



**KSE-Meezan  
Index Fund**

## **KSE-Meezan Index Fund (KMIF)**

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

**FOUNDER OF THE  
MEEZAN ISLAMIC INDEX**



# FUND INFORMATION

## MANAGEMENT COMPANY

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

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

## CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

## AUDIT COMMITTEE

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

## RISK MANAGEMENT COMMITTEE

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

## HUMAN RESOURCE & REMUNERATION COMMITTEE

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

## TRUSTEE

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

## AUDITORS

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

## SHARIAH ADVISER

Meezan Bank Limited

## BANKERS TO THE FUND

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

## LEGAL ADVISER

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

## TRANSFER AGENT

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

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited

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

### Type of Fund

Open end index tracker fund

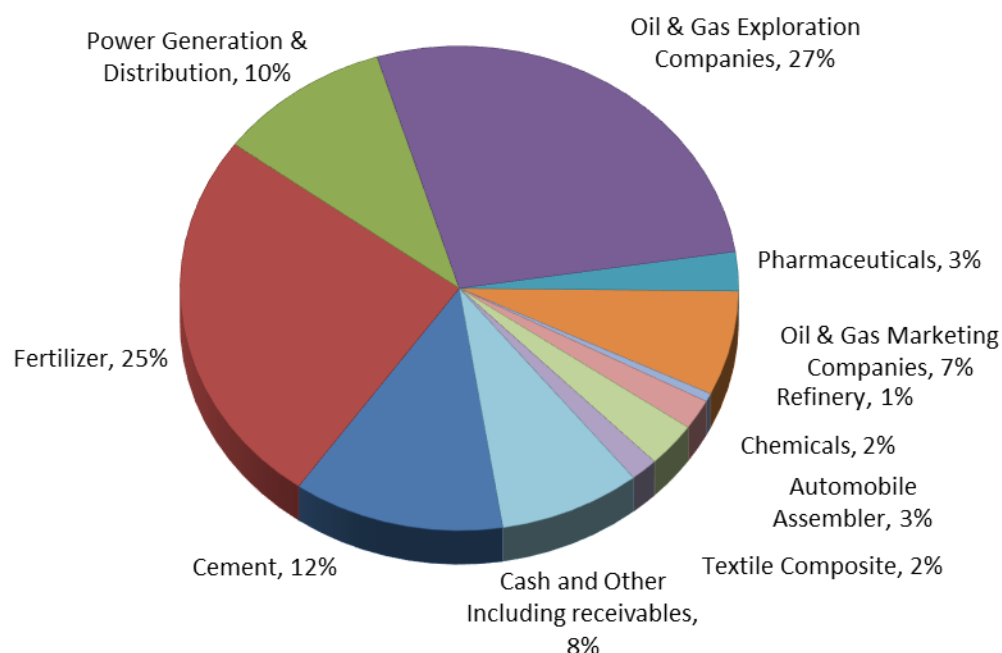
### Objective

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

### Strategy, Investment Policy and Asset Allocation

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

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

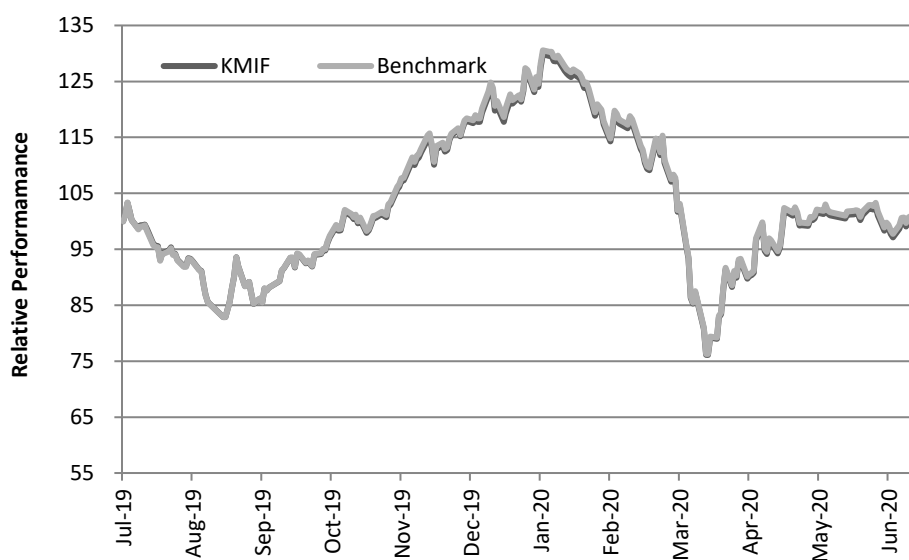


### Performance Review

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

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

KMIF posted a total Income of Rs. 58 million in the fiscal year 2020 as compared to a total loss of Rs. 450 million last year. Total Income comprised of realized gain and unrealized capital losses on investments of Rs. 63 million and Rs. 99 million respectively. Dividend income contributed Rs. 90 million to income, while profit on saving accounts with banks amounted to Rs. 0.96 million. After accounting for expenses of Rs. 33 million, the Fund posted a net Income of Rs. 25 million. The net assets of the Fund as at June 30, 2020 were Rs. 1,857 million as compared to Rs. 1,517 million at the end of last year depicting a Increase of 22%. . The net asset value per unit as at June 30, 2020 was Rs. 53.41 as compared to Rs. 52.95 per unit as on June 30, 2019.



### **Charity Statement**

The Fund purifies the income earned by setting aside an amount payable by the Management Company out of the income of the Trust to charitable/welfare organizations, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2020 an amount of Rs. 3 million was accrued as charity payable.

### **Distributions**

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

**Breakdown of unit holdings by size:**

(As on June 30, 2020)

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

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

	<b>Resolutions</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>
<b>Number</b>	5	5	0	0
<b>Percentage</b>		100%	0%	0%

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

<b>PERFORMANCE TABLE</b>	2020	2019	2018	2017	2016
Net assets (Rs in '000) (ex-distribution)	1,857,173	1,857,173	1,687,480	1,908,874	881,629
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	53.41290	52.94700	70.65810	79.56000	78.91000
Offer price per unit as at June 30 (Rs.) (ex-distribution)	54.75360	54.27600	72.43160	81.36000	81.00000
Highest offer price per unit (Rs.)	70.61800	73.32952	66.40000	109.77000	85.05000
Lowest offer price per unit (Rs.)	41.38180	50.88235	83.95000	80.60000	65.44000
Highest redemption price per unit (Rs.)	68.88890	75.17010	82.09080	107.34000	82.86000
Lowest redemption price per unit (Rs.)	40.36860	52.15940	64.76700	78.82000	63.75000
Distribution (%)	N/A	N/A	N/A	24.00000	4.70000
Date of distribution	N/A	N/A	N/A	42,909	42,545
Growth distribution (Rupees in '000)	N/A	N/A	N/A	270,893	24,604
Total return (%)	0.88 -	25.00 -	11.20	15.90	13.30
	One Year	Two Year	Three Year	Four Year	Five Year
Average annual return (%) as at June 30, 2020	0.88 -	13.02 -	12.42 -	6.06 -	2.47



**Meezan Bank**  
The Premier Islamic Bank

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

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

**Alhamdulillah**, the period from July 2019 to June 30, 2020 was the Eighth year of operations of KSE Meezan Index Fund (KMIF) under management of Al Meezan Investment Management Limited (Al Meezan). We, Meezan Bank Limited, are the *Shariah* advisors of the Fund and are issuing the report in accordance with clause 8.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shariah* compliance of the Fund's activity

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

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

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

Company Name	(i) Nature of Business	(ii)** Debt to Assets (<37%)	(iii) Non-Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Engro Corporation Ltd.	Fertilizer	28.34%	22.25%	4.72%	58.58%	(220.56)	
Oil & Gas Development Company	Oil & Gas Exploration Companies	0.00%	7.95%	7.74%****	33.64%	90.21	142.32



The Hub Power Co. Ltd.**	Power Generation and Distribution	32.32%	0.00%	7.32%	53.77%	(43.08)	
Lucky Cement Ltd.	Cement	25.55%	0.71%	2.59%	85.13%	(279.47)	
Pakistan Petroleum Co. Ltd.	Oil & Gas Exploration Companies	0.01%	8.64%	1.59%	31.91%	58.79	137
Dawood Hercules Corporation Ltd.	Investment Company	18.33%	25.06%	5.78%	56.42%	(240.14)	
Pakistan Oilfields Ltd.	Oil & Gas Exploration Companies	0.00%	1.35%	4.09%	44.36%	7.96	446.72
Engro Fertilizer Ltd.	Fertilizer	26.23%	4.34%	1.34%	69.88%	(34.07)	

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

\*\* All interest based debts.

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

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

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

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

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

**Dr. Muhammad Imran Ashraf Usmani**

For and on behalf of Meezan Bank

*Shariah* Advisor

**Head Office**

CDC House, 99-B, Block 'B'  
S.M.C.H.S. Main Shakra-e-Faisal  
Karachi - 74400. Pakistan.  
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**TRUSTEE REPORT TO THE UNIT HOLDERS**

**KSE MEEZAN INDEX FUND**

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

We, Central Depository Company of Pakistan Limited, being the Trustee of KSE Meezan Index Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 24, 2020



**INDEPENDENT AUDITOR'S REPORT**

**To the Unit holders of KSE Meezan Index Fund**

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

**Opinion**

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

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

**Basis for Opinion**

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

**Key Audit Matters**

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

Following is the key audit matter:

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

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### **Other Information**

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

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

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

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the management company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide board of directors of the management company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with board of directors of the management company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

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

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

  
Chartered Accountants

Karachi

Date: September 22, 2020



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

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

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

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

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

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

\_\_\_\_\_  
Director

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

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

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

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

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

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

\_\_\_\_\_  
Director



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

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

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

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

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

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

\_\_\_\_\_  
Director

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

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

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

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

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

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

\_\_\_\_\_  
Director



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

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

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

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

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

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

\_\_\_\_\_  
Director

**KSE MEEZAN INDEX FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** KSE Meezan Index Fund (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on March 13, 2012 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008, (NBFC Regulations, 2008). The Management Company has been licensed by Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, (the NBFC Rules) through a certificate of registration issued by SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi, 74400, Pakistan.
- 1.2** The Fund is a Shariah Compliant Index Fund that aims to provide investors an opportunity to track closely the performance of the KSE-Meezan Index 30 (KMI 30) by investing in companies of the index in proportion to their weightages. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah. The Management Company has appointed Meezan Bank Limited (MBL) as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.3** The Fund is an open-end fund listed on Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and be redeemed by surrendering them to the Fund. The Fund is categorized as a Shariah Compliant Index Fund.
- 1.4** The title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited (CDC) as the Trustee of the Fund.
- 1.5** The Management Company has been assigned a quality rating of AM1 by VIS dated December 31, 2019 (2019: AM1 dated December 28, 2018) and by PACRA dated June 26, 2020 (2019: dated June 28, 2019). The rating reflects the Company's experienced management team, structured investment process and sound quality of systems and processes.

**2 BASIS OF PRESENTATION**

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

**3 BASIS OF PREPARATION**

**3.1 Statement of compliance**

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

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

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

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

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

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

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

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

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

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

**3.4 Critical accounting estimates and judgments**

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

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

**3.5 Accounting convention**

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

**3.6 Functional and presentation currency**

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**4.2 Cash and cash equivalents**

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

### **4.3 Financial assets**

#### **4.3.1 Classification and subsequent measurement**

##### **4.3.1.1 Equity instruments**

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

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

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

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

##### **4.3.2 Impairment**

The fund assesses on a forward looking basis the expected credit loss (ECL) associated with its financial assets (other than debt instruments) carried at amortised cost and FVOCI. The fund recognises loss allowances for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

##### **4.3.2.1 Impairment loss on debt securities**

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

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

##### **4.3.3 Regular way contracts**

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

##### **4.3.4 Initial recognition and measurement**

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

##### **4.3.5 Derecognition**

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

##### **4.3.6 Derivatives**

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

### **4.4 Financial liabilities**

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

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

**4.5 Offsetting of financial assets and financial liabilities**

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

**4.6 Provisions**

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

**4.7 Net asset value per unit**

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

**4.8 Issue and redemption of units**

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

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

**4.9 Distributions to unit holders**

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

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

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

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

**4.11 Revenue recognition**

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

#### 4.12 Expenses

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

#### 4.13 Taxation

##### Current

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

##### Deferred

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

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

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

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

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

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

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

#### 4.15 Foreign currency translation

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

5	BALANCES WITH BANKS	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
	Balances with banks in:			
	Savings accounts	5.1	43,559	7,559
	Current accounts		<u>2,791</u>	<u>1,376</u>
			<u>46,350</u>	<u>8,935</u>

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

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



**6.1 Investments in equity securities - listed**

Name of the investee company	As at July 1, 2019	Purchases during the year	Rights / Bonus issue	Sales during the year	As at June 30, 2020	Carrying value as at June 30, 2020	Market value as at June 30, 2020	Unrealised gain / (loss) as at June 30, 2020	Percentage in relation to		
									Net assets of the Fund	Paid-up capital of investee company (with face value of investment)	Total market value of investments
									%		
----- Number of shares -----						(Rupees in '000)					
<b>Sectors / companies</b>											
<b>Automobile Assembler</b>											
Honda Atlas Cars (Pakistan) Limited	-	95,700	-	24,500	71,200	11,502	13,790	2,288	0.74	0.05	0.74
Milat Tractors Limited	-	71,600	6,662	27,850	50,412	36,442	35,599	(843)	1.92	0.11	1.92
Pak Suzuki Motor Company Limited	-	61,600	-	17,800	43,800	9,640	7,088	(2,552)	0.38	0.05	0.38
									<b>3.04</b>	<b>0.22</b>	<b>3.04</b>
<b>Automobile Parts &amp; Accessories</b>											
Thal Limited (note 6.1.1)	-	82,300	-	82,300	-	-	-	-	-	-	-
									<b>-</b>	<b>-</b>	<b>-</b>
<b>Bank</b>											
Meezan Bank Limited (an associate of the Fund)	-	956,600	-	216,899	739,701	59,818	50,928	(8,890)	2.74	0.06	2.74
									<b>2.74</b>	<b>0.06</b>	<b>2.74</b>
<b>Cable And Electrical Goods</b>											
Pak Elektron Limited	565,303	246,000	-	230,500	580,803	12,233	13,318	1,085	0.72	0.12	0.72
									<b>0.72</b>	<b>0.12</b>	<b>0.72</b>
<b>Cement</b>											
D.G. Khan Cement Company Limited	498,500	205,500	-	185,500	518,500	31,685	44,244	12,559	2.38	0.12	2.38
Fauji Cement Company Limited	1,735,375	797,500	-	739,000	1,793,875	28,087	30,281	2,194	1.63	0.13	1.63
Lucky Cement Limited	292,680	131,665	-	102,165	322,180	127,987	148,712	20,725	8.01	0.10	8.01
Maple Leaf Cement Factory Limited *	604,155	912,681	-	1,063,500	453,336	9,540	11,778	2,238	0.63	0.07	0.63
									<b>12.65</b>	<b>0.42</b>	<b>12.65</b>
<b>Chemical</b>											
Engro Polymer & Chemicals Limited	1,027,271	280,000	-	501,000	806,271	22,039	20,141	(1,898)	1.08	0.09	1.08
Lotte Chemical Pakistan Limited	857,500	373,000	-	297,500	933,000	13,321	9,283	(4,038)	0.50	0.06	0.50
									<b>1.58</b>	<b>0.15</b>	<b>1.58</b>
<b>Engineering</b>											
International Industries Limited	122,500	-	-	122,500	-	-	-	-	-	-	-
International Steels Limited	393,400	177,000	-	203,499	366,901	16,201	18,950	2,749	1.02	0.08	1.02
									<b>1.02</b>	<b>0.08</b>	<b>1.02</b>
<b>Fertilizer</b>											
Engro Corporation Limited	716,900	363,395	-	197,973	882,322	246,963	258,452	11,489	13.92	0.15	13.92
Engro Fertilizers Limited	1,357,136	858,102	-	441,420	1,773,818	114,202	106,926	(7,276)	5.76	0.13	5.76
									<b>19.67</b>	<b>0.29</b>	<b>19.67</b>
<b>Food And Personal Care</b>											
Frieslandcampina Engro Pakistan Limited	174,500	255,500	-	210,500	219,500	16,608	16,135	(473)	0.87	0.03	0.87
									<b>0.87</b>	<b>0.03</b>	<b>0.87</b>
<b>Investment Banks / Investment Companies / Securities Companies</b>											
Dawood Hercules Corporation Limited	-	1,164,500	-	223,100	941,400	117,397	120,424	3,027	6.48	0.20	6.48
									<b>6.48</b>	<b>0.20</b>	<b>6.48</b>
<b>Oil And Gas Exploration Companies</b>											
Mari Petroleum Company Limited	55,030	26,740	5,835	21,700	65,905	64,660	81,501	16,841	4.39	0.05	4.39
Oil & Gas Development Company Limited	1,459,618	643,662	-	431,499	1,671,781	209,163	182,224	(26,939)	9.81	0.04	9.81
Pakistan Oilfields Limited	294,130	139,663	-	96,707	337,086	130,220	118,192	(12,028)	6.36	0.12	6.36
Pakistan Petroleum Limited (note: 6.1.2)	1,254,279	637,246	249,235	506,969	1,633,791	187,673	141,780	(45,893)	7.63	0.07	7.63
									<b>28.20</b>	<b>0.28</b>	<b>28.20</b>
<b>Oil And Gas Marketing Companies</b>											
Attock Petroleum Limited	-	63,900	-	63,900	-	-	-	-	-	-	-
Hascol Petroleum Limited *	159,330	629,609	-	788,468	471	5	6	1	0.00	0.00	0.00
Pakistan State Oil Company Limited	398,700	691,316	-	547,259	542,757	98,649	85,842	(12,807)	4.62	0.14	4.62
Shell Pakistan Limited	48,900	-	-	48,900	-	-	-	-	-	-	-
Sui Northern Gas Pipelines Limited	645,833	286,500	-	228,000	704,333	46,775	38,457	(8,318)	2.07	0.11	2.07
Sui Southern Gas Company Limited	695,231	356,000	-	310,000	741,231	14,135	9,888	(4,247)	0.53	0.08	0.53
									<b>7.23</b>	<b>0.33</b>	<b>7.23</b>

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

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

- 6.1.1** All shares have a face value of Rs 10 each except for the shares of K-Electric Limited and Thal Limited which have a face value of Rs 3.5 and 5 each respectively.
- 6.1.2** Investments include 682,000 shares (2019: 682,000 shares) of Pakistan Petroleum Limited having market value of Rs 59.184 million as at June 30, 2020 (2019: Rs 98.501 million), which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.
- 6.1.3** The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001 as a result of which companies were liable to withhold five percent of the bonus shares to be issued. The shares so withheld were only to be released if the Fund deposits tax equivalent to five percent of the value of the bonus shares issued to the Fund including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

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

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

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

As at June 30, 2020, the bonus shares of the Fund withheld by certain companies at the time of declaration of bonus shares amounted to Rs. 1.160 million (2019: Rs. 0.883 million).

	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>(Rupees in '000)</b>	
<b>6.2 Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'</b>			
Market value of investments	6.1	1,857,289	1,522,876
Less: Carrying value of investments	6.1	<u>1,955,789</u>	<u>1,969,748</u>
		<u>(98,500)</u>	<u>(446,872)</u>
<b>7 DEPOSITS AND OTHER RECEIVABLES</b>			
Profit receivable on saving account		29	153
Security deposit with Central Depository Company of Pakistan Limited		103	103
Security deposit with the National Clearing Company of Pakistan Limited		<u>2,500</u>	<u>2,500</u>
		<u>2,632</u>	<u>2,756</u>
<b>8 PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>			
Management fee payable	8.1	1,511	1,224
Sindh Sales Tax on management fee payable	8.2	196	159
Allocated expenses payable	8.3	151	122
Sales load payable		204	1
Sindh Sales Tax payable on sales load		<u>26</u>	<u>1</u>
		<u>2,088</u>	<u>1,507</u>
<b>8.1</b>	As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the Offering Document subject to the total expense ratio limit. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 1% (2019: 1%) per annum of the average net assets of the Fund during the year ended June 30, 2020. The remuneration is payable to the Management Company monthly in arrears.		
<b>8.2</b>	During the year, an amount of Rs. 2.224 million (2019: Rs 2.140 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011, and an amount of Rs. 2.187 million (2019: Rs. 2.166 million) has been paid to the Management Company which acts as a collecting agent.		

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

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

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

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

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

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

- 9.2** During the year, an amount of Rs 0.352 million (2019: Rs. 0.344 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 0.320 million (2019: Rs. 0.347 million) was paid to the Trustee which acts as a collecting agent.

#### **10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

In accordance with the NBFC Regulations, a Collective Investment Scheme (CIS) is required to pay annual fee to the Securities and Exchange Commission of Pakistan (SECP).

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

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

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

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

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 6.238 million is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision not been made, the NAV per unit of the Fund would have been higher by Re 0.18 (2019: Re 0.22) per unit.

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

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

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

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

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2020, the net asset value of the Fund as at June 30, 2020 would have been higher by Re. 0.28 per unit (2019: Re 0.32 per unit).

## 12 CONTINGENCIES AND COMMITMENTS

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

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

## 14 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2020 is 1.95% (2019: 1.81%) which includes 0.23% (2019: 0.26%) representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, federal excise duties, annual fee to the SECP, etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as a Index Scheme.

## 15 TAXATION

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

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

## 16 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

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

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

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

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

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

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



	2020	2019
	(Rupees in '000)	
<b>AI Meezan Investment Management Limited (GF)</b>		
Investment as at June 30, 2020: 133,559 units (2019: 133,559 units)	7,134	7,072
<b>Meezan Strategic Allocation Fund MSAP-I</b>		
Investment as at June 30, 2020: 4,311 units (2019: 201,580 units)	230	10,673
<b>Meezan Strategic Allocation Fund MSAP-II</b>		
Investment as at June 30, 2020: 137,526 units (2019: 137,526 units)	7,346	7,282
<b>Meezan Strategic Allocation Fund MSAP-III</b>		
Investment as at June 30, 2020: 374,075 units (2019: 167,669 units)	19,980	8,878
<b>Meezan Strategic Allocation Fund MSAP-IV</b>		
Investment as at June 30, 2020: 396,682 units (2019: 190,276 units)	21,188	10,075
<b>Meezan Strategic Allocation Fund MSAP-V</b>		
Investment as at June 30, 2020: 56,518 units (2019: 56,518 units)	3,019	2,992
	<b>For the year ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	(Rupees in '000)	
<b>Transactions during the year</b>		
<b>AI Meezan Investment Management Limited (Management Company)</b>		
Remuneration of Management Company	17,105	16,463
Sindh Sales Tax on remuneration of the Management Company	2,224	2,140
Allocated expenses	1,711	1,646
Issue of 7,015,589 units (2019: 4,655,875 units)	360,600	291,388
Redemption of 2,200,507 units (2019: 1,245,780 units)	125,500	76,200
<b>Central Depository Company of Pakistan Limited (CDC) - Trustee</b>		
Remuneration of the Trustee	2,711	2,645
Sindh Sales Tax on remuneration of the Trustee	352	344
CDS charges	117	84
<b>Meezan Bank Limited</b>		
Profit on saving accounts with banks	489	214
Dividend income	2,776	-
Shariah advisor fee	544	533
Purchase of 956,600 shares (2019: nil shares)	77,697	-
Sale of 216,899 shares (2019: nil shares)	19,100	-
<b>Directors and their close family members and key management personnel of the Management Company</b>		
Issue of 608,497 units (2019: 749,321 units)	40,915	50,056
Redemption of 1,026 units (2019: 750,286 units)	55	38,776
<b>Meezan Strategic Allocation Fund MSAP-I</b>		
Issue of nil units (2019: 201,580 units)	-	10,700
Redemption of 197,269 units (2019: nil units)	10,000	-
<b>Meezan Strategic Allocation Fund MSAP-II</b>		
Issue of nil units (2019: 137,526 units)	-	7,300
<b>Meezan Strategic Allocation Fund MSAP-III</b>		
Issue of 206,406 units (2019: 167,669 units)	10,000	8,900
<b>Meezan Strategic Allocation Fund MSAP-IV</b>		
Issue of 206,406 units (2019: 190,276 units)	10,000	10,100
<b>Meezan Strategic Allocation Fund MSAP-V</b>		
Issue of nil units (2019: 56,518 units)	-	3,000
<b>16.6</b> Other balances due to / from related parties / connected persons are included in the respective notes to the financial statements.		

17 **FINANCIAL INSTRUMENTS BY CATEGORY**

2020		
At amortised cost	At fair value through profit or loss	Total
----- Rupees in '000' -----		
Balances with banks	46,350	46,350
Investments	-	1,857,289
Receivable against conversion of units	1,130	1,130
Dividend receivable	8,277	8,277
Deposits and other receivables	2,632	2,632
	<u>58,389</u>	<u>1,915,678</u>

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

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

2019		
At fair value through profit or loss	At amortised cost	Total
----- Rupees in '000' -----		
<b>Financial liabilities</b>		
Payable to Al Meezan Investment Management Limited - Management Company	-	1,507
Payable to Central Depository Company Limited - Trustee	-	229
Payable to Meezan Bank Limited	-	14
Payable against conversion and redemption of units	-	274
Payable against purchase of investments	-	44,670
Accrued expenses and other liabilities	-	3,518
	<u>-</u>	<u>50,212</u>

18 **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

**18.1 Market risk**

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

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

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

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

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

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

Presently, the Fund holds balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase/decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher/lower by Rs.0.0370 million (2019: Rs. 0.006 million).

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

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

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

----- 2020 -----						
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total	
	Up to three months	More than three months and up to one year	More than one year			
----- Rupees in '000' -----						
<b>Financial assets</b>						
Balances with banks	1.50% - 3.00%	43,559	-	-	2,791	46,350
Investments		-	-	-	1,857,289	1,857,289
Receivable against conversion of units		-	-	-	1,130	1,130
Dividend receivable		-	-	-	8,277	8,277
Deposits and other receivables		-	-	-	2,632	2,632
		<b>43,559</b>	<b>-</b>	<b>-</b>	<b>1,872,119</b>	<b>1,915,678</b>
<b>Financial liabilities</b>						
Payable to AI Meezan Investment Management Limited - Management Company		-	-	-	2,088	2,088
Payable to Central Depository Company Limited - Trustee		-	-	-	259	259
Payable to Meezan Bank Limited		-	-	-	93	93
Payable against conversion and redemption of units		-	-	-	497	497
Payable against purchase of investments		-	-	-	33,760	33,760
Accrued expenses and other liabilities		-	-	-	5,169	5,169
		<b>-</b>	<b>-</b>	<b>-</b>	<b>41,866</b>	<b>41,866</b>
<b>On-balance sheet gap (a)</b>		<b>43,559</b>	<b>-</b>	<b>-</b>	<b>1,830,253</b>	<b>1,873,812</b>
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total profit rate sensitivity gap (a+b)</b>		<b>43,559</b>	<b>-</b>	<b>-</b>		
<b>Cumulative profit rate sensitivity gap</b>		<b>43,559</b>	<b>43,559</b>	<b>43,559</b>		

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

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

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

## (ii) Currency risk

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

## (iii) Price risk

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

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

In case of 1% increase / decrease in KMI 30 index on June 30, 2020, with all other variables held constant, the total comprehensive income of the Fund for the year would increase / decrease by Rs. 18.573 million (2019: Rs. 15.229 million) and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as financial assets at fair value through profit or loss.

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

## 18.2 Liquidity risk

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



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

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

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

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

----- 2020 -----						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
----- Rupees in '000' -----						
<b>Financial assets</b>						
Balances with banks	46,350	-	-	-	-	46,350
Investments	-	-	-	-	1,857,289	1,857,289
Receivable against conversion of units	1,130	-	-	-	-	1,130
Dividend receivable	8,277	-	-	-	-	8,277
Deposits and other receivables	29	-	-	-	2,603	2,632
	<b>55,786</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,859,892</b>	<b>1,915,678</b>
<b>Financial liabilities</b>						
Payable to AI Meezan Investment Management Limited - Management Company	2,088	-	-	-	-	2,088
Payable to Central Depository Company Limited - Trustee	259	-	-	-	-	259
Payable to Meezan Bank Limited	93	-	-	-	-	93
Payable against conversion and redemption of units	497	-	-	-	-	497
Payable against purchase of investments	33,760	-	-	-	-	33,760
Accrued expenses and other liabilities	5,169	-	-	-	-	5,169
	<b>41,866</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,866</b>
<b>Net assets / (liabilities)</b>	<b>13,920</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,859,892</b>	<b>1,873,812</b>
----- 2019 -----						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
----- Rupees in '000' -----						
<b>Financial assets</b>						
Balances with banks	8,935	-	-	-	-	8,935
Investments	-	-	-	-	1,522,876	1,522,876
Receivable against conversion of units	40,106	-	-	-	-	40,106
Dividend receivable	9,994	-	-	-	-	9,994
Deposits and other receivables	153	-	-	-	2,603	2,756
	<b>59,188</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,525,479</b>	<b>1,584,667</b>
<b>Financial liabilities</b>						
Payable to AI Meezan Investment Management Limited - Management Company	1,507	-	-	-	-	1,507
Payable to Central Depository Company Limited - Trustee	229	-	-	-	-	229
Payable to Meezan Bank Limited	14	-	-	-	-	14
Payable against conversion and redemption of units	274	-	-	-	-	274
Payable against purchase of investments	44,670	-	-	-	-	44,670
Accrued expenses and other liabilities	3,518	-	-	-	-	3,518
	<b>50,212</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,212</b>
<b>Net assets / (liabilities)</b>	<b>8,976</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,525,479</b>	<b>1,534,455</b>

### 18.3 Credit risk

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

	2020		2019	
	Balance as per statement of assets and liabilities	Maximum exposure to credit risk	Balance as per statement of assets and liabilities	Maximum exposure to credit risk
----- Rupees in '000 -----				
Balances with banks	46,350	46,350	8,935	8,935
Investments	1,857,289	-	1,522,876	-
Receivable against conversion of units	1,130	1,130	40,106	40,106
Dividend receivable	8,277	8,277	9,994	9,994
Deposits and other receivables	2,632	2,632	2,756	2,756
	<b>1,915,678</b>	<b>58,389</b>	<b>1,584,667</b>	<b>61,791</b>

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

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

#### 18.3.2 Credit quality of financial assets

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

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

### 19 FAIR VALUE MEASUREMENT

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

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

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



**Fair value hierarchy**

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

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

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

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

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

	2020		
	Level 1	Level 2	Level 3
	Rupees in '000		
<b>Financial assets</b>			
At fair value through profit or loss	1,857,289	-	-
	<u>1,857,289</u>	<u>-</u>	<u>-</u>

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

**20 UNIT HOLDERS' FUND RISK MANAGEMENT**

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

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

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

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

**21 UNIT HOLDING PATTERN OF THE FUND**

Category	2020			2019		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total
Individuals	1,077	304,803	16.41	1,014	262,510	17.30
Associated Companies / Directors	8	837,672	45.11	6	445,048	29.34
Retirement Funds	6	62,275	3.35	5	82,671	5.45
Others	6	652,423	35.13	10	726,909	47.91
	<u>1,097</u>	<u>1,857,173</u>	<u>100.00</u>	<u>1,035</u>	<u>1,517,138</u>	<u>100.00</u>

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

----- 2020 -----		----- 2019 -----	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Shajar Capital Pakistan (Private) Limited	9.47	Standard Capital Securities (Private) Limited	8.94
BMA Capital Management Limited	8.27	Foundation Securities (Private) Limited	8.28
AKD Securities Limited	7.78	Alfalah Securities (Private) Limited	8.17
Vector Capital (Private) Limited	7.65	Aba Ali Habib Securities (Private) Limited	7.58
Aba Ali Habib Securities (Private) Limited	6.82	Intermarket Securities (Private) Limited	7.20
Optimus Capital Management (Private) Limited	6.66	Fortune Securities (Private) Limited	5.07
Insight Securities (Private) Limited	5.80	Fawad Yousuf Securities (Private) Limited	5.03
Topline Securities (Private) Limited	5.79	Shajar Capital Pakistan (Private) Limited	4.74
Standard Capital Securities (Private) Limited	5.07	Topline Securities (Private) Limited	4.44
Fortune Securities (Private) Limited	5.04	Vector Capital (Private) Limited	4.31

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

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

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

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

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

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

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

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



**25 CORRESPONDING FIGURES**

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

**26 DATE OF AUTHORISATION FOR ISSUE**

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

**27 GENERAL**

**27.1 Regulatory reliefs due to COVID - 19**

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

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

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

**27.2 Operational Risk Management**

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

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

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

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

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

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

\_\_\_\_\_  
Director



**Meezan**  
Energy Fund

## Meezan Energy Fund (MEF)

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

## TELE TRANSACTION FACILITY

Just call us at 0800-42525  
and get your Redemptions &  
Conversions processed.



# FUND INFORMATION

## MANAGEMENT COMPANY

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

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

## CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

## AUDIT COMMITTEE

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

## RISK MANAGEMENT COMMITTEE

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

## HUMAN RESOURCE & REMUNERATION COMMITTEE

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

## TRUSTEE

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

## AUDITORS

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

## SHARIAH ADVISER

Meezan Bank Limited

## BANKERS TO THE FUND

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

## LEGAL ADVISER

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

## TRANSFER AGENT

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

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited

## REPORT OF THE FUND MANAGER Meezan Energy Fund (MEF)

### Type of Fund

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

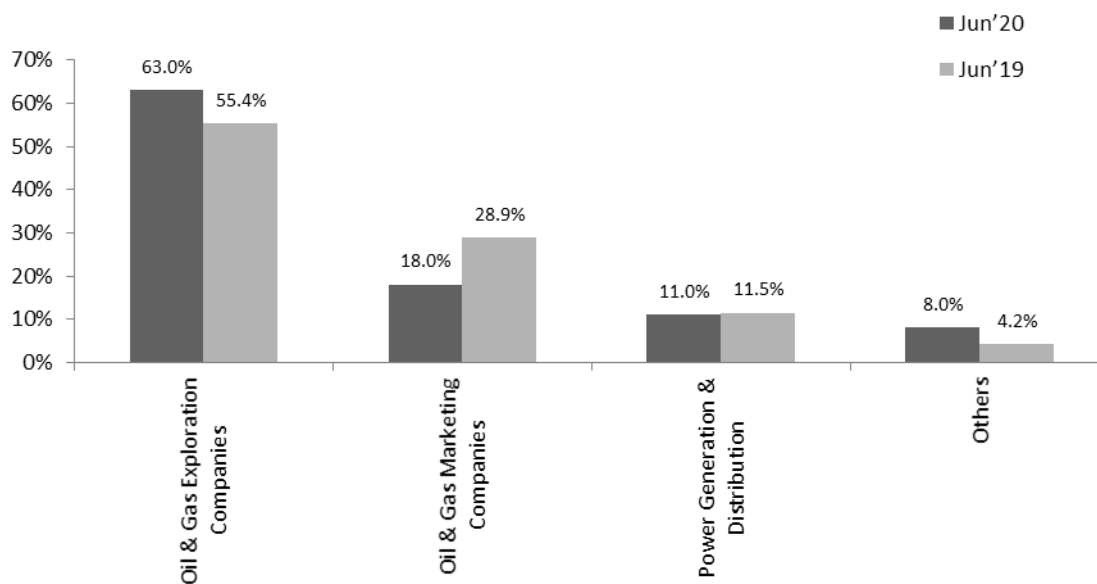
### Objective

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

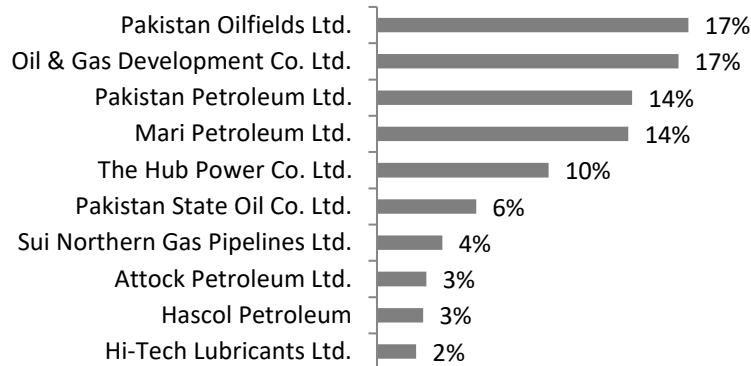
### Strategy, Investment Policy and Asset Allocation

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

### Sector Allocation for the year ended FY19 and FY20



## Top Holdings



### Performance Review

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

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

The Fund earned a gross loss of Rs. 32 million in fiscal year 2020 as compared to total loss of Rs. 311 million last year. Total loss comprised of realized and unrealized capital losses on investments of Rs. 51 million and Rs. 0.03 million respectively. Dividend income contributed Rs. 16 million to income, while profit on saving accounts with banks amounted to Rs. 3 million. After accounting for expenses of Rs. 21 million, the Fund posted a net loss of Rs. 53 million. The net assets of the Fund as at June 30, 2020 were Rs. 542 million as compared to Rs. 599 million at the end of last year depicting a decline of 9%. The net asset value per unit as at June 30, 2020 was Rs. 30.02 as compared to Rs. 33.36 per unit as on June 30, 2019.

### Charity Statement

The Fund purifies the income earned by setting aside an amount payable by the Management Company out of the income of the Trust to charitable / welfare organizations, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2020 an amount of Rs. 1 million was accrued as charity payable.

### Distributions

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

**Breakdown of unit holdings by size:**

(As on June 30, 2020)

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

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

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

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

**PERFORMANCE TABLE**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Net assets (Rs. '000) (ex-distribution)</b>	541,866	598,703	1,636,573
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	30.0200	33.3649	49.7823
Offer price per unit as at June 30, (Rs.) (ex-distribution)	31.0376	34.4960	51.4699
Highest offer price per unit (Rs.)	43.6558	51.5773	56.0800
Lowest offer price per unit (Rs.)	23.9526	33.5857	46.7400
Highest redemption price per unit (Rs.)	42.2244	49.8862	55.3300
Lowest redemption price per unit (Rs.)	23.1673	32.4845	45.2100
Distribution (%)			
Interim	-	-	-
Final	-	-	-
Date of distribution			
Interim	-	-	-
Final	-	-	-
Income distribution (Rupees in '000)	-	-	-
Growth distribution (Rupees in '000)	-	-	-
Total return (%)	(10.03)	(32.98)	(0.89)
	<b>One Year</b>	<b>Two Year</b>	<b>Three Year</b>
Average annual return as at June 30, 2020 (%)	(10.03)	(22.35)	(15.77)



**Meezan Bank**  
The Premier Islamic Bank

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

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

**Alhamdulillah**, the period from July 01, 2019 to June 30, 2020 was the Fourth year of operations of Meezan Energy Fund (MEF) under management of Al Meezan Investment Management Limited (Al Meezan). We, Meezan Bank Limited, are the *Shariah* advisors of the Fund and are issuing the report in accordance with clause 8.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shariah* compliance of the Fund's activity

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

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

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

Company Name	(i)	(ii)**	(iii)	(iv)	(v)	(vi)	
	Nature of Business	Debt to Assets (<37%)	Non-Compliant Investments (<33%)	Non-Compliant Income to Gross Revenue (<5%)	Illiquid Assets to Total Assets (>25%)	Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Pakistan Oilfields Ltd.	Oil & Gas Exploration Companies	0.00%	1.35%	4.09%	44.36%	7.96	446.72
Oil & Gas Development Company Ltd.	Oil & Gas Exploration Companies	0.00%	7.95%	7.74%****	33.64%	90.21	142.32



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

- \* These ratios are for the calculation of non-*Shari'ah* Compliant Element in the business and are not relevant for Islamic Banks & Islamic Financial Institutions.
- \*\* All interest based debts.
- \*\*\* Debt is considered excluding circular debt.
- \*\*\*\* OGDC is facing circular debt issues. Company is bound to retain interest bearing TFC/Bonds having no permission to sell from government. Due to high interest rate during July-Dec 2019, non-compliant income is high and exceeds 5%. Company had provided written confirmation that its non-compliant income ratio will be less than 5% due to lower interest rates during July-Dec 2020.

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

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

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

**Dr. Muhammad Imran Ashraf Usmani**

For and on behalf of Meezan Bank  
*Shariah* Advisor

**Head Office**

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**TRUSTEE REPORT TO THE UNIT HOLDERS**

**MEEZAN ENERGY FUND**

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Energy Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 24, 2020



**INDEPENDENT AUDITOR'S REPORT**

**To the Unit holders of Meezan Energy Fund**

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

**Opinion**

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

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

**Basis for Opinion**

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

**Key Audit Matters**

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

Following is the key audit matter:

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

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### **Other Information**

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

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

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

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the management company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide board of directors of the management company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with board of directors of the management company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

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

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

  
Chartered Accountants

Karachi

Date: September 22, 2020



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

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

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

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

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

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

\_\_\_\_\_  
Director

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

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

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

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

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

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

\_\_\_\_\_  
Director

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



**Meezan**  
Energy Fund

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

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

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

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

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

\_\_\_\_\_  
Director

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

	2020			2019		
	Capital Value	Accumulated Losses	Total	Capital Value	Accumulated Losses	Total
	(Rupees in '000)			(Rupees in '000)		
<b>Net assets at beginning of the year</b>	967,743	(369,040)	598,703	1,660,781	(24,208)	1,636,573
Issue of 56,619,350 units (June 30, 2019: 27,187,162 units)						
- Capital value (at net asset value per unit at the beginning of the year)	1,889,099	-	1,889,099	1,353,439	-	1,353,439
- Element of loss	(71,676)	-	(71,676)	(265,069)	-	(265,069)
Total proceeds on issuance of units	1,817,423	-	1,817,423	1,088,370	-	1,088,370
Redemption of 56,513,293 units (June 30, 2019: 42,117,633 units)						
- Capital value (at net asset value per unit at the beginning of the year)	1,885,560	-	1,885,560	2,096,713	-	2,096,713
- Element of loss	(64,631)	-	(64,631)	(315,305)	-	(315,305)
Total payments on redemption of units	1,820,929	-	1,820,929	1,781,408	-	1,781,408
Total comprehensive loss for the year	-	(53,331)	(53,331)	-	(344,832)	(344,832)
Distribution during the year	-	-	-	-	-	-
Net loss for the year less distribution	-	(53,331)	(53,331)	-	(344,832)	(344,832)
<b>Net assets at end of the year</b>	<b>964,237</b>	<b>(422,371)</b>	<b>541,866</b>	<b>967,743</b>	<b>(369,040)</b>	<b>598,703</b>
<b>Accumulated losses / undistributed income brought forward</b>						
- Realised loss		(228,021)			(48,945)	
- Unrealised (loss) / income		(141,019)			24,737	
		<u>(369,040)</u>			<u>(24,208)</u>	
<b>Accounting income available for distribution</b>						
- Realised (loss) / income		-			-	
- Unrealised income / (loss)		-			-	
Net loss for the year after taxation		(53,331)			(344,832)	
Distribution during the year		-			-	
Accumulated losses carried forward		<u>(422,371)</u>			<u>(369,040)</u>	
<b>Accumulated losses carried forward</b>						
- Realised loss		(422,342)			(228,021)	
- Unrealised loss		(29)			(141,019)	
		<u>(422,371)</u>			<u>(369,040)</u>	
		<b>(Rupees)</b>			<b>(Rupees)</b>	
Net assets value per unit at the beginning of the year		<u>33.3649</u>			<u>49.7823</u>	
Net assets value per unit at the end of the year		<u>30.0200</u>			<u>33.3649</u>	

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

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

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

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

\_\_\_\_\_  
Director



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

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

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

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

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

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

\_\_\_\_\_  
Director

**MEEZAN ENERGY FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1 Meezan Energy Fund (the Fund) was established under a trust deed executed between Al Meezan Investment Management Company as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Trust Deed was executed on September 09, 2016 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shariah-e-Faisal, Karachi 74400, Pakistan.
- 1.2 The objective of the Fund is to seek long term capital appreciation through investments in Shariah compliant equity stocks, primarily from the energy sector / segment / industry, as defined in the constitutive documents. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah principles. The Management Company has appointed Meezan Bank Limited as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.3 Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited. The Fund is categorised as an Open End Shariah Compliant (Islamic) Equity Scheme in accordance with Circular 7 of 2009 issued by the SECP.
- 1.4 The Management Company has been assigned a rating of AM1 by VIS dated December 31, 2019 (2019: AM1 dated December 29, 2018) and by PACRA dated June 26, 2020. The rating reflects the Company's experienced management team, structured investment process and sound quality of systems and processes.
- 1.5 The title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.

**2 BASIS OF PRESENTATION**

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

**3 BASIS OF PREPARATION**

**3.1 Statement of compliance**

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

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

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

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

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

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

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

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

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

**3.4 Critical accounting estimates and judgments**

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

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 4.3 and 6.2) and provision for taxation (notes 4.14 and 18)

**3.5 Accounting convention**

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

**3.6 Functional and presentation currency**

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**4.2 Cash and cash equivalents**

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

**4.3 Financial assets**

**4.3.1 Equity instruments**

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

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

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

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

#### **4.3.2 Impairment**

The fund assesses on a forward looking basis the expected credit loss (ECL) associated with its financial assets (other than debt instruments) carried at amortised cost and FVOCI. The fund recognises loss allowances for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

#### **4.3.3 Regular way contracts**

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

#### **4.3.4 Initial recognition and measurement**

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

#### **4.3.5 Derecognition**

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

#### **4.3.7 Derivatives**

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

#### **4.4 Financial liabilities**

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

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

#### **4.5 Offsetting of financial assets and financial liabilities**

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

#### **4.6 Provisions**

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

#### **4.7 Net asset value per unit**

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

#### **4.8 Issue and redemption of units**

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

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

#### **4.9 Distributions to unit holders**

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

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

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

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

#### **4.11 Revenue recognition**

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

#### **4.12 Expenses**

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

#### **4.13 Preliminary expenses and floatation costs**

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

#### 4.14 Taxation

##### Current

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

##### Deferred

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

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

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

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

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

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

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

#### 4.17 Foreign currency translation

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

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

## 6.1 Investment at 'fair value through profit or loss'

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

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

**6.1.1** The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001 as a result of which companies were liable to withhold five percent of the bonus shares to be issued. The shares so withheld were only to be released if the Fund deposits tax equivalent to five percent of the value of the bonus shares issued to the Fund including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

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

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

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

As at June 30, 2020, the bonus shares of the Fund withheld by Pakistan state oil company limited at the time of declaration of bonus shares amounted to Rs. 0.922 million (June 30, 2019: Rs. 0.824 million).

- 6.1.2** Investments include 65,000 shares of Pakistan Petroleum Limited and 26,500 share of Pakistan Oilfields Limited, having market value of Rs 5.6407 million and 9.2917 million as at June 30, 2020 (June 30, 2019: nil) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.

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

## **7 ADVANCES, DEPOSITS AND OTHER RECEIVABLES**

Profit accrued on balances with banks		96	359
Security deposit with Central Depository Company of Pakistan Limited		100	100
'Security deposit with National Clearing Company of Pakistan Limited		2,500	-
Advance tax	7.1	1,431	1,431
		<u>4,127</u>	<u>1,890</u>

- 7.1** As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, during the prior years, withholding tax on dividend and profit on debt paid to the Fund was deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholder. The tax withheld on dividends and profit on debt amounts to Rs 1.431 million.

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

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

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



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

**9.1** As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the Offering Document subject to the total expense ratio limit. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 2% (2019: 2%) per annum of the average net assets of the Fund during the year ended 30 June 2020. The remuneration is payable to the Management Company monthly in arrears.

**9.2** During the year, an amount of Rs. 1.412 million (2019: Rs. 2.553 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 1.439 million (2019: Rs.2.753 million) has been paid to the Management Company which acts as a collecting agent.

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

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

On net assets:

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

**10.2** During the year, an amount of Rs 0.142 million (2019: Rs. 0.238 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 0.145 million (2019: Rs.0.252 million) was paid to the Trustee which acts as a collecting agent.

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

In accordance with the NBFC Regulations, 2008, an investment scheme classified as equity scheme is required to pay annual fee to the Securities and Exchange Commission of Pakistan.

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

12	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>(Rupees in '000)</b>		
	Auditors' remuneration payable		195	195
	Printing charges payable		34	38
	Shariah advisor fee payable		269	265
	Charity payable	12.1	655	924
	Capital gain tax payable		425	211
	Provision for Sindh Workers' Welfare Fund	12.2	1,527	1,527
	Brokerage payable		1,679	231
	Zakat payable		5	5
			<b>4,789</b>	<b>3,396</b>

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

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

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

Had the provision for SWWF not been recorded in the financial statements of the Fund for the year from May 21, 2015 to June 30, 2020, the net asset value of the Fund as at June 30, 2020 would have been higher by Re. 0.08 per unit (2019: Re 0.09 per unit).

### **13 CONTINGENCIES AND COMMITMENTS**

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

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

### **15 TOTAL EXPENSE RATIO**

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

### **16 ALLOCATED EXPENSES**

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

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

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

### **17 SELLING AND MARKETING EXPENSES**

The SECP has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds) initially for a year of three years (i.e from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense was 0.4% per annum of the net assets of the Fund or actual expenses whichever is lower.



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

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

## 18 TAXATION

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

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

## 19 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

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

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

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

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

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

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

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

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

**20 FINANCIAL INSTRUMENTS BY CATEGORY**

	2020		
	Amortised Cost	At fair value through profit or loss	Total
	(Rupees in '000)		
<b>Financial assets</b>			
Balances with banks	3,214	-	3,214
Investments	-	518,105	518,105
Receivable against conversion of units	8,224	-	8,224
Dividend receivable	109	-	109
Receivable against sale of investments	30,650	-	30,650
Advances, deposits and other receivables	193	-	193
	42,390	518,105	560,495



**Financial liabilities**

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

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

**Financial assets**

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

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

**Financial liabilities**

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

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

**21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

Financial risk management objectives and policies:

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

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

**21.1 Market risk**

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

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

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

(i) **Profit rate risk**

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

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

Presently, the Fund holds balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase/decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher/lower by Rs. 0.025 million (2019: Rs. 0.198 million).

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

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

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

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

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

----- 2020 -----					
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

(Rupees in '000)

**Financial assets**

Balances with banks in: 2.31% - 7.40%  
Investment  
Receivable against issue of units  
Dividend receivable  
Receivable against sale of investments  
Advances, deposits and other receivables

2,545	-	-	669	3,214
-	-	-	518,105	518,105
-	-	-	8,224	8,224
-	-	-	109	109
-	-	-	30,650	30,650
-	-	-	193	193
<b>2,545</b>	<b>-</b>	<b>-</b>	<b>557,950</b>	<b>560,495</b>

**Financial liabilities**

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

-	-	-	1,687	1,687
-	-	-	104	104
-	-	-	13,036	13,036
-	-	-	345	345
-	-	-	2,776	2,776
-	-	-	2,832	2,832
<b>-</b>	<b>-</b>	<b>-</b>	<b>20,780</b>	<b>20,780</b>

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

<b>2,545</b>	<b>-</b>	<b>-</b>	<b>537,170</b>	<b>539,715</b>
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**Off-balance sheet financial instruments**

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

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

<b>2,545</b>	<b>-</b>	<b>-</b>		
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**Cumulative profit rate sensitivity gap**

<b>2,545</b>	<b>2,545</b>	<b>2,545</b>		
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2019					
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

(Rupees in '000)

**Financial assets**

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

**Financial liabilities**

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

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

<b>19,835</b>	-	-	<b>579,630</b>	<b>599,465</b>
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**Off-balance sheet financial instruments**

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

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

<b>19,835</b>	-	-		
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**Cumulative profit rate sensitivity gap**

<b>19,835</b>	<b>19,835</b>	<b>19,835</b>		
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**(ii) Currency risk**

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

**(iii) Price risk**

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

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

In case of 1% increase / decrease in KMI 30 index on June 30, 2020, with all other variables held constant, the total comprehensive income of the Fund for the year would increase / decrease by Rs. 5.1811 million (2019: Rs.5.839 million) and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as financial assets at fair value through profit or loss.

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

## 21.2 Liquidity risk

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

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

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

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

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

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

2019						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
(Rupees in '000)						
<b>Financial assets</b>						
Balances with banks	20,442	-	-	-	-	20,442
Investments	-	-	-	-	583,850	583,850
Receivable against conversion of units	557	-	-	-	-	557
Dividend receivable	2,127	-	-	-	-	2,127
Advances, deposits and other receivables	459	-	-	-	-	459
	<b>23,585</b>	-	-	-	<b>583,850</b>	<b>607,435</b>
<b>Financial liabilities</b>						
Payable to Al Meezan Investment Management Limited - Management Company	2,039	-	-	-	-	2,039
Payable to Central Depository Company of Pakistan Limited - Trustee	129	-	-	-	-	129
Payable against conversion and redemption of units	724	-	-	-	-	724
Payable to Meezan Bank Limited	1	-	-	-	-	1
Payable against purchase of investments	3,424	-	-	-	-	3,424
Dividend payable	-	-	-	-	-	-
Accrued expenses and other liabilities	-	1,653	-	-	-	1,653
	<b>6,317</b>	<b>1,653</b>	-	-	-	<b>7,970</b>
<b>Net assets / (liabilities)</b>	<b>17,268</b>	<b>(1,653)</b>	-	-	<b>583,850</b>	<b>599,465</b>

### 21.3 Credit risk

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

	2020		2019	
	Balance as per statement of assets and liabilities	Maximum exposure to credit risk	Balance as per statement of assets and liabilities	Maximum exposure to credit risk
(Rupees in '000)				
Balances with banks	3,214	3,214	20,442	20,442
Investments	518,105	-	583,850	-
Receivable against conversion of units	8,224	8,224	557	557
Dividend receivable	109	109	2,127	2,127
Receivable against sale of investments	30,650	30,650	-	-
Advances, deposits and other receivables	193	193	459	459
	<b>560,495</b>	<b>42,390</b>	<b>607,435</b>	<b>23,585</b>

The difference in the balance as per the statement of assets and liabilities and maximum exposure is due to the fact that investment in equity securities of Rs 518.106 million (2019: Rs 583.850 million) is not exposed to credit risk.

#### 21.3.2 Credit quality of financial assets

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

Rating	% of financial assets exposed to credit risk	
	2020	2019
AAA	0.93	2.38
AA+	88.29	82.04
A+	10.78	15.58
	<b>100.00</b>	<b>100.00</b>

### 21.3.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Funds portfolio of financial assets is mainly held with credit worthy counterparties thereby mitigating any credit risk.

## 21 FAIR VALUE MEASUREMENT

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

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

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

### Fair value hierarchy

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

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

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

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

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

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

## 22 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

### 23 UNIT HOLDING PATTERN OF THE FUND

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

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

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

### 25 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

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

The name of the fund manager is Mr. Ahmed Hassan. Other funds being managed by the fund manager are as follows:

- Al Meezan Mutual Fund
- Meezan Tahaffuz Pension Fund

## 26 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

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

## 27 CORRESPONDING FIGURES

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

## 28 DATE OF AUTHORISATION FOR ISSUE

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

## 29 GENERAL

### 29.1 Regulatory reliefs due to COVID - 19

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

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

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



## **29.2 Operational Risk Management**

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

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

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

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

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

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**Chief Financial Officer**

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**Director**