



# Meezan Gold Fund

## MEEZAN GOLD FUND (MGF)

Meezan Gold Fund is Pakistan's first Shariah compliant Gold Fund. It invests in gold instruments in the most efficient manner, to provide maximum exposure to prices of Gold in a Shariah compliant (Islamic) manner. This is done by investing a significant portion of the Fund's net assets in deliverable gold based contracts available on the Pakistan Mercantile Index (PMEX).





## 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. Atif Azim	Independent Director
Mr. Ijaz Farooq	Nominee Director – MBL
Mr. Moin M. Fudda	Independent Director
Ms. Saima Kamila Khan	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 (subject to approval by the SECP)	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. Atif Azim	Chairman
Mr. Ariful Islam	Member
Mr. Naeem Abdul Sattar	Member
Mr. Mohammad Shoaib, CFA	Member

### TRUSTEE

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

### AUDITORS

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

### SHARIAH ADVISER

Meezan Bank Limited

### BANKERS TO THE FUND

Sindh Bank Limited  
United Bank Limited  
Meezan Bank Limited  
Bank Al Habib Limited

### LEGAL ADVISER

Bawaney & Partners  
3rd & 4th Floor, 68-C, Lane-13, Bokhari Commercial Area,  
Phase VI, DHA, Karachi.  
Phone: (9221) 35156181-94 Fax: (9221) 35156195  
E-mail: [bawaney@cyber.net.pk](mailto:bawaney@cyber.net.pk)

### 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 FOR THE YEAR ENDED JUNE 30, 2018

### Type of Fund

Shariah compliant commodity fund that invests in physical gold to earn a return based on the commodity's price fluctuation in the international market.

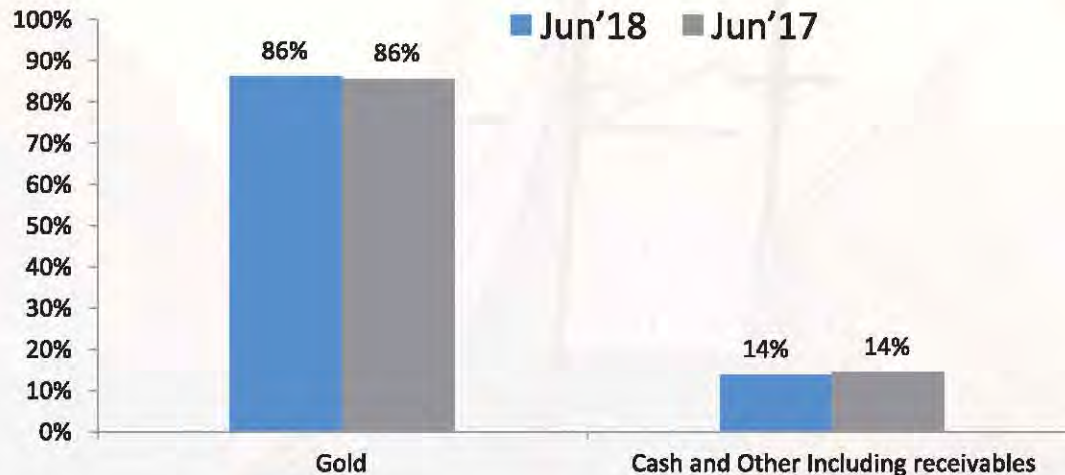
### Investment Policy and Strategy

The objective of MGF is to provide maximum exposure to prices of Gold in a Shariah Compliant manner, by investing a significant portion of the Fund's net assets in deliverable gold based contracts available on Pakistan Mercantile Exchange (PMEX). The fund aims to earn a potentially high return by taking advantage of price fluctuations of Gold in the international market. The fund has a long-term time horizon whereby the investors are advised to invest for a tenor of three to five years.

To meet the Fund's investment objective, at least seventy percent (70%) of Fund's net assets, will remain invested in deliverable gold based contracts while the remaining net assets of the Fund shall be invested in cash and near cash instruments which include cash in bank accounts of Islamic banks and licensed Islamic banking windows of conventional banks (excluding TDR). However, at least 10% of the net assets of the Fund shall remain invested in cash and near cash instruments at all times.

### Asset Allocation

As on June 30, 2018, the fund's gold exposure was 86.20%, while 13.00% of the Net Assets was invested in cash.



### Performance Review

Meezan Gold Fund posted a total income of Rs. 56 million during FY18 as compared to total loss Rs. 23 million last year. Total income comprised of realized and unrealized gains on investments in gold of Rs. 22 million and Rs. 29 million respectively while profit on saving accounts with bank of Rs. 1 million. Price Adjustment Charges contributed 4 million in the net income. After accounting for expenses of Rs. 12 million, the fund posted a net income of Rs. 44 million. The net assets of the Fund as at June 30, 2018 were Rs. 243 million as compared to Rs. 457 million at the end of last year depicting a decline of 46.82%.

During the fiscal year 2018, Meezan Gold Fund provided a return 11.99% to its investors due to rise in international gold prices.

<b>NAV (Dividend Adjusted)</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>	<b>Change</b>
Meezan Gold Fund	<b>56.67</b>	50.60	11.99%
Benchmark Return			12.67%
Underperformance			-0.68%

#### **Distribution**

There is NIL distribution in the fund during the year.

#### **Breakdown of unit holdings by size:**

(As on June 30, 2018)

<b>Range (Units)</b>	<b>No. of Investors</b>
1 - 9,999	416
10,000 - 49,999	44
50,000 - 99,999	7
100,000 - 499,999	7
500,000 and above	1
<b>Total</b>	<b>475</b>



**Meezan Bank**  
The Premier Islamic Bank

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

August 3, 2018/ Dhu Al-Qi'dah 20, 1439

**Alhamdulillah**, the period from July 1, 2017 to June 30, 2018 was the third year of operations of Meezan Gold Fund (MGF) 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 3.7.1 of the Offering Document of the Fund. The scope of the report is to express an opinion on the *Shariah* compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MGF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MGF by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MGF for the year ended June 30, 2018 have been in compliance with *Shari'ah* principles.

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

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

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

CDC House, 99-B, Block 'B',  
S.M.C.H.S., Main Shakra-e-Faisal,  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**MEEZAN GOLD 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 Gold 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, 2018 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.

**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 25, 2018





**Meezan  
Gold Fund**

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**INDEPENDENT AUDITOR'S REPORT**

**To the Unitholders of Meezan Gold Fund**

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

**Opinion**

We have audited the financial statements of Meezan Gold Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the income statement, statement of comprehensive income, statement of movement in unit holders' funds 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, 2018, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

**Basis for Opinion**

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

**Key Audit Matters**

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

Following are the key audit matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	<b>Amendments to NBFC Regulations, 2008</b>	
	<p>(Refer note 3.10 to the annexed financial statements)</p> <p>The Securities and Exchange Commission of Pakistan through its notification [SRO 756(1)/2017] dated August 3, 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The impact of these amendments have been incorporated in the financial statements of the Fund for the year ended June 30, 2018. These amendments mainly include changes with respect to recognition, measurement and presentation of "element of income", addition of certain disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and Statement of Movement in Unit Holders' Fund'.</p> <p>The Fund has changed its accounting policy during the current year in respect of accounting for "element of income" consequent to the issuance of the above</p>	<p>We understood the requirements of the SECP notification and made inquiries from the management in respect of their methodology for implementing the changes with respect to recording of element of income.</p> <p>We verified transactions on a test basis with the underlying records of the reports provided by the management to ensure their compliance with the revised regulations</p> <p>We verified disclosures relating to change in accounting policy to ensure that these are in compliance with the applicable accounting and reporting framework.</p>

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

\* KARACHI • LAHORE • ISLAMABAD

S. No.	Key Audit Matters	How the matter was addressed in our audit
	<p>mentioned notification. The change in accounting policy has been applied prospectively from July 1, 2017 based on the clarification issued by the SECP. With this change in accounting policy the element of income which was previously recognized as part of the income for the year in the Income Statement is now considered as a "capital contribution" and taken to the Statement of Movement in Unit Holders' Fund. Element of income is explained in note 3.10.</p> <p>The above matters are significant accounting and regulatory developments/ events for the mutual fund industry affecting the financial statements for the current year and therefore we considered these developments as key audit matter.</p>	
2	<p><b>Net Asset Value</b></p>	
	<p>(Refer notes 4 and 5 to the financial statements)</p> <p>The investments and balances with banks constitute the most significant component of the net asset value. The investments of the Fund as at June 30, 2018 amounted to Rs 211.87 million and balances with banks aggregated to Rs 29.33 million.</p> <p>The proper valuation of investments and balances with banks for the determination of NAV of the Fund as at June 30, 2018 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Tested the design and operating effectiveness of the key controls for valuation of investments;</li> <li>• Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2018 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed;</li> <li>• Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies;</li> <li>• Obtained approval of Board of Directors of the management company in relation to opening of bank accounts; and</li> <li>• Obtained bank reconciliation statements and tested reconciling items on a sample basis.</li> </ul>

**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.

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### **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.
- 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.

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

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

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

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

### **Other Matter**

The financial statements of the Fund for the year ended June 30, 2017 were audited by another firm of Chartered Accountants who had expressed an unmodified opinion thereon vide their report dated August 24, 2017.

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

*Afferguson & Co*  
Chartered Accountants

Karachi

Date: September 19, 2018



## STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2018

	Note	2018 (Rupees in '000)	2017
<b>Assets</b>			
Balances with banks	4	29,332	61,757
Investment in gold	5	211,865	394,636
Receivable against sale of investments		1,927	-
Receivable against conversion of units		3,516	4,419
Profit accrued on balances with banks		115	73
<b>Total assets</b>		<b>246,755</b>	<b>460,885</b>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited - Management Company	6	311	447
Payable to the Central Depository Company of Pakistan Limited - Trustee	7	37	68
Payable to the Securities and Exchange Commission of Pakistan	8	274	292
Payable against conversion and redemption of units		280	1,090
Payable to Meezan Bank Limited		9	-
Accrued expenses and other liabilities	9	2,760	1,725
<b>Total liabilities</b>		<b>3,671</b>	<b>3,622</b>
<b>NET ASSETS</b>		<b>243,084</b>	<b>457,263</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>243,084</b>	<b>457,263</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	11		
<b>NUMBER OF UNITS IN ISSUE</b>		<b>4,289,651</b>	<b>9,061,225</b>
		<b>(Rupees)</b>	
<b>NET ASSET VALUE PER UNIT</b>		<b>56.6676</b>	<b>50.4600</b>

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

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

**Mohammad Shoab, CFA  
Chief Executive**

**Syed Amir Ali Zaidi  
Director**


# INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2018

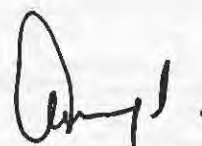
	Note	2018 (Rupees in '000)	2017
<b>Income</b>			
Profit on balances with banks		1,332	1,159
Realised gain / (loss) on sale of investments - net		21,753	(2,860)
Price adjustment factor	10	3,777	61
		26,862	(1,640)
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.1.4	28,931	(21,686)
<b>Total income / (loss)</b>		<b>55,793</b>	<b>(23,326)</b>
<b>Expenses</b>			
Remuneration of Al Meezan Investment Limited - Management Company	6.1	3,652	3,742
Sindh Sales Tax on remuneration of the Management Company	6.2	475	513
Allocated expenses	6.3	365	389
Selling and marketing expenses	6.4	70	-
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	7.1	621	662
Sindh Sales Tax on remuneration of the Trustee		81	86
Annual fees to the Securities and Exchange Commission of Pakistan	8	274	292
Brokerage expense		47	35
Auditors' remuneration	12	276	314
Fees and subscription		1,279	410
Printing expense		12	12
Custodian fee		3,468	3,216
Legal and professional charges		49	103
Bank and settlement charges		11	100
Provision for Sindh Workers' Welfare Fund	9.1	902	533
<b>Total expenses</b>		<b>11,582</b>	<b>10,407</b>
<b>Net income / (loss)</b>		<b>44,211</b>	<b>(33,733)</b>
Element of loss and capital losses included in the prices of units issued less those in units redeemed - net	3.10	-	(3,085)
<b>Net income / (loss) for the year before taxation</b>		<b>44,211</b>	<b>(36,818)</b>
Taxation	15	-	-
<b>Net income / (loss) for the year after taxation</b>		<b>44,211</b>	<b>(36,818)</b>
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		44,211	-
Income already paid on units redeemed		(20,579)	-
		23,632	-
<b>Accounting income available for distribution</b>			
- Relating to capital gains		23,632	-
- Excluding capital gains		-	-
		23,632	-

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

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



**Mohammad Shoaib, CFA**  
Chief Executive



**Syed Amir Ali Zaidi**  
Director



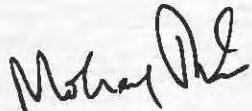


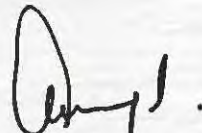
**STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED JUNE 30, 2018

Note	2018 (Rupees in '000)	2017
<b>Net income / (loss) for the year after taxation</b>	<b>44,211</b>	<b>(36,818)</b>
Other comprehensive income for the year	-	-
<b>Total comprehensive income / (loss) for the year</b>	<b>44,211</b>	<b>(36,818)</b>

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

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

  
**Mohammad Shoalb, CFA**  
Chief Executive

  
**Syed Amir Ali Zaidi**  
Director

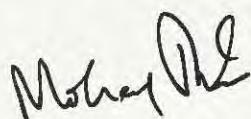
# STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND

## FOR THE YEAR ENDED JUNE 30, 2018

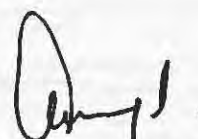
	2018		
	Capital Value	Undistributed Income / (loss)	Total
	(Rupees in '000)		
<b>Net assets at beginning of the year</b>	470,991	(13,728)	457,263
Issue of 4,283,795 units			
- Capital value (at net asset value per unit at the beginning of the year)	216,160	-	216,160
- Element of income	13,865	-	13,865
Total proceeds on issuance of units	230,025	-	230,025
Redemption of 9,055,369 units			
- Capital value (at net asset value per unit at the beginning of the year)	456,934	-	456,934
- Element of income	10,902	20,579	31,481
Total payments on redemption of units	467,836	20,579	488,415
Total comprehensive income for the year	-	44,211	44,211
Distribution during the year	-	-	-
Net income for the year less distribution	-	44,211	44,211
<b>Net assets at end of the year</b>	<b>233,180</b>	<b>9,904</b>	<b>243,084</b>
<b>Undistributed income carried forward</b>			
- Realised loss		(19,027)	
- Unrealised income		28,931	
		9,904	
<b>Accounting income available for distribution</b>			
- Relating to capital gains		23,632	
- Excluding capital gains		-	
		23,632	
			(Rupees)
Net assets value per unit at beginning of the year			50.4600
Net assets value per unit at end of the year			56.6676
			June 30, 2017
			Rupees in '000
Capital Value			298,024
Undistributed income brought forward			
- Realised			224
- Unrealised			22,866
<b>Net assets at beginning of the year</b>			321,114
Issuance of 9,478,805 units			534,212
Redemption of 6,306,834 units			(364,330)
			169,882
Element of loss and capital losses included in prices of units issued less those in units redeemed - net			3,085
Net realised loss on sale of investments			(2,860)
Unrealised diminution in the value of investments (net)			(21,686)
Other net loss for the year			(12,272)
Total comprehensive income for the year			(36,818)
Net income for the year less distribution			(36,818)
<b>Net assets at end of the year</b>			457,263
<b>Represented by:</b>			
Capital value			470,991
Undistributed income carried forward			
- Realised income			7,958
- Unrealised loss			(21,686)
			457,263
			(Rupees)
Net assets value per unit at beginning of the year			54.5300
Net assets value per unit at end of the year			50.4600

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

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



**Mohammad Shoab, CFA**  
Chief Executive



**Syed Amir Ali Zaidi**  
Director




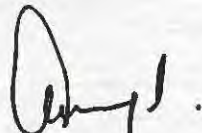
**CASH FLOW STATEMENT**  
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rupees in '000)	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income / (loss) for the year before taxation		44,211	(36,818)
<b>Adjustments for:</b>			
Unrealised (appreciation) / diminution on re-measurement of investment in gold		(28,931)	21,686
Element of loss and capital losses included in prices of units issued less those in units redeemed - net		-	3,085
		<b>15,280</b>	<b>(12,047)</b>
<b>Decrease / (increase) in assets</b>			
Investments - net		211,702	(136,078)
Receivable against investments - net		(1,927)	-
Profit receivable on saving accounts		(42)	69
		<b>209,733</b>	<b>(136,009)</b>
<b>Increase / (decrease) in liabilities</b>			
Payable to Al Meezan Investment Management Limited - Management Company		(136)	(547)
Payable to Central Depository Company of Pakistan Limited - Trustee		(31)	20
Payable to Securities and Exchange Commission of Pakistan		(18)	186
Payable to Meezan Bank Limited		9	-
Accrued expenses and other liabilities		1,035	(681)
		<b>859</b>	<b>(1,022)</b>
<b>Net cash generated from / (used in) operating activities</b>		<b>225,872</b>	<b>(149,078)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts against conversion of units		230,928	549,990
Payment against redemption and conversion of units		(489,225)	(464,558)
Dividend paid		-	(912)
<b>Net cash (used in) / generated from financing activities</b>		<b>(258,297)</b>	<b>84,520</b>
<b>Net decrease in cash and cash equivalents during the year</b>		<b>(32,425)</b>	<b>(64,558)</b>
Cash and cash equivalents at beginning of the year		61,757	126,315
<b>Cash and cash equivalents at end of the year</b>	4	<b>29,332</b>	<b>61,757</b>

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

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Syed Amir Ali Zaidi**  
Director

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Meezan Gold Fund is an open ended mutual fund constituted under a Trust Deed entered into on October 15, 2014 between Al Meezan Investment Management Company as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The Fund is registered as a Notified entity under Non-Banking Finance Companies and Notified Entities Regulations, (NBFC Regulations) issued through S.R.O.1203(I)/2008 on November 21, 2008. The Fund commenced its operations from August 18, 2015. The registered office of the Management Company is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shariah-e-Faisal, Karachi 74400, Pakistan. The Management Company is a member of the Mutual Funds Association of Pakistan (MUFAP).
- 1.2** The Fund is an open-ended Shariah Compliant (Islamic) Commodity Fund that aims to provide maximum exposure to prices of Gold in a Shariah Compliant (Islamic) manner by investing a significant portion of the Fund's net assets in deliverable gold based contracts available on Pakistan Mercantile Exchange (PMEX). Furthermore, all investments of the Fund's property shall be in accordance with the Shariah as advised by the Shariah Advisor. The Fund shall also be subject to the rules and regulations framed by the State Bank of Pakistan with regard to the foreign investments made by the Fund and investments made in the Fund from outside Pakistan in foreign currency. The investments in Gold contracts listed at the Commodity Exchange shall be subject to the PMEX Regulations and /or rules and regulations of the pertinent Commodity Exchange, if the Commodity Exchange is other than PMEX. All pertinent contracts, agreements and documents of PMEX shall be approved by Shariah advisor. Under the Trust Deed, all the conducts and acts of the fund are based on Shariah. 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. The investment objectives and policies are explained in the Fund's Offering document.
- 1.3** The Fund has been categorised as a Shariah compliant commodity scheme by the Board of Directors of the Management Company pursuant to the provisions contained in Circular 7 of 2009 and is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at a par value of Rs 50 per unit. Thereafter, the units are being offered for public subscription on a continuous basis from August 13, 2015 and are transferable and redeemable by surrendering them to the Fund.
- 1.4** The Management Company of the Fund has been given quality rating of AM1 by JCR-VIS Credit Rating Company Limited.
- 1.5** Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund. The fund is listed on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited)

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIII A of repealed Companies Ordinance, 1984; and





- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, (the NBFC Regulations) and the requirements of the Trust Deed.

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

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

There are certain amendments to the approved accounting standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2017 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.

## 2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards have been adopted in Pakistan and would be effective from the dates mentioned below against the respective standards:

Standard	Effective date (accounting periods beginning on or after)
- IFRS 9 - Financial Instruments	July 01, 2018
- IFRS 15 - Revenue from Contracts with Customers	July 01, 2018
- IFRS 16 - Leases	January 01, 2019

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.

## 2.4 Critical accounting estimates and judgments

The preparation of financial statements in accordance with the approved accounting 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 3.3 and 5) and provision for taxation (notes 3.14 and 15).

## 2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments in gold which is stated at its fair value.

## **2.6 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.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1** The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years except for the change in accounting policies as explained in notes 3.10 and 3.11 below.

### **3.2 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.

### **3.3 Financial assets**

#### **3.3.1 Classification**

The management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of the purchase of the financial assets and re-evaluates this classification on a regular basis. The classification depends on the purpose for which the financial assets are acquired. The financial assets of the fund are categorised as loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

#### **3.3.2 Regular way contracts**

All purchases and sales of financial asset that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell assets.

#### **3.3.3 Initial recognition and measurement**

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. The Fund initially recognises financial assets at fair value plus transactions costs, if any.

#### **3.3.4 Subsequent measurement**

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective profit rate method.

Gains or losses are recognised in the Income Statement through the amortisation process or when the financial assets carried at amortised cost are derecognised or impaired.

#### **3.3.5 Investment in gold**

Investment in gold is initially recognised at fair value less cost to sell. Subsequent to initial recognition, these are measured at fair value using spot rate (i.e. immediately next day after expired contract) fixed by Pakistan Mercantile Exchange (PMEX). Gain or loss arising from changes in fair value less cost to sell are recognised in Income Statement in the period of change.





### 3.3.6 Impairment

#### Financial assets (including loans and receivables)

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

#### Non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

### 3.3.7 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.

### 3.3.8 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.

### 3.4 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.

### 3.5 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.

### **3.6 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.

### **3.7 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.

### **3.8 Issuance and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company.

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.

### **3.9 Distributions to unit holders**

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

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

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

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, 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 period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be 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. MUFAP, in consultation with the SECP, has specified methodology of determination of income paid on units redeemed during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.





Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosure requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 based on a clarification issued by the SECP. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through the aforementioned SRO issued by the SECP.

Had the element of loss been recognised as per the previous accounting policy, the income of the Fund would have been lower by Rs 17.264 million net off charge for SWWF with immaterial effect on the 'net assets attributable to the unit holders' and NAV per unit of the Fund as disclosed in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund' respectively. However, the change in accounting policy does not have any impact on the 'Cash Flow Statement'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

**3.11** During the current year, the Fund has also changed its accounting policy in respect of the presentation of components of 'other comprehensive income' by including a separate statement titled 'Statement of Comprehensive Income'. Previously, these components were shown in a single statement along with the items of income and expenses under the heading 'Income Statement and Statement of Comprehensive Income'. As a result of the above change, two separate statements are now being presented i.e. 'Income Statement' (representing items of income and expenses) and 'Statement of Other Comprehensive Income' (representing components of 'other comprehensive income'). This change in accounting policy has been made for better presentation and has been applied retrospectively.

### **3.12 Revenue recognition**

- Gains / (losses) arising on sale of gold are recorded at the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of gold are included in the Income Statement in the period in which they arise.
- Profit on balances with banks is recognised on time proportion basis using the effective yield method.

### **3.13 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.

### **3.14 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 or tax rates expected to apply to the profits for the period at the enacted 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.

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

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV 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).

### 3.16 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income of the year before 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.

### 3.17 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.

4.	BALANCES WITH BANKS	Note	2018 (Rupees in '000)	2017
	Balances with banks in:			
	Savings accounts	4.1	27,190	60,055
	Current account		2,142	1,702
			<u>29,332</u>	<u>61,757</u>

- 4.1** The balance in saving account have expected profit rates ranging from 2.4% to 6.05% per annum (2017: 2% to 2.4% per annum).

5.	INVESTMENT IN GOLD	Note	2018 (Rupees in '000)	2017
	Investment in gold	5.1	<u>211,865</u>	<u>394,636</u>



## 5.1 Investment in gold

Commodity	As at July 1, 2017	Purchased during the year	Sold during the year	As at June 30, 2018 (note 5.1.3)	Carrying value as at June 30, 2018	Market value as at June 30, 2018	Unrealised gain note (5.1.4)	Percentage in relation to net assets of the fund on the basis of market value of investments (Notes 5.1.1)
	(Tola)				(Rupees in '000)			Percentage
TOLAGOLD	7,741	440	4,640	3,541	182,934	211,865	28,931	87.16
Total as at June 30, 2017					416,322	394,636	(21,686)	

5.1.1 Net assets are as defined in regulation 66 of NBFC Regulations.

5.1.2 The Pakistan Mercantile Exchange (PMEX) delivers refined Gold in 10 TOLA Bars. These are physically held by PMEX under their custody in the vaults of a commercial bank.

5.1.3 The investment in gold of Rs. 211.865 million (2017: Rs. 394.64 million) has been measured at fair value based on the quoted market price prevailing in the active markets.

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
<b>5.1.4 Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'</b>			
Market value of investments	5.1	211,865	394,636
Carrying value of investments	5.1	182,934	416,322
		<u>28,931</u>	<u>(21,686)</u>

## 6. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY - RELATED PARTY

		2018 (Rupees in '000)	2017 (Rupees in '000)
Management fee payable	6.1	193	364
Sindh Sales Tax on remuneration of the Management Company	6.2	26	47
Allocated expenses payable	6.3	19	36
Selling and marketing expenses payable	6.4	70	-
Sales load payable		3	-
		<u>311</u>	<u>447</u>

6.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding 2% of the average annual net assets in case of a commodity scheme. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 1% (2017: 1%) per annum of the average net assets of the Fund during the year ended June 30, 2018. The remuneration is payable to the Management Company monthly in arrears.

6.2 During the year, an amount of Rs. 0.475 million (2017: Rs 0.513 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. 0.496 million (2017: Rs.0.517 million) has been paid to the Management Company which acts as a collecting agent.

6.3 The Management Company may charge fees and expenses related to registrar services, accounting, operations and valuations services, related to Collective Investment Scheme (CIS) upto a maximum of 0.1% of the average annual net assets of the Scheme. Accordingly, such expenses have been charged at the rate of 0.1% of the average annual net assets of the Scheme being lower than actual expenses.

6.4 The SECP vide circular 40 of 2016 dated December 30, 2016 (later amended vide circular 05 of 2017 dated February 13, 2017 and circular 5 of 2018 dated June 4, 2018) has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds and money market funds) initially for three years (from January 1, 2017 till December 31, 2019). The maximum

cap of selling and marketing expense shall be 0.4% per annum of the net assets of the fund or actual expenses whichever is lower. Accordingly, such expenses have been charged to the Fund with effect from June 4, 2018 at the rate of 0.4% of the net assets of the Fund being lower than actual expenses incurred.

	Note	2018 (Rupees in '000)	2017
<b>7. PAYABLE TO CENTRAL DEPOSITORY COMPANY - TRUSTEE</b>			
Trustee fee payable	7.1	33	60
Sindh Sales Tax payable on trustee fee		4	8
		<b>37</b>	<b>68</b>

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

On net assets:

- up to Rs 1 billion 0.17% per annum of net assets
- from Rs 1 billion to Rs.5 billion Rs 1.7 million plus 0.085% per annum of net assets exceeding Rs 1 billion.
- exceeding Rs.5 billion Rs 5.1 million plus 0.07% per annum of net assets exceeding Rs 5 billion.

During the year, an amount of Rs 81,000 (2017: Rs 86,000) 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. 85,000 (2017: Rs.84,000) was paid to the Trustee which acts as a collecting agent.

## **8. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

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

	Note	2018 (Rupees in '000)	2017
<b>9. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration payable		250	174
Custodian fee payable		164	103
Brokerage payable		-	11
Shariah advisor fee payable		161	162
Withholding tax payable		21	21
Capital gain tax payable		8	10
Provision for Sindh Workers' Welfare Fund	9.1	1,435	533
Zakat payable		10	-
Provision for Federal Exercise Duty and related			
Sindh sales tax on management fee	9.2	414	414
Provision for Federal Exercise Duty and related			
Sindh sales tax on sales load	9.2	297	297
		<b>2,760</b>	<b>1,725</b>

**9.1** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution



(Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, MUFAP recommended that as a matter of abundant caution, provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

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, 2018, the net asset value of the Fund as at June 30, 2018 would have been higher by Re. 0.33 per unit (2017: Re 0.06 per unit).

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

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.

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 0.711 million is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2018 would have been higher by Re 0.17 (2017: Re 0.08) per unit.

## **10. PRICE ADJUSTEMENT CHARGES**

Securities and Exchange Commission of Pakistan (SECP) vide a circular no.40 SCD/AMCW/ MGF/63/2017 dated June 14, 2017, allowed the fund to charge price adjustment charges. Price adjustment charges is difference between the offer price and the bid price from the closing price of the Gold transactions (Contract) available at PMEX, which is added to and deducted from the NAV to determine Offer and Redemption prices respectively. Such charges form part of Fund Property.

Currently, Price adjustment charges added/ Deducted to form NAV of the fund to determine offer / redemption price is 1% of NAV.

## **11. CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017.

	Note	2018 (Rupees in '000)	2017
<b>12. AUDITORS' REMUNERATION</b>			
Annual audit fee		150	135
Half yearly review of condensed interim financial information		75	75
Fee for other certifications		40	60
Out of pocket expenses		11	44
		<b>276</b>	<b>314</b>

**13. TOTAL EXPENSE RATIO**

The Total Expense Ratio (TER) of the Fund as at June 30, 2018 is 3.21% which includes 0.48% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, annual fee to the SECP, etc. This ratio is within the maximum limit of 3% (before levies) prescribed under the NBFC Regulations for a collective investment scheme categorised as commodity scheme.

**14. PERFORMANCE TABLE**

	2018	2017	2016
Net assets (Rs in '000) (ex-distribution)	<b>243,084</b>	457,263	321,114
Net assets value per unit as at 30 June (Rs.) (ex-distribution)	<b>56.6676</b>	50.4600	54.5300
Offer price per unit as at 30 June (Rs.) (ex-distribution)	<b>58.5150</b>	-	54.5400
Highest offer price per unit (Rs.)	<b>59.4190</b>	57.2900	54.6800
Lowest offer price per unit (Rs.)	<b>45.9900</b>	49.2400	47.1700
Highest redemption price per unit (Rs.)	<b>56.9677</b>	56.0200	54.5400
Lowest redemption price per unit (Rs.)	<b>44.4800</b>	48.1700	47.6800
Distribution (%)			
- Interim	-	-	1.40
Date of distribution			
- Interim	-	-	June 23, 2016
Income distribution (Rs. in '000)	-	-	3562
Total return (%)	<b>12.00</b>	(7.20)	10.50
	<b>One year</b>	<b>Two years</b>	<b>Three years</b>
Average annual return as at June 30, 2018 (%)	<b>12.00</b>	1.95	1.26

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

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go fluctuate, as well as up.

**15. TAXATION**

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





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 Section 4B of Income Tax Ordinance, 2001.

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

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

	2018	2017
	(Rupees in '000)	
<b>Al Meezan Investment Management Limited</b>		
<b>- Management Company</b>		
Remuneration charged	3,652	3,742
Sindh Sales Tax on remuneration of the Management Company	475	513
Allocated expenses	365	389
Selling and marketing expenses	70	-
Issue of Nil (2017: 1,040,545) units	-	58,000
Redemption of 702,463 (2017: 722,083) units	36,507	40,000
<b>-Balances</b>		
Management fee payable	193	364
Sindh Sales Tax on remuneration of the Management Company	26	47
Allocated expenses payable	19	-
Selling and marketing expenses payable	70	-
Sales load payable	3	36
Investment of 'nil' units (June 30, 2017: 702,463 units)	-	35,446
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	621	662
Sindh Sales Tax on remuneration of the Trustee	81	86
<b>-Balances</b>		
Trustee fee payable	33	60
Sindh Sales Tax payable on trustee fee	4	8
<b>Meezan Bank Limited</b>		
Profit Income	757	824

	2018 (Rupees in '000)	2017
<b>-Balances</b>		
Sales load payable	8	-
Sindh Sales tax on sales load	1	-
Bank Balance	11,650	61,569
Profit on saving account	24	73
<b>Directors and their close family members and key management personnel of the Management Company</b>		
Issue of 54,805 (2017: 81,871) units	2,930	4,239
Redemption of 24,128 (2017: 102,979) units	1,252	5,442
<b>-Balances</b>		
Outstanding 197,738 (2017: 167,781) units	11,205	8,466
<b>Unitholders holding 10% or more of units of the Fund</b>		
Investment of 1,363,271 units (June 30, 2017: 3,590,387 units)	77,253	181,674

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

## 17. FINANCIAL INSTRUMENTS BY CATEGORY

	2018		
	Loans and receivables	At fair value through profit or loss	Total
	(Rupees in '000)		
<b>Financial assets</b>			
Balances with banks	29,332	-	29,332
Receivable against sale of investments	1,927	-	1,927
Receivable against conversion of units	3,516	-	3,516
Profit accrued on balances with banks	115	-	115
	34,890	-	34,890

	2018		
	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	-	311	311
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	37	37
Payable to Meezan Bank Limited	-	9	9
Payable against conversion and redemption of units	-	280	280
Accrued expenses and other liabilities	-	575	575
	-	1,212	1,212





	2017		
	Loans and receivables	At fair value through profit or loss	Total
	(Rupees in '000)		
<b>Financial assets</b>			
Balances with banks	61,757	-	61,757
Receivable against conversion of units	4,419	-	4,419
Profit accrued on balances with banks	73	-	73
	<u>66,249</u>	<u>-</u>	<u>66,249</u>
	2017		
	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	-	447	447
Payable to the Central Depository Company of Pakistan Limited			
- Trustee	-	68	68
Payable against conversion and redemption of units	-	1,090	1,090
Accrued expenses and other liabilities	-	450	450
	<u>-</u>	<u>2,055</u>	<u>2,055</u>

## 18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Risks managed and measured by the Fund are explained below:

### 18.1 Market risk

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

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

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

#### (i) Profit rate risk

The profit rate risk arises from the effects of fluctuations in the prevailing levels of market profit rates which affect cash flows pertaining to debt instruments and their fair values. The Fund does not hold any debt instruments, therefore its net assets are not exposed to these risks.

#### Cash flow profit rate risk

The Fund's profit risk arises from the balances in saving accounts.

During the year ended June 30, 2018, the net income would have increased / decreased by Rs. 0.001 million (June 30, 2017: Rs. 0.001 million) had the profit rates on profit and loss saving accounts increased / (decreased) by 100 basis points.

### Fair value profit rate risk

Since the Fund does not have investment in fixed rate security, therefore, is not exposed to fair value profit rate risk.

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.

		2018				
Effective yield / Interest rate (%)		Exposed to yield / Interest rate risk			Not exposed to yield / Interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
(Rupees in '000)						
<b>Financial assets</b>						
Balances with banks	2.40% - 6.05%	27,190	-	-	2,142	29,332
Receivable against sale of investments		-	-	-	1,927	1,927
Receivable against conversion of units		-	-	-	3,516	3,516
Profit accrued on balances with banks		-	-	-	115	115
		<b>27,190</b>	<b>-</b>	<b>-</b>	<b>7,700</b>	<b>34,890</b>
<b>Financial liabilities</b>						
Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	311	311
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	37	37
Payable to Meezan Bank Limited		-	-	-	9	9
Payable against conversion and redemption of units		-	-	-	280	280
Accrued expenses and other liabilities		-	-	-	575	575
		-	-	-	1,212	1,212
<b>On-balance sheet gap (a)</b>		<b>27,190</b>	<b>-</b>	<b>-</b>	<b>6,488</b>	<b>33,678</b>
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-	-
<b>Total profit rate sensitivity gap (a+b)</b>		<b>27,190</b>	<b>-</b>	<b>-</b>		
<b>Cumulative profit rate sensitivity gap</b>		<b>27,190</b>	<b>27,190</b>	<b>27,190</b>		
		2017				
Effective yield / Interest rate (%)		Exposed to yield / Interest rate risk			Not exposed to yield / Interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
(Rupees in '000)						
<b>Financial assets</b>						
Balances with banks	2% - 2.4%	60,055	-	-	1,702	61,757
Receivable against conversion of units		-	-	-	4,419	4,419
Profit accrued on balances with banks		-	-	-	73	73
		<b>60,055</b>	<b>-</b>	<b>-</b>	<b>6,194</b>	<b>66,249</b>
<b>Financial liabilities</b>						
Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	447	447
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	68	68
Payable to Meezan Bank Limited		-	-	-	9	9
Payable against conversion and redemption of units		-	-	-	1,090	1,090
Accrued expenses and other liabilities		-	-	-	450	450
		-	-	-	2,064	2,064
<b>On-balance sheet gap (a)</b>		<b>60,055</b>	<b>-</b>	<b>-</b>	<b>4,130</b>	<b>64,185</b>
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-	-
<b>Total profit rate sensitivity gap (a+b)</b>		<b>60,055</b>	<b>-</b>	<b>-</b>		
<b>Cumulative profit rate sensitivity gap</b>		<b>60,055</b>	<b>60,055</b>	<b>60,055</b>		





**(ii) Currency risk**

Currency risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as all transactions are carried out in Pakistani Rupees.

**(iii) Price risk**

The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The primary objective of the Fund is to provide the maximum return to the unitholders by investing a significant portion of the Fund's net assets in deliverable gold based contracts in a Shariah compliant manner available on Pakistan Mercantile Exchange (PMEX). The Fund's market risk is managed on a daily basis by the investment committee in accordance with the policies and procedures laid down by the SECP. Further, it is managed by monitoring exposure to gold and by complying with the internal risk management policies and regulations laid down in NBFC Regulations.

The Fund's overall market positions are monitored by the Board of Directors of the Management Company on a quarterly basis.

**18.2 Liquidity risk**

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Fund's offering document provides for the daily creation and cancellation of units and it is, therefore, exposed to the liquidity risk of meeting unit holders' redemptions at any time. 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, without incurring unacceptable losses or risking damage to the Fund's reputation. The Fund manages the liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's asset in highly liquid financial assets.

In accordance with the regulation 58(1)(k) of the NBFC Regulations, the Fund has the ability to borrow funds for meeting redemption requests, with the approval of the Trustee, for a period not exceeding three months to the extent of fifteen percent of its net assets. However, no such borrowing has been obtained during the year.

Further, the Fund is also allowed, in accordance with regulation 57(10) of the NBFC Regulations, to defer redemption request to next dealing day, had such requests exceeded ten percent of the total number of units in issue. However, no such defer redemption request has been exercised by the Fund during the year.

In accordance with the risk management policy of the Fund, the Fund's Investment Committee reviews the liquidity position on a daily basis, which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

In addition to unitholder fund, analysis of the Fund's financial assets and financial liabilities into relevant maturity grouping as at June 30, 2018 is tabulated below:

	2018						Total
	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 year	More than 5 years	Financial Instruments with no fixed maturity	
	(Rupees in '000)						
<b>Financial assets</b>							
Balances with banks	29,332	-	-	-	-	-	29,332
Receivable against sale of Investments	1,927	-	-	-	-	-	1,927
Receivable against conversion of units	3,516	-	-	-	-	-	3,516
Profit accrued on balances with banks	115	-	-	-	-	-	115
	<b>34,890</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,890</b>
<b>Financial liabilities</b>							
Payable to Al Meezan Investment Management Limited - Management Company	311	-	-	-	-	-	311
Payable to the Central Depository Company of Pakistan Limited - Trustee	37	-	-	-	-	-	37
Payable to Meezan Bank Limited	9	-	-	-	-	-	9
Payable against conversion and redemption of units	280	-	-	-	-	-	280
Accrued expenses and other liabilities	-	575	-	-	-	-	575
	<b>637</b>	<b>575</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,212</b>
<b>Net assets / (liabilities)</b>	<b>34,253</b>	<b>(575)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,678</b>
	2017						
	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 year	More than 5 years	Financial Instruments with no fixed maturity	Total
	(Rupees in '000)						
<b>Financial assets</b>							
Balances with banks	61,757	-	-	-	-	-	61,757
Receivable against conversion of units	4,419	-	-	-	-	-	4,419
Profit accrued on balances with banks	73	-	-	-	-	-	73
	<b>66,249</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66,249</b>
<b>Financial liabilities</b>							
Payable to Al Meezan Investment Management Limited - Management Company	447	-	-	-	-	-	447
Payable to the Central Depository Company of Pakistan Limited - Trustee	68	-	-	-	-	-	68
Payable against conversion and redemption of units	1,090	-	-	-	-	-	1,090
Accrued expenses and other liabilities	-	450	-	-	-	-	450
	<b>1,605</b>	<b>450</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,055</b>
<b>Net assets / (liabilities)</b>	<b>64,644</b>	<b>(450)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64,194</b>

### 18.3 Credit risk

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:

Credit risk arises from balances with banks, profit accrued on balances with banks and receivable against conversion of units.

Credit risk arising on financial assets is monitored through a regular analysis of financial position of brokers and other parties. In accordance with the risk management policy of the Fund, the Investment Committee monitors the credit position on a daily basis which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

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





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

	2018		2017	
	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	29,332	29,332	61,757	61,757
Receivable against sale of investments	1,927	1,927	-	-
Receivable against conversion of units	3,516	3,516	4,419	4,419
Profit accrued on balances with banks	115	115	73	73
	<b>34,890</b>	<b>34,890</b>	<b>66,249</b>	<b>66,249</b>

### 18.3.2 Credit quality of financial assets

The Fund's significant credit risk arises mainly on account of its placements in banks and profit accrued on bank balances 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	
	2018	2017
AA	41.40%	99.71%
AAA	58.60%	0.29%
	<b>100.00%</b>	<b>100.00%</b>

### 18.3.3 Concentration of credit risk

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

## 19. FAIR VALUE MEASUREMENT

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction. 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).

Investments in gold are non-financial assets, therefore, the fair value is disclosed in note 5.1 to these financial statements.

As at June 30, 2018, the Fund does not hold any assets which required fair valuation.

## **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'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 unit holders and to maintain a strong base of assets under management. The Fund has no restrictions on the subscription and redemption of units.

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

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

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

## **21. COMMODITY RISK MANAGEMENT**

### **21.1 Commodity risk**

Commodity risk represent the accounting loss that would be recognised at the reporting date due to change in future market values and the size of the future income, caused by fluctuation in the prices of commodities.

Commodity risk arises on the fair value or future cash flows of a commodity which will fluctuate because of the decrease / increase in the price of the gold contract quoted on Pakistan Mercantile Exchange (PMEX).

In case of 1% increase / decrease in the price of gold fixed by Pakistan Mercantile Exchange (PMEX) as on June 30, 2018, with all other variables held constant, the total income of the Fund for the year would increase / decrease by Rs 2.119 million (2017: Rs 3.946 million) and the net assets of the Fund would increase / decrease by the same amount as a result of change in the fair value thereof.



**22. UNIT HOLDING PATTERN OF THE FUND**

Category	2018			2017		
	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	470	156,649	64.44	373	146,507	32.04
Associated companies / directors	-	-	0.00	1	35,446	7.75
Bank / DFIs	1	56,668	23.32	1	50,460	11.04
Insurance companies	1	20,586	8.47	3	195,576	42.77
Retirement fund	1	6,913	2.84	1	6,137	1.34
Private limited companies	-	-	-	1	20,380	4.46
Others	2	2,268	0.93	4	2,757	0.60
	<b>475</b>	<b>243,084</b>	<b>100.00%</b>	<b>384</b>	<b>457,263</b>	<b>100.00%</b>

**23. LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID**

2018		2017	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Arif Habib Limited	26%	Arif Habib Limited	18%
Shajar Capital Limited	16%	Top Line Securities (Private) Limited	17%
Top Line Securities (Private) Limited	14%	AKD Securities Limited	16%
AKD Securities Limited	13%	Fortune Securities Limited	16%
Fortune Securities Limited	12%	IGI Finex Securities Limited	12%
BIPL Securities Limited	10%	Shajar Capital Limited	12%
IGI Finex Securities Limited	10%	BIPL Securities Limited	8%

**24. INVESTMENT COMMITTEE MEMBERS**

Name	Designation	Qualification	Experience in years
Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	Twenty Eight years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Twenty Two years
Mr. Ahmed Hassan	VP Investments	CFA / MBA	Eleven years
Mr. Ali Khan	VP Product Development	CFA / FRM / MBA	Eight years
Mr. Zain Malik	VP Investments	CFA / BBA	Nine years
Mr. Asif Imtiaz	Senior Manager	CFA / MBA	Ten years
Mr. Imad Ansari	Head of Risk Management	B.S Actuarial Sciences & Risk Management / MBA	Thirteen years
Mr. Ali Asghar	AVP/Head of Research	CFA level II / BBA / MBA (in progress)	Seven years

The Fund Manager of the Fund is Mr. Ali Khan.

**25. MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

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

Name	Designation	Meeting held on				
		August 24, 2017	October 19, 2017	February 8, 2018	April 24, 2018	May 31, 2018
Mr. Ariful Islam	Chairman	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib	Chief Executive Officer	Yes	Yes	Yes	Yes	Yes
Mr. Moin M. Fudda	Director	Yes	Yes	Yes	Yes	Yes
Mr. Atif Azim	Director	Yes	Yes	Yes	Yes	Yes
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes
Mr. Abdullah Ahmed	Director	Yes	Yes	Yes	Yes	Yes
Mr. Ijaz Farooq	Director	Yes	Yes	No	Yes	No
Mr. Arshad Majeed *	Director	-	-	-	No	Yes
Syed Amir Ali *	Director	Yes	Yes	Yes	Resigned	-
Ms. Saima Kamila Khan **	Director	-	-	Yes	Yes	Yes
Mr. P. Ahmed **	Director	Yes	Yes	-	-	-
Mazhar Sharif ***	Director	Yes	Yes	-	-	-
Mr. Naeem Sattar ***	Director	-	-	Yes	Yes	Yes

\* Syed Amir Ali resigned and in his place Mr. Arshad Majeed was appointed as Director of Al Meezan Investment Management Limited for the remaining term of the Board. The SECP vide their letter no. SCD/AMCW/AMIML/369/2018 dated May 15, 2018 have expressed their No Objection to this appointment.

\*\*Ms. Kamila was appointed as an Independent Director in place of Mr. P. Ahmed in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

\*\*\*Mr. Naeem Sattar was appointed as a nominee Director of PKIC in place of Mr. Mazhar Sharif in the elections of the Company held in December 2017. The SECP vide their letter no. SCD/AMCW/AMIML/230/2018 dated January 16, 2018 have expressed their No Objection to this appointment.

## 26. CORRESPONDING FIGURES

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

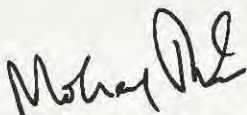
## 27. DATE OF AUTHORISATION FOR ISSUE


These financial statements were authorised for issue by the Board of Directors of the Management Company on August 09, 2018.

## 28. GENERAL

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

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

  
**Mohammad Shoaib, CFA**  
Chief Executive

  
**Syed Amir Ali Zaidi**  
Director



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