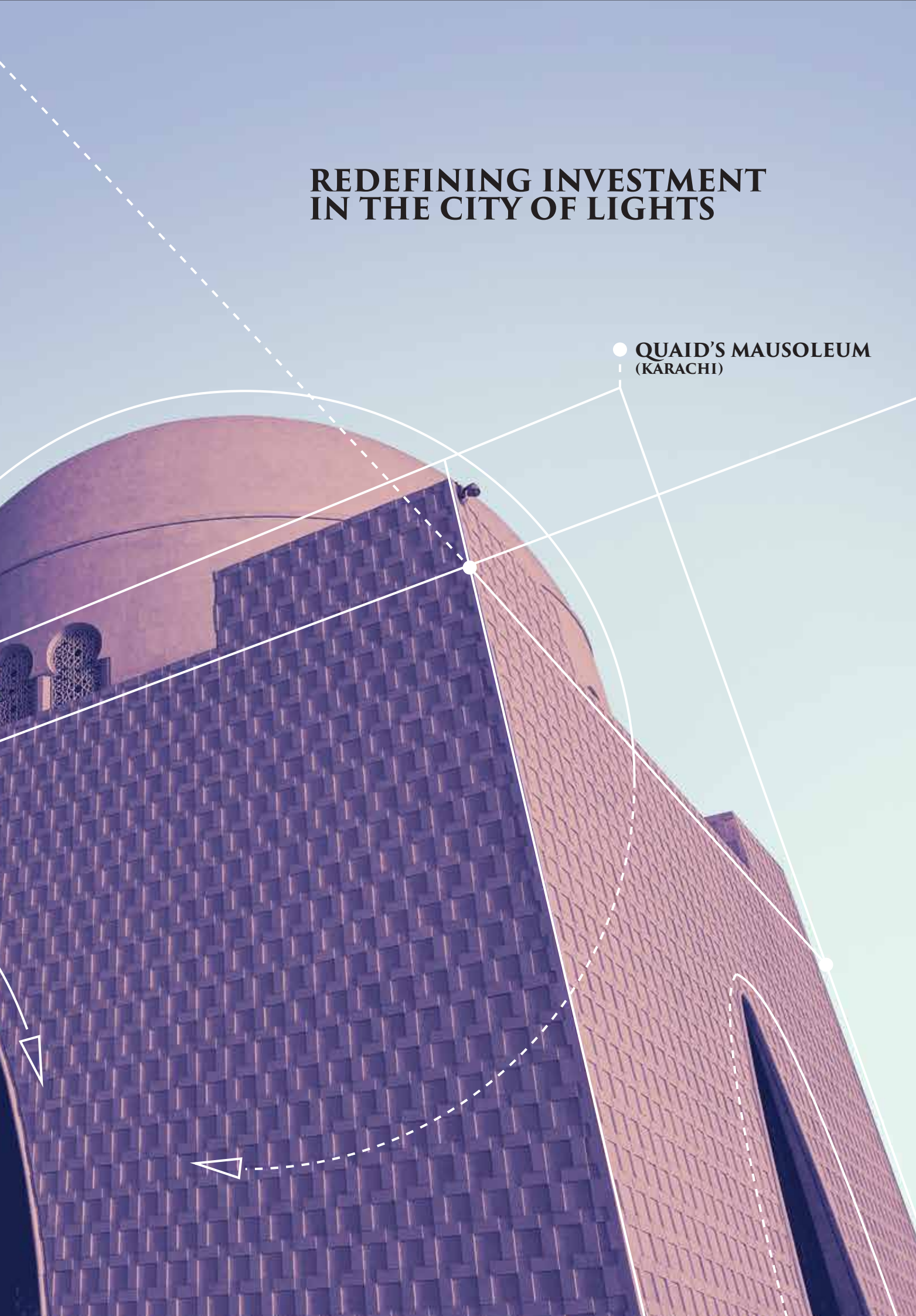
MEEZAN ISLAMIC INCOME FUND (MIIF)

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

- ◆ Bahadurabad Branch
- ◆ Clifton Branch
- ◆ DHA Branch
- ◆ DHA Badar Commercial Branch
- ◆ FTC Branch
- ◆ Gulshan-E-Iqbal Branch
- ◆ Gulistan-E-Jauhar Branch
- ◆ North Nazimabad Branch
- ◆ Sales Hub Karachi
- ◆ Site Area Branch

REDEFINING INVESTMENT IN THE CITY OF LIGHTS

● **QUAID'S MAUSOLEUM
(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
E-mail: info@almeezangroup.com

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. 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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited

REPORT OF THE FUND MANAGER Meezan Islamic Income Fund (MIIF)

Type of Fund

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

Objective

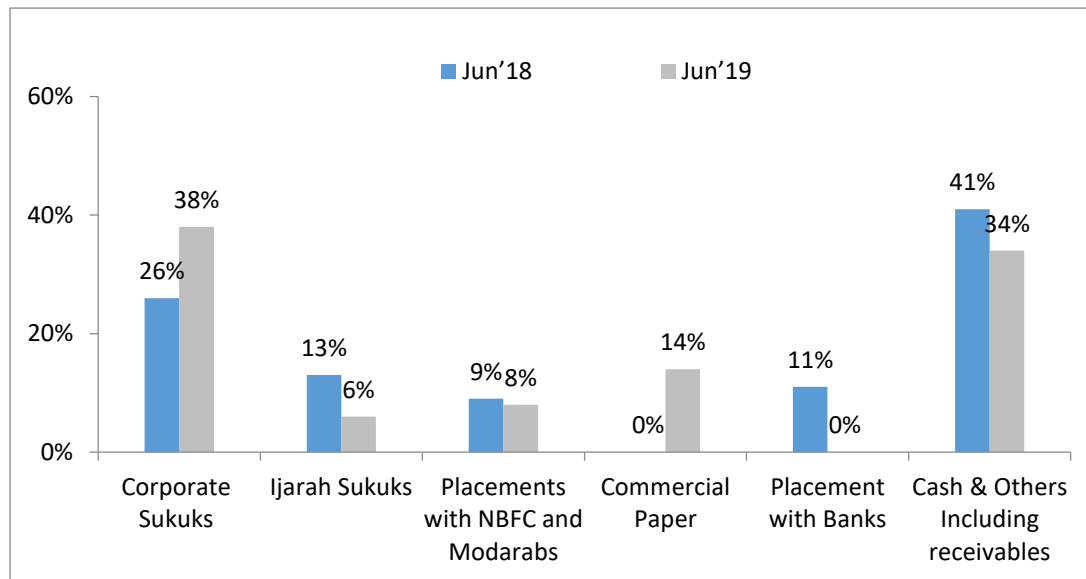
The Fund's primary objective is to provide investors with a competitive and stable rate of current income in a Shariah compliant way. A secondary objective is to take advantage of opportunities to realize capital appreciation. The Fund shall seek to provide investors with a rate of total return consistent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

Strategy, Investment policy and asset allocation

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

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

Sector Allocation as on June 30, 2018 and 2019



Performance Review

During FY19, Meezan Islamic Income Fund (MIIF) provided a full year return of 7.99% as compared to its benchmark return of 3.69%. The fund manager remained on a continuous look out for deployment opportunities in high quality corporate Sukuks and investments were made in Sukuks issued by companies in the Foods, Steel, Chemicals, Power and Oil sector during the year. In line with monetary tightening expectations, TDRs above three months' tenor were not placed during the year. The fund has three non performing Sukuks currently (Sukuks of Eden Housing Limited, Security Leasing Company Limited and Arzoo Textile Mills Limited) but it is pertinent to note that these stand fully provided for; a case for Arzoo Textile Mills Limited Sukuks is already under contestation in the courts, for Eden Housing Limited, Bank Islami is currently in the process of filing a case against the company since rescheduling terms could not be agreed and for Security Leasing Company Limited, negotiations have not been very fruitful so it appears that the most likely way forward will be procession of legal proceedings against the

company but the Sukuks holders are yet to reach a conclusion on the matter. As at year end, the fund was invested 60% in Islamic Sukuks, 8% in Modarabas and other 32% in Islamic Bank Deposits including other receivables.

The Fund earned a gross income of Rs. 960 million, which was primarily due to profit on Sukuks certificates amounting worth Rs. 514 million, while the net outflow of the Fund during the year was 387 million. Profit on saving accounts at Islamic banks including profit on term deposit receipts contributed Rs. 396 million, while realized loss on sale of Sukuks certificates was Rs. 31 million. On the other side, the fund incurred unrealized diminution worth Rs. 19 million. The fund also incurred expenses totalling to Rs. 155 million, which brought the net income figure to Rs. 805 million. The net assets of the Fund as at June 30, 2019 were Rs. 9,471 million as compared to Rs. 10,166 million at the end of last year depicting a decline of 6.83%. The net asset value per unit as at June 30, 2019 was Rs. 51.44 (Ex-Dividend) as compared to Rs. 53.59 per unit as on June 30, 2018.

	MIIF	Benchmark
Net Asset Value as on June 30, 2018	53.59	
Net Asset Value as on June 30, 2019	51.44	
Return for the year	7.99%	3.69%
Outperformance	4.30%	

Benchmark: 6 Month average deposit rate of 3 A rated Islamic Bank

Fund Rating

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

Distributions

The interim distribution in the form of cash dividend by the Fund during the fiscal year ended June 30, 2019 was Rs. 4.0472 per unit (8.09%). Total distribution made by the fund was Rs. 434 million.

Breakdown of unit holdings by size:

(As on June 30, 2019)

Range (Units)	No. of investors
1 - 9,999	6,181
10,000 - 49,999	1,563
50,000 - 99,999	261
100,000 - 499,999	153
500,000 and above	49
Total	8,207



Meezan Bank

The Premier Islamic Bank

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

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

Alhamdulillah, the period from July 01, 2018 to June 30, 2019 was the twelfth year of operations of Meezan Islamic Income Fund (MIIF) under management of Al Meezan Investment Management Limited (AMIM). We, Meezan Bank Limited, are the *Shari'ah* advisors of the Fund and are issuing the report in accordance with clause 7.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shari'ah* compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MIIF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MIIF by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MIIF for the year ended June 30, 2019 have been in compliance with *Shari'ah* principles.

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

Dr. Muhammad Imran Ashraf Usmani

For and on behalf of Meezan Bank
Shari'ah Advisor

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shakra-e-Faisal
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TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN ISLAMIC INCOME FUND

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

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

Opinion

We have audited the financial statements of Meezan Islamic Income Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 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: Net Asset Value (Refer notes 5 and 6 to the financial statements). Description: The investments and balances with banks constitute the most significant component of the net asset value. The existence and proper valuation of investments and existence of balances with banks for the determination of NAV of the Fund as at June 30, 2019 was considered a high risk area and therefore we considered this as a key audit matter. Addressed by: Our audit procedures included the following: Tested the design and operating effectiveness of the key controls for valuation of investments; Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2019 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; and

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

S. No.	Key Audit Matter	How the matter was addressed in our audit
		<ul style="list-style-type: none"> Obtained bank reconciliation statements and tested reconciling items on a sample basis.

Other Information

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

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

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

Muhammad



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 INCOME FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2019**



Meezan
Islamic Income Fund

	2019	2018
Note	Rupees in '000	
Assets		
Balances with banks	5 2,971,017	4,070,871
Investments	6 6,454,219	5,993,947
Receivable against conversion of units	3,802	129,263
Deposits, prepayments and other receivables	7 258,982	116,395
Total assets	9,688,020	10,310,476
Liabilities		
Payable to Al Meezan Investment Management Limited - Management Company	8 19,857	7,743
Payable to Central Depository Company of Pakistan Limited - Trustee	9 838	783
Payable to Securities and Exchange Commission of Pakistan	10 7,822	8,207
Payable to Meezan Bank Limited	399	1,708
Payable against conversion and redemption of units	45,063	49,459
Accrued expenses and other liabilities	11 142,719	76,662
Total liabilities	216,698	144,562
NET ASSETS	9,471,322	10,165,914
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)	9,471,322	10,165,914
CONTINGENCIES AND COMMITMENTS	12	
NUMBER OF UNITS IN ISSUE	184,135,657	189,709,138
NET ASSET VALUE PER UNIT	51.4367	53.5868

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

Ali

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

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

	Note	2019	2018
		----- Rupees in '000 -----	
Income			
Profit on sukuk certificates		513,505	246,193
Profit on term deposits		30,170	144,031
Profit on musharakah certificates		97,158	30,592
Net realised loss on sale of sukuk certificates		(31,107)	(24,853)
Profit on saving accounts with banks		365,570	253,093
Other income		3,361	94
		978,657	649,150
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.2	(18,871)	(31,000)
Total income		<u>959,786</u>	<u>618,150</u>
Expenses			
Remuneration of Al Meezan Investment Management Limited - Management Company	8.1	83,862	103,021
Sindh Sales Tax on remuneration of the Management Company	8.2	10,902	13,393
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	8,901	9,261
Sindh Sales Tax on remuneration of the Trustee	9.2	1,157	1,204
Annual fee to Securities and Exchange Commission of Pakistan	10	7,823	8,207
Auditors' remuneration	13	644	603
Fees and subscription		1,406	1,549
Legal and professional charges		-	76
Printing charges		160	786
Brokerage expense		798	633
Bank and settlement charges		569	389
Selling and marketing expenses	8.4	12,175	-
Allocated expenses	8.3	10,431	10,944
Provision for Sindh Workers' Welfare Fund (SWWF)	11.1	16,419	9,362
Total expenses		<u>155,247</u>	<u>159,428</u>
Net income for the year before taxation		<u>804,539</u>	<u>458,722</u>
Taxation	16	-	-
Net income for the year after taxation		<u>804,539</u>	<u>458,722</u>
Allocation of net income for the year			
Net income for the year after taxation		804,539	458,722
Income already paid on units redeemed		(362,599)	(212,919)
		<u>441,940</u>	<u>245,803</u>
Accounting income available for distribution			
- Relating to capital gains		-	-
- Excluding capital gains		441,940	245,803
		<u>441,940</u>	<u>245,803</u>

The annexed notes from 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 ISLAMIC INCOME FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019**



Meezan
Islamic Income Fund

	2019	2018
	----- Rupees in '000 -----	
Net income for the year after taxation	804,539	458,722
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u><u>804,539</u></u>	<u><u>458,722</u></u>

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

AI

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

Chief Executive

Chief Financial Officer

Director

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

	2019			2018		
	Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Total
	(Rupees in '000)			(Rupees in '000)		
Net assets at the beginning of the year	9,755,035	410,879	10,165,914	11,616,350	165,076	11,781,426
Issuance of 374,693,447 units (2018: 461,491,894 units)						
- Capital value (at ex-net asset value per unit at the beginning of the year)	19,256,021	-	19,256,021	23,716,068	-	23,716,068
- Element of income	668,853	-	668,853	372,251	-	372,251
Total proceeds on issuance of units	19,924,874	-	19,924,874	24,088,319	-	24,088,319
Redemption of 380,266,928 units (2018: 501,032,589 units)						
- Capital value (at ex-net asset value per unit at the beginning of the year)	19,542,450	-	19,542,450	25,748,065	-	25,748,065
- Element of loss	407,031	362,599	769,630	201,569	212,919	414,488
Total payments on redemption of units	19,949,481	362,599	20,312,080	25,949,634	212,919	26,162,553
Total comprehensive income for the year	-	804,539	804,539	-	458,722	458,722
Distribution for the year ended June 30, 2018	-	(245,803)	(245,803)	-	-	-
Distribution for the year ended June 30, 2019	-	(433,613)	(433,613)	-	-	-
Refund of Capital for the year ended June 30, 2018	(170,684)	-	(170,684)	-	-	-
Refund of Capital for the year ended June 30, 2019	(261,825)	-	(261,825)	-	-	-
Total distribution during the year	(432,509)	(679,416)	(1,111,925)	-	-	-
Net assets at the end of the year	9,297,919	173,403	9,471,322	9,755,035	410,879	10,165,914
Undistributed income brought forward						
- Realised income		441,879			114,773	
- Unrealised loss		(31,000)			50,303	
		410,879			165,076	
Accounting income available for distribution (after adjusting income already paid on units redeemed)						
- Relating to capital gains		-			-	
- Excluding capital gains		441,940			245,803	
		441,940			245,803	
Final distribution during the year at Rs. 2.1954 per unit i.e. 4.39% of the par value of Rs. 50/- each (July 6, 2018)		(245,803)			-	
Interim distribution during the year at Rs. 4.0472 per unit i.e. 8.09% of the par value of Rs. 50/- each (June 28, 2019)		(433,613)			-	
Undistributed income carried forward		173,403			410,879	
Undistributed income carried forward						
- Realised income		192,274			441,879	
- Unrealised loss		(18,871)			(31,000)	
		173,403			410,879	
			(Rupees)			(Rupees)
Net assets value per unit at the beginning of the year			53.5868			51.3900
Net assets value per unit at the end of the year			51.4367			53.5868

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

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director



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

	Note	2019	2018
		----- Rupees in '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before taxation		804,539	458,722
Adjustments for:			
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		18,871	31,000
		823,410	489,722
Decrease / (increase) in assets			
Investments - net		(1,609,143)	221,131
Deposits, prepayments and other receivables		(142,587)	42,686
		(1,751,730)	263,817
(Decrease) / increase in liabilities			
Payable to Al Meezan Investment Management Limited - Management Company		12,114	(7,225)
Payable to Central Depository Company of Pakistan Limited - Trustee		55	(15)
Payable to Securities and Exchange Commission of Pakistan		(385)	228
Payable to Meezan Bank Limited		(1,309)	1,035
Accrued expenses and other liabilities		66,057	(21,241)
		76,532	(27,218)
Net cash (used in) / generated from operating activities		(851,788)	726,321
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts against issuance and conversion of units		19,617,826	25,162,020
Payments against redemption and conversion of units		(20,316,476)	(28,825,532)
Dividend paid		(679,416)	-
Net cash used in financing activities		(1,378,066)	(3,663,512)
Net decrease in cash and cash equivalents		(2,229,854)	(2,937,191)
Cash and cash equivalents at the beginning of the year		5,200,871	8,138,062
Cash and cash equivalents at the end of the year	18	2,971,017	5,200,871

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

2 BASIS OF PRESENTATION

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

3 BASIS OF PREPARATION

3.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part 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, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

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

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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. However, the SECP vide its letter dated November 21, 2017, has deferred the applicability of requirements relating to impairment for debt securities on mutual funds till further instructions. Currently, the Asset Management Companies are required to continue to follow the requirements of Circular 33 of 2012 for impairment of debt securities. Furthermore, the ECL has impact on all other assets of the Fund which are exposed to credit risk. However, majority of the assets of the Fund other than debt securities (for which there is a separate criteria as mentioned above) 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.

IFRS 9 has provided a criteria for debt securities whereby debt securities are either classified as (a) amortised cost or (b) at fair value through other comprehensive income (FVOCI) or (c) at fair value through profit or loss (FVPL) based on the business model of the entity. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Furthermore, the collection of contractual cash flows for debt securities is only incidental to achieving the Fund's business model's objective.

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 FVPL. The management considers its investment in debt securities being managed as a group of assets and hence has classified them as FVPL. Accordingly, the Fund's investment portfolio 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. The Fund's investment in Term Deposit Receipts and Certificates of Musharakah which were previously classified as "loans and receivables" and carried at amortised cost under IAS 39 would now be classified as 'at fair value through profit or loss' and carried at fair value under level 2.

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-----				
Impact on Statement of Assets and Liabilities				
Investments - 'loans and receivables'	2,030,000	(2,030,000)	-	-
Investments - 'At fair value through profit or loss'	3,963,947	2,030,000	5,993,947	6,454,219

There is no impact on the income statement, statement of comprehensive income, statement of movement in unitholders' fund and cash flow statement of the Fund as a result of adoption of IFRS-9.

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 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 fair value.

3.6 Functional and presentation currency

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

4.3.1.2 Equity instruments

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

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

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

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

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

4.3.2 Impairment

The Fund assesses 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.

4.3.2.1 Impairment loss on debt securities

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

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

4.3.3 Regular way contracts

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

4.3.4 Initial recognition and measurement

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

4.3.5 Derecognition

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

4.3.6 Derivatives

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

4.4 Financial liabilities

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

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

4.5 Offsetting of financial assets and financial liabilities

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

4.6 Provisions

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

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4.7 Net asset value per unit

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

4.8 Issue and redemption of units

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

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

4.9 Distributions to unit holders

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

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

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

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

4.11 Revenue recognition

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

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 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Furthermore, for the purpose of determining distribution of at least 90 percent of the accounting income, the income distributed through bonus units shall not be taken into account.

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

4.14 Earnings / (loss) per unit

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

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

4.15 Foreign currency translation

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

	Note	2019	2018
		----- Rupees in '000 -----	
5	BALANCES WITH BANKS		
	Balances with banks in:		
	Savings accounts	5.1 2,970,973	4,061,947
	Current account	44	8,924
		<u>2,971,017</u>	<u>4,070,871</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		
	Investments - at fair value through profit or loss	6,454,219	3,963,947
	Investments - loans and receivables	-	2,030,000
		<u>6,454,219</u>	<u>5,993,947</u>
	Investments - 'at fair value through profit or loss'		
	Sukuk certificates	6.1 4,277,722	3,963,947
	Certificates of musharakah	6.4 750,000	-
	Commercial papers	6.5 1,426,497	-
		<u>6,454,219</u>	<u>3,963,947</u>
	Loans and receivables		
	Term deposit receipts - having original maturity of 3 months or less	-	1,130,000
	Certificates of musharakah	-	900,000
		<u>-</u>	<u>2,030,000</u>
6.1	Sukuk certificates		
	Government securities	6.1.1 600,000	541,768
	Corporate sukuks	6.1.2 3,677,722	3,422,179
		<u>4,277,722</u>	<u>3,963,947</u>

6.1.1 Government securities

Name of the security	Profit Payments / Principal Redemptions	Maturity Date	Profit rate	As at July 1, 2018	Purchases during the year	Sales / maturity during the year	As at June 30, 2019	Carrying value as at June 30, 2019	Market value as at June 30, 2019	Unrealised appreciation / (diminution)	Percentage in relation to	
				Number of certificates			(Rupees in '000)			Net assets of the Fund	Total market value of investment	
GoP Ijarah Sukuk Certificates - XVIII (note 6.1.1.1)	Semi-annually	March 29, 2019	Weighted average 6 months T-Bills	1,250	-	1,250	-	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XIX (note 6.1.1.1)	Semi-annually	June 30, 2020	Weighted average 6 months T-Bills	4,250	2,000	6,250	-	-	-	-	-	-
Pakistan Energy Sukuk (note 6.1.1.1)	Semi-annually / At maturity	March 1, 2029	6 months KIBOR plus base rate of 0.8%	-	240,000	120,000	120,000	600,000	600,000	-	6.33	9.30
Total as at June 30, 2019								600,000	600,000	-	6.33	9.30
Total as at June 30, 2018								552,580	541,768	(10,812)	5.33	9.04

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

6.1.2 Corporate sukus

Name of the security	Profit Payments / Principal Redemptions	Maturity Date	Profit rate	As at July 1, 2018	Purchases during the year	Sales / redemptions during the year	As at June 30, 2019	* Carrying value as at June 30, 2019	* Market value as at June 30, 2019	Unrealised appreciation / (diminution)	Percentage in relation to	
				Number of certificates			(Rupees in '000)			Net assets of the Fund	Total market value of investment	
Arzoo Textile Mills Limited (note 6.1.2.1, 6.1.2.2 & 6.1.2.2.1) *		April 15, 2014	6 months KIBOR plus base rate of 2%	14,000	-	-	14,000	-	-	-	-	-
Eden Housing Limited (note 6.1.2.1, 6.1.2.2 & 6.1.2.2.1) *		September 29, 2014	6 months KIBOR plus base rate of 2.5%	59,400	-	-	59,400	-	-	-	-	-
Security Leasing Corporation Limited II (note 6.1.2.1, 6.1.2.2 & 6.1.2.2.2) *		January 19, 2022	Nil	3,081	-	-	3,081	-	-	-	-	-
BANKS												
Dubai Islamic Bank Pakistan Limited (AA-, JCR-VIS, non-traded) (note 6.1.2.1)	Semi-annually / At maturity	July 14, 2027	6 months KIBOR plus base rate of 0.5%	513	-	-	513	522,595	522,595	-	5.52	8.10
Meezan Bank Limited Tier - II (AA, JCR-VIS, non-traded) (note 6.1.2.1)	Semi-annually / At maturity	September 22, 2026	6 months KIBOR plus base rate of 0.50%	300	118	50	368	371,946	367,991	(3,955)	3.89	5.70
FERTILIZER												
Engro Fertilizer Limited (AA, PACRA, non-traded) (note 6.1.2.1)	Semi-annually	July 9, 2019	6 months KIBOR plus base rate of 1.75%	44,625	-	29,750	14,875	75,119	74,415	(704)	0.79	1.15
Fatima Fertilizer Company Limited (AA-, PACRA, traded) (note 6.1.2.1)	Semi-annually	November 28, 2021	6 months KIBOR plus base rate of 1.10%	26,086	18,480	14,733	29,833	150,976	150,321	(655)	1.59	2.33
OIL & GAS MARKETING COMPANIES												
Hascol Petroleum Limited (AA, JCR-VIS, non-traded) (note 6.1.2.1)	Quarterly	January 06, 2022	3 months KIBOR plus base rate of 1.50%	45,000	12,000	13,000	44,000	224,597	221,650	(2,947)	2.34	3.43

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Name of the security	Profit Payments / Principal Redemptions	Maturity Date	Profit rate	As at July 1, 2018	Purchases during the year	Sales / redemptions during the year	As at June 30, 2019	* Carrying value as at June 30, 2019	* Market value as at June 30, 2019	Unrealised appreciation / (diminution)	Percentage in relation to	
				Number of certificates			(Rupees in '000)			Net assets of the Fund	Total market value of investment	----- % -----
POWER GENERATION & DISTRIBUTION												
K-Electric Limited (AA+, JCR-VIS, non-traded) (note 6.1.2.1)	Quarterly	June 17, 2022	3 months KIBOR plus base rate of 1.00%	160,000	-	144,308	15,692	79,535	78,994	(541)	0.83	1.22
Neelum Jhelum Hydropower Company (Private) Limited (AAA, JCR-VIS, non-traded) (note 6.1.2.1)	Semi-annually	June 29, 2026	6 months KIBOR plus base rate of 1.13%	7,650	-	7,650	-	-	-	-	-	-
Hub Power Company Limited (A1+, PACRA) (note 6.1.2.1)		November 26, 2019	3 months KIBOR plus base rate of 1.00%	-	120,000	-	120,000	600,000	600,000	-	6.33	9.30
Hub Power Company Limited (A1+, PACRA) (note 6.1.2.1)		October 2, 2019	3 months KIBOR plus base rate of 1.00%	-	70,000	-	70,000	350,000	350,000	-	3.70	5.42
PHARMACEUTICALS												
AGP Limited (A+, PACRA, non-traded) (note 6.1.2.1)	Quarterly	June 9, 2022	3 months KIBOR plus base rate of 1.30%	-	2,349	637	1,712	171,826	171,180	(646)	1.81	2.65
CEMENT & CONSTRUCTION												
Javedan Corporation Limited (AA-, JCR-VIS, non-traded) (note 6.1.2.1 & note 6.1.2.3)	Semi-annually / At maturity	October 4, 2026	6 months KIBOR plus base rate of 1.75%	-	1,000	-	1,000	100,000	99,535	(465)	1.05	1.54
STEEL & ALLIED PRODUCTS												
Agha Steel Industries Limited (A+, JCR-VIS) (note 6.1.2.1)	Quarterly / At maturity	October 9, 2024	3 months KIBOR plus base rate of 0.80%	-	250	-	250	250,000	250,000	-	2.64	3.87
CHEMICALS												
Engro Polymer and Chemicals Limited (AA, PACRA, non-traded) (note 6.1.2.1)	Quarterly / At end of 5.5 years	July 11, 2026	3 months KIBOR plus base rate of 0.90%	-	3,000	-	3,000	300,000	301,406	1,406	3.18	4.67
MISCELLANEOUS												
International Brands Limited (AA, JCR-VIS, non-traded) (note 6.1.2.1)	Quarterly	November 15, 2021	3 months KIBOR plus base rate of 0.50%	4,000	-	-	4,000	400,000	391,800	(8,200)	4.14	6.07
Shakarganj Food Products Limited (A, JCR-VIS, non-traded) (note 6.1.2.1 & note 6.1.2.3)	Quarterly / At maturity	July 10, 2024	3 months KIBOR plus base rate of 1.75%	-	100	-	100	100,000	97,835	(2,165)	1.03	1.52
Total as at June 30, 2019								3,696,593	3,677,722	(18,872)	38.83	56.98
Total as at June 30, 2018								3,442,367	3,422,179	(20,188)	33.66	57.09

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

6.1.2.1 The nominal value of these sukuk certificates is Rs 5,000 each except for the sukuk certificates of Dubai Islamic Bank Pakistan Limited, Eden Housing Limited, International Brands Limited, Neelum Jhelum Hydropower Company (Pvt.) Limited, Meezan Bank Limited, Shakarganj Food Products Limited, AGP Limited, Javedan Corporation Limited, Agha Steel Industries Limited and Engro Polymer and Chemicals Limited having nominal value of Rs 1,000,000, Rs 984,375, Rs 100,000, Rs 100,000, Rs. 1,000,000, Rs. 1,000,000, Rs. 100,000, Rs. 100,000, Rs. 1,000,000 and Rs. 100,000 respectively.

6.1.2.2 The Securities and Exchange Commission of Pakistan (SECP) vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. Al Meezan Investment Management Limited (the Management Company) classified Meezan Islamic Income Fund (the Fund) as an 'Income Scheme' in accordance with the said circular. As at June 30, 2019, the Fund is compliant with all the requirements of the said circular except for clause 9 (v) which requires the rating of any security in the portfolio shall not be lower than the investment grade.

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

Name of non-compliant investment	Type of Investment	Value of investment before provision	Provision held (if any)	Value of investment after provision	Percentage of	
					Net assets	Total assets
					-----%-----	
----- (Rupees in '000) -----						
Arzoo Textile Mills Limited	Non-traded sukuk certificates	70,000	70,000	-	-	-
Eden Housing Limited	Non-traded sukuk certificates	58,472	58,472	-	-	-
Security Leasing Corporation Limited II	Non-traded sukuk certificates	15,403	15,403	-	-	-
Total - June 30, 2019		143,875	143,875	-	-	-
Total - June 30, 2018		143,875	143,875	-	-	-

6.1.2.2.1 On May 6, 2011, Arzoo Textile Mills Limited and Eden Housing Limited sukuk certificates have been classified as non-performing by Mutual Funds Association of Pakistan (MUFAP). Therefore in accordance with the requirement of SECP's Circular No.33 of 2012, the sukuk certificates have been classified as non-performing assets and no further profit has been accrued thereafter. Further, in accordance with the said Circular, an amount of Rs. 70 million and Rs. 58.472 million respectively have also been held as provision against the outstanding principal as at June 30, 2019.

6.1.2.2.2 The agreement with Security Leasing Corporation Limited (SLCL) had been amended on February 19, 2012. In accordance with the revised terms no mark-up is payable on the said sukuk as per the approval of contributors to the sukuk certificate. The sukuk certificates have been classified as non-performing by MUFAP on April 3, 2012. Therefore, in accordance with the requirement of circular no.33 of 2012, the sukuk certificates have been classified as non-performing assets and no further profit has been accrued thereafter. Further, in accordance with the provisioning policy of the Fund, an amount of Rs 15.403 million has also been held as provision against the outstanding principal as at June 30, 2019.

6.1.2.3 Circular No. 33 of 2012 allows the asset manager to apply a mark up/mark down within available limit for valuation of any specific debt security. Exercising the discretionary power, the above mentioned Sukuks of Javedan Corporation and Shakarganj Food Products Limited has been valued at a discretionary rate of 99.5347 and 97.8353 when the reported market rate on MUFAP valuation sheet as at June 28, 2019 was 96.4870 and 95.8403 respectively.

6.2 Unrealised diminution on re-measurement of investments classified as financial assets at fair value through profit or loss	Note	2019	2018
		----- (Rupees in '000) -----	
Market value of investments	6.1.1 , 6.1.2 6.4 & 6.5	6,454,219	5,993,947
Carrying value of investments	6.1.1 , 6.1.2 6.4 & 6.5	(6,473,090)	(6,024,947)
		(18,871)	(31,000)

6.3 Details of term deposit receipts

Name of the bank	Maturity date	Profit rate	As at July 1, 2018	Term deposit receipts placed during the year	Matured during the year	As at June 30, 2019	Market value as at June 30, 2019	Unrealised appreciation / (diminution)	Percentage in relation to	
									Net assets of the Fund	Total market value of investment
		%	----- (Rupees in '000) -----					-----%-----		
Dubai Islamic Bank Pakistan Limited	July 5, 2018	6.15	630,000	-	630,000	-	-	-	-	-
Dubai Islamic Bank Pakistan Limited	October 5, 2018	6.65	-	630,000	630,000	-	-	-	-	-
Dubai Islamic Bank Pakistan Limited	November 15, 2018	8.60	-	650,000	650,000	-	-	-	-	-
Bank Islami Pakistan Limited	November 1, 2018	8.10	-	1,000,000	1,000,000	-	-	-	-	-
Faysal Bank Limited	August 18, 2018	6.13	500,000	-	500,000	-	-	-	-	-
MCB Islamic Bank Limited	March 19, 2019	10.82	-	500,000	500,000	-	-	-	-	-
Total as at June 30, 2019			1,130,000	2,780,000	3,910,000	-	-	-	-	-
Total as at June 30, 2018			2,500,000	6,277,001	7,647,001	1,130,000	1,130,000	-	11.12	18.85

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6.4 Details of certificates of musharakah

Name of the investee company	Maturity date	Profit rate	As at July 1, 2018	Placed during the year	Matured during the year	Carrying value as at June 30, 2019	Market value as at June 30, 2019	Unrealised appreciation / (diminution)	Percentage in relation to	
									Net assets of the Fund	Total market value of investment
		%	----- (Rupees in '000) -----					----- % -----		
First Habib Modaraba	September 5, 2018	6.75	300,000	-	300,000	-	-	-	-	-
First Habib Modaraba	December 5, 2018	7.80-8.80	-	300,000	300,000	-	-	-	-	-
First Habib Modaraba	March 5, 2019	10.50-10.75	-	306,399	306,399	-	-	-	-	-
First Habib Modaraba	June 5, 2019	10.90-11.40	-	306,399	306,399	-	-	-	-	-
Orix Modaraba *	November 22, 2018	6.40	200,000	-	200,000	-	-	-	-	-
Orix Modaraba *	November 22, 2018	6.40	100,000	-	100,000	-	-	-	-	-
Orix Modaraba *	November 22, 2018	6.40	150,000	-	150,000	-	-	-	-	-
Orix Modaraba *	November 22, 2018	6.40	150,000	-	150,000	-	-	-	-	-
Orix Modaraba	September 14, 2019	10.47-12.72	-	600,000	-	600,000	600,000	-	6.33	9.30
Orix Modaraba	September 27, 2019	10.69-12.94	-	150,000	-	150,000	150,000	-	1.58	2.32
Total as at June 30, 2019			900,000	1,662,798	1,812,798	750,000	750,000	-	7.92	11.62
Total as at June 30, 2018			-	900,000	-	900,000	900,000	-	8.85	15.02

* These Certificates of Musharakah were encashed on September 14, 2018, prior to the above mentioned maturity date.

6.5 Commercial papers

Name of the security	Maturity date	Profit rate	As at July 1, 2018	Purchases during the year	Sales / redemptions / maturity during the year	As at June 30, 2019	Carrying value as at June 30, 2019	Market value as at June 30, 2019	Percentage in relation to	
									Net assets of the Fund	Total market value of investment
			(Number of certificates)			(Rupees in '000)		----- % -----		
Hascol Petroleum Limited CP-2 (note 6.5.1)	January 4, 2019	6 months KIBOR plus base rate of 1.25%	-	375	375	-	-	-	-	-
Hascol Petroleum Limited CP-3 (note 6.5.1)	July 15, 2019	6 months KIBOR plus base rate of 1.50%	-	400	-	400	398,227	398,227	4.20	6.17
K-Electric Limited CP (note 6.5.1)	March 1, 2019	6 months KIBOR plus base rate of 0.90%	-	721	721	-	-	-	-	-
K-Electric Limited CP-2 (note 6.5.1)	September 2, 2019	6 months KIBOR plus base rate of 0.90%	-	1,001	-	1,001	981,840	981,840	10.37	15.21
TPL Corp Limited CP (note 6.5.1)	January 11, 2020	6 months KIBOR plus base rate of 2.75%	-	50	-	50	46,430	46,430	0.49	0.72
Total as at June 30, 2019							1,426,497	1,426,497	15.06	22.10
Total as at June 30, 2018							-	-	-	-

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

7 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Note	2019	2018
		----- (Rupees in '000) -----	
Security deposit with Central Depository Company of Pakistan Limited		100	100
Security deposit with National Clearing Company of Pakistan Limited		-	2,503
Prepayments		2,970	2,963
Advance tax	7.1	2,881	2,131
Profit receivable on balances with banks and term deposit receipts		44,569	32,380
Profit receivable on sukuk certificates		146,371	70,668
Profit receivable on certificates of musharakah		62,091	5,650
		258,982	116,395

- 7.1 As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on dividend and profit on debt paid to the Fund has been deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated May 12, 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholder. The tax withheld on profit on debt amounts to Rs. 2.881 million (2018: Rs. 2.131 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.

	Note	2019	2018
		----- (Rupees in '000) -----	
8 PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED			
Management fee payable	8.1	6,904	5,757
Sindh Sales Tax payable on remuneration of the Management Company	8.2	898	749
Allocated expenses payable	8.3	872	803
Selling and marketing expenses payable	8.4	10,591	-
Sales load payable		523	383
Sindh Sales Tax on sales load payable		68	50
Certificate charges		1	1
		<u>19,857</u>	<u>7,743</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 an Income Scheme. During the year, the Management Company has reduced charging of the remuneration to 6.5% of gross earnings of the Fund subject to the minimum of 0.5% of average annual net assets and maximum of 1.5% of average annual net assets. The reduction in remuneration is effective from March 18, 2019 (2018: 10% of gross earnings of the Fund with effect from November 16, 2017).
- 8.2 During the year, an amount of Rs. 10.902 million (2018: Rs 13.393 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. 10.753 million (2018: Rs. 14.245 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 with effect from March 18, 2019 at the rate of 0.4% of the net assets of the Fund being lower than actual expenses incurred.

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	Note	2019	2018
----- (Rupees in '000) -----			
9	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE		
	Trustee fee payable	9.1	742
	Sindh Sales Tax payable on trustee fee	9.2	96
		<u>838</u>	<u>783</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 0.6 million or 0.17% per annum of net assets, whichever is higher.
- from Rs 1,000 million to Rs.5,000 million Rs 1.7 million plus 0.085% per annum of net assets exceeding Rs 1,000 million.
- exceeding Rs.5,000 million Rs 5.1 million plus 0.07% per annum of net assets exceeding Rs 5,000 million.

9.2 During the year, an amount of Rs 1.157 million (2018: Rs. 1.204 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 1.151 million (2018: Rs. 1.206 million) was paid to the Trustee which acts as a collecting agent.

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

This represents annual fee at the rate of 0.075% of the average annual net assets of the Fund payable to SECP under regulation 62 read with Schedule II of NBFC Regulation.

	Note	2019	2018
----- (Rupees in '000) -----			
11	ACCRUED EXPENSES AND OTHER LIABILITIES		
	Auditors' remuneration payable		430
	Printing expenses payable		566
	Brokerage payable		159
	Shariah advisor fee payable		529
	Withholding tax payable		37,969
	Capital gain tax payable		11,065
	Provision for Sindh Workers' Welfare Fund (SWWF)	11.1	38,755
	Zakat payable		187
	Provision for Federal Excise Duty payable on remuneration of the Management Company and related Sindh Sales Tax	11.2	50,417
	Provision for Federal Excise Duty payable on sales load and related Sindh Sales Tax	11.2	2,642
		<u>142,719</u>	<u>76,662</u>

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

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2019, the net asset value of the Fund as at June 30, 2019 would have been higher by Re. 0.21 per unit (2018: Re 0.12 per unit).

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

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

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 53.059 million (2018: 51.366 million) is being retained in these financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2019 would have been higher by Re 0.29 (2018: Re 0.27) per unit.

During the year, FED amounting to Rs. 1.693 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

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	364	350
Half yearly review	137	130
Fee for other certifications	100	100
Out of pocket expenses	43	23
	<u>644</u>	<u>603</u>

14 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2019 is 1.48% which includes 0.35% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, Sales Taxes, Federal excise Duties, Annual fee to the SECP etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Income Scheme.

15 PERFORMANCE TABLE

	2019	2018	2017	2016	2015
Net assets (Rs '000) (ex-distribution)	9,471,322	10,165,914	11,781,426	9,051,417	3,995,835
Net assets value / redemption price per unit as at June 30 (Rs) (ex-distribution)	51.4367	51.3914	51.3912	51.2812	50.8500
Offer price per unit as at June 30 (Rs) (ex-distribution)	51.7273	51.6818	51.6800	51.6248	51.1907
Distribution (%)					
- Interim					
- First quarter	-	-	-	-	-
- Second quarter	-	-	-	-	-
- Third quarter	-	-	-	-	-
- Fourth quarter	8.09%	-	5.00%	5.00%	-
- Annual	-	4.40%	-	-	6.80%

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	2019	2018	2017	2016	2015
Dates of distribution (interim)					
- First quarter	-	-	-	-	-
- Second quarter	-	-	-	-	-
- Third quarter	-	-	-	-	-
- Fourth quarter	June 28, 2019	-	June 21, 2017	June 24, 2016	-
Dates of distribution (annual)	-	July 6, 2018	-	-	July 3, 2015
Income distribution (Rupees in '000)	-	-	-	-	267,165
Growth distribution (Rupees in '000)	-	-	-	-	-
Highest offer price per unit (Rs)	55.7518	53.8896	54.1300	54.1300	54.6100
Lowest offer price per unit (Rs)	51.6976	51.6945	51.5000	51.3500	50.6200
Highest redemption price per unit (Rs)	55.4386	53.5868	53.8300	53.7700	54.2500
Lowest redemption price per unit (Rs)	51.4072	51.4041	51.2100	51.0100	50.2800
Total return (%)	7.92%	4.26%	5.09%	5.76%	8.15%
Weighted Average Portfolio Duration (years)	2.18	2.08	0.90	1.60	2.13
	One year	Two year	Three year	Four year	Five year
Average annual return (%) as at June 30, 2019	7.92%	6.09%	5.76%	5.76%	6.24%

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 go down, as well as up.

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. Since the management has distributed the required minimum percentage of income earned by the Fund for the year ended June 30, 2019 to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements during the year.

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

17 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

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

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- 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) -----	
Al Meezan Investment Management Limited (Management Company)		
Remuneration payable	6,904	5,757
Sindh Sales Tax on management fee payable	898	749
Sales load payable	523	383
Sindh Sales Tax on sales load payable	68	50
Allocated expenses payable	872	803
Selling and marketing expense payable	10,591	-
Certificate charges payable	1	1
Investment of 1,287,879 units (2018: 18,479,681 units)	66,244	990,267
Central Depository Company of Pakistan Limited - CDC (Trustee)		
Security deposit refundable	100	100
Remuneration payable	742	693
Sindh Sales Tax payable on trustee fee	96	90
Meezan Bank Limited		
Profit receivable on saving account	466	371
Profit receivable on sukuk certificates	13,925	7,026
Balances with bank	44,405	141,814
Investment as at June 30, 2019: 368 sukuk certificates (June 30, 2018: 300)	367,991	304,500
Sales load payable	353	1,512
Sindh Sales Tax on sales load payable	46	196
MSAF - Meezan Strategic Allocation Plan-I		
Investment of 4,983,963 units (2018: 7,736,308 units)	256,359	414,564
MSAF - Meezan Strategic Allocation Plan-II		
Investment 3,408,091 units (2018: 4,578,838 units)	175,301	245,365
MSAF - Meezan Strategic Allocation Plan-III		
Investment of 4,056,911 units (2018: 3,862,902 units)	208,674	207,001
MSAF - Meezan Strategic Allocation Plan-IV		
Investment of 4,583,447 units (2018: 4,594,666 units)	235,757	246,213
MSAF - Meezan Strategic Allocation Plan-V		
Investment of 787,065 units (2018: 363,562 units)	40,484	19,482
Meezan Financial Planning Fund of Funds		
- Aggressive Allocation Plan		
Investment of 882,014 units (2018: 1,161,137 units)	45,368	62,222
Meezan Financial Planning Fund of Funds		
- Moderate Allocation Plan		
Investment of 981,323 units (2018: 1,445,143 units)	50,476	77,441
Meezan Financial Planning Fund of Funds		
- Conservative Allocation Plan		
Investment of 1,598,392 units (2018: 1,979,904 units)	82,216	106,097
Meezan Financial Planning Fund of Funds - MAAP - I		
Investment of nil units (2018: 3,467,932 units)	-	185,835

	2019	2018
	----- (Rupees in '000) -----	
Meezan Financial Planning Fund of Funds - MAAP - IV		
Investment of nil units (2018: 1,494,217 units)	-	80,070
Al Meezan Investment Management Limited - Employees' Gratuity Fund		
Investment of nil units (2018: 212,599 units)	-	11,393
Directors and Executives of the Management Company		
Investment of 288,053 units (2018: 292,675 units)	14,816	15,684
Transactions during the year		
Al Meezan Investment Management Limited (Management Company)		
Remuneration charged	83,862	103,021
Sindh Sales Tax on remuneration of the Management Company	10,902	13,393
Allocated expenses	10,431	10,944
Selling and marketing expense	12,175	-
Issuance of 19,377,264 units (2018: 33,002,274 units)	1,024,536	1,725,000
Redemption of 36,569,066 units (2018: 35,115,734 units)	1,934,100	1,827,000
Dividend paid	19,777	-
Refund of capital	25,652	-
Central Depository Company of Pakistan Limited - CDC (Trustee)		
Remuneration of the Trustee	8,901	9,261
Sindh Sales Tax on remuneration of the Trustee	1,157	1,204
CDS charges	132	64
Meezan Bank Limited		
Profit on saving account	2,360	2,041
Profit on sukuk certificates	33,482	1,485
Purchase of 118 sukuk certificates (2018: 300 Sukuk certificates)	117,982	304,500
Sale of 50 sukuk certificates (2018: nil certificates)	50,000	-
MSAF - Meezan Strategic Allocation Plan-I		
Issuance of 3,478,440 units (2018: 10,175,158 units)	184,183	531,000
Redemption of 6,230,785 units (2018: 12,357,647 units)	338,170	639,860
Dividend paid	22,416	-
Refund of capital	13,267	-
MSAF - Meezan Strategic Allocation Plan-II		
Issuance of 2,436,108 units (2018: 5,035,700 units)	128,839	263,000
Redemption of 3,606,855 units (2018: 4,263,241 units)	196,920	221,740
Dividend paid	15,018	-
Refund of capital	7,821	-
MSAF - Meezan Strategic Allocation Plan-III		
Issuance of 2,818,997 units (2018: 4,780,885 units)	149,303	250,000
Redemption of 2,624,988 units (2018: 8,023,229 units)	144,610	415,160
Dividend paid	15,330	-
Refund of capital	8,371	-
MSAF - Meezan Strategic Allocation Plan-IV		
Issuance of 2,928,468 units (2018: 7,269,504 units)	155,283	378,500
Redemption of 2,939,687 units (2018: 11,663,825 units)	161,920	603,770
Dividend paid	17,929	-
Refund of capital	9,354	-

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	2019	2018
	----- (Rupees in '000) -----	
MSAF - Meezan Strategic Allocation Plan-V		
Issuance of 970,684 units (2018: 1,667,261 units)	51,657	87,000
Redemption of 547,181 units (2018: 1,303,699 units)	30,210	68,020
Dividend paid	1,564	-
Refund of capital	2,187	-
MSAF II - Meezan Capital Preservation Plan-V		
Issuance of 112,077 units (2018: nil units)	6,100	-
Redemption of 112,077 units (2018: nil units)	6,106	-
Meezan Financial Planning Fund of Funds - Aggressive Allocation Plan		
Issuance of 183,808 units (2018: 208,445 units)	9,522	10,936
Redemption of 462,931 units (2018: 881,116 units)	25,009	45,851
Dividend paid	5,558	-
Refund of capital	300	-
Meezan Financial Planning Fund of Funds - Moderate Allocation Plan		
Issuance of 137,126 units (2018: 334,253 units)	7,057	17,541
Redemption of 600,946 units (2018: 879,257 units)	31,858	45,914
Dividend paid	6,481	-
Refund of capital	374	-
Meezan Financial Planning Fund of Funds - Conservative Allocation Plan		
Issuance of 400,310 units (2018: 360,446 units)	20,815	18,881
Redemption of 781,822 units (2018: 1,358,365 units)	41,377	70,816
Dividend paid	9,743	-
Refund of capital	600	-
Meezan Financial Planning Fund of Funds - MAAP - I		
Issuance of 1,636,590 units (2018: 35,256,918 units)	87,140	1,819,662
Redemption of 5,104,522 units (2018: 31,788,986 units)	280,151	1,645,916
Dividend paid	4,610	-
Refund of capital	3,003	-
Meezan Financial Planning Fund of Funds - MAAP - II		
Issuance of nil units (2018: 4,596,367 units)	-	237,200
Redemption of nil units (2018: 4,596,367 units)	-	238,776
Meezan Financial Planning Fund of Funds - MAAP - III		
Issuance of nil units (2018: 46,358,992 units)	-	2,414,633
Redemption of nil units (2018: 53,804,184 units)	-	2,820,365
Meezan Financial Planning Fund of Funds - MAAP - IV		
Issuance of 63,834 units (2018: 4,922,358 units)	3,280	255,000
Redemption of 1,558,051 units (2018: 3,880,834 units)	80,267	201,000
Dividend paid	1,736	-
Refund of capital	1,544	-
Al Meezan Investment Management Limited - Employees' Gratuity Fund		
Issuance of 9,077 units (2018: nil units)	466	-
Redemption of 221,676 units (2018: nil units)	12,275	-
Dividend paid	2	-
Refund of capital	465	-

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	Note	2019 ----- (Rupees in '000) -----	2018
Directors and Executives of the Management Company			
Issuance of 3,793,334 units (2018: 4,794,864 units)		201,805	251,166
Redemption of 3,801,709 units (2018: 4,642,395 units)		203,069	243,541
Dividend paid		791	-
Refund of capital		947	-

18 CASH AND CASH EQUIVALENTS

Cash and bank balances	5	2,971,017	4,070,871
Term deposit receipt (with original maturity of three months)	6	-	1,130,000
		<u>2,971,017</u>	<u>5,200,871</u>

19 FINANCIAL INSTRUMENTS BY CATEGORY

	2019		
	At amortised cost	At fair value through profit or loss	Total
	----- (Rupees in '000) -----		
Financial assets			
Balances with banks	2,971,017	-	2,971,017
Investments	-	6,454,219	6,454,219
Receivable against conversion of units	3,802	-	3,802
Deposits and other receivables	253,131	-	253,131
	<u>3,227,950</u>	<u>6,454,219</u>	<u>9,682,169</u>

	2019		
	At fair value through profit or loss	At amortised cost	Total
	----- (Rupees in '000) -----		
Financial liabilities			
Payable to Al Meezan Investment Management Limited - Management Company	-	19,857	19,857
Payable to Central Depository Company of Pakistan Limited - Trustee	-	838	838
Payable to Meezan Bank Limited	-	399	399
Payable against conversion and redemption of units	-	45,063	45,063
Accrued expenses and other liabilities	-	1,684	1,684
	-	<u>67,841</u>	<u>67,841</u>

	2018		
	At amortised cost	At fair value through profit or loss	Total
	----- (Rupees in '000) -----		
Financial assets			
Balances with banks	4,070,871	-	4,070,871
Investments	2,030,000	3,963,947	5,993,947
Receivable against conversion of units	129,263	-	129,263
Deposits and other receivables	111,301	-	111,301
	<u>6,341,435</u>	<u>3,963,947</u>	<u>10,305,382</u>

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

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company	-	7,743	7,743
Payable to Central Depository Company of Pakistan Limited - Trustee	-	783	783
Payable to Meezan Bank Limited	-	1,708	1,708
Payable against conversion and redemption of units	-	49,459	49,459
Accrued expenses and other liabilities	-	1,730	1,730
	-	61,423	61,423

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

20.1 Market risk

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

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

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

(i) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2019, the Fund is exposed to such risk on its balances held with banks, investments in sukuk certificates, commercial papers and certificates of musharakah. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based sukuks certificates and balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase/decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher/lower by Rs. 79.987 million (2018: Rs. 74.185 million).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2019, the Fund did not hold any fixed rate instrument that may expose the fund to fair value profit rate risk. In case of 100 basis points increase / decrease in rates announced by the Financial Markets Association of Pakistan for GoP ijarah sukuks and with all other variables held constant, the net income for the year and net assets of the Fund would have been higher / lower by Rs 14.265 million (2018: Rs 5.500 million).

The composition of the Fund's investment portfolio, KIBOR rates and the rates announced by the Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 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 profit rate sensitivity related to financial assets and financial liabilities as at June 30, 2019 can be determined as follows:

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

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)						
Financial assets						
Balances with banks	2.00% - 6.60%	4,061,947	-	-	8,924	4,070,871
Investments - Sukuk certificates	KIBOR + 0.50% - KIBOR + 1.75%	1,863,389	1,558,790	-	-	3,422,179
Investments - Government securities sukuk certificates	5.24% - 5.59%	124,588	417,180	-	-	541,768
Investments - Others	6.13% - 6.75%	1,430,000	600,000	-	-	2,030,000
Receivable against conversion of units		-	-	-	129,263	129,263
Deposits and other receivables		-	-	-	111,301	111,301
		7,479,924	2,575,970	-	249,488	10,305,382
Financial liabilities						
Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	7,743	7,743
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	783	783
Payable to Meezan Bank Limited		-	-	-	1,708	1,708
Payable against conversion and redemption of units		-	-	-	49,459	49,459
Accrued expenses and other liabilities		-	-	-	1,730	1,730
		-	-	-	61,423	61,423
On-balance sheet gap (a)		7,479,924	2,575,970	-	188,065	10,243,959
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a+b)		7,479,924	2,575,970	-		
Cumulative interest rate sensitivity gap		7,479,924	10,055,894	10,055,894		

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(ii) Currency risk

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

(iii) Price risk

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

Equity price risk is the risk that the fair value of equity instruments decreases as a result of changes in the level of equity indices and the value of individual stocks. The Fund does not have any investment in equity securities as of June 30, 2019.

20.2 Liquidity risk

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

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

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

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

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

----- 2019 -----							
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total	
----- (Rupees in '000) -----							
Financial assets							
Balances with banks	2,971,017	-	-	-	-	2,971,017	
Investments	492,792	1,752,688	1,179,552	398,025	2,631,162	6,454,219	
Receivable against conversion of units	3,802	-	-	-	-	3,802	
Deposits and other receivables	110,371	137,586	5,074	-	100	253,131	
	3,577,982	1,890,274	1,184,626	398,025	2,631,162	100	9,682,169
Financial liabilities							
Payable to AI Meezan Investment Management Limited - Management Company	19,857	-	-	-	-	19,857	
Payable to Central Depository Company of Pakistan Limited - Trustee	838	-	-	-	-	838	
Payable to Meezan Bank Limited	399	-	-	-	-	399	
Payable against conversion and redemption of units	45,063	-	-	-	-	45,063	
Accrued expenses and other liabilities	159	959	566	-	-	1,684	
	66,316	959	566	-	-	-	67,841
Net assets / (liabilities)	3,511,666	1,889,315	1,184,060	398,025	2,631,162	100	9,614,328

----- 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	4,070,871	-	-	-	-	4,070,871
Investments	630,000	800,000	724,588	2,216,701	1,622,658	5,993,947
Receivable against conversion of units	129,263	-	-	-	-	129,263
Deposits and other receivables	52,806	20,631	35,261	-	2,603	111,301
	4,882,940	820,631	759,849	2,216,701	1,622,658	10,305,382
Financial liabilities						
Payable to Al Meezan Investment Management Limited - Management Company	7,743	-	-	-	-	7,743
Payable to Central Depository Company of Pakistan Limited - Trustee	783	-	-	-	-	783
Payable to Meezan Bank Limited	1,708	-	-	-	-	1,708
Payable against conversion and redemption of units	49,459	-	-	-	-	49,459
Accrued expenses and other liabilities	204	1,088	438	-	-	1,730
	59,897	1,088	438	-	-	61,423
Net assets / (liabilities)	4,823,043	819,543	759,411	2,216,701	1,622,658	10,243,959

20.3 Credit risk

20.3.1 Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

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

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

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

	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
Balance with banks and term deposits	2,971,017	2,971,017	5,200,871	5,200,871
Investments in debt instruments	6,454,219	5,854,219	4,863,947	4,322,179
Receivable against conversion of units	3,802	3,802	129,263	129,263
Deposits and other receivables	253,131	253,131	111,301	111,301
	9,682,169	9,082,169	10,305,382	9,763,614

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

The maximum exposure to credit risk before any credit enhancement as at June 30, 2019 is the carrying amount of the financial assets. Investment in government securities, however, are not exposed to credit risk and have been excluded from the above analysis as these are guaranteed by the Government of Pakistan.

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20.3.2 Credit quality of financial assets

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

Rating	% of financial assets exposed to credit risk	
	2019	2018
AAA	-	23%
AA+	3%	10%
AA-	10%	7%
AA	-	23%
A+	-	37%
A	87%	-
	100%	100%

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

20.3.3 Concentration of credit risk

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

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

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

21 FAIR VALUE MEASUREMENT

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

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

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

Fair value hierarchy

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

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

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

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

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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			
Sukuk certificates	-	4,277,722	-
Certificates of musharakah*	-	750,000	-
Commercial papers**	-	1,426,497	-
	-	6,454,219	-
	2018		
	Level 1	Level 2	Level 3
	Rupees in '000		
Financial assets - at fair value through profit or loss			
Sukuk certificates	-	3,963,947	-
Term deposit receipts*	-	-	-
Certificates of musharakah*	-	-	-
Commercial papers**	-	-	-
	-	3,963,947	-

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

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

22 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

23 UNIT HOLDING PATTERN OF THE FUND

Category	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	8,013	5,843,987	61.70%	5,205	4,495,934	44.22%
Associated Companies / Directors	11	1,165,459	12.31%	13	2,650,159	26.07%
Insurance Companies	9	165,187	1.74%	10	230,204	2.26%
Banks and DFIs	1	11	0.00%	1	10	0.00%
Retirement Funds	80	1,044,589	11.03%	67	1,136,425	11.18%
Private Limited Companies	24	234,087	2.47%	30	735,961	7.24%
Public Limited Companies	3	1,770	0.02%	3	1,667	0.02%
Others	66	1,016,233	10.73%	43	915,554	9.01%
	8,207	9,471,322	100.00%	5,372	10,165,914	100.00%

24 LIST OF TOP BROKERS BY PERCENTAGE OF COMMISSION PAID

----- 2019 -----		----- 2018 -----	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Paramount Capital (Private) Limited	32%	Paramount Capital (Private) Limited	51%
Invest One Markets Limited	-	Invest One Markets Limited	40%
BMA Capital Management Limited	9%	BMA Capital Management Limited	7%
JS Global Capital Limited	46%	JS Global Capital Limited	2%
Next Capital Limited	10%	Next Capital Limited	1%
Vector Capital (Private) Limited	3%	Vector Capital (Private) Limited	-

24.1 The fund has traded with only the above mentioned 5 brokers / dealers during the year ended June 30, 2019 (2018: 5 brokers / dealers)

25 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

Name	Designation	Qualification	Overall experience
Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	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

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

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

26 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

Name of Directors	Designation	Meeting held on					
		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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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 Rupee unless otherwise stated.

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

Chief Executive

Chief Financial Officer

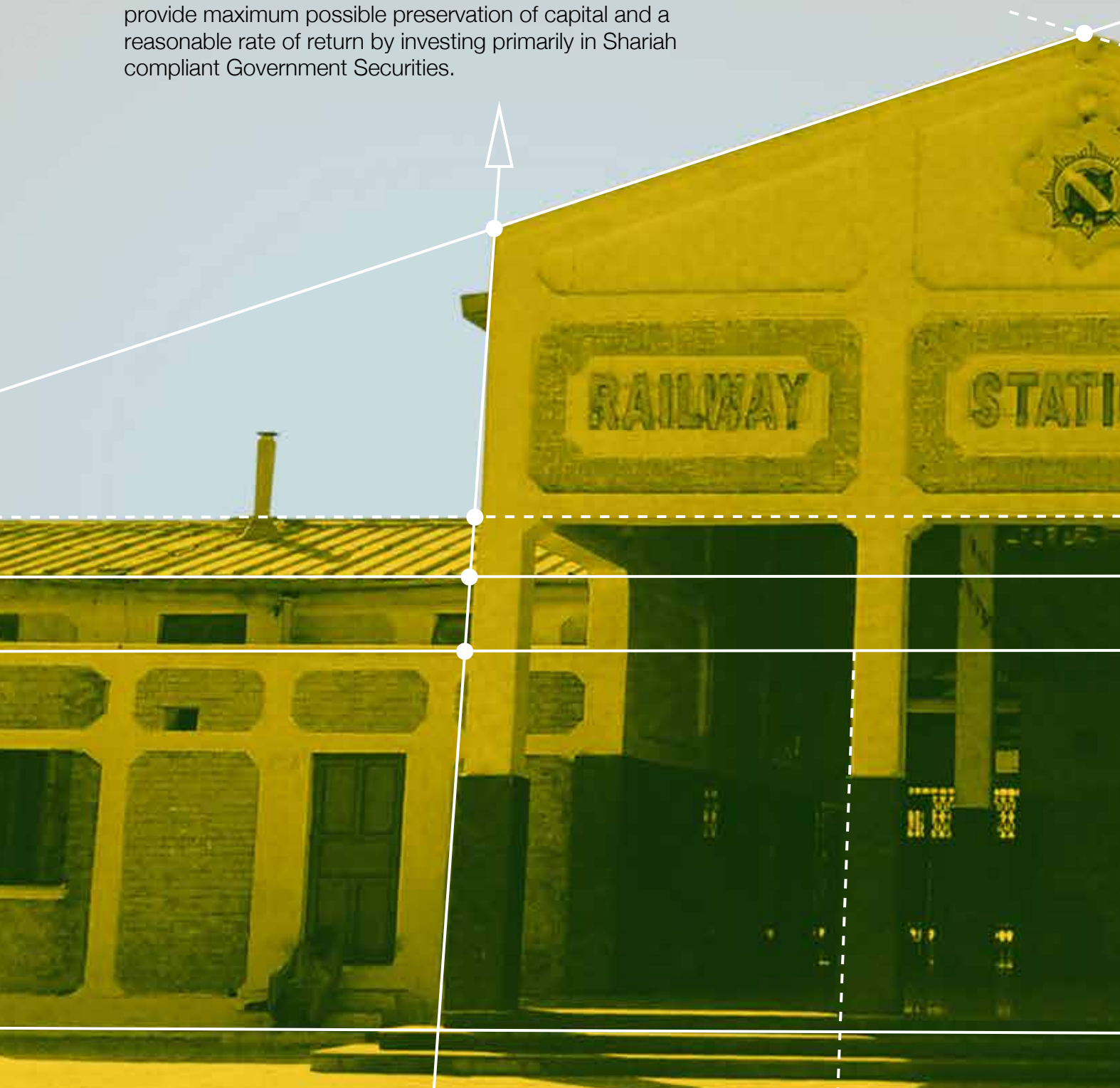
Director




Meezan
Sovereign Fund

MEEZAN SOVEREIGN FUND (MSF)

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



REDEFINING INVESTMENT IN THE FRUIT HUB OF PAKISTAN

 Quetta Branch

**QUETTA RAILWAY STATION
(QUETTA)**



FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. 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

DISTRIBUTORS

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

REPORT OF THE FUND MANAGER

Meezan Sovereign Fund (MSF)

Type of Fund

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

Objective

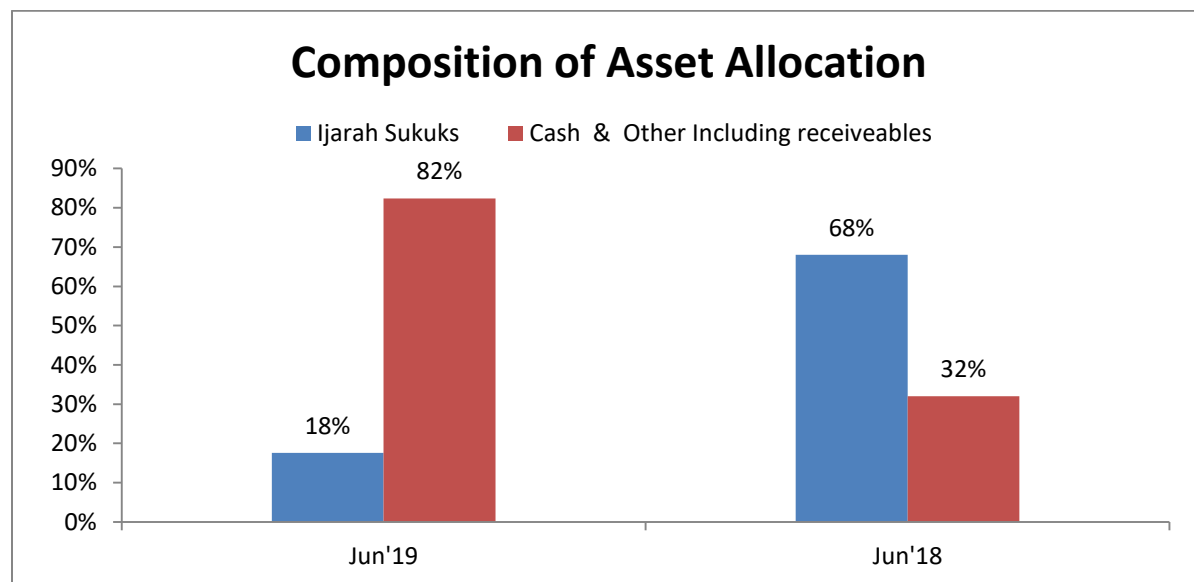
The Fund's primary objective is to provide investors with a low risk and stable rate of current income by primarily investing in Shariah Compliant Sovereign Securities.

Investment Policy and Strategy

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

Sector Allocation for the year ended FY18 and FY19

The asset allocation of the fund on June 30, 2018 and June 30, 2019 is as follows:



Performance Review

Meezan Sovereign Fund (MSF) provided a return of 7.08% to its investors for the year ended June 30, 2019 against a benchmark return of 7.15%.

	MSF	Benchmark
Net Asset Value as on June 30, 2018	52.72	
Net Asset Value as on June 30, 2019	51.53	
Return for the year	7.08%	7.15%
Underperformance	-0.07%	

Benchmark: 6 Month PKISRV Rate

During the year, the Fund earned a gross income of Rs. 160 million, which was primarily due to profit on Sukuks certificates worth Rs. 90 million, while the net inflow in the Fund during the year was 3,878 million. Profit on saving accounts at Islamic banks contributed Rs. 84 million. On the other side, the fund accrued realized and unrealized losses worth Rs. 12 million and Rs. 1 million respectively. The fund also incurred expenses totalling to Rs. 31 million, which brought the net income figure to Rs. 129 million. The net assets of the Fund as at June 30, 2019 were Rs. 5,705 million as compared to Rs. 2,121 million at the end of last year depicting an increase of 169%. The net asset value per unit as at June 30, 2019 was Rs. 51.53 (Ex-dividend) as compared to Rs. 52.72 per unit as on June 30, 2018.

Distributions

Interim Pay-out by the Fund during the fiscal year ended June 30, 2019 was Rs. 3.59 per unit (7.18%). Total distribution made by the fund was Rs. 91 million.

Fund Stability Rating

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

Unit holder Break down:

(As on June 30, 2019)

Range (Units)	No. of investors
1 - 9,999	3,649
10,000 - 49,999	629
50,000 - 99,999	103
100,000 - 499,999	94
500,000 and above	25
Total	4500



Meezan Bank

The Premier Islamic Bank

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

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

Alhamdulillah, the period from July 01, 2018 to June 30, 2019 was the ninth year of operations of Meezan Sovereign Fund (MSF) under management of Al Meezan Investment Management Limited (Al Meezan). We, Meezan Bank Limited, are the *Shariah* advisors of the Fund and are issuing the report in accordance with clause 8.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shariah* compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MSF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MSF by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MSF for the year ended June 30, 2019 have been in compliance with *Shari'ah* principles.

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

Dr. Muhammad Imran Ashraf Usmani

For and on behalf of Meezan Bank
Shariah Advisor

Head Office

CDC House, 99-B, Block 'B'
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

MEEZAN SOVEREIGN FUND

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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meezan Sovereign Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 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	Net Asset Value (Refer notes 5 and 6 to the financial statements)	
	<p>The investments and balances with banks constitute the most significant component of the net asset value. The investments of the Fund as at June 30, 2019 amounted to Rs 1,124.715 million and balances with banks aggregated to Rs 5,132.514 million.</p> <p>The existence and proper valuation of investments and existence of balances with banks for the determination of NAV of the Fund as at June 30, 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"> Tested the design and operating effectiveness of the key controls for valuation of investments; Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2019 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; and Obtained bank reconciliation statements and tested reconciling items on a sample basis.

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



Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

My. -



- 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 SOVEREIGN FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2019**



Meezan
Sovereign Fund

	2019	2018
Note	-----Rupees in '000-----	
Assets		
Balances with banks	5 5,132,514	673,082
Investments	6 1,124,715	1,489,533
Receivable against conversion of units	59,236	31,469
Deposits, prepayments and other receivables	7 70,900	34,159
Total assets	6,387,365	2,228,243
Liabilities		
Payable to Al Meezan Investment Management Limited - Management Company	8 4,228	2,203
Payable to Central Depository Company of Pakistan Limited - Trustee	9 538	220
Payable to the Securities and Exchange Commission of Pakistan	10 1,400	2,117
Payable to Meezan Bank Limited	68	322
Payable against redemption and conversion of units	562,316	11,847
Accrued expenses and other liabilities	12 113,666	91,018
Total liabilities	682,216	107,727
NET ASSETS	5,705,149	2,120,516
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)	5,705,149	2,120,516
CONTINGENCIES AND COMMITMENTS	13	
NUMBER OF UNITS IN ISSUE	110,716,688	40,219,172
	(Rupees)	
NET ASSET VALUE PER UNIT	51.5293	52.7240

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

AUL

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

Chief Executive

Chief Financial Officer

Director

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

	Note	2019	2018
		----- Rupees in '000 -----	
Income			
Profit on sukuk certificates		90,058	124,871
Profit on term deposits		-	2,942
Net realised loss on sale of sukuk certificates		(12,436)	(33,132)
Profit on saving accounts with banks		83,846	39,645
		161,468	134,326
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.2	(1,455)	(32,036)
Total income		160,013	102,290
Expenses			
Remuneration of AI Meezan Investment Management Limited - Management Company	8.1	18,664	28,222
Sindh Sales Tax on remuneration of the Management Company	8.2	2,426	3,669
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	2,150	2,867
Sindh Sales Tax on remuneration of the Trustee	9.2	279	373
Annual fee to Securities and Exchange Commission of Pakistan	10.1	1,400	2,117
Auditors' remuneration	14	551	490
Fees and subscription		865	617
Legal and professional charges		-	49
Brokerage expense		230	255
Bank and settlement charges		153	200
Allocated expenses	8.3	1,866	2,822
Provision for Sindh Workers' Welfare Fund	12.1	2,629	1,212
Total expenses		31,213	42,893
Net income for the year before taxation		128,800	59,397
Taxation	17	-	-
Net income for the year after taxation		128,800	59,397
Allocation of net income for the year			
Net income for the year after taxation		128,800	59,397
Income already paid on units redeemed		(33,199)	(22,371)
		95,601	37,026
Accounting income available for distribution			
- Relating to capital gains		-	-
- Excluding capital gains		95,601	37,026
		95,601	37,026

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

AU IL

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

Chief Executive

Chief Financial Officer

Director

**MEEZAN SOVEREIGN FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019**



Meezan
Sovereign Fund

	2019	2018
	----- Rupees in '000 -----	
Net income for the year after taxation	128,800	59,397
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>128,800</u>	<u>59,397</u>

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

Alli

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

Chief Executive

Chief Financial Officer

Director

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



Meezan
Sovereign Fund

Note	2019	2018
----- Rupees in '000 -----		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	128,800	59,397
Adjustments for:		
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	1,455	32,036
Provision for Sindh Workers' Welfare Fund	2,629	1,212
	132,884	92,645
Decrease / (increase) in assets		
Investments - net	363,363	2,167,532
Deposits, prepayments, profit accrued and other receivables	(36,741)	27,832
	326,622	2,195,364
Increase / (decrease) in liabilities		
Payable to AI Meezan Investment Management Limited - Management Company	2,025	(2,217)
Payable to Central Depository Company of Pakistan - Trustee	318	(151)
Payable to Securities and Exchange Commission of Pakistan	(717)	(3,968)
Payable to Meezan Bank Limited	(254)	93
Unclaimed dividend	-	(67,471)
Accrued expenses and other liabilities	20,019	(21,919)
	21,391	(95,633)
Net cash generated from operating activities	480,897	2,192,376
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts from issuance of units	8,787,154	4,411,137
Net payments against redemption of units	(4,680,795)	(7,173,692)
Dividend paid	(127,824)	-
Net cash generated from / (used in) financing activities	3,978,535	(2,762,555)
Net increase / (decrease) in cash and cash equivalents	4,459,432	(570,179)
Cash and cash equivalents at the beginning of the year	673,082	1,243,261
Cash and cash equivalents at the end of the year	5,132,514	673,082

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

MIL

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

Chief Executive

Chief Financial Officer

Director

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

1 LEGAL STATUS AND NATURE OF BUSINESS

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

2 BASIS OF PRESENTATION

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

3 BASIS OF PREPARATION

3.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017, along with part 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, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

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

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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. However, the SECP vide its letter dated November 21, 2017, has deferred the applicability of requirements relating to impairment for debt securities on mutual funds till further instructions. Currently, the Asset Management Companies are required to continue to follow the requirements of Circular 33 of 2012 for impairment of debt securities. Furthermore, the ECL has impact on all other assets of the Fund which are exposed to credit risk. However, majority of the assets of the Fund other than debt securities (for which there is a separate criteria as mentioned above) 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.

IFRS 9 has provided a criteria for debt securities whereby debt securities are either classified as (a) amortised cost or (b) at fair value through other comprehensive income "(FVOCI)" or (c) at fair value through profit or loss (FVPL) based on the business model of the entity. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Furthermore, the collection of contractual cash flows for debt securities is only incidental to achieving the Fund's business model's objective.

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 FVPL. The management considers its investment in debt securities being managed as a group of assets and hence has classified them as FVPL. Accordingly, the Fund's investment portfolio 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 approved accounting 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 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.

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

3.5 Accounting convention

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

3.6 Functional and presentation currency

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

4.3.1.2 Equity instruments

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

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

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

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

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

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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.

4.3.2.1 Impairment loss on debt securities

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

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

4.3.3 Regular way contracts

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

4.3.4 Initial recognition and measurement

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

4.3.5 Derecognition

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

4.3.6 Derivatives

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

4.4 Financial liabilities

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

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

4.5 Offsetting of financial assets and financial liabilities

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

4.6 Provisions

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

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4.7 Net asset value per unit

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

4.8 Issue and redemption of units

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

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

4.9 Distributions to unit holders

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

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

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

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

4.11 Revenue recognition

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

4.12 Expenses

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

4.13 Taxation

Current

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

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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 utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on enacted tax rates.

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

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

4.14 Earnings / (loss) per unit

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

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

4.15 Foreign currency translation

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

5	BALANCES WITH BANKS	Note	2019 ----- Rupees in '000 -----	2018 ----- Rupees in '000 -----
	Balances with banks in:			
	Savings accounts	5.1	5,129,670	667,641
	Current accounts		2,844	5,441
			<u>5,132,514</u>	<u>673,082</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 ----- Rupees in '000 -----	2018 ----- Rupees in '000 -----
	Investments - 'at fair value through profit or loss'			
	Sukuk certificates	6.1	<u>1,124,715</u>	<u>1,489,533</u>
6.1	Sukuk Certificates			
	Government securities	6.1.1	950,000	1,489,533
	Corporate sukuks	6.1.2	174,715	-
	<u>ALL</u>		<u>1,124,715</u>	<u>1,489,533</u>

6.1.1 Government securities

Maturity Date	Rate of Return	As at July 01, 2018	Purchased during the year	Disposed/ matured during the year	As at June 30, 2019	Carrying value as at June 30, 2019	Market value as at June 30, 2019	Unrealised gain as at June 30, 2019	Market value as a percentage of net assets of the Fund	Market value as a percentage of total investments
			----- Number of certificates -----			(Rupees in '000)		----- Percentage -----		
GoP Ijarah Sukuk Certificates - XVI (note 6.1.1.1)	December 18, 2018	Weighted average 6 months T-Bills	4,035	60,500	64,535	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XVII (note 6.1.1.1)	February 15, 2019	6.10%	10,058	-	10,058	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XVIII (note 6.1.1.1)	March 29, 2019	5.59%	500	-	500	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XIX (note 6.1.1.1)	June 30, 2020	5.24%	250	-	250	-	-	-	-	-
Pakistan Energy Sukuk (note 6.1.1.1)	March 1, 2029	6 months KIBOR plus base rate of 0.8%	-	381,453	191,453	190,000	950,000	950,000	-	16.65%
Total - June 30, 2019						950,000	950,000	-	16.65%	84.47%
Total - June 30, 2018						1,521,569	1,489,533	(32,036)	70.24%	100.00%

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

6.1.2 Corporate sukuks

Name of the security	Maturity date	Profit rate	As at July 1, 2018	Purchases during the year	Sales / redemptions during the year	As at June 30, 2019	Carrying value as at June 30, 2019	Market value as at June 30, 2019	Unrealised (diminution) as at June 30, 2019	Percentage in relation to	
			(Number of certificates)			(Rupees in '000)			Net assets of the Fund	Total market value of investment	%
Power generation & distribution											
Neelum Jhelum Hydropower Company (Private) Limited (AAA, JCR-VIS, non-traded) (note 6.1.2.1)	June 29, 2026	6 months KIBOR plus base rate of 1.13%	-	2,500	794	1,706	176,170	174,715	(1,455)	3.06	15.53
Total - June 30, 2019							176,170	174,715	(1,455)		
Total - June 30, 2018							-	-	-		

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

6.2 Unrealised appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss	Note	----- Rupees in 000 -----	
		2019	2018
Market value of investments	6.1.1 & 6.1.2	1,124,715	1,489,533
Carrying value of investments	6.1.1 & 6.1.2	(1,126,170)	(1,521,569)
All in		(1,455)	(32,036)

7	DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Note	2019	2018
			----- Rupees in 000 -----	
	Security deposit with Central Depository Company of Pakistan Limited		100	100
	Prepayments		133	126
	Profit receivable on balances with banks		33,181	8,394
	Profit receivable on sukuk certificates		37,092	25,145
	Others		394	394
			<u>70,900</u>	<u>34,159</u>
8	PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY			
	Management fee payable	8.1	2,859	1,775
	Sindh Sales Tax payable on remuneration of the Management Company	8.2	372	231
	Allocated expenses payable	8.3	286	178
	Sales Load Payable		629	17
	Sindh Sales Tax on Sales Load Payable		82	2
			<u>4,228</u>	<u>2,203</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 an Income Scheme. 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 2.426 million (2018: Rs 3.669 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 2.285 million (2018: Rs 3.951 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 - TRUSTEE	Note	2019	2018
			-----Rupees in 000-----	
	Trustee fee payable	9.1	476	195
	Sindh Sales Tax payable on trustee fee	9.2	62	25
			<u>538</u>	<u>220</u>

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

On net assets:

- up to Rs. 1 billion	0.15% per annum of net assets
- Rs 1 billion to Rs. 10 billion	Rs 1.5 million plus 0.075% per annum of net assets exceeding Rs 1 billion
- over Rs. 10 billion	Rs 8.25 million plus 0.06% per annum of net assets exceeding Rs 10 billion

9.2 During the year, an amount of Rs 0.279 million (2018: Rs 0.373 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 0.243 million (2018: Rs 0.391 million) was paid to the Trustee which acts as a collecting agent.

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

10.1 In accordance with the NBFC Regulations, 2008, a collective investment scheme classified as an Income Scheme is required to pay to the Securities and Exchange Commission of Pakistan an amount equal to 0.075% of the average annual net assets of the Fund as annual fee.

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11 PAYABLE AGAINST REDEMPTIONS OF UNITS

This includes units redeemed by the unit holders based on re-balancing of units on or before June 30, 2019 in respect of which payments were made subsequent to the year ended June 30, 2019.

12 ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2019	2018
-----Rupees in '000-----			
Auditors' remuneration payable		348	470
Printing charges payable		156	174
Brokerage payable		501	289
Shariah advisor fee payable		360	161
Withholding tax payable		12,021	136
Capital gain tax payable		968	155
Provision for Sindh Workers' Welfare Fund	12.1	16,531	13,902
Zakat payable		142	87
Provision for Federal Excise Duty and related Sindh Sales Tax on management fee	12.2	80,077	73,253
Provision for Federal Excise Duty and related Sindh Sales Tax on sales load	12.2	2,562	2,391
		<u>113,666</u>	<u>91,018</u>

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

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2019, the net asset value of the Fund as at June 30, 2019 would have been higher by Re. 0.15 per unit (2018: Re 0.35 per unit).

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

With effect from July 1 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 82.639 million (2017: Rs 75.644 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 0.75 (2018: Rs. 1.88) per unit.

During the year, FED amounting to Rs. 6.995 million has been paid to the fund by the Management Company in respect of management fee and sales load pertaining to prior years.

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13 CONTINGENCIES AND COMMITMENTS

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

14 AUDITORS' REMUNERATION	2019	2018
	-----Rupees in '000-----	
Statutory audit fee	376	353
Half yearly review of condensed interim financial statements	140	120
Out of pocket expenses	35	17
	<u>551</u>	<u>490</u>

15 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2019 is 1.67% which includes 0.22% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, federal excise duties, annual fee to SECP, etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Income Scheme.

16 PERFORMANCE TABLE

	2019	2018	2017	2016	2015
Net assets (Rs. in '000) (ex-distribution)	5,705,149	2,120,516	4,354,375	7,944,746	8,656,701
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	51.5293	52.7240	51.6400	50.8000	50.4700
Offer price per unit as at June 30 (Rs.) (ex-distribution)	55.3878	53.0219	51.6900	51.1400	54.2800
Distribution (%)					
Interim	-	-	-	-	-
- First quarter	-	-	-	-	-
- Second quarter	-	-	-	-	-
- Third quarter	-	-	5.50	4.50	-
- Fourth quarter	7.18	-	-	6.80	-
Annual					
Dates of distribution (interim)					
- First quarter	-	-	-	-	-
- Second quarter	-	-	-	-	-
- Third quarter	-	-	-	-	-
- Fourth quarter	June 28, 2019	-	June 23, 2017	June 29, 2016	-
Dates of distribution (annual)	-	July 6, 2018	-	July 3, 2015	-
Income distribution (Rs. in '000)	372,811	-	204,384	870,835	-
Growth distribution (Rs. in '000)	-	-	-	-	-
Highest offer price per unit (Rs.)	55.3878	54.5600	54.5600	54.2800	54.2800
Lowest offer price per unit (Rs.)	51.5952	51.1300	51.1300	50.8600	50.8800
Highest redemption price per unit (Rs.)	55.0767	54.2500	54.2500	53.9200	53.9200
Lowest redemption price per unit (Rs.)	51.3053	50.8400	50.8400	50.9300	50.5400
Total return (%)	7.02	2.57	6.57	5.12	6.81
Weighted Average Portfolio Duration (years)	1.83	1.55	1.55	0.03	0.40
	One Year	Two Year	Three Year	Four Year	Five Year
Average annual return (%) as at June 30, 2019	7.02%	4.77%	5.37%	5.31%	5.60%

Investment portfolio composition of the Fund as described in note 5.

Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate as described in note 20.

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17 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. Since the management has distributed the required minimum percentage of income earned by the Fund for the year ended June 30, 2019 to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements during the year.

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

18 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 18.1** Connected persons include Al Meezan Investment Management Limited being the Management Company, the Central Depository Company of Pakistan (CDC) being the Trustee, other collective investment schemes managed by the Management Company, any entity in which the Management Company, its CISs or their connected persons have material interest, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the net assets of the Fund, directors and their close family members and key management personnel of the Management Company.
- 18.2** Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 18.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed.
- 18.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 18.5** The details of transactions carried out by the Fund with connected persons during the year and balances with them as at year end are as follows:

	2019	2018
	-----Rupees in '000-----	
Balances		
Al Meezan Investment Management Limited (Management Company)		
Remuneration Payable	2,859	1,775
Sindh Sales Tax on management fee	372	231
Sales load payable	629	17
Sindh Sales Tax on sales load	82	2
Allocated expenses	286	178
Meezan Bank Limited		
Balances with bank	485,689	42,023
Profit receivable on saving accounts	1,117	946
Sales load payable	60	285
Sindh Sales Tax on sales load payable	8	37
Central Depository Company of Pakistan Limited (CDC) - Trustee		
Security deposits refundable	100	100
Remuneration payable	476	195
Sindh Sales Tax on trustee fee	62	25
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Meezan Financial Planning Fund of Funds - MAAP I		
Investment of 3,775,285 units (2018: 386 units)	194,538	20

	2019	2018
	-----Rupees in '000-----	
Meezan Strategic Allocation Fund - MCPP III Investment 13,138,233 units (2018: nil units)	677,003	-
Meezan Strategic Allocation Fund II - MCPP IV Investment of 17,633,059 units (2018: nil units)	908,618	-
Meezan Strategic Allocation Fund II - MCPP V Investment of 5,140,342 units (2018: nil units)	264,878	-
Meezan Strategic Allocation Fund II - MCPP VI Investment 4,162,469 units (2018: nil units)	214,489	-
Meezan Strategic Allocation Fund II - MCPP VII Investment 2,218,732 units (2018: nil units)	114,330	-
Meezan Strategic Allocation Fund II - MCPP VIII Investment 1,692,281 units (2018: nil units)	87,202	-
Meezan Strategic Allocation Fund III - MCPP IX Investment of 198,820 units (2018: nil units)	10,245	-
Directors and their close family members and key management personnel of the Management Company Investment of 1,743,755 units (2018: 5 units)	89,854	-
	For the year ended June 30,	
	2019	2018
	-----Rupees in '000-----	
Transactions during the year		
Al Meezan Investment Management Limited - Management Company		
Remuneration charged	18,664	28,222
Sindh Sales Tax on remuneration of the Management Company	2,426	3,669
Allocated expenses	1,866	2,822
Issuance of 2,686,839 units (2018: nil units)	145,000	-
Redemption of 2,686,839 units (2018: nil units)	147,233	-
Meezan Bank Limited		
Profit on saving accounts	1,489	598
Redemption of nil units (2018: 21,593,102 units)	-	1,108,590
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	2,150	2,867
Sindh Sales Tax on remuneration of the Trustee	279	373
CDS charges	62	7
Meezan Financial Planning Fund of Funds - MAAP I		
Issuance of 3,920,223 units (2018: nil units)	214,605	-
Redemption of 145,324 units (2018: 908,229 units)	8,000	46,700
Dividend paid	407	-
Refund of capital	12,267	-
Meezan Financial Planning Fund of Funds - MAAP II		
Redemption of nil units (2018: 1,579,961 units)	-	81,242
Meezan Strategic Allocation Fund - MCPP III		
Issuance of 17,598,384 units (2018: nil units)	962,122	-
Redemption of 4,460,151 units (2018: nil units)	245,440	-
Dividend paid	1,416	-
Refund of capital	42,688	-

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	For the year ended June 30,	
	2019	2018
	-----Rupees in '000-----	
Meezan Strategic Allocation Fund II - MCPP IV		
Issuance of 23,423,819 units (2018: nil units)	1,223,538	-
Redemption of 5,790,760 units (2018: nil units)	318,930	-
Dividend paid	1,899	-
Refund of capital	57,295	-
Meezan Strategic Allocation Fund II - MCPP V		
Issuance of 7,638,156 units (2018: nil units)	401,096	-
Redemption of 2,497,814 units (2018: nil units)	137,570	-
Dividend paid	554	-
Refund of capital	16,702	-
Meezan Strategic Allocation Fund II - MCPP VI		
Issuance of 6,852,698 units (2018: nil units)	361,379	-
Redemption of 2,690,229 units (2018: nil units)	148,110	-
Dividend paid	449	-
Refund of capital	13,525	-
Meezan Strategic Allocation Fund II - MCPP VII		
Issuance of 2,919,954 units (2018: nil units)	152,366	-
Redemption of 701,222 units (2018: nil units)	38,620	-
Dividend paid	239	-
Refund of capital	7,209	-
Meezan Strategic Allocation Fund II - MCPP VIII		
Issuance of 2,291,535 units (2018: nil units)	119,847	-
Redemption of 599,254 units (2018: nil units)	33,000	-
Dividend paid	145	-
Refund of capital	5,536	-
Meezan Strategic Allocation Fund III - MCPP IX		
Issuance of 198,820 units (2018: nil units)	10,224	-
Dividend paid	-	-
Refund of capital	667	-
Directors and their close family members and key management personnel of the Management Company		
Issuance of 4,316,171 units (2018: 121 units)	234,598	6
Redemption of 2,572,663 units (2018: 29,999 units)	140,250	1,536
Cash dividend	980,296	-

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

19 FINANCIAL INSTRUMENTS BY CATEGORY

	2019		
	At amortised cost	At fair value through profit or loss	Total
	-----Rupees in '000-----		
Financial assets			
Balances with banks	5,132,514	-	5,132,514
Investments	-	1,124,715	1,124,715
Receivable against conversion of units	59,236	-	59,236
Deposits and other receivables	70,373	-	70,373
	5,262,123	1,124,715	6,386,838

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

Financial liabilities

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

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

Financial assets

Balances with banks	673,082	-	673,082
Investments	-	1,489,533	1,489,533
Receivable against conversion of units	31,469	-	31,469
Deposits and other receivables	34,033	-	34,033
	738,584	1,489,533	2,228,117

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

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company	-	2,203	2,203
Payable to Central Depository Company of Pakistan Limited - Trustee	-	220	220
Payable against redemption and conversion of units	-	11,847	11,847
Payable to Meezan Bank Limited	-	322	322
Accrued expenses and other liabilities	-	1,094	1,094
	-	15,686	15,686

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 unitholders and seeks to minimise potential adverse effects on the Fund's financial performance.

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

Risks managed and measured by the Fund are explained below:

20.1 Market risk

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

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

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

(i) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2019, the Fund is exposed to such risk on its balances held with banks and investments in sukuk certificates. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based sukuk certificates and balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher / lower by Rs. 62.54 million (2018: Rs. 10.73 million).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2019, the Fund did not hold any fixed rate instrument that may expose the fund to fair value profit rate risk. A 100 basis points increase / decrease in rates announced by the Financial Markets Association of Pakistan for GoP ijarah sukuk with all other variables held constant, would not have impacted the net income for the year and net assets of the Fund (2018: Rs 0.25 million).

The composition of the Fund's investment portfolio, KIBOR rates and the rates announced by the Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 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 -----

Financial assets						
Balances with banks	3.32% - 12.50%	5,129,670	-	-	2,844	5,132,514
Investments	5.24% - 11.92%	950,000	174,715	-	-	1,124,715
Receivable against conversion of units		-	-	-	59,236	59,236
Deposits and other receivables		-	-	-	70,373	70,373
		6,079,670	174,715	-	132,453	6,386,838
Financial liabilities						
Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	4,228	4,228
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	538	538
Payable against redemption and conversion of units		-	-	-	562,316	562,316
Payable to Meezan Bank Limited		-	-	-	68	68
Accrued expenses and other liabilities		-	-	-	1,365	1,365
		-	-	-	568,515	568,515
On-balance sheet gap (a)		6,079,670	174,715	-	(436,062)	5,818,323
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a+b)		6,079,670	174,715	-		
Cumulative interest rate sensitivity gap		6,079,670	6,254,385	6,254,385		

All / ✓

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

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

Financial assets

Balances with banks	2.00% - 6.60%	667,641	-	-	5,441	673,082
Investments	5.24% - 6.10%	1,010,125	479,408	-	-	1,489,533
Receivable against conversion of units		-	-	-	31,469	31,469
Deposits, prepayments and other receivables		-	-	-	34,033	34,033
		1,677,766	479,408	-	70,943	2,228,117

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	2,203	2,203
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	220	220
Payable against redemption and conversion of units		-	-	-	11,847	11,847
Payable to Meezan Bank Limited		-	-	-	322	322
Accrued expenses and other liabilities		-	-	-	1,094	1,094
		-	-	-	15,686	15,686

On-balance sheet gap (a)

	1,677,766	479,408	-	55,257	2,212,431
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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)

	1,677,766	479,408	-		
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Cumulative interest rate sensitivity gap

	1,677,766	2,157,174	2,157,174		
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(ii) Currency risk

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

(iii) Price risk

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

Equity price risk is the risk that the fair value of equity instruments decreases as a result of changes in the level of equity indices and the value of individual stocks. The Fund does not have any investment in equity securities as of June 30, 2019.

20.2 Liquidity risk

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

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

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

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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 summarizes 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	5,132,514	-	-	-	-	5,132,514
Investments	-	-	24,959	99,837	999,919	1,124,715
Receivable against conversion of units	59,236	-	-	-	-	59,236
Deposits and other receivables	70,273	-	-	-	100	70,373
	5,262,023	-	24,959	99,837	999,919	100
Financial liabilities						
Payable to Al Meezan Investment Management Limited - Management Company	4,228	-	-	-	-	4,228
Payable to Central Depository Company of Pakistan Limited - Trustee	538	-	-	-	-	538
Payable against redemption and conversion of units	562,316	-	-	-	-	562,316
Payable to Meezan Bank Limited	68	-	-	-	-	68
Accrued expenses and other liabilities	501	708	156	-	-	1,365
	567,651	708	156	-	-	568,515
Net assets / (liabilities)	4,694,372	(708)	24,803	99,837	999,919	100

----- 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	673,082	-	-	-	-	673,082
Investments	-	-	1,464,993	24,540	-	1,489,533
Receivable against conversion of units	31,469	-	-	-	-	31,469
Deposits and other receivables	33,539	-	-	-	494	34,033
	738,090	-	1,464,993	24,540	-	494
Financial liabilities						
Payable to Al Meezan Investment Management Limited Management Company	2,203	-	-	-	-	2,203
Payable to the Central Depository Company of Pakistan Limited - Trustee	220	-	-	-	-	220
Payable against redemption and conversion of units	11,847	-	-	-	-	11,847
Payable to Meezan Bank Limited	322	-	-	-	-	322
Accrued expenses and other liabilities	289	631	174	-	-	1,094
	14,881	631	174	-	-	15,686
Net assets / (liabilities)	723,209	(631)	1,464,819	24,540	-	494

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

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

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

	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	5,132,514	5,132,514	673,082	673,082
Investments	1,124,715	174,715	1,489,533	-
Receivable against conversion of units	59,236	59,236	31,469	31,469
Deposits and other receivables	70,373	70,373	34,033	34,033
	6,386,838	5,436,838	2,228,117	738,584

The maximum exposure to credit risk before any credit enhancement as at June 30, 2019 is the carrying amount of the financial assets. Investment in government securities, however, are not exposed to credit risk and have been excluded from the above analysis as these are guaranteed by the Government of Pakistan.

20.3.2 Credit quality of financial assets

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

Rating	% of financial assets exposed to credit risk	
	2019	2018
AAA	58.60	27.24
AA+	9.48	6.62
AA	22.42	26.28
A+	9.50	6.93
A	-	0.02
A-	-	32.91
	100.00	100.00

21 FAIR VALUE MEASUREMENT

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

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

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

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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		
Financial assets 'at fair value through profit or loss'			
Sukuk certificates	-	1,124,715	-
	-	<u>1,124,715</u>	-
	2018		
	Level 1	Level 2	Level 3
	Rupees in '000		
Financial assets 'at fair value through profit or loss'			
Sukuk certificates	-	1,489,533	-
	-	<u>1,489,533</u>	-

22 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

23 UNIT HOLDING PATTERN OF THE FUND

Category	2019			2018		
	Number of unit holders	Investment amount (Rupees)	Percentage of total	Number of unit holders	Investment amount (Rupees)	Percentage of total
Individuals	4,368	2,574,733	45.13	3,850	1,483,948	69.98
Associated Companies / Directors	11	2,552,336	44.74	1	20	0.00
Insurance Companies	2	6,657	0.12	3	13,466	0.64
Retirement Funds	37	278,165	4.88	39	510,853	24.09
Public Limited Companies	2	626	0.01	2	592	0.03
Others	80	292,632	5.13	82	111,637	5.26
Total	<u>4,500</u>	<u>5,705,149</u>	<u>100.00%</u>	<u>3,977</u>	<u>2,120,516</u>	<u>100.00%</u>

Nil

24 LIST OF TOP BROKERS BY PERCENTAGE OF COMMISSION PAID

----- 2019 -----		----- 2018 -----	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Paramount Capital (Private) Limited	69.94	Paramount Capital (Private) Limited	48.00
Vector Capital (Private) Limited	1.23	Invest Capital Markets Limited	45.00
Next Capital Limited	1.38	Vector Capital (Private) Limited	7.00
JS Global Limited	2.88		<u>100.00</u>
Invest One Market Limited	24.57		
	<u>100.00</u>		

- 24.1 The Fund has traded with only the above mentioned 5 brokers / dealers during the year ended June 30, 2019 (2018: 3 brokers / dealers).

25 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

Name	Designation	Qualification	Overall experience
Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	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

- 25.1 The Fund manager of the Fund is Mr. Zain Malik. Other Funds being managed by the Fund Manager are as follows:

- Meezan Cash Fund;
- Meezan Islamic Income Fund; and
- Meezan Rozana Amdani Fund

26 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

Name of Directors	Designation	Meeting held on					
		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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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.

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

Chief Executive

Chief Financial Officer

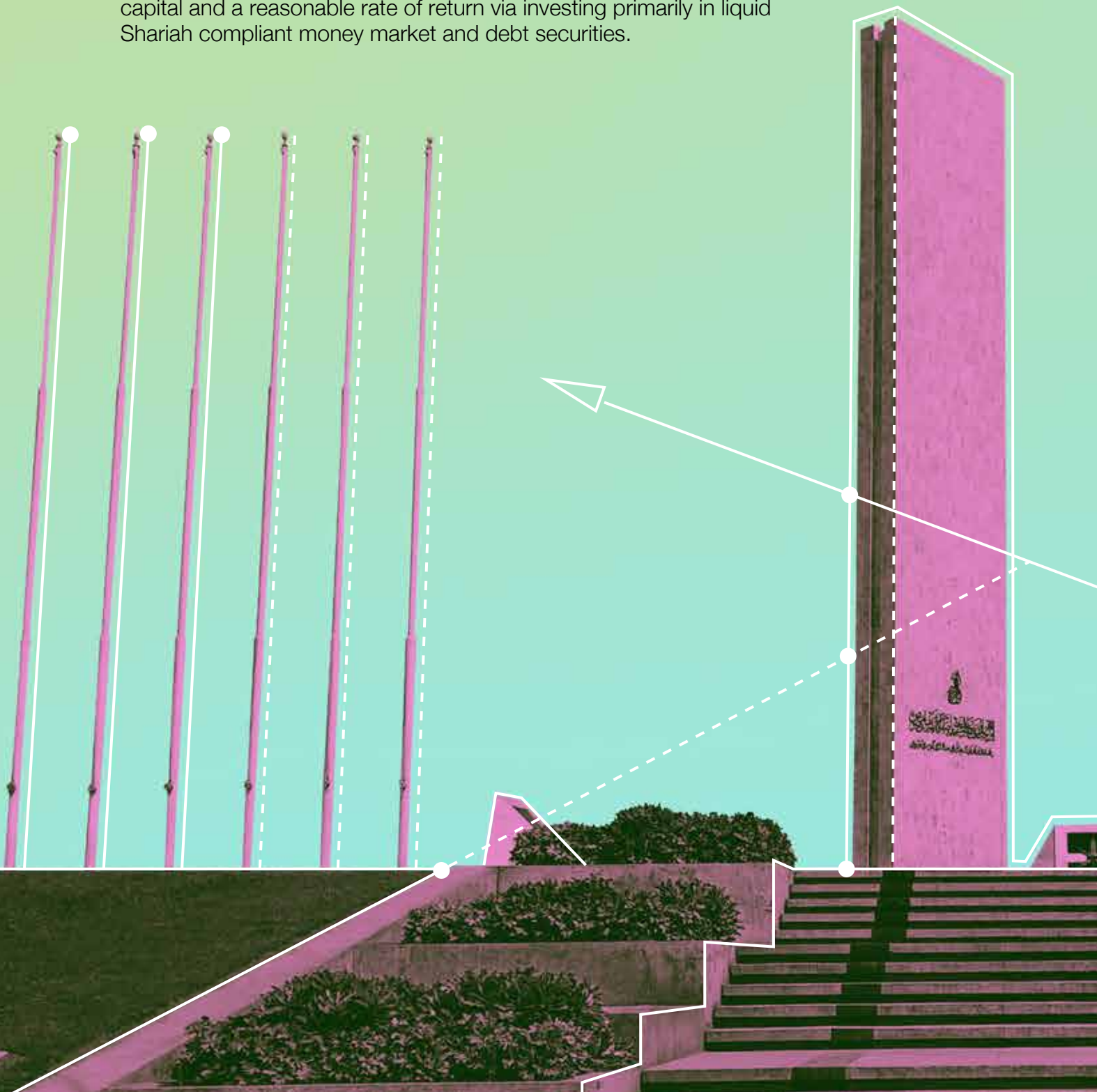
Director




Meezan
Cash Fund

MEEZAN CASH FUND (MCF)

Meezan Cash Fund is Pakistan's first Shariah compliant Money Market Fund. MCF aims to seek maximum possible preservation of capital and a reasonable rate of return via investing primarily in liquid Shariah compliant money market and debt securities.



CHALLENGING THE MARKET IN THE CITY OF WRESTLERS

 Gujranwala Branch

● NISHAN-E-MANZIL
(GUJRANWALA)



FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. 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
Askari Bank Limited - Islamic Banking	MCB Bank Limited
Bank Al Habib Limited - Islamic Banking	MCB Islamic Bank Limited
Bank Alfalah Limited	Meezan Bank Limited
Dubai Islamic Bank Pakistan Limited	National Bank of Pakistan - Islamic Banking
Faysal Bank Limited - Islamic Banking	Sindh Bank Limited
Habib Bank Limited -Islamic Banking	UBL Ameen - Islamic Banking

LEGAL ADVISER

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

TRANSFER AGENT

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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited

REPORT OF THE FUND MANAGER Meezan Cash Fund (MCF)

Type of Fund

Open end cash fund investing primarily in Shariah compliant money market and Islamic bonds (Sukuks).

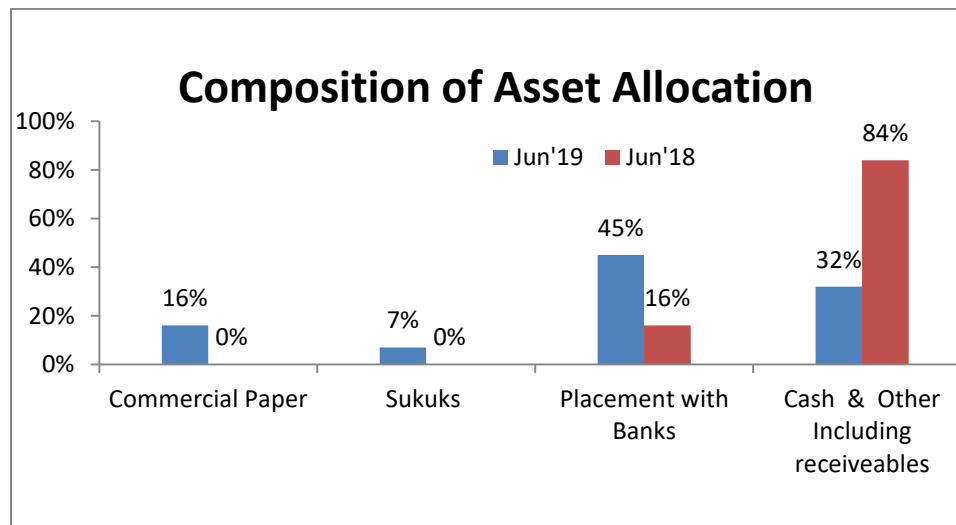
Objective

Its objective is to seek maximum possible preservation of capital and a reasonable rate of return via investing primarily in liquid Shariah compliant money market & debt securities.

Investment Policy and Strategy

The fund provides investors with the opportunity to park their excess liquidity in secure high quality instruments. To minimize the impact of interest rate volatility, the investment policy limits the investment avenues to short term tenors. As per its investment policy, MCF can invest or place funds in instruments/avenues with a credit rating of at least 'double A' (AA). Moreover, the investment policy limits interest rate risk by capping the maturity of instruments up to a maximum of six months, along with maximum portfolio duration of three months.

Sector Allocation as on June 30th 2018 and 2019



Performance Review

Meezan Cash Fund (MCF) provided a return of 7.86% to its investors for the year ended June 30, 2019 as compared to its benchmark return of 3.37%.

	MCF	Benchmark
Net Asset Value as on June 30, 2018	52.60	
Net Asset Value as on June 30, 2019	50.47	
Return During the Period - Net	7.86%	3.37%
Outperformance – Net	4.49%	

Benchmark: 3 Month average deposit rate of 3 AA rated Islamic Banks

The Fund earned a gross income of Rs. 1,085 million, which was primarily due to profit on bank deposits, placements and Sukuks amounting to Rs. 1,082 million, while the net outflow of the Fund during the year was 921 million. The fund also incurred expenses totalling to Rs. 184 million, which brought the net income figure to Rs. 902 million. The net assets of the Fund as at June 30, 2019 were Rs. 8,851 million as compared to Rs. 9,921 million at the end of last year depicting a decrease of 11%. The net asset value per unit as at June 30, 2019 was Rs. 50.47 (Ex-dividend) as compared to Rs. 52.60 per unit as on June 30, 2018.

Distributions

The interim Pay out by the Fund during the fiscal year ended June 30, 2019 was Rs. 3.92 per unit (7.84 %). Total distribution made by the fund was Rs. 334 million.

Fund Stability Rating

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

Breakdown of unit holdings by size

(As on June 30, 2019)

Range (Units)	No. of investors
1 - 9,999	12,113
10,000 - 49,999	2,355
50,000 - 99,999	478
100,000 - 499,999	304
500,000 and above	25
Total	15,273



Meezan Bank

The Premier Islamic Bank

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

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

Alhamdulillah, the period from July 1, 2018 to June 30, 2019 was the tenth year of operations of Meezan Cash Fund (MCF) under management of Al Meezan Investment Management Limited (Al Meezan). We, Meezan Bank Limited, are the *Shariah* advisors of the Fund and are issuing the report in accordance with clause 8.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shariah* compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MCF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MCF by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MCF for the year ended June 30, 2019 have been in compliance with *Shari'ah* principles.

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

Dr. Muhammad Imran Ashraf Usmani

For and on behalf of Meezan Bank
Shariah Advisor

Head Office

CDC House, 99-B, Block 'B'
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

MEEZAN CASH 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 Cash 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 Cash Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meezan Cash 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	Net Asset Value (Refer notes 5 and 6 to the financial statements)	
	<p>The investments and balances with banks constitute the most significant component of the net asset value. The investments of the Fund as at June 30, 2019 amounted to Rs 6,270.999 million and balances with banks aggregated to Rs 2,580.335 million.</p> <p>The existence and proper valuation of investments and existence of balances with banks for the determination of NAV of the Fund as at June 30, 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"> Tested the design and operating effectiveness of the key controls for valuation of investments; Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2019 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; Ensured that the investments are carried as per the valuation methodology specified in the accounting policies; and Obtained bank reconciliation statements and tested reconciling items on a sample basis.

AM/w

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

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



**Meezan
Cash Fund**

	Note	2019 (Rupees in '000)	2018 (Rupees in '000)
Assets			
Balances with banks	5	2,580,335	8,470,637
Investments	6	6,270,999	1,657,000
Receivable against conversion of units		130,600	86,612
Profit accrued	7	92,348	73,526
Deposits and prepayments	8	579	572
Total assets		9,074,861	10,288,347
Liabilities			
Payable to AI Meezan Investment Management Limited - Management Company	9	11,306	10,198
Payable to Central Depository Company of Pakistan Limited - Trustee	10	834	763
Payable to the Securities and Exchange Commission of Pakistan	11	8,764	5,536
Payable against conversion and redemption of units		98,921	308,928
Accrued expenses and other liabilities	12	103,948	41,970
Total liabilities		223,773	367,395
NET ASSETS		8,851,088	9,920,952
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		8,851,088	9,920,952
CONTINGENCIES AND COMMITMENTS	13		
NUMBER OF UNITS IN ISSUE		175,362,634	188,624,016
		----- Rupees -----	
NET ASSET VALUE PER UNIT		50.4731	52.5964

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

AMW

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

Chief Executive

Chief Financial Officer

Director

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

	Note	2019 (Rupees in '000)	2018
Income			
Profit on GoP ijarah sukuks		4,552	-
Profit on corporate sukuks		20,189	-
Profit on commercial papers		102,973	-
Profit on term deposits		143,855	73,673
Profit on Bai Muajjal		18,551	-
Profit on saving accounts with banks		792,003	352,205
Net realised gain on sale of investments		3,470	-
Total income		1,085,593	425,878
Expenses			
Remuneration of AI Meezan Investment Management Limited - Management Company	9.1	116,853	73,813
Sindh Sales Tax on remuneration of the Management Company	9.2	15,191	9,596
Allocated expenses	9.3	11,685	7,381
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1	9,258	6,284
Sindh Sales Tax on remuneration of the Trustee	10.2	1,204	817
Annual fees to the Securities and Exchange Commission of Pakistan	11	8,764	5,536
Auditors' remuneration	14	494	464
Fees and subscription		1,337	1,130
Printing expenses		123	119
Legal and professional charges		-	76
Brokerage expenses		94	-
Bank and settlement charges		635	379
Provision for Sindh Workers' Welfare Fund (SWWF)	12.2	18,399	6,406
Total expenses		184,037	112,001
Net income for the year before taxation		901,556	313,877
Taxation	17	-	-
Net income for the year after taxation		901,556	313,877
Allocation of net income for the year			
Net income for the year after taxation		901,556	313,877
Income already paid on units redeemed		(560,440)	(135,869)
		341,116	178,008
Accounting income available for distribution			
- Relating to capital gains		3,470	-
- Excluding capital gains		337,646	178,008
		341,116	178,008

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

AM 1 C.

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

Chief Executive

Chief Financial Officer

Director

**MEEZAN CASH FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019**



**Meezan
Cash Fund**

	2019 (Rupees in '000)	2018
Net income for the year after taxation	901,556	313,877
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u><u>901,556</u></u>	<u><u>313,877</u></u>

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

AM

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

Chief Executive

Chief Financial Officer

Director

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

	2019			2018		
	(Rupees in '000)			(Rupees in '000)		
	Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Total
Net assets at the beginning of the year	9,707,096	213,856	9,920,952	3,314,546	35,848	3,350,394
Issuance of 605,880,722 units (2018: 709,742,876 units)						
- Capital value (at ex-net asset value per unit at the beginning of the year)	30,555,473	-	30,555,473	35,792,333	-	35,792,333
- Element of income	1,041,160	-	1,041,160	774,214	-	774,214
Total proceeds on issuance of units	31,596,633	-	31,596,633	36,566,547	-	36,566,547
Redemption of 619,142,104 units (2018: 587,549,498 units)						
- Capital value (at ex-net asset value per unit at the beginning of the year)	31,224,265	-	31,224,265	29,630,121	-	29,630,121
- Element of loss	733,253	560,440	1,293,693	543,876	135,869	679,745
Total payments on redemption of units	31,957,518	560,440	32,517,958	30,173,997	135,869	30,309,866
Total comprehensive income for the year	-	901,556	901,556	-	313,877	313,877
Distribution for the year ended June 30, 2018	-	(178,008)	(178,008)	-	-	-
Distribution for the year ended June 30, 2019	-	(333,845)	(333,845)	-	-	-
Refund of Capital for the year ended June 30, 2018	(230,343)	-	(230,343)	-	-	-
Refund of Capital for the year ended June 30, 2019	(307,899)	-	(307,899)	-	-	-
Total distribution during the year	(538,242)	(511,853)	(1,050,095)	-	-	-
Net assets at the end of the year	8,807,969	43,119	8,851,088	9,707,096	213,856	9,920,952
Undistributed income brought forward						
- Realised income		213,856			35,848	
- Unrealised income		-			-	
		213,856			35,848	
Accounting income available for distribution						
- Relating to capital gains		3,470			-	
- Excluding capital gains		337,646			178,008	
		341,116			178,008	
Distribution during the year at Rs. 2.1649 per unit i.e. 4.33% of the par value of Rs. 50/- each (July 6, 2018)		(178,008)			-	
Distribution during the year at Rs. 3.9218 per unit i.e. 7.84% of the par value of Rs. 50/- each (June 30, 2019)		(333,845)			-	
Undistributed income carried forward		43,119			213,856	
Undistributed income carried forward						
- Realised income		43,119			213,856	
- Unrealised income		-			-	
		43,119			213,856	
			(Rupees)			(Rupees)
Net assets value per unit at the beginning of the year			52.5964			50.4300
Net assets value per unit at the end of the year			50.4731			52.5964

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

AM / L

For AI Meezan Investment Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

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



**Meezan
Cash Fund**

Note	2019 (Rupees in '000)	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	901,556	313,877
(Increase) / decrease in assets		
Investments - net	(3,420,999)	-
Profit accrued	(18,822)	(36,455)
Deposits and prepayments	(7)	24
	(3,439,828)	(36,431)
Increase / (decrease) in liabilities		
Payable to AI Meezan Investment Management Limited - Management Company	1,108	5,648
Payable to Central Depository Company of Pakistan Limited - Trustee	71	388
Payable to the Securities and Exchange Commission of Pakistan	3,228	2,633
Accrued expenses and other liabilities	61,978	(5,945)
	66,385	2,724
Net cash (used in) / generated from operating activities	<u>(2,471,887)</u>	<u>280,170</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts against issuance and conversion of units	31,014,403	37,218,706
Payments against redemption and conversion of units	(32,727,965)	(31,097,392)
Dividend paid	(511,853)	(4,552)
Net cash (used in) / generated from financing activities	<u>(2,225,415)</u>	<u>6,116,762</u>
Net increase / (decrease) in cash and cash equivalents	<u>(4,697,302)</u>	<u>6,396,932</u>
Cash and cash equivalents at the beginning of the year	10,127,637	3,730,705
Cash and cash equivalents at the end of the year	19 <u><u>5,430,335</u></u>	<u><u>10,127,637</u></u>

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

AH 10

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

Chief Executive

Chief Financial Officer

Director

MEEZAN CASH 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 Cash Fund (the Fund) was established under a trust deed executed between Al Meezan Investment Management Limited (Al Meezan) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The trust deed was executed on May 14, 2009 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.2 The Fund has been formed to provide the 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 in time. The Fund shall seek to maximise preservation of capital and a reasonable rate of return via investing primarily in liquid Shariah compliant money market and Shariah compliant debt securities. Under the Trust Deed all the 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 categorized as an open-end Shariah Compliant (Islamic) Money Market Scheme listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4 The Management Company has been assigned a quality rating of AM1 by 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. The stability rating of the Fund is AA(f) given by JCR-VIS Credit Rating Company Limited.
- 1.5 The title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.

2 BASIS OF PRESENTATION

The transactions undertaken by the Fund 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 approved 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. However, the SECP vide its letter dated November 21, 2017, has deferred the applicability of requirements relating to impairment for debt securities on mutual funds till further instructions. Currently, the Asset Management Companies are required to continue to follow the requirements of Circular 33 of 2012 for impairment of debt securities. Furthermore, the ECL has impact on all other assets of the Fund which are exposed to credit risk. However, majority of the assets of the Fund other than debt securities (for which there is a separate criteria as mentioned above) 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.

IFRS 9 has provided a criteria for debt securities whereby debt securities are either classified as (a) amortised cost or (b) at fair value through other comprehensive income "(FVOCI)" or (c) at fair value through profit or loss (FVPL) based on the business model of the entity. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Furthermore, the collection of contractual cash flows for debt securities is only incidental to achieving the Fund's business model's objective.

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 FVPL. The management considers its investment in debt securities being managed as a group of assets and hence has classified them as FVPL. Accordingly, the Fund's investment portfolio 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. The Funds investment in Term Deposit Receipts which were previously classified as "loans and receivables" and carried at amortised cost under IAS 39 would now be classified as 'at fair value through profit or loss' and carried at fair value under level 2.

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.

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.

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
----- Rupees in '000 -----				
Impact on Statement of Assets and Liabilities				
Investments - 'loans and receivables'	1,657,000	(1,657,000)	-	-
Investments - 'At fair value through profit or loss'	-	1,657,000	1,657,000	6,270,999

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 year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

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

3.5 Accounting convention

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

3.6 Functional and presentation currency

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

4.3.2 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 Impairment loss on debt securities

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

4.4

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

4.3.4 Regular way contracts

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

4.3.5 Initial recognition and measurement

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

4.3.6 Derecognition

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

4.4 Financial liabilities

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

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

4.5 Offsetting of financial assets and financial liabilities

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

4.6 Provisions

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

4.7 Net asset value per unit

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

4.8 Issue and redemption of units

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

Units redeemed are recorded at the redemption price prevalent on the date on which the distributors receive redemption applications during business hours on that date. The redeemed price represents the net assets value per unit less 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.

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

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

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

4.11 Revenue recognition

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Profit on bank deposits is recognised on time proportion basis using the effective yield method.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are recorded in the period in which these arise.
- Income on sukuk certificates, placements and government securities is recognised on a time proportionate basis using the effective yield method except for the securities which are classified as non-performing asset under Circular 33 of 2012 issued by SECP for which the profits are recorded on cash basis.

4.12 Expenses

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

4.13 Taxation

Current

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

Deferred

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

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

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

4.14 Earnings / (loss) per unit

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

5 BALANCES WITH BANKS

Note	2019	2018
	(Rupees in '000)	
Balances with banks in:		
Savings accounts	2,579,578	8,468,137
Current account	757	2,500
	<u>2,580,335</u>	<u>8,470,637</u>

5.1 The balances in saving accounts have expected profit rates ranging from 3.32% to 12.50% per annum (2018: 2.40% to 6.60% per annum).

6 INVESTMENTS

Note	2019	2018
	(Rupees in '000)	
Investments - at fair value through profit or loss	6,270,999	-
Investments - loans and receivables	-	1,657,000
	<u>6,270,999</u>	<u>1,657,000</u>

At fair value through profit or loss

GoP ijarah sukuks	6.1	-	-
Corporate sukuks	6.2	675,000	-
Commercial papers	6.3	1,471,289	-
Term deposit receipts - having original maturity of 3 months or less	6.4	2,850,000	-
Bai muajjal receivable	6.5	1,274,710	-
		<u>6,270,999</u>	<u>-</u>

Loans and receivables

Term deposit receipts - having original maturity of 3 months or less		-	1,657,000
		<u>-</u>	<u>1,657,000</u>

6.1 GoP Ijarah Sukuks

Name of the Security	Maturity date	Profit rate	As at July 1, 2018	Purchased during the year	Sales / matured 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	
										Number of certificates	(Rs in '000)
GoP Ijarah Sukuk Certificates - XVI (note 6.1.1)	December 18, 2018	Weighted average 6 months T-Bills	-	80,800	80,800	-	-	-	-	-	-
Total as at June 30, 2019							<u>-</u>	<u>-</u>			
Total as at June 30, 2018							<u>-</u>	<u>-</u>			

6.1.1 The nominal value of the sukuk certificates is Rs 100,000 each.

6.2 Corporate Sukuks

Name of the security	Maturity date	Profit rate	As at July 1, 2018	Purchases during the year	Sales / redemptions during the year	As at June 30, 2019	Carrying value as at June 30, 2019	Market value as at June 30, 2019	Unrealised appreciation / (diminution)	Percentage in relation to	
										(Number of certificates)	(Rupees in '000)
Hub Power Company Limited - II (A1+, PACRA) (note 6.2.1)	October 2, 2019	3 months Kibor plus base rate of 1.00%	-	135,000	-	135,000	675,000	675,000	-	7.63%	10.76%
Total as at June 30, 2019							<u>675,000</u>	<u>675,000</u>			
Total as at June 30, 2018							<u>-</u>	<u>-</u>			

6.2.1 The nominal value of these sukuk certificates is Rs 5,000 each.

6.3 Commercial Papers

Name of the security	Maturity date	Profit rate	As at July 1, 2018	Purchases during the year	Sales / redemptions / maturity 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	As a percentage of net assets of the fund	As a percentage of total market value of investment
			(Number of certificates)			(Rupees in '000)			--- % ---		
K-Electric Limited CP (note 6.3.1)	March 1, 2019	6 months Kibor plus base rate of 0.90%	-	1,097	1,097	-	-	-	-	-	-
K-Electric Limited CP II (note 6.3.1)	September 2, 2019	6 months Kibor plus base rate of 0.90%	-	1,500	-	1,500	1,471,289	1,471,289	-	16.62%	23.46%
Total as at June 30, 2019							1,471,289	1,471,289	-		
Total as at June 30, 2018							-	-	-		

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

6.3.2 The securities are valued on the basis of amortization to its face value as per the requirements of Circular 33 of 2012 with respect to thinly and non traded debt securities with residual maturity of upto six months.

6.4 Term Deposit Receipts

Name of the bank	Maturity date	Profit rate	As at July 1, 2018	Term deposit receipts placed during the year	Matured during the year	Carrying value as at June 30, 2019	Market value as at June 30, 2019	Unrealised (loss) / gain as at June 30, 2019	Percentage of total market value of investments
		%	(Rupees in '000)						%

Having original maturity of 3 months or less

Bank AL Habib Limited	July 30, 2018	6.05%	757,000	-	757,000	-	-	-	-
Faysal Bank Limited	August 18, 2018	6.13%	900,000	-	900,000	-	-	-	-
Faysal Bank Limited	October 13, 2018	7.55%	-	500,000	500,000	-	-	-	-
Faysal Bank Limited	October 13, 2018	7.55%	-	500,000	500,000	-	-	-	-
Faysal Bank Limited	December 4, 2018	8.25%	-	1,100,000	1,100,000	-	-	-	-
United Bank Limited - Ameen	December 1, 2018	8.10%	-	1,000,000	1,000,000	-	-	-	-
United Bank Limited - Ameen	March 7, 2019	10.25%	-	1,200,000	1,200,000	-	-	-	-
Faysal Bank Limited	May 3, 2019	10.60%	-	1,200,000	1,200,000	-	-	-	-
United Bank Limited - Ameen	April 8, 2019	10.60%	-	1,200,000	1,200,000	-	-	-	-
Allied Bank Limited	May 1, 2019	10.70%	-	1,300,000	1,300,000	-	-	-	-
United Bank Limited - Ameen	May 8, 2019	10.60%	-	1,200,000	1,200,000	-	-	-	-
United Bank Limited - Ameen	June 8, 2019	10.60%	-	1,200,000	1,200,000	-	-	-	-
Faysal Bank Limited	June 8, 2019	10.75%	-	450,000	450,000	-	-	-	-
Faysal Bank Limited	September 6, 2019	10.75%	-	450,000	-	450,000	450,000	-	7%
Askari Bank Limited	September 1, 2019	12.05%	-	1,200,000	-	1,200,000	1,200,000	-	19%
United Bank Limited - Ameen	September 6, 2019	12.10%	-	1,200,000	-	1,200,000	1,200,000	-	19%
As at June 30, 2019			13,700,000	12,507,000	2,850,000	2,850,000	-	45%	
As at June 30, 2018					1,657,000	1,657,000	-	100%	

6.5 Bai Muajjal Receivable

The Fund entered in a Bai Muajjal transaction with Pak Brunei Investment Company Limited on May 14, 2019 against K-Electric Limited Commercial Paper II (issued on March 1, 2019) at an effective interest rate of 11.23%. The final payment is agreed to be received on August 12, 2019. The final transaction price is Rs 1,290.942 million which includes deferred profit of Rs. 34.784 million.

6.5.1 The carrying amount of the Bai Muajjal receivable includes accrued profit amounting to Rs. 18.551 million.

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	Note	2019	2018	
(Rupees in '000)				
7	PROFIT ACCRUED			
	Profit accrued on			
	Bank balances	49,267	66,602	
	Term deposit receipts	22,892	6,924	
	Sukuk certificates	20,189	-	
		<u>92,348</u>	<u>73,526</u>	
8	DEPOSITS AND PREPAYMENTS			
	Security deposit with Central Depository Company of Pakistan Limited	100	100	
	Prepayments	279	272	
	Initial deposit with Meezan Bank Limited	200	200	
		<u>579</u>	<u>572</u>	
9	PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY			
	Management fee payable	9.1	9,192	8,291
	Sindh Sales Tax payable on remuneration of the Management Company	9.2	1,195	1,078
	Allocated expenses	9.3	919	829
		<u>11,306</u>	<u>10,198</u>	
9.1	As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding 1% of the average annual net assets in case of Money Market Scheme. 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.			
9.2	During the year, an amount of Rs. 15.191 million (2018: Rs 9.596 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. 15.074 million (2018: Rs. 8.999 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.			
10	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE - RELATED PARTY	Note	2019	2018
(Rupees in '000)				
	Trustee fee payable	10.1	738	683
	Sindh Sales Tax payable on trustee fee	10.2	96	80
			<u>834</u>	<u>763</u>
10.1	The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the trust deed as follows:			
	On net assets:			
	- Up to Rs 1 billion	0.15% per annum of net assets		
	- from Rs 1 billion to Rs.10 billion	Rs 1.5 million plus 0.075% per annum of net assets exceeding Rs 1 billion.		
	- exceeding Rs.10 billion	Rs 8.25 million plus 0.06% per annum of net assets exceeding Rs 10 billion.		
10.2	During the year, an amount of Rs 1.204 million (2018: Rs 0.817 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs 1.188 million (2018: Rs 0.780 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 Money Market scheme is required to pay to the Securities and Exchange Commission of Pakistan an amount equal to 0.075% of the average annual net assets of the Fund as annual fee.			

12 ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2019 (Rupees in '000)	2018
Auditors' remuneration payable		335	445
Printing expenses payable		111	40
Brokerage payable		85	-
Shariah advisor fee payable		472	403
Withholding tax payable		44,483	3,659
Federal Excise Duty payable on remuneration of the Management Company	12.1	27,018	24,687
Provision for Sindh Workers' Welfare Fund (SWWF)	12.2	30,896	12,497
Zakat payable		548	239
		103,948	41,970

- 12.1** 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 27.018 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 0.15 (June 30, 2018: Re 0.13) per unit.

During the year, FED amounting to Rs. 2.331 million has been paid to the fund by the Management Company in respect of management fee and sales load pertaining to prior periods.

- 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. 0.18 per unit (2018: Re 0.07 per unit).

13 CONTINGENCIES AND COMMITMENTS

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

14 AUDITORS' REMUNERATION	2019 (Rupees in '000)	2018
Annual audit fee	282	336
Half yearly review	152	111
Other certification fee	47	-
Out of pocket expenses	13	17
	494	464


15 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2019 is 1.56% which includes 0.37% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, federal excise duties, annual fee to the SECP etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as a Money Market scheme.

16 PERFORMANCE TABLE

	2019	2018	2017	2016	2015
Net assets (Rs '000) (ex-distribution)	8,851,088	9,920,952	3,350,394	3,431,782	7,617,739
Net assets value / redemption price per unit as at June 30 (Rs) (ex-distribution) *	50.4731	50.4315	50.43	50.14	50.10
Offer price per unit as at June 30 (Rs) (ex-distribution) *	50.4731	50.4315	50.43	50.14	50.10
Distribution (%)					
- First interim distribution	3.9218	-	5.50	4.50	7.40
- Second interim distribution	-	-	-	-	-
- Third interim distribution	-	-	-	-	-
- Fourth interim distribution	-	-	-	-	-
- Fifth interim distribution	-	-	-	-	-
- Sixth interim distribution	-	-	-	-	-
- Seventh interim distribution	-	-	-	-	-
- Eighth interim distribution	-	-	-	-	-
- Ninth interim distribution	-	-	-	-	-
- Tenth interim distribution	-	-	-	-	-
- Eleventh interim distribution	-	-	-	-	-
- Final distribution	-	-	-	-	-
Dates of distribution					
- First interim distribution	Jun 28, 2019	-	Jun 23, 2017	Jun 24, 2016	Jun 26, 2015
- Second interim distribution	-	-	-	-	-
- Third interim distribution	-	-	-	-	-
- Fourth interim distribution	-	-	-	-	-
- Fifth interim distribution	-	-	-	-	-
- Sixth interim distribution	-	-	-	-	-
- Seventh interim distribution	-	-	-	-	-
- Eighth interim distribution	-	-	-	-	-
- Ninth interim distribution	-	-	-	-	-
- Tenth interim distribution	-	-	-	-	-
- Eleventh interim distribution	-	-	-	-	-
- Final distribution	-	July 06, 2018	-	-	-
Income distribution (Rupees in '000)	333,845	178,008	179,346	98,455	231,767
Growth distribution (Rupees in '000)	307,899	230,344	-	-	-
Highest offer price per unit (Rs.)	54.3533	53	53.12	52.32	53.72
Lowest offer price per unit (Rs.)	50.4455	50	50.21	50.09	50.04
Highest redemption price per unit (Rs.)	54.3533	53	53.12	52.32	53.72
Lowest redemption price per unit (Rs.) *	50.4455	50	50.21	50.09	50.04
Total return (%)	7.8436	4	6.07	4.59	7.46
	One Year	Two Year	Three Year	Four Year	Five Year
Average annual return (%) as at June 30, 2019	7.84	5.84	5.92	5.56	5.90

* Back end load will apply as per the requirements of the offering document of the Fund.

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.

17 TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. Since the management has distributed the required minimum percentage of income earned by the Fund for the year ended June 30, 2019 to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements during the year.

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

18 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

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

Balances	2019	2018
	(Rupees in '000)	
Al Meezan Investment Management Limited - Management Company		
Remuneration Payable	9,192	8,291
Sindh Sales Tax on management fee	1,195	1,078
Allocated expenses	919	829
Central Depository Company of Pakistan Limited - Trustee		
Remuneration Payable	738	683
Sindh Sales Tax on trustee fee payable	96	80
Security deposits	100	100
Meezan Bank Limited		
Balance with bank	131,399	133,042
Profit receivable on saving account	170	1,288
Meezan Financial Planning Fund of Funds - Aggressive Allocation Plan		
Investment of 898,802 units (June 30, 2018: 1,182,986 units)	45,365	62,221
Meezan Financial Planning Fund of Funds - Conservative Allocation Plan		
Investment of 1,628,815 units (June 30, 2018: 2,017,164 units)	82,211	106,096
Meezan Financial Planning Fund of Funds - Moderate Allocation Plan		
Investment of 1,000,001 units (June 30, 2018: 1,472,340 units)	50,473	77,440
Meezan Financial Planning Fund of Funds - MAAP - I		
Investment of 8,448 units (June 30, 2018: 564,625 units)	426	29,697
Meezan Financial Planning Fund of Funds - MAAP - IV		
Investment of nil (June 30, 2018: 962,660 units)	-	50,632
Meezan Strategic Allocation Fund - MSAP - I		
Investment of nil (June 30, 2018: 1,820,040)	-	95,728
Meezan Strategic Allocation Fund - MSAP - II		
Investment of 1,616 units (June 30, 2018: 1,639,719 units)	82	86,243

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	For the year ended June 30,	
	2019	2018
	(Rupees in '000)	
Meezan Financial Planning Fund of Funds - MAAP - I		
Units issued: 24,848 units (June 30, 2018: 3,634,077 units)	1,253	185,030
Units redeemed: 581,025 units (June 30, 2018: 4,946,368 units)	30,010	252,980
Dividend paid	886	-
Refund of capital	368	-
Meezan Financial Planning Fund of Funds - MAAP - II		
Units issued: nil (June 30, 2018: 13,750,054 units)	-	705,388
Units redeemed: nil (June 30, 2018: 15,325,017 units)	-	789,452
Meezan Financial Planning Fund of Funds - MAAP - III		
Units issued: nil (June 30, 2018: 58,062,364 units)	-	2,995,511
Units redeemed: nil (June 30, 2018: 15,296,546 units)	-	3,010,181
Meezan Financial Planning Fund of Funds - MAAP - IV		
Units issued: 7,368,899 units (June 30, 2018: 391,619 units)	372,084	20,000
Units redeemed: 8,331,559 units (June 30, 2018: 835,093 units)	421,491	43,160
Dividend paid	1,833	-
Refund of capital	251	-
Meezan Strategic Allocation Fund - MSAP - I		
Units issued: 78,130 units (June 30, 2018: 3,993,262 units)	3,940	201,500
Units redeemed: 1,898,170 units (June 30, 2018: 2,173,221 units)	97,777	112,371
Dividend paid	3,863	-
Refund of capital	78	-
Meezan Strategic Allocation Fund - MSAP - II		
Units issued: 70,506 units (June 30, 2018: 69 units)	3,556	4
Units redeemed: 1,708,608 units (June 30, 2018: 880,336 units)	88,430	45,591
Dividend paid	3,556	-
Refund of capital	44	-
Meezan Strategic Allocation Fund - MSAP - III		
Units issued: 135,718 units (June 30, 2018: 3,606,817 units)	2,985	182,000
Units redeemed: 6,844,458 units (June 30, 2018: 650,740 units)	155,816	33,940
Dividend paid	6,749	-
Refund of capital	95	-
Meezan Strategic Allocation Fund - MSAP - IV		
Units issued: 2,157,738 units (June 30, 2018: 2,576,298 units)	110,525	130,000
Units redeemed: 5,523,736 units (June 30, 2018: 253,653 units)	285,470	13,140
Dividend paid	7,897	-
Capital refund	309	-
Meezan Strategic Allocation Fund - MSAP - V		
Units issued: 148,857 units (June 30, 2018: 8,654,895 units)	7,507	441,000
Units redeemed: 1,507,716 units (June 30, 2018: 6,509,422 units)	78,911	332,508
Dividend paid	6,175	-
Refund of capital	1,332	-
Meezan Strategic Asset Allocation Fund - MCPP-III		
Units Issued: 12,068,356 units (June 30, 2018: 38,939,974 units)	621,276	2,015,155
Units redeemed: 35,300,192 units (June 30, 2018: 15,708,622 units)	1,873,381	815,330
Dividend paid	16,480	-
Refund of capital	33,815	-

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For the year ended June 30,
2019 **2018**
(Rupees in '000)

Meezan Strategic Allocation Fund II- MCPP - IV

Units issued: 26,190,952 units (June 30, 2018: 51,132,660 units)
 Units redeemed: 60,080,430 units (June 30, 2018: 17,243,112 units)
 Dividend Paid
 Refund of Capital

1,351,751	2,665,000
3,175,048	900,280
13,834	-
59,534	-

Meezan Strategic Allocation Fund II- MCPP - V

Units issued: 11,656,713 units (June 30, 2018: 12,517,489 units)
 Units redeemed: 21,251,903 units (June 30, 2018: 2,922,299 units)
 Dividend Paid
 Refund of Capital

598,507	656,100
1,120,631	153,350
1,360	-
19,413	-

Meezan Strategic Allocation Fund II- MCPP - VI

Units issued: 17,489,369 units (June 30, 2018: nil units)
 Units redeemed: 17,489,369 units (June 30, 2018: nil units)

896,940	-
926,277	-

Meezan Strategic Allocation Fund II- MCPP - VII

Units issued: 10,117,433 units (June 30, 2018: nil units)
 Units redeemed: 10,117,433 units (June 30, 2018: nil units)

524,917	-
535,927	-

Meezan Strategic Allocation Fund II- MCPP - VIII

Units issued: 4,224,783 units (June 30, 2018: nil units)
 Units redeemed: 4,224,783 units (June 30, 2018: nil units)

223,062	-
226,382	-

Meezan Strategic Allocation Fund III- MCPP - IX

Units issued: 304,134 units (June 30, 2018: nil units)
 Units redeemed: 239,507 units (June 30, 2018: nil units)

16,200	-
12,974	-

Directors and Executives of the Management Company

Units issued: 1,405,485 units (June 30, 2018: 318,481 units)
 Units redeemed: 1,102,645 units (June 30, 2018: 285,098 units)
 Dividend Paid
 Refund of Capital

73,097	22,656
57,195	17,294
889	-
1,277	-

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

19	CASH AND CASH EQUIVALENTS	Note	2019	2018
			(Rupees in '000)	
	Cash and bank balances	5	2,580,335	8,470,637
	Term deposit receipt (with original maturity of three months)	6.4	2,850,000	1,657,000
			<u>5,430,335</u>	<u>10,127,637</u>

20 FINANCIAL INSTRUMENTS BY CATEGORY

2019		
At amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		
2,580,335	-	2,580,335
-	6,270,999	6,270,999
130,600	-	130,600
92,348	-	92,348
300	-	300
<u>2,803,583</u>	<u>6,270,999</u>	<u>9,074,582</u>

Financial assets

Balances with banks
 Investments
 Receivable against conversion of units
 Profit accrued
 Deposits
 All in

----- 2019 -----		
At fair value through profit or loss	At amortised cost	Total
----- (Rupees in '000) -----		
Payable to Al Meezan Investment Management Limited - Management Company	-	11,306
Payable to Central Depository Company of Pakistan Limited - Trustee	-	834
Payable against conversion and redemption of units	-	98,921
Accrued expenses and other liabilities	-	1,003

Financial liabilities

----- 2018 -----		
At amortised cost	At fair value through profit or loss	Total
----- (Rupees in '000) -----		
Balances with banks	8,470,637	-
Investments	1,657,000	-
Receivable against conversion of units	86,612	-
Profit accrued	73,526	-
Deposits	300	-

Financial assets

----- 2018 -----		
At fair value through profit or loss	At amortised cost	Total
----- (Rupees in '000) -----		
Payable to Al Meezan Investment Management Limited - Management Company	-	10,198
Payable to Central Depository Company of Pakistan Limited - Trustee	-	763
Payable against conversion and redemption of units	-	308,928
Accrued expenses and other liabilities	-	888

Financial liabilities**21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

Risks managed and measured by the Fund are explained below:

21.1 Market risk

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

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

Market risk comprises of three types of risks: profit rate 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 and investments in corporate sukuks, commercial papers, term deposit receipts and Bai Muajjal. 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 and investments in corporate sukuks and term deposit receipts. At June 30, 2019, if there had been increase / decrease of 100 basis points in interest rates, with all other variables held constant, net assets of the Fund for the year then ended would have been higher / lower by Rs 61.05 million (2018: Rs 101.25 million).

b) Sensitivity analysis for fixed rate instruments

The Fund's fixed rate risk arises from investments in commercial papers and Bai Muajjal. At June 30, 2019, if there had been increase / decrease of 100 basis points in interest rates, with all other variables held constant, net assets of the Fund for the year then ended would have been higher / lower by Rs 27.46 million (2018: Rs Nil).

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 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 profit rate risk			Not exposed to profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		
Rupees in '000					
Financial assets					
Balances with banks	3.32% to 12.50%	2,579,578	-	757	2,580,335
Investments	KIBOR + 0.90% - KIBOR + 1.00% and 11.23% - 12.13%	6,270,999	-	-	6,270,999
Receivable against conversion of units		-	-	130,600	130,600
Profit accrued		-	-	92,348	92,348
Deposits		-	-	300	300
		8,850,577	-	224,005	9,074,582
Financial liabilities					
Payable to Al Meezan Investment Management Limited - Management Company		-	-	11,306	11,306
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	834	834
Payable against conversion and redemption of units		-	-	98,921	98,921
Accrued expenses and other liabilities		-	-	1,003	1,003
		-	-	112,064	112,064
On-balance sheet gap (a)		8,850,577	-	111,941	8,962,518
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap (b)		-	-	-	-
Total profit rate sensitivity gap (a+b)		8,850,577	-	-	-
Cumulative profit rate sensitivity gap		8,850,577	8,850,577	8,850,577	

Al Meezan

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

Rupees in '000

Financial assets

Balances with banks	2.4% to 6.6%	8,468,137	-	-	2,500	8,470,637
Investments	6.05% to 6.13%	1,657,000	-	-	-	1,657,000
Receivable against conversion of units		-	-	-	86,612	86,612
Profit accrued		-	-	-	73,526	73,526
Deposits		-	-	-	300	300
		10,125,137	-	-	162,938	10,288,075

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	10,198	10,198
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	763	763
Payable against conversion and redemption of units		-	-	-	308,928	308,928
Dividend payable		-	-	-	-	-
Accrued expenses and other liabilities		-	-	-	888	888
		-	-	-	320,777	320,777

On-balance sheet gap (a)

10,125,137	-	-	(157,839)	9,967,298
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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)

10,125,137	-	-	-	-
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Cumulative profit rate sensitivity gap

10,125,137	10,125,137	10,125,137	10,125,137	10,125,137
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21.2 Liquidity risk

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

The Fund is exposed to daily 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:

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2019						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total

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

Financial assets

Balances with banks	2,580,335	-	-	-	-	2,580,335
Investments	-	5,595,999	675,000	-	-	6,270,999
Receivable against conversion of units	130,600	-	-	-	-	130,600
Profit accrued	49,267	43,081	-	-	-	92,348
Deposits	-	-	-	-	300	300
	2,760,202	5,639,080	675,000	-	300	9,074,582

Financial liabilities

Payable to AI Meezan Investment Management Limited - Management Company	11,306	-	-	-	-	11,306
Payable to Central Depository Company of Pakistan Limited - Trustee	834	-	-	-	-	834
Payable against conversion and redemption of units	98,921	-	-	-	-	98,921
Accrued expenses and other liabilities	85	807	111	-	-	1,003
	111,146	807	111	-	-	112,064

Net assets / (liabilities)

	2,649,056	5,638,273	674,889	-	-	300	8,962,518
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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	8,470,637	-	-	-	-	8,470,637
Investments	757,000	900,000	-	-	-	1,657,000
Receivable against conversion of units	86,612	-	-	-	-	86,612
Profit accrued	73,526	-	-	-	-	73,526
Deposits	-	-	-	-	300	300
	9,387,775	900,000	-	-	300	10,288,075

Financial liabilities

Payable to AI Meezan Investment Management Limited - Management Company	10,198	-	-	-	-	10,198
Payable to Central Depository Company of Pakistan Limited - Trustee	763	-	-	-	-	763
Payable against conversion and redemption of units	308,928	-	-	-	-	308,928
Accrued expenses and other liabilities		848	40	-	-	888
	319,889	848	40	-	-	320,777

Net assets / (liabilities)

	9,067,886	899,152	(40)	-	-	300	9,967,298
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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.



21.3 Credit risk

21.3.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. Credit risk arising on the debt instruments is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of at least investment grade by the recognised rating agencies. The Fund receives a monthly rating update, against which investments are reviewed.

Credit risk arises from deposits with banks and financial instruments, profit receivable on balances with banks, receivable against conversion of units and credit exposure arising as a result of receivable against sale of investments. Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. For debt instrument settlement, Delivery versus Payment (DvP) mechanism applied by the Trustee of the fund minimises the credit risk. In accordance with the risk management policy of the Fund, the investment committee monitors the credit position on a daily basis which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

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	2,580,335	2,580,335	8,470,637	8,470,637
Investments	6,270,999	6,270,999	1,657,000	1,657,000
Receivable against conversion of units	130,600	130,600	86,612	86,612
Profit accrued	92,348	92,348	73,526	73,526
Deposits	300	300	300	300
	<u>9,074,582</u>	<u>9,074,582</u>	<u>10,288,075</u>	<u>10,288,075</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2019 is the carrying amount of the financial assets.

21.3.2 Credit quality of financial assets

The Fund's significant credit risk arises mainly on account of its placements in banks and profit accrued thereon 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	73.60	54.48
AA+	26.33	19.35
AA	0.07	26.17
	<u>100.00</u>	<u>100.00</u>

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

21.3.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic and industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. As transactions are entered with credit worthy parties thereby any significant concentration of credit risk is mitigated.

All financial assets of the Fund as at June 30, 2019 are unsecured and are not impaired.

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22 FAIR VALUE MEASUREMENT

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

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

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

Fair value hierarchy

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

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

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

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

As at June 30, 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			
Corporate sukuks *	-	675,000	-
Commercial papers **	-	1,471,289	-
Term deposit receipts - having original maturity of 3 months or less *	-	2,850,000	-
Bai Muajjal receivable **	-	1,274,710	-
	-	6,270,999	-
	2018		
	Level 1	Level 2	Level 3
	Rupees in '000		
Financial assets - at fair value through profit or loss			
Corporate sukuks *	-	-	-
Commercial papers **	-	-	-
Term deposit receipts - having original maturity of 3 months or less *	-	-	-
Bai Muajjal receivable **	-	-	-
	-	-	-

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

** The valuation of commercial papers and Bai Muajjal receivable have been carried out based on amortisation of commercial papers and the sale price under Bai Muajjal to their fair values as per the guidelines given in Circular 33 of 2012 since the residual maturity of these investments is less than six months and they are placed with counterparties which have high credit rating.

23 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

24 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	15,078	7,841,359	88.59	6,902	4,224,512	42.58
Associated Companies /						
Directors	17	240,430	2.72	15	4,472,648	45.08
Insurance Companies	6	54,264	0.61	9	124,484	1.25
Banks and DFIs	1	11	0.00	1	10	0.00
Retirement Funds	62	315,677	3.57	45	206,059	2.08
Private Limited Companies	38	246,893	2.79	20	243,921	2.46
Others	71	152,454	1.73	46	649,318	6.53
	15,273	8,851,088	100.00%	7,038	9,920,952	100.00%

26 LIST OF TOP BROKERS BY PERCENTAGE OF COMMISSION PAID

Name of broker	2019
	Percentage of commission paid
Paramount Capital (Private) Limited	90%
C & M Management (Private) Limited	10%
	100%

26.1 The Fund has traded with only the above mentioned two brokers / dealers during the year ended June 30, 2019.

27 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

Name	Designation	Qualification	Overall experience
Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	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. Zain Malik. Other Funds being managed by the Fund Manager are as follows:

- Meezan Islamic Income Fund
- Meezan Sovereign Fund
- Meezan Rozana Amdani Fund

All in

28 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

Name of Directors	Designation	Meeting held on					
		July 6, 2018	August 9, 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.

29 CORRESPONDING FIGURES

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

30 DATE OF AUTHORISATION FOR ISSUE

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

31 GENERAL

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

M.S.

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

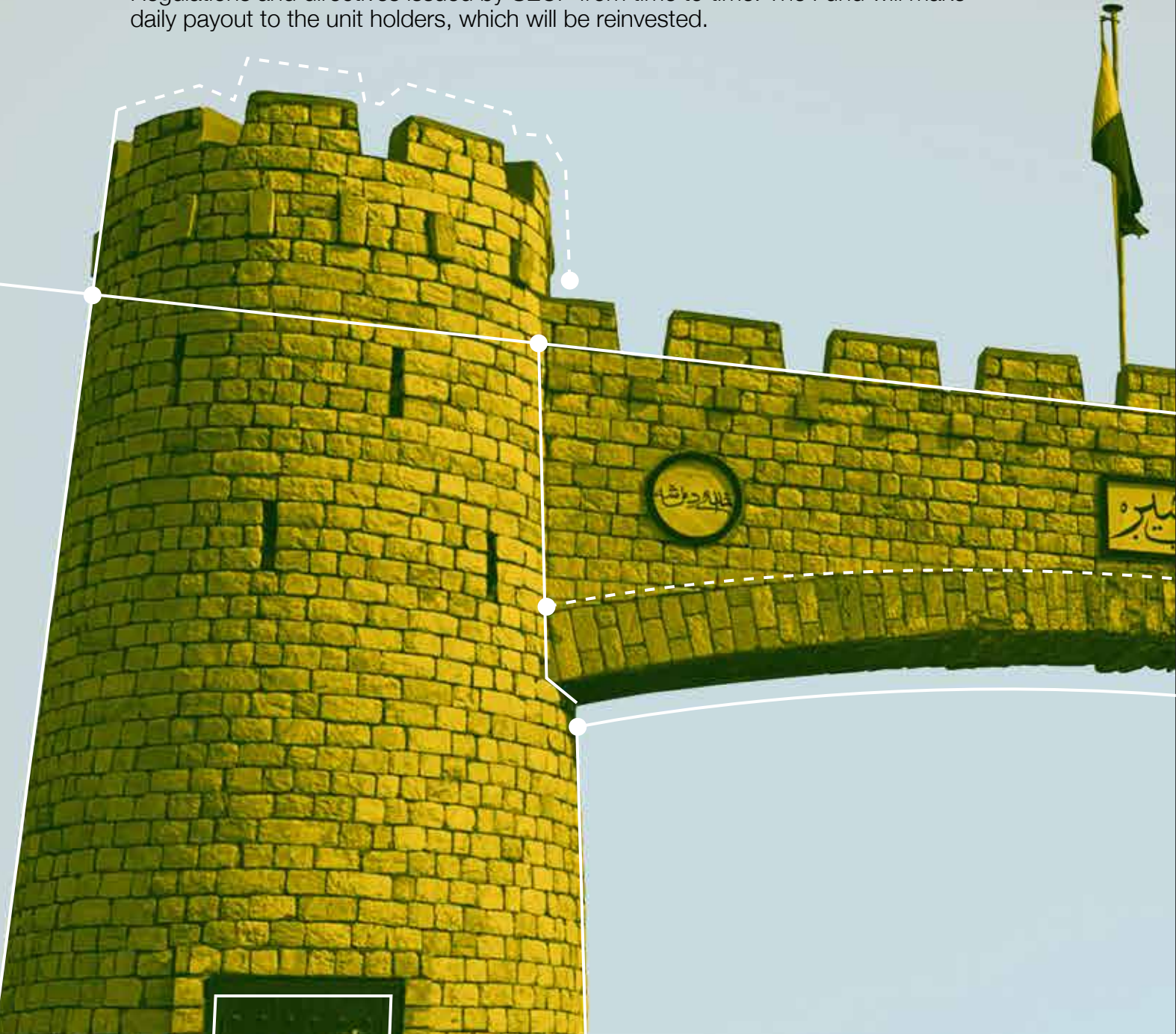


Meezan
Rozana Amdani Fund


MEEZAN ROZANA AMDANI FUND (MRAF)

Meezan Rozana Amdani Fund the objective of the Fund is to meet liquidity needs of investors by providing investors a daily payout through investment in Shariah Compliant money market instruments.

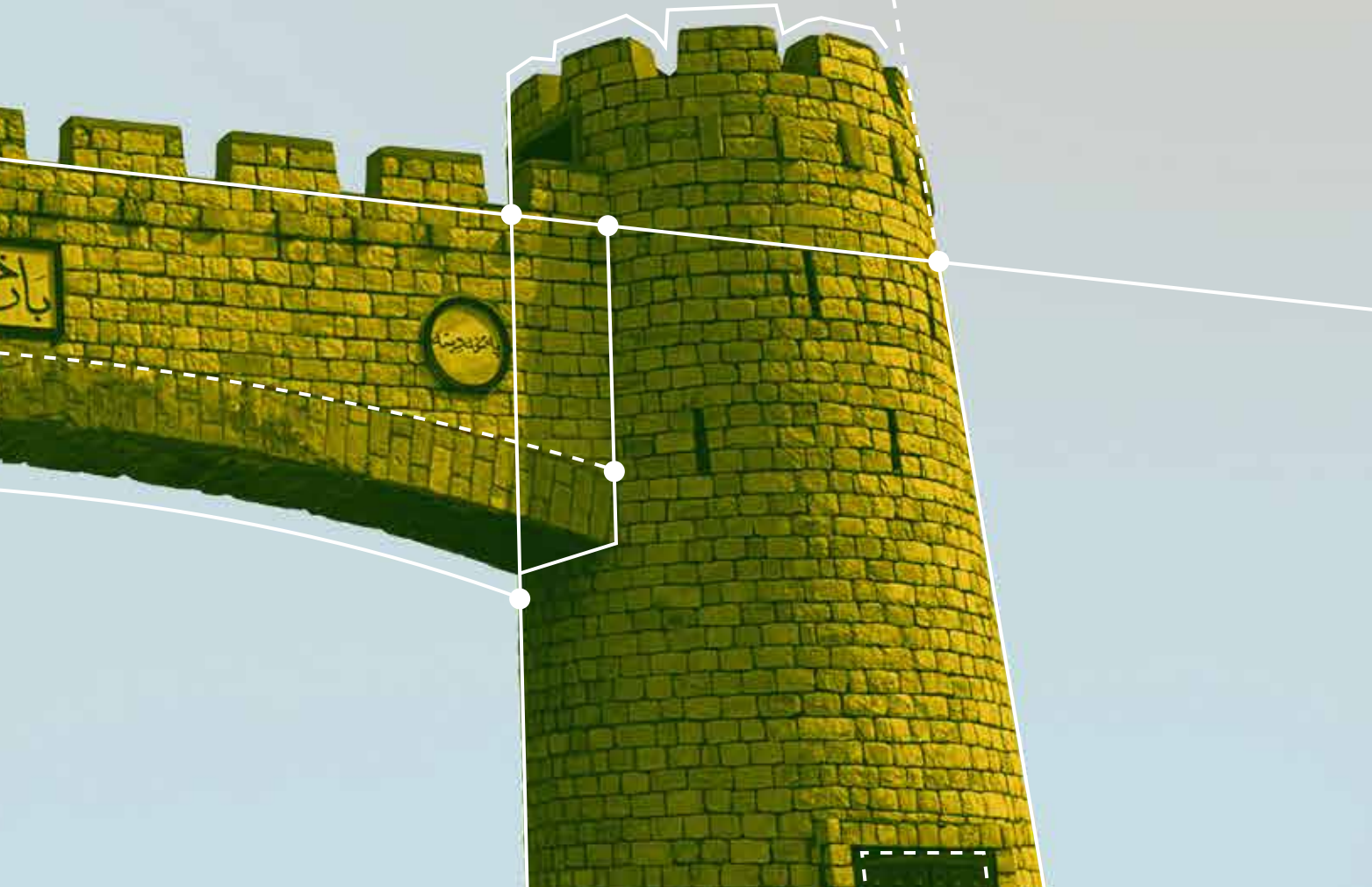
The Fund shall be subject to such exposure limits as are specified in the Rules, the Regulations and directives issued by SECP from time to time. The Fund will make daily payout to the unit holders, which will be reinvested.



BUILDING ON THE VALUES OF GROWTH IN THE CITY OF FLOWERS

 Peshawar Branch

**KHYBER PASS
(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
E-mail: info@almeezangroup.com

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. 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
Askari Bank Limited - Islamic Banking
Bank Al Habib Limited - Islamic Banking
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited - Islamic Banking
Habib Bank Limited -Islamic Banking
Meezan Bank Limited

LEGAL ADVISER

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

TRANSFER AGENT

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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited

REPORT OF THE FUND MANAGER Meezan Rozana Amdani Fund (MRAF)

Type of Fund

Open end money market fund investing primarily in Shariah compliant money market and Islamic bonds (Sukuks).

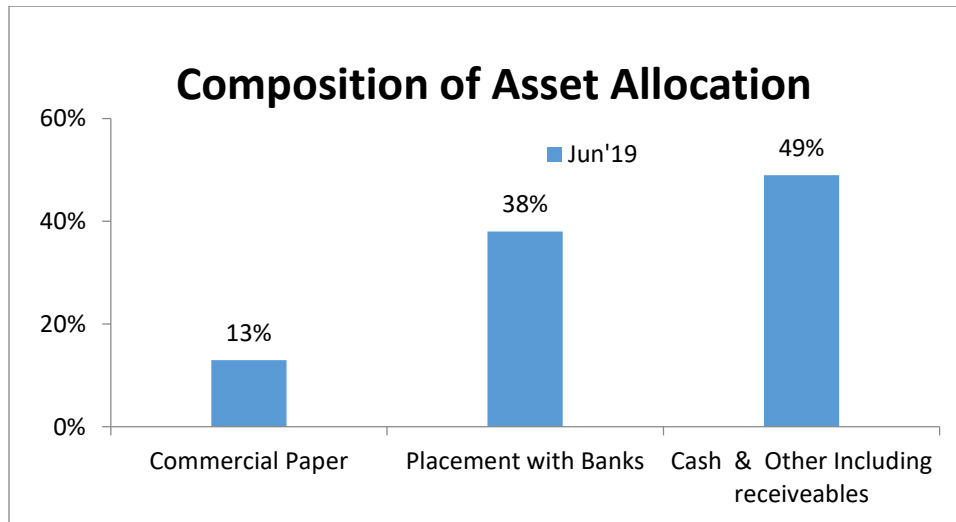
Objective

Its objective is to meet liquidity needs of investors by providing investors a daily pay out through investment in Shariah Compliant money market instruments.

Investment Policy and Strategy

The fund provides investors with the opportunity to park their excess liquidity in secure high quality instruments. To minimize the impact of interest rate volatility, the investment policy limits the investment avenues to short term tenors. As per its investment policy, MRAF can invest or place funds in instruments/avenues with a credit rating of at least 'double A' (AA). Moreover, the investment policy limits interest rate risk by capping the maturity of instruments up to a maximum of six months, along with maximum portfolio duration of three months.

Sector Allocation as on June 30th 2019



Performance Review

Meezan Rozana Amdani Fund (MRAF) provided a return of 9.97% to its investors for the year ended June 30, 2019.

	MRAF	Benchmark
Net Asset Value as on Dec 27, 2018	50.00	
Net Asset Value as on June 30, 2019	50.00	
Return During the Period - Net	9.97%	3.83%
Outperformance – Net	6.14%	

Benchmark: 3 Month average deposit rate of 3 AA rated Islamic Banks

The Fund earned a gross income of Rs. 502 million, which was primarily due to profit on bank deposits, placements and Sukuks amounting to Rs. 502 million, while the net inflow in the Fund during the year was 16,134 million. The fund also incurred expenses totalling to Rs. 47 million, which brought the net income figure to Rs. 456 million. The net assets of the Fund as at June 30, 2019 were Rs. 16,134 million. The net asset value per unit as at June 30, 2019 was Rs. 50 (Ex-dividend).

Distributions

The Total Pay-out by the Fund during the period ended June 30, 2019 was Rs. 2.47 per unit (9.97%). Total distribution made by the fund was Rs. 456 million.

Fund Stability Rating

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

Breakdown of unit holdings by size

(As on June 30, 2019)

Range (Units)	No. of investors
1 - 9,999	189
10,000 - 49,999	1,086
50,000 - 99,999	275
100,000 - 499,999	311
500,000 and above	68
Total	1,929



Meezan Bank

The Premier Islamic Bank

Report of the *Shari'ah* Advisor – Meezan Rozana Amdani Fund

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

Alhamdulillah, the period from December 28, 2018 to June 30, 2019 was the First year of operations of Meezan Rozana Amdani Fund (MRAF) under management of Al Meezan Investment Management Limited (Al Meezan). We, Meezan Bank Limited, are the *Shariah* advisors of the Fund and are issuing the report in accordance with clause 8.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shariah* compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MRAF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MRAF by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MRAF for the year ended June 30, 2019 have been in compliance with *Shari'ah* principles.

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

Dr. Muhammad Imran Ashraf Usmani

For and on behalf of Meezan Bank
Shariah Advisor

Head Office

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



TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN ROZANA AMDANI 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 Rozana Amdani 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 period from December 28, 2018 to 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 Rozana Amdani Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meezan Rozana Amdani 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 period from December 28, 2018 to June 30, 2019 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 period from December 28, 2018 to June 30, 2019 in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	Net Asset Value (Refer notes 5 and 6 to the financial statements)	
	<p>The investments and balances with banks constitute the most significant component of the net asset value. The investments of the Fund as at June 30, 2019 amounted to Rs 8,359.401 million and balances with banks aggregated to Rs 7,673.651 million.</p> <p>The existence and proper valuation of investments and existence of balances with banks for the determination of NAV of the Fund as at June 30, 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"> Tested the design and operating effectiveness of the key controls for valuation of investments; Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2019 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; Ensured that the investments are carried as per the valuation methodology specified in the accounting policies; and

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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>



S. No.	Key Audit Matter	How the matter was addressed in our audit
		<ul style="list-style-type: none"> Obtained bank reconciliation statements and tested reconciling items on a sample basis.

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 ROZANA AMDANI FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2019**



Meezan
Rozana Amdani Fund

	Note	2019 (Rupees in '000)
Assets		
Balances with banks	5	7,673,651
Investments	6	8,359,401
Receivable against conversion of units		74,205
Profit accrued	7	160,695
Deposits and prepayments	8	266
Preliminary expenses and floatation costs	9	899
Total assets		16,269,117
Liabilities		
Payable to Al Meezan Investment Management Limited - Management Company	10	9,360
Payable to Central Depository Company of Pakistan Limited - Trustee	11	1,173
Payable to the Securities and Exchange Commission of Pakistan	12	3,418
Payable against conversion and redemption of units		96,609
Dividend payable		9,333
Accrued expenses and other liabilities	13	14,784
Total liabilities		134,677
NET ASSETS		16,134,440
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		16,134,440
CONTINGENCIES AND COMMITMENTS	14	
NUMBER OF UNITS IN ISSUE		322,688,791
		----- Rupees -----
NET ASSET VALUE PER UNIT		50.0000

The annexed notes from 1 to 31 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 ROZANA AMDANI FUND
INCOME STATEMENT
FOR THE PERIOD FROM DECEMBER 28, 2018 TO JUNE 30, 2019

	Note	For the period from December 28, 2018 to June 30, 2019 (Rupees in '000)
Income		
Profit on corporate sukuks		20,189
Profit on commercial papers		35,831
Profit on term deposits		54,699
Profit on Bai muajjal		18,828
Profit on saving accounts with banks		372,611
Total income		<u>502,158</u>
Expenses		
Remuneration of Al Meezan Investment Management Limited - Management Company	10.1	25,108
Sindh Sales Tax on remuneration of the Management Company	10.2	3,264
Remuneration of Central Depository Company of Pakistan Limited - Trustee	11.1	3,637
Sindh Sales Tax on remuneration of the Trustee	11.2	473
Annual fees to the Securities and Exchange Commission of Pakistan	12	3,418
Auditors' remuneration	15	200
Amortisation of flotation costs	9	101
Fees and subscription		570
Brokerage expenses		85
Bank and settlement charges		355
Provision for Sindh Workers' Welfare Fund (SWWF)	13.1	9,299
Total expenses		<u>46,510</u>
Net income for the period before taxation		<u>455,648</u>
Taxation	18	-
Net income for the period after taxation		<u>455,648</u>
Allocation of net income for the period		
Net income for the period after taxation		455,648
Income already paid on units redeemed		-
		<u>455,648</u>
Accounting income available for distribution		
- Relating to capital gains		-
- Excluding capital gains		455,648
		<u>455,648</u>

The annexed notes from 1 to 31 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 ROZANA AMDANI FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM DECEMBER 28, 2018 TO JUNE 30, 2019**



Meezan
Rozana Amdani Fund

For the period
from December
28, 2018 to
June 30, 2019
(Rupees in '000)

Net income for the period after taxation	455,648
Other comprehensive income for the period	-
Total comprehensive income for the period	<u>455,648</u>

The annexed notes from 1 to 31 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 ROZANA AMDANI FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE PERIOD FROM DECEMBER 28, 2018 TO JUNE 30, 2019

For the period from December 28, 2018 to June 30, 2019		
Capital Value	Undistributed income	Total
(Rupees in '000)		

Net assets at the beginning of the period	-	-	-
Issuance of 572,675,141 units			
- Capital value (at par value per unit at the beginning of the period)	28,633,757	-	28,633,757
- Element of income	-	-	-
Total proceeds on issuance of units	28,633,757	-	28,633,757
Redemption of 249,986,350 units			
- Capital value (at par value per unit at the beginning of the period)	12,499,317	-	12,499,317
- Element of loss	-	-	-
Total payments on redemption of units	12,499,317	-	12,499,317
Total comprehensive income for the period	-	455,648	455,648
Distribution during the period *	-	(455,648)	(455,648)
Net income for the period less distribution	-	-	-
Net assets at the end of the period	16,134,440	-	16,134,440

Undistributed income brought forward			
- Realised income		-	
- Unrealised income		-	
Accounting income available for distribution			
- Relating to capital gains		-	
- Excluding capital gains		455,648	
		455,648	
Distribution during the period		(455,648)	
Undistributed income carried forward		-	
Undistributed income carried forward			
- Realised income		-	
- Unrealised income		-	

(Rupees)

Net assets value per unit at the beginning of the period	50.0000
Net assets value per unit at the end of the period	50.0000

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

* Meezan Rozana Amdani Fund is required to distribute dividend on a daily basis on each business day. The cumulative distribution per unit for the period from December 28, 2018 to June 30, 2019 amounted to Rs. 2.4687.

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For AI Meezan Investment Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director

**MEEZAN ROZANA AMDANI FUND
CASH FLOW STATEMENT
FOR THE PERIOD FROM DECEMBER 28, 2018 TO JUNE 30, 2019**



	Note	For the period from December 28, 2018 to June 30, 2019 (Rupees in '000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation		455,648
(Increase) / decrease in assets		
Investments		(3,709,401)
Profit accrued		(160,695)
Deposits and prepayments		(266)
Preliminary expenses and flotation costs		(899)
		(3,871,261)
Increase in liabilities		
Payable to AI Meezan Investment Management Limited - Management Company		9,360
Payable to the Central Depository Company of Pakistan Limited - Trustee		1,173
Payable to the Securities and Exchange Commission of Pakistan		3,418
Accrued expenses and other liabilities		14,784
		28,735
Net cash used in operating activities		(3,386,878)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts against issuance and conversion of units		28,559,552
Payments against redemption and conversion of units		(12,402,708)
Dividend paid		(446,315)
Net cash generated from financing activities		15,710,529
Net increase in cash and cash equivalents		12,323,651
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	20	12,323,651

The annexed notes from 1 to 31 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 ROZANA AMDANI FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM DECEMBER 28, 2018 TO JUNE 30, 2019

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Rozana Amdani Fund (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on October 29, 2018 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). 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 investment objective of the Fund is to meet liquidity needs of investors by providing investors a daily payout through investment in Shariah Compliant money market instruments. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah principles. The Management Company has appointed Dr. Imran Ashraf Usmani 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 Money Market Scheme and has the following specific features:
- (a) Dividend will be distributed to the entitled unit holders on a daily basis (i.e. each business day).
 - (b) Daily dividend received by the unit holder shall be reinvested.
- By distributing dividend on a daily basis, the Management Company is required to ensure that total distribution in an accounting period accumulates to an amount that is required under the tax laws and other regulations in force.
- 1.4 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 in the process of listing on the Pakistan Stock Exchange Limited.
- 1.5 As per the offering document approved by the SECP, the accounting period, in case of the first such period, shall commence from the date on which the trust property is first paid or transferred to the Trustee. Accordingly, these financial statements have been prepared from December 28, 2018 to June 30, 2019 (former being the date from which the proceeds from the issue of units were received).
- 1.6 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 PACRA dated June 28, 2019. The rating reflects the Company's experienced management team, structured investment process and sound quality of systems and processes. The stability rating of the Fund is AA(f) given by JCR-VIS Credit Rating Company Limited.
- 1.7 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 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.

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

3.2 Standards, interpretations and amendments to published accounting and reporting standards that are 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.

3.3 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).

3.4 Accounting convention

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

3.5 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.

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.

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4.3 Financial assets

4.3.1 Classification and subsequent measurement

4.3.1.1 Debt instruments

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

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

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

4.3.2 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 Impairment loss on debt securities

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

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

4.3.4 Regular way contracts

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

4.3.5 Initial recognition and measurement

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

4.3.6 Derecognition

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

4.4 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.

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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 of the Scheme shall be allocated on the basis of Purchase (Offer) Price applicable on the date of realization of subscription money into the bank account of the Scheme.

Units redeemed are recorded at the redemption price prevalent on the date on which the distributors receive redemption application during business hours on that date. The redeemed price represents the net assets value per unit less 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. As more fully explained in note 1.3 to the financial statements, the Fund is required to make distribution on each business day.

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

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

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

4.11 Revenue recognition

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Profit on bank deposits is recognised on time proportion basis using the effective yield method.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are recorded in the period in which these arise.
- Income on sukuk certificates, placements and government securities is recognised on a time proportionate basis using the effective yield method except for the securities which are classified as non-performing asset under Circular 33 of 2012 issued by SECP for which the profits are recorded on cash basis.

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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 the SECP are recognised in the Income Statement on an accrual basis.

4.13 Taxation

Current

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

Deferred

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

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

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. 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 (Rupees in '000)
5 BALANCES WITH BANKS		
Balances with banks in:		
Savings accounts	5.1	7,673,626
Current account		25
		<u>7,673,651</u>
5.1 The balances in saving accounts have expected profit rates ranging from 4.00% to 11.85% per annum.		
6 INVESTMENTS		2019 (Rupees in '000)
At fair value through profit or loss		
Corporate sukuks	6.1	675,000
Commercial papers	6.2	1,558,584
Term deposit receipts - having original maturity of 3 months or less	6.3	4,650,000
Bai Muajjal receivable	6.4	1,475,817
		<u>8,359,401</u>

6.1 Corporate sukuks

Name of the security	Maturity date	Profit rate	Purchases during the period	Sales / redemptions during the period	As at June 30, 2019	Carrying value as at June 30, 2019	Market value as at June 30, 2019	Unrealised appreciation / (diminution)	Percentage in relation to	
									Net assets of the Fund	Total market value of investment
-----Certificates-----						(Rupees in '000)		----- % -----		
Hub Power Company Limited - II (A1+, PACRA) (note 6.1.1)	October 2, 2019	3 months Kibor plus base rate of 1.00%	135,000	-	135,000	675,000	675,000	-	4.18%	8.07%
Total						675,000	675,000			

6.1.1 The nominal value of these sukuk certificates is Rs 5,000 each.

6.2 Commercial Papers

Name of the security	Maturity date	Profit rate	Purchases during the period	Sales / redemptions / maturity during the period	As at June 30, 2019	Carrying value as at June 30, 2019	Market value as at June 30, 2019	Unrealised appreciation / (diminution)	As a percentage of net assets of the fund	As a percentage of total market value of investment
K-Electric Limited CP II (note 6.2.1)	September 2, 2019	6 months Kibor plus base rate of 0.90%	1,589	-	1,589	1,558,584	1,558,584	-	9.66%	18.64%
Total						1,558,584	1,558,584			

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

6.2.2 The securities are valued on the basis of amortization to its face value as per the requirements of Circular 33 of 2012 with respect to thinly and non traded debt securities with residual maturity of upto six months.

6.3 Term deposit receipts

Name of the bank	Maturity date	Profit rate	Term deposit receipts placed during the period	Matured during the period	As at June 30, 2019	Percentage of total market value of investments

Having original maturity of 3 months or less

Faysal Bank Limited	May 3, 2019	10.60%	340,000	340,000	-	-
Allied Bank Limited	April 30, 2019	10.70%	750,000	750,000	-	-
Faysal Bank Limited	June 8, 2019	10.75%	1,550,000	1,550,000	-	-
Faysal Bank Limited	September 8, 2019	12.15%	1,550,000	-	1,550,000	19%
Askari Bank Limited	September 17, 2019	12.05%	1,600,000	-	1,600,000	19%
Meezan Bank Limited	September 20, 2019	12.25%	1,500,000	-	1,500,000	18%
As at June 30, 2019			7,290,000	2,640,000	4,650,000	56%

6.4 Bai Muajjal receivable

The fund entered in a Bai Muajjal transaction with Pak Brunei Investment Company Limited on May 20, 2019 against K-Electric Commercial Paper II (issued on March 1, 2019) at an effective interest rate of 11.23%. The final payment is agreed to be received on August 16, 2019. The final transaction price is Rs 1,496.437 million which includes deferred profit of Rs. 39.448 million.

6.4.1 The carrying amount of the Bai Muajjal receivable includes accrued profit amounting to Rs. 18.828 million.

	Note	2019 (Rupees in '000)
7 PROFIT ACCRUED		
Profit accrued on		
Bank balances		115,926
Term deposit receipts		24,580
Sukuk certificates		20,189
		<u>160,695</u>
8 DEPOSITS AND PREPAYMENTS		
Security deposit with Central Depository Company of Pakistan Limited		100
Prepayments		166
		<u>266</u>
9 PRELIMINARY EXPENSES AND FLOTATION COSTS		
At the beginning of the period		-
Preliminary expenses and flotation costs incurred		1,000
Less: amortisation during the period		(101)
At the end of the period	9.1	<u>899</u>
9.1	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, 2008.	
	Note	2019 (Rupees in '000)
10 PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY		
Management fee payable	10.1	8,283
Sindh Sales Tax payable on remuneration of the Management Company	10.2	1,077
		<u>9,360</u>
10.1	As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding 1% of the average annual net assets in case of a Money Market scheme. During the period, the Management Company has charged its remuneration at the rate of 5% of gross earnings of the Fund subject to the minimum of 0.25% of average annual net assets and maximum of 1% of average annual net assets.	
10.2	During the period, an amount of Rs. 3.264 million was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011, and an amount of Rs. 2.187 million has been paid to the Management Company which acts as a collecting agent.	
11 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE - RELATED PARTY	Note	2019 (Rupees in '000)
Trustee fee payable	11.1	1,038
Sindh Sales Tax payable on trustee fee	11.2	135
		<u>1,173</u>
11.1	The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the trust deed in accordance with the tariff specified therein, based on the daily net assets value of the Fund.	

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The remuneration of the trustee for the period has been calculated as per the following applicable tariff:

Net assets	Tariff
Upto Rs 1 billion	0.15% per annum of net assets
Rs 1 billion to Rs 10 billion	Rs 1.5 million plus 0.075% per annum of net assets exceeding Rs 1 billion
Over Rs 10 billion	Rs 8.25 million plus 0.06% per annum of net assets exceeding Rs 10 billion

- 11.2 During the period, an amount of Rs 0.473 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 0.338 million was paid to the Trustee which acts as a collecting agent.

12 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

In accordance with the NBFC Regulations, a collective investment scheme classified as a Money Market scheme is required to pay to the Securities and Exchange Commission of Pakistan an amount equal to 0.075% of the average annual net assets of the Fund as annual fee.

	Note	2019 (Rupees in '000)
13 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration payable		200
Brokerage payable		85
Shariah advisor fee payable		538
Withholding tax payable		4,649
Provision for Sindh Workers' Welfare Fund (SWWF)	13.1	9,299
Zakat payable		13
		14,784

- 13.1 As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, MUFAP recommended that, as a matter of abundant caution, provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015). Since the Fund has started operations with effect from December 28, 2018 therefore, the provision has been recognised from December 28, 2018 to June 30, 2019.

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period ended June 30, 2019, the net asset value of the Fund as at June 30, 2019 would have been higher by Re. 0.03 per unit.

14 CONTINGENCIES AND COMMITMENTS

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

	2019 (Rupees in '000)
15 AUDITORS' REMUNERATION	
Annual audit fee	200

16 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2019 is 0.51% which includes 0.18% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, federal excise duties, annual fee to the SECP etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as a Money Market scheme.

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17 PERFORMANCE TABLE**2019**

Net assets (Rs '000) (ex-distribution)	16,134,440
Net assets value / redemption price per unit as at June 30 (Rs) (ex-distribution) *	50.0000
Offer price per unit as at June 30 (Rs) (ex-distribution) *	50.0000
Distribution (%)	
- Final distribution	2.4670
Income distribution (Rupees in '000)	455,648
Growth distribution (Rupees in '000)	-
Highest offer price per unit (Rs.)	50.0000
Lowest offer price per unit (Rs.)	50.0000
Highest redemption price per unit (Rs.)	50.0000
Lowest redemption price per unit (Rs.) *	50.0000
Total return (%)	9.97%
	One Year
Average annual return (%) as at June 30, 2019	9.97%

* Back end load will apply as per the requirements of the offering document of the Fund.

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 .

18 TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. 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 unit holders. The Fund has not recorded any tax liability as the Fund has distributed the required level of profit during the period to avail tax exemption.

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

19 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 19.1** Connected persons include Al Meezan Investment Management Limited being the Management Company, the Central Depository Company of Pakistan Limited being the Trustee, Meezan Bank Limited being the holding company of the Management Company, Directors and Executives of the Management Company, other funds under the common management of the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company and unit holders holding 10 percent or more of the Fund's net assets.
- 19.2** Transactions with connected persons are executed on an arm's length basis and essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.
- 19.3** Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, and the Trust Deed.
- 19.4** Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 19.5** The details of transactions carried out by the Fund with connected persons during the period and balances with them as at period end are as follows:

Nil

	2019 (Rupees in '000)
Balances	
AI Meezan Investment Management Limited - Management Company	
Remuneration payable	8,283
Sindh Sales Tax payable on management remuneration	1,077
Central Depository Company of Pakistan Limited - Trustee	
Remuneration payable	1,038
Sindh Sales Tax on trustee fee payable	135
Security deposit	100
Meezan Bank Limited	
Balance with bank	55,616
Profit receivable on saving account	364
Meezan Strategic Allocation Fund - MSAP - I	
Investment of 1,486,486 units	74,324
Meezan Strategic Allocation Fund - MSAP - II	
Investment of 1,014,332 units	50,717
Meezan Strategic Allocation Fund - MSAP - III	
Investment of 1,222,400 units	61,120
Meezan Strategic Allocation Fund - MSAP - IV	
Investment of 1,378,452 units	68,923
Meezan Strategic Allocation Fund - MSAP - V	
Investment of 220,080 units	11,004
Meezan Strategic Asset Allocation Fund - MCPP - III	
Investment of 4,521,293 units	226,065
Meezan Strategic Allocation Fund -II - MCPP - IV	
Investment of 6,081,739 units	304,087
Meezan Strategic Allocation Fund-II - MCPP - V	
Investment of 2,000,572 units	100,029
Meezan Strategic Allocation Fund II- MCPP - VI	
Investment of 1,420,406 units	71,020
Meezan Strategic Allocation Fund II- MCPP - VII	
Investment of 760,217 units	38,011
Meezan Strategic Allocation Fund II- MCPP - VIII	
Investment of 460,132 units	23,007
Directors and Executives of the Management Company	
Investment of 2,291,179 units	114,559
	For the period from December 28, 2018 to June 30, 2019 (Rupees in '000)
Transactions during the period	
AI Meezan Investment Management Limited - Management Company	
Remuneration charged	25,108
Sindh Sales Tax on remuneration of the Management Company	3,264
Units issued: 16,629,842 units	835,975
Dividend paid	29,888



For the period
from December
28, 2018 to June
30, 2019
(Rupees in '000)

Transactions during the period

Central Depository Company of Pakistan Limited - Trustee

Remuneration of the Trustee	3,637
Sindh Sales Tax on remuneration of the Trustee	473
Settlement charges incurred	174

Meezan Bank Limited

Profit on saving accounts	1,689
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Meezan Strategic Allocation Fund - MSAP - I

Units issued: 1,700,486 units	85,024
Units redeemed: 214,000 units	10,700
Dividend paid	24

Meezan Strategic Allocation Fund - MSAP - II

Units issued: 1,160,332 units	58,017
Units redeemed: 146,000 units	7,300
Dividend paid	17

Meezan Strategic Allocation Fund - MSAP - III

Units issued: 1,400,000 units	70,020
Units redeemed: 178,000 units	8,900
Dividend paid	20

Meezan Strategic Allocation Fund - MSAP - IV

Units issued: 1,580,452 units	79,023
Units redeemed: 202,000 units	10,100
Dividend paid	23

Meezan Strategic Allocation Fund - MSAP - V

Units issued: 280,000 units	14,004
Units redeemed: 60,000 units	3,000
Dividend paid	4

Meezan Strategic Asset Allocation Fund - MCPP-III

Units Issued: 4,521,293 units	226,065
Dividend paid	65

Meezan Strategic Allocation Fund II- MCPP - IV

Units issued: 6,081,739 units	304,087
Dividend paid	87

Meezan Strategic Allocation Fund II- MCPP - V

Units issued: 2,000,572 units	100,029
Dividend paid	29

Meezan Strategic Allocation Fund II- MCPP - VI

Units issued: 1,420,406 units	71,020
Dividend paid	20

Meezan Strategic Allocation Fund II- MCPP - VII

Units issued: 760,217 units	38,011
Dividend paid	11

Meezan Strategic Allocation Fund II- MCPP - VIII

Units issued: 460,132 units	23,007
Dividend paid	7

At

For the period
 from December
 28, 2018 to June
 30, 2019
 (Rupees in '000)

Directors and Executives of the Management Company

Units issued: 2,550,952 units

Units redeemed: 259,773 units

Dividend paid

127,913
12,989
3,651

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

	Note	2019 (Rupees in '000)
20 CASH AND CASH EQUIVALENTS		
Cash and bank balances	5	7,673,651
Term deposit receipt (with original maturity of three months)	6.3	4,650,000
		<u>12,323,651</u>

21 FINANCIAL INSTRUMENTS BY CATEGORY
Financial assets

Balances with banks

Investments

Receivable against conversion of units

Profit accrued

Deposits

----- 2019 -----		
At amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		
7,673,651	-	7,673,651
-	8,359,401	8,359,401
74,205	-	74,205
160,695	-	160,695
100	-	100
<u>7,908,651</u>	<u>8,359,401</u>	<u>16,268,052</u>

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company

Payable to Central Depository Company of Pakistan Limited - Trustee

Payable against conversion and redemption of units

Accrued expenses and other liabilities

----- 2019 -----		
At fair value through profit or loss	At amortised cost	Total
(Rupees in '000)		
-	9,360	9,360
-	1,173	1,173
-	96,609	96,609
-	823	823
-	<u>107,965</u>	<u>107,965</u>

22 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, interest rate risk and currency risk) credit risk and liquidity risk. Further, the overall exposure of the Fund complies with the NBFC Regulations, 2008, and the directives issued by the Securities and Exchange Commission of Pakistan (SECP).

Risks managed and measured by the Fund are explained below:

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22.1 Market risk

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

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

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

(i) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2019, the Fund is exposed to such risk on its balances held with banks and investments in corporate sukus, commercial papers, term deposit receipts and Bai Muajjal. 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 and investment in corporate sukus and term deposit receipts. At June 30, 2019, if there had been increase / decrease of 100 basis points in interest rates, with all other variables held constant, net assets of the Fund for the period then ended would have been higher / lower by Rs 129.99 million.

b) Sensitivity analysis for fixed rate instruments

The Fund's fixed rate risk arises from investments in commercial papers and Bai Muajjal. At June 30, 2019, if there had been increase / decrease of 100 basis points in interest rates, with all other variables held constant, net assets of the Fund for the period then ended would have been higher / lower by Rs 30.34 million.

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 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 profit rate risk			Not exposed to 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	4.00% to 11.85%	7,673,626	-	25	7,673,651
Investments	10.6% to 12.25%	8,359,401	-	-	8,359,401
Receivable against conversion of units		-	-	74,205	74,205
Profit accrued		-	-	160,695	160,695
Deposits		-	-	100	100
		16,033,027	-	235,025	16,268,052
Financial liabilities					
Payable to Al Meezan Investment Management Limited - Management Company		-	-	9,360	9,360
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	1,173	1,173
Payable against conversion and redemption of units		-	-	96,609	96,609
Accrued expenses and other liabilities		-	-	823	823
		-	-	107,965	107,965
On-balance sheet gap (a)		16,033,027	-	127,060	16,160,087
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap (b)		-	-	-	-
Total profit rate sensitivity gap (a+b)		16,033,027	-	-	-
Cumulative profit rate sensitivity gap		16,033,027	16,033,027	16,033,027	-

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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.

22.2 Liquidity risk

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

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

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

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the period from December 28, 2018 to June 30, 2019.

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	7,673,651	-	-	-	-	-	7,673,651
Investments	-	7,684,401	675,000	-	-	-	8,359,401
Receivable against conversion of units	74,205	-	-	-	-	-	74,205
Profit accrued	115,926	44,769	-	-	-	-	160,695
Deposits	-	-	-	-	-	100	100
	7,863,782	7,729,170	675,000	-	-	100	16,268,052

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company	9,360	-	-	-	-	-	9,360
Payable to the Central Depository Company of Pakistan Limited - Trustee	1,173	-	-	-	-	-	1,173
Payable against conversion and redemption of units	96,609	-	-	-	-	-	96,609
Accrued expenses and other liabilities	85	738	-	-	-	-	823
	107,227	738	-	-	-	-	107,965

Net assets / (liabilities)

	7,756,555	7,728,432	675,000	-	-	100	16,160,087
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22.3 Credit risk

22.3.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. Credit risk arising on the debt instruments is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of at least investment grade by the recognised rating agencies. The Fund receives a monthly rating update, against which investments are reviewed.

Credit risk arises from deposits with banks and financial instruments, profit receivable on balances with banks, receivable against conversion of units and credit exposure arising as a result of receivable against sale of investments. Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. For debt instrument settlement, Delivery versus Payment (DvP) mechanism applied by the Trustee of the fund minimises the credit risk. In accordance with the risk management policy of the Fund, the investment committee monitors the credit position on a daily basis which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

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

	2019	
	Balance as per statement of assets and liabilities	Maximum exposure to credit risk
-----Rupees in '000-----		
Balances with banks	7,673,651	7,673,651
Investments	8,359,401	8,359,401
Receivable against conversion of units	74,205	74,205
Profit accrued	160,695	160,695
Deposits	100	100
	16,268,052	16,268,052

The maximum exposure to credit risk before any credit enhancement as at June 30, 2019 is the carrying amount of the financial assets.

22.3.2 Credit quality of financial assets

The Fund's significant credit risk arises mainly on account of its placements in banks and profit accrued thereon 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
AAA	26.19
AA+	35.32
AA	38.49
	100.00

Ratings of corporate sukus have been disclosed in related notes to the financial statements.

22.3.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic and industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. As transactions are entered with credit worthy parties thereby any significant concentration of credit risk is mitigated.

All financial assets of the Fund as at June 30, 2019 are unsecured and are not impaired.

23 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			
Corporate sukuks *	-	675,000	-
Commercial papers **	-	1,558,584	-
Term deposit receipts - having original maturity of 3 months or less *	-	4,650,000	-
Bai Muajjal receivable **	-	1,475,817	-
	-	<u>8,359,401</u>	-

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

** The valuation of commercial papers and Bai Muajjal receivable have been carried out based on amortisation to their face values / sale price as per the guidelines given in Circular 33 of 2012 since the residual maturity of these investments is less than six months and they are placed with counterparties which have high credit rating.

24 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 requirements of minimum fund size at all times.

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

In accordance with the risk management policies as stated in note 21, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

25 UNIT HOLDING PATTERN OF THE FUND

Category	----- 2019 -----		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total
Individuals	1,794	5,985,067	37.10
Associated Companies / Directors	14	1,140,948	7.07
Insurance Companies	1	10,296	0.06
Banks and DFIs	-	-	0.00
Retirement Funds	29	438,121	2.72
Private Limited Companies	32	5,134	0.03
Others	59	8,554,874	53.03
	<u>1,929</u>	<u>16,134,440</u>	<u>100.00%</u>

26 LIST OF TOP BROKERS BY PERCENTAGE OF COMMISSION PAID

Name of broker	2019
	Percentage of commission paid
Paramount Capital (Private) Limited	90%
C & M Management (Private) Limited	10%
	<u>100%</u>

26.1 The fund has traded with only the above mentioned 2 brokers / dealers during the period ended June 30, 2019.

27 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

Name	Designation	Qualification	Experience in years
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. Zain Malik. Other Funds being managed by the Fund Manager are as follows:

- Meezan Islamic Income Fund
- Meezan Sovereign Fund
- Meezan Cash Fund

28 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

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

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

29 CORRESPONDING FIGURES

There are no corresponding figures as the Fund commenced its operations from December 28, 2018.

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**30 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.**

31 GENERAL

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

M. I. M.

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Chief Financial Officer

Director