



**Meezan**  
Sovereign Fund

## MEEZAN SOVEREIGN FUND (MSF)

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





## FUND INFORMATION

### MANAGEMENT COMPANY

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

### BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. Mohammad Shoaib, CFA	Chief Executive Officer
Mr. Muhammad Abdullah Ahmed	Nominee Director – MBL
Mr. 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	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

Allied Bank Limited - Islamic Banking  
Albaraka Bank (Pakistan) Limited  
Askari Bank Limited - Islamic Banking  
Bank Alfalah Limited - Islamic Banking  
Bank Al Habib Limited - Islamic Banking  
Dubai Islamic Bank Pakistan Limited  
Faysal Bank Limited - Islamic Banking  
Habib Bank Limited - Islamic Banking

Habib Metropolitan Bank Limited - Islamic Banking  
MCB Bank Limited  
MCB Islamic Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan - Islamic Banking  
Sindh Bank Limited - Islamic Banking  
UBL Ameen

### LEGAL ADVISER

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

### DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited





## REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2018

### Type of Fund

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

### Objective

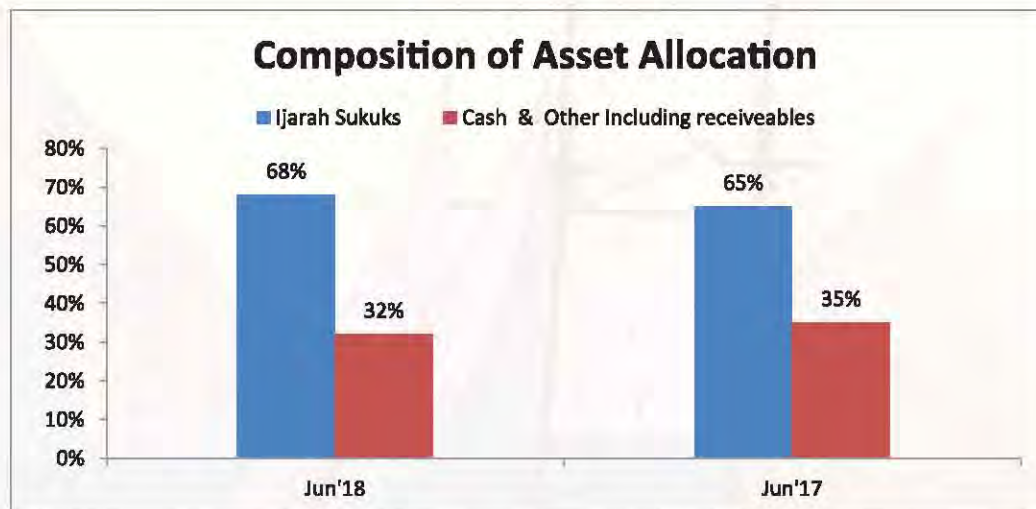
The Fund's primary objective is to provide investors with a low risk and stable rate of current income by primarily investing in Shariah Compliant Sovereign Securities.

### Investment Policy and Strategy

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

### Sector Allocation for the year ended FY17 and FY18

The asset allocation of the fund on June 30, 2017 and June 30, 2018 is as follows:



### Performance Review

Meezan Sovereign Fund (MSF) provided a return of 2.59% to its investors for the year ended June 30, 2018 against a benchmark return of 4.96%.

During the year, the Fund earned a gross income of Rs. 102 million, which was primarily due to profit on Sukuks certificates worth Rs. 125 million. Profit on saving accounts at Islamic banks contributed Rs. 40 million. On the other side, the fund accrued realized and unrealized loss worth Rs. 33 million and Rs. 32 million respectively. The fund also incurred expenses totalling to Rs. 43 million, which brought the net income figure to Rs. 59 million. The net assets of the Fund as at June 30, 2018 were Rs. 2,121 million as compared to Rs. 4,334 million at the end of last year depicting a decrease of 51.06%. The net asset value per unit as at June 30, 2018 was Rs. 52.72 as compared to Rs. 51.40 per unit as on June 30, 2017.

**Distributions**

The final Payout by the Fund during the fiscal year ended June 30, 2018 was Rs. 1.24 per unit (2.48%). Total distribution made by the fund was Rs. 37 million.

**Fund Stability Rating**

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

**Breakdown of unit holdings by size:**

(As on June 30, 2018)

<b>Range (Units)</b>	<b>No. of Investors</b>
1 - 9,999	3,259
10,000 - 49,999	580
50,000 - 99,999	80
100,000 - 499,999	52
500,000 and above	6
<b>Total</b>	<b>3,977</b>





**Meezan Bank**  
The Premier Islamic Bank

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

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

**Alhamdulillah**, the period from July 01, 2017 to June 30, 2018 was the ninth year of operations of Meezan Sovereign Fund (MSF) under management of Al Meezan Investment Management Limited (Al Meezan). We, Meezan Bank Limited, are the *Shari'ah* advisors of the Fund and are issuing the report in accordance with clause 8.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shari'ah* compliance of the Fund's activity.


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

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

In light of the above, we hereby certify that:

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

  
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**Dr. Muhammad Imran Ashraf Usmani**  
For and on behalf of Meezan Bank  
*Shari'ah* 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 SOVEREIGN FUND**

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

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





**A.F.FERGUSON&CO.**

**INDEPENDENT AUDITOR'S REPORT**

**To the Unitholders of Meezan Sovereign Fund**

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

**Opinion**

We have audited the financial statements of Meezan Sovereign Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 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	<p><b>Amendments to NBFC Regulations, 2008</b></p> <p>(Refer note 3.10 to the annexed financial statements)</p> <p>The Securities and Exchange Commission of Pakistan through its notification [SRO 756(I)/2017] dated August 3, 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The impacts of these amendments have been incorporated in the financial statements of the Fund for the year ended June 30, 2018. These amendments mainly includes 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 mentioned notification. The change in accounting policy has been applied prospectively from July 1, 2017 based on the clarification</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 performed walkthrough tests for ensuring compliance with the revised requirements and in this respect obtained reports of distribution of income and refund of capital by the Fund.</p> <p>We verified transactions on a test basis with the underlying records of the reports provided by the management to assess their compliance with the revised regulations.</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>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 SECP notification also stipulates that the accounting income available for distribution as appearing in the "Income Statement" excludes income already paid on units redeemed during the year. Accordingly, the net amount appearing on the "Income Statement" after deducting the income already paid on units redeemed is to be considered as the distributable amount.</p> <p>In order to avail tax exemption, the Fund has to distribute 90 percent of its accounting income (excluding realised and unrealised capital gains). However, at the time of distribution of income, the element of income contributed on issue of units recognized in the equity during the year is required to be refunded on the units in the same proportion in which income is distributed from the Income Statement i.e after taking into account the amount of income already paid on units redeemed. Management has developed a system for carrying out the calculations for such distributions.</p> <p>These calculations are important from the point of view of ensuring compliance with the applicable requirements. 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>	<p>We recalculated the profit available for distribution taking into account amount already distributed at the time of redemption.</p> <p>We verified the accuracy of the management report for allocation of distributable amount between "distribution out of income" and "refund of capital". This included testing the parameters of the report.</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>
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 1.49 billion and balances with banks aggregated to Rs 0.67 billion.</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>

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### **Other Information**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

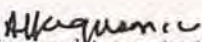
### **Report on Other Legal and Regulatory Requirement**

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

### **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**.

  
Chartered Accountants

Karachi

Date: September 19, 2018





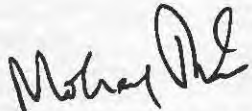
## STATEMENT OF ASSETS AND LIABILITIES

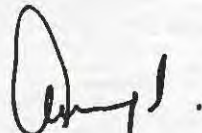
AS AT JUNE 30, 2018

	Note	2018 (Rupees in '000)	2017
<b>Assets</b>			
Balances with banks	4	673,082	1,243,261
Investments	5	1,489,533	3,689,101
Receivable against conversion of units		31,469	718,732
Deposits, prepayments, profit accrued and other receivables	6	34,159	61,991
<b>Total assets</b>		<b>2,228,243</b>	<b>5,713,085</b>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited - Management Company	7	2,203	4,420
Payable to the Central Depository Company of Pakistan Limited - Trustee	8	220	371
Payable to the Securities and Exchange Commission of Pakistan	9	2,117	6,085
Payable against redemption and conversion of units		11,847	1,189,116
Payable to Meezan Bank Limited		322	229
Dividend payable		-	67,471
Accrued expenses and other liabilities	11	91,018	111,725
<b>Total liabilities</b>		<b>107,727</b>	<b>1,379,417</b>
<b>NET ASSETS</b>		<b>2,120,516</b>	<b>4,333,668</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>2,120,516</b>	<b>4,333,668</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		
<b>NUMBER OF UNITS IN ISSUE</b>		<b>40,219,172</b>	<b>84,320,718</b>
		(Rupees)	
<b>NET ASSET VALUE PER UNIT</b>		<b>52.7240</b>	<b>51.4000</b>

The annexed notes from 1 to 30 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

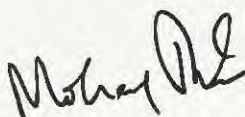
# INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2018

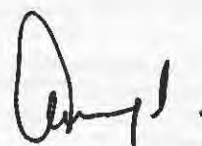
	Note	2018 (Rupees in '000)	2017
<b>Income</b>			
Profit earned	13	167,458	470,404
(Loss) / Gain on sale of investments - net		(33,132)	10,776
Reversal of provision for Workers' Welfare Fund (WWF)		-	133,886
Other income		-	669
		<b>134,326</b>	615,735
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.2	(32,036)	43,652
<b>Total income</b>		<b>102,290</b>	659,387
<b>Expenses</b>			
Remuneration of Al Meezan Investment Management Limited - Management Company	7.1	28,222	81,154
Sindh Sales Tax on remuneration of the Management Company	7.2	3,669	10,548
Allocated expenses	7.3	2,822	8,114
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	8.1	2,867	6,830
Sindh Sales Tax on remuneration of the Trustee	8.2	373	888
Annual fees to the Securities and Exchange Commission of Pakistan	9.1	2,117	6,085
Brokerage expense		255	546
Auditors' remuneration	14	490	447
Fees and subscription		617	946
Legal and professional charges		49	438
Bank and settlement charges		200	156
Provision for Sindh Workers' Welfare Fund	11.1	1,212	12,690
<b>Total expenses</b>		<b>42,893</b>	128,842
<b>Net income from operating activities</b>		<b>59,397</b>	530,545
Element of income and capital gains included in the prices of units issued less those in units redeemed - net	3.10	-	(276,272)
<b>Net income for the year before taxation</b>		<b>59,397</b>	254,273
Taxation	17	-	-
<b>Net income for the year after taxation</b>		<b>59,397</b>	254,273
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		59,397	-
Income already paid on units redeemed		(22,371)	-
		<b>37,026</b>	-
<b>Accounting income available for distribution</b>			
- Relating to capital gains		-	-
- Excluding capital gains		37,026	-
		<b>37,026</b>	-

The annexed notes from 1 to 30 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



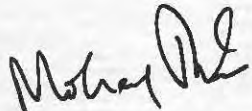


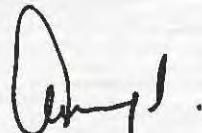
## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

Note	2018 (Rupees in '000)	2017
<b>Net income for the year after taxation</b>	<b>59,397</b>	254,273
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>59,397</b>	254,273

The annexed notes from 1 to 30 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

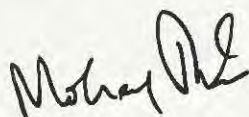
# STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND

## FOR THE YEAR ENDED JUNE 30, 2018

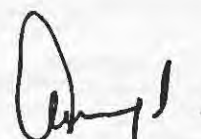
	2018		
	Capital Value	Undistributed Income / (loss)	Total
	(Rupees in '000)		
<b>Net assets at beginning of the year</b>	4,042,582	291,086	4,333,668
Issue of 71,636,834 units			
- Capital value (at net asset value per unit at the beginning of the year)	3,682,132	-	3,682,132
- Element of income	41,742	-	41,742
Total proceeds on issuance of units	3,723,874	-	3,723,874
Redemption of 115,738,380 units			
- Capital value (at net asset value per unit at the beginning of the year)	5,948,953	-	5,948,953
- Element of income	25,099	22,371	47,470
Total payments on redemption of units	5,974,052	22,371	5,996,423
Total comprehensive income for the year	-	59,397	59,397
Distribution during the year	-	-	-
Net income for the year less distribution	-	59,397	59,397
<b>Net assets at end of the year</b>	<b>1,792,404</b>	<b>328,112</b>	<b>2,120,516</b>
<b>Undistributed income carried forward</b>			
- Realised income		360,148	
- Unrealised loss		(32,036)	
		328,112	
<b>Accounting income available for distribution *</b>			
- Relating to capital gains		-	
- Excluding capital gains		37,026	
		37,026	
			(Rupees)
Net assets value per unit at beginning of the year			51.4000
Net assets value per unit at end of the year			52.7240
			<b>June 30, 2017</b>
			Rupees in '000
Capital Value			7,703,549
Undistributed Income brought forward			
- Realised		193,509	
- Unrealised		47,688	
<b>Net assets at beginning of the year</b>			7,944,746
Issuance of 396,890,720 units			20,786,983
Redemption of 468,956,990 units			(24,724,222)
			(3,937,239)
Element of loss and losses included in prices of units issued less those in units redeemed - net			276,272
Net realised gain on sale of sukuk certificates			10,776
Unrealised appreciation in the value of Investments (net)			43,652
Other net income for the year			199,845
Total comprehensive income for the year			254,273
Interim distribution for the year ended June 30, 2017			
- cash dividend @ 5.5% i.e. Rs. 2.75 per unit			(204,384)
Net income for the year less distribution			49,889
<b>Net assets at end of the year</b>			<b>4,333,668</b>
<b>Represented by:</b>			
Capital Value			4,042,582
Undistributed income carried forward			
- Realised		247,434	
- Unrealised		43,652	
		4,333,668	
			(Rupees)
Net assets value per unit at beginning of the year			50.8000
Net assets value per unit at end of the year			51.4000

The annexed notes from 1 to 30 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 for the year before taxation		59,397	254,273
<b>Adjustments for:</b>			
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net		-	276,272
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		32,036	(43,652)
Provision for Sindh Workers' Welfare Fund	11.1	1,212	-
		<b>92,645</b>	<b>486,893</b>
<b>Decrease in assets</b>			
Investments - net		2,167,532	2,466,936
Deposits, prepayments, profit accrued and other receivables		27,832	23,891
		<b>2,195,364</b>	<b>2,490,827</b>
<b>Decrease in liabilities</b>			
Payable to Al Meezan Investment Management Limited - Management Company		(2,217)	(6,280)
Payable to the Central Depository Company of Pakistan - Trustee		(151)	(366)
Payable to the Securities and Exchange Commission of Pakistan		(3,968)	(712)
Payable to Meezan Bank Limited		93	(3)
Unclaimed Dividend		(67,471)	67,471
Accrued expenses and other liabilities		(21,919)	(119,853)
		<b>(95,633)</b>	<b>(59,743)</b>
Net cash generated from operating activities		<b>2,192,376</b>	<b>2,917,977</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net receipts from issuance of units		4,411,137	20,709,582
Net payments against redemption of units		(7,173,692)	(25,889,518)
Dividend paid		-	(204,384)
<b>Net cash used in financing activities</b>		<b>(2,762,555)</b>	<b>(5,384,320)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(570,179)</b>	<b>(2,466,343)</b>
Cash and cash equivalents at the beginning of the year		1,243,261	3,709,604
Cash and cash equivalents at the end of the year		<b>673,082</b>	<b>1,243,261</b>

The annexed notes from 1 to 30 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

# 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 Sovereign Fund (the Fund) was established under a trust deed executed between Al Meezan Investment Management Limited (Al Meezan) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on May 14, 2009 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi, 74400, Pakistan.

The Fund has been formed to provide the unitholders maximum possible preservation of capital along with Halal and reasonable returns by investing primarily in a portfolio of Shariah compliant government securities thus, minimising the credit risk of investments. The Fund shall also keep an exposure in short-term near cash instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns if available at any given point of time. Under the Trust Deed, all conducts and acts of the Fund are based on Shariah. Meezan Bank Limited (MBL) acts as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah. The investment objectives and policies are explained in the Fund's offering document.

**1.2** The Fund is an open-end Shariah Compliant (Islamic) Income Scheme, listed on the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited). Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

**1.3** The Fund has been given a stability rating of AA-(f) by JCR-VIS Credit Rating Company Limited. The Management Company of the Fund has been given quality rating of AM1 by JCR-VIS Credit Rating Company Limited.

**1.4** The title to the assets of the Fund are held in the name of the Central Depository Company of Pakistan Limited as the Trustee of the Fund.

### 2. BASIS OF 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 the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.





Where provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the IFRS 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 other amendments to the 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 to 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	01 July 2018
- IFRS 15 - Revenue from Contracts with Customers	01 July 2018
- IFRS 16 - Leases	01 January 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 17).

## 2.5 Accounting convention

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

## 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 Funds operates. These financial statements are presented in Pakistan Rupee, which is the Fund's 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 note 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 follows:

##### **a) Financial assets at fair value through profit or loss**

These are acquired principally for the purpose of generating profits from short-term fluctuations in prices.

##### **b) Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

##### **c) Available-for-sale**

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss, or (b) loans and receivables. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

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

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

##### **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. These are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the Income Statement.

##### **3.3.4 Subsequent measurement**

Subsequent to initial recognition, financial assets are valued as follows:

##### **a) 'Financial assets at fair value through profit or loss' and 'available-for-sale financial assets'**



#### **Basis of valuation of debt securities**

The investments of the Fund in debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP for valuation of debt securities. In the determination of the rates MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities.

#### **Basis of valuation of government securities**

The investments of the Fund in government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

Net gains and losses arising from changes in the fair value of financial assets carried 'at fair value through profit or loss' are taken to the Income Statement.

#### **b) Loans and receivables**

These are carried at amortised cost using the effective interest 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 Impairment**

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds the recoverable amount. The amount of provision for impairment loss is determined based on the provisioning criteria specified by the SECP.

### **3.3.6 Derecognition**

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

### **3.3.7 Derivatives**

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

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

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

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

### **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 year 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 5.613 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 investments are included in the Income Statement currently, on the date when the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of securities classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Income on term deposit receipts and Government securities is recognised on a time proportionate basis using the effective yield method.
- Profit on bank deposit 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.

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

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

### 3.15 Earnings / (loss) per unit

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

Loss / earnings 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."

### 3.16 Foreign currency translation

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

4.	BALANCES WITH BANKS	Note	2018 (Rupees in '000)	2017
	Balances with banks in:			
	Savings accounts	4.1	667,641	1,227,312
	Current accounts		5,441	15,949
			<u>673,082</u>	<u>1,243,261</u>

4.1 The balances in saving accounts have expected profit rates ranging from 2.00% to 6.60% per annum (2017: 2.0% to 6.10% per annum).





	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>(Rupees in '000)</b>	
<b>5. INVESTMENTS</b>			
<b>At fair value through profit or loss - held for trading</b>			
Government securities - Sukuk certificates	5.1	<b>1,489,533</b>	<b>3,689,101</b>

**5.1 Government securities - Sukuk certificates**

Name of security	Profit payments / principal redemptions	Tenure	Maturity Date	Rate of Return	As at July 1, 2017	Purchased during the year	Disposed / matured during the year	As at June 30, 2018	Carrying value as at June 30, 2018	Market value as at June 30, 2018	Unrealised gain as at June 30, 2018	Market value as a percentage of total investments
					----- (Number of certificates) -----			--- (Rupees in '000) ---		% ---		
GoP Ijarah Sukuk Certificates - XVI	Semi-annually	3 Years	18-Dec-18	Weighted average 6 months T-Bills	16,330	-	12,200	4,130	411,529	405,033	(6,496)	27.19%
GoP Ijarah Sukuk Certificates - XVII	Semi-annually	3 Years	15-Feb-19	6.10%	19,660	-	8,702	10,958	1,035,270	1,010,125	(25,145)	67.81%
GoP Ijarah Sukuk Certificates - XVIII	Semi-annually	3 Years	29-Mar-19	5.59%	-	500	-	500	49,750	49,835	85	3.35%
GoP Ijarah Sukuk Certificates - XIX	Semi-annually	3 Years	30-Jun-20	5.24%	-	250	-	250	25,020	24,540	(480)	1.65%
<b>Total - June 30, 2018</b>					<b>35,990</b>	<b>750</b>	<b>20,902</b>	<b>15,838</b>	<b>1,521,569</b>	<b>1,489,533</b>	<b>(32,036)</b>	<b>100.00%</b>
Total - June 30, 2017									3,645,449	3,689,101	43,652	

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

	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>(Rupees in '000)</b>	
<b>5.2 Unrealised appreciation on re-measurement of investments classified as Financial assets at fair value through profit or loss</b>			
Market value of investments	5.1	<b>1,489,533</b>	<b>3,689,101</b>
Carrying value of investments	5.1	<b>(1,521,569)</b>	<b>(3,645,449)</b>
		<b>(32,036)</b>	<b>43,652</b>

**5.3 Investments - 'loans and receivable**

Name of the bank	Maturity Date	Profit rate	As at July 01, 2017	Term deposit receipts purchased during the year	Matured during the period	As at June 30, 2018	Percentage in relation to	
			----- (Rupees in '000) -----			Total market value of investments	Net assets of the fund on the basis of market value	
							% ---	
Habib Bank Limited - Islamic banking	May 07, 2018	5.90%	-	100,000	100,000	-	-	-

	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>(Rupees in '000)</b>	
<b>6. DEPOSITS, PREPAYMENTS, PROFIT ACCRUED AND OTHER RECEIVABLES</b>			

Security deposit with Central Depository Company of Pakistan Limited	<b>100</b>	<b>100</b>
Prepayments	<b>126</b>	<b>222</b>
Profit receivable on balances with banks	<b>8,394</b>	<b>13,388</b>
Profit receivable on sukuk certificates	<b>25,145</b>	<b>47,887</b>
Others	<b>394</b>	<b>394</b>
	<b>34,159</b>	<b>61,991</b>

	Note	2018 (Rupees in '000)	2017
<b>7. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED- MANAGEMENT COMPANY</b>			
Management fee payable	7.1	1,775	3,552
Sindh Sales Tax payable on remuneration of the Management Company	7.2	231	462
Allocated expenses payable	7.3	178	356
Sales Load Payable		17	44
Sindh Sales Tax on Sales Load Payable		2	6
		<b>2,203</b>	<b>4,420</b>

**7.1** As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding 1.5% of the average annual net assets in case of an Income scheme. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 1% (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.

**7.2** During the year, an amount of Rs 3.669 million (2017: Rs 10.548 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 3.951 million (2017: Rs 11.184 million) has been paid to the Management Company which acts as a collecting agent.

**7.3** 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.

	Note	2018 (Rupees in '000)	2017
<b>8. PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Trustee fee payable	8.1	195	328
Sindh Sales Tax payable on trustee fee	8.2	25	43
		<b>220</b>	<b>371</b>

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

On net assets:

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

**8.2** During the year, an amount of Rs 0.373 million (2017: Rs 0.888 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs 0.391 million (2017: Rs 0.930 million) was paid to the Trustee which acts as a collecting agent.

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

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

**10. PAYABLE AGAINST REDEMPTIONS OF UNITS**

This includes units redeemed by the unit holders based on re-balancing of units on or before June 30, 2018 in respect of which payments were made subsequent to the year ended June 30, 2018.

	Note	2018 (Rupees in '000)	2017
<b>11. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration payable		470	310
Printing charges payable		174	356
Brokerage payable		289	271
Shariah advisor fee payable		161	409
Withholding tax payable		136	22,023
Capital gain tax payable		155	-
Provision for Sindh Workers' Welfare Fund	11.1	13,902	12,690
Zakat payable		87	22
Provision for Federal Excise Duty and related Sindh Sales Tax on management fee	11.2	73,253	73,253
Provision for Federal Excise Duty and related Sindh Sales Tax on sales load	11.2	2,391	2,391
		<b>91,018</b>	<b>111,725</b>

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

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. 0.35 per unit (2017: Re 0.15 per unit).

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

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

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

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 75.644 million (2017: Rs 75.644 million) is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2018 would have been higher by Re 1.88 (2017: Re 0.90) per unit.

## 12. CONTINGENCIES AND COMMITMENTS

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

## 13. PROFIT EARNED

Profit on:

Balances with banks

Term Deposits

Government Securities - Sukuk certificates

**2018**      **2017**  
**(Rupees in '000)**

<b>39,645</b>	87,857
<b>2,942</b>	-
<b>124,871</b>	382,547
<b>167,458</b>	470,404

## 14. AUDITORS' REMUNERATION

Annual audit fee

Half yearly review of condensed interim financial information

Fee for other certifications

Out of pocket expenses

**353**

**120**

-

**17**

**490**

230

120

90

7

447

## 15. TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2018 is 1.53% which includes 0.26% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, Sales Taxes, Federal Excise Duties, Annual fee to the SECP, etc. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulations for a collective investment scheme categorised as an income scheme.



<b>16. PERFORMANCE TABLE</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Net assets (Rs. in '000) (ex-distribution)	<b>2,120,516</b>	4,354,375	7,944,746	8,656,701	20,280,685
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	<b>52.7240</b>	51.64	50.80	50.47	50.48
Offer price per unit as at June 30 (Rs.) (ex-distribution)	<b>53.0219</b>	51.69	51.14	54.28	50.82
Distribution (%)					
Interim	-	-	-	-	1.80
- First quarter	-	-	-	-	1.68
- Second quarter	-	-	-	-	1.80
- Third quarter	-	5.50	4.50	-	2.10
- Fourth quarter	-	-	6.80	-	-
Annual					
Dates of distribution (interim)					
- First quarter	-	-	-	-	23-Sep-2013
- Second quarter	-	-	-	-	24-Dec-2013
- Third quarter	-	-	-	-	24-Mar-2014
- Fourth quarter		23-Jun-2017	29-Jun-2016	-	29-May-2014
Dates of distribution (annual)	<b>Refer note 28</b>	-	July 3, 2015	-	-
Income distribution (Rs. in '000)	-	204,384	870,835	-	586
Growth distribution (Rs. in '000)	-	-	-	-	1,875,183
Highest offer price per unit (Rs.)	<b>54.56</b>	54.56	54.28	54.28	51.86
Lowest offer price per unit (Rs.)	<b>51.13</b>	51.13	50.86	50.88	50.36
Highest redemption price per unit (Rs.)	<b>54.25</b>	54.25	53.92	53.92	51.51
Lowest redemption price per unit (Rs.)	<b>50.84</b>	50.84	50.93	50.54	50.02
Total return (%)	<b>2.57</b>	6.57	5.12	6.81	8.50
Weighted Average Portfolio Duration (years)	<b>1.55</b>	1.55	0.03	0.40	0.78
	<b>One Year</b>	<b>Two Years</b>	<b>Three Years</b>	<b>Four Years</b>	<b>Five Years</b>
Average annual return (%) as at June 30, 2018	<b>2.57</b>	4.57	4.75	5.27	5.91

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

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

## 17. TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unitholders. Since the management intends to distribute the required minimum percentage of income earned by the Fund for the year ended June 30, 2018 to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements during the year.

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

## 18. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

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

	2018	2017
	(Rupees in '000)	
<b>Al Meezan Investment Management Limited (Management Company)</b>		
<b>Transactions during the year</b>		
Remuneration charged	28,222	81,154
Sindh Sales Tax on remuneration of the Management Company	3,669	10,548
Allocated expenses	2,822	8,114
Issue of nil (2017: 19,610,309) units	-	1,060,722
Redemption of nil (2017: 19,610,309) units	-	1,063,075
<b>Balances</b>		
Remuneration Payable	1,775	3,552
Sindh Sales Tax on management fee	231	462
Sales load payable	17	44
Sindh Sales Tax on sales load	2	2
Allocated expenses	178	356
<b>Meezan Bank Limited</b>		
<b>Transactions during the year</b>		
Profit on saving accounts	598	1,480
Units redeemed: 21,593,102 units (2017: nil units)	1,108,590	-
Dividend paid	-	59,381
<b>Balances</b>		
Balances with bank	42,023	36,625
Profit receivable on saving accounts	946	1,032
Sales load payable	285	203
Sindh Sales Tax on sales load payable	37	26
Investments of nil units (2017: 21,593,102 units)	-	1,115,068



	2018	2017
	(Rupees in '000)	
<b>Central Depository Company of Pakistan Limited (CDC) - Trustee</b>		
<b>Transactions during the year</b>		
Remuneration of the Trustee	2,867	6,830
Sindh Sales Tax on remuneration of the Trustee	373	888
Settlement charges incurred	6	2
Sindh Sales Tax on settlement charges	1	-
<b>Balances</b>		
Security deposits refundable	100	100
Remuneration Payable	195	328
Sindh Sales Tax on trustee fee	25	43
<b>Meezan Financial Planning Fund of Funds</b>		
Aggressive Allocation Plan - Issue of Nil (2017: 4,865,600 units)	-	256,802
Conservative Allocation Plan - Issue of Nil (2017: 9,234,583 units)	-	483,620
Moderate Allocation Plan - Issue of Nil (2017: 6,442,217 units)	-	338,173
M CPP I - Issue of Nil (2017: 6,310,639 units)	-	325,780
M CPP II - Issue of Nil (2017: 55,963,747 units)	-	2,889,385
MAAP - I - Issue of Nil (2017: 6,675,654 units)	-	341,702
MAAP - II - Issue of Nil (2017: 5,194,921 units)	-	266,210
Aggressive Allocation Plan - Redemption of Nil (2017: 7,514,623 units)	-	400,088
Conservative Allocation Plan - Redemption of Nil (2017: 13,588,821 units)	-	721,162
Moderate Allocation Plan - Redemption of Nil (2017: 10,052,162 units)	-	535,078
M CPP I - Redemption of Nil (2017: 18,464,301 units)	-	952,198
M CPP II - Redemption of Nil (2017: 94,435,037 units)	-	4,934,998
MAAP - I - Redemption of 908,229 (2017: 8,778,344 units)	46,700	463,264
MAAP - II - Redemption of 1,579,961 (2017: 4,491,517 units)	81,242	236,767
Investment of 386 units - MAAP - I (2017: 908,615)	20	46,702
Investment of nil units - MAAP - II (2017: 1,579,961)	-	81,210
<b>Meezan Capital Preservation Fund II</b>		
Issue of Nil (2017: 3,163,923) units	-	161,500
Redemption of Nil (2017: 7,611,866) units	-	390,928
<b>Directors and their close family members and key management personnel of the Management Company</b>		
Issue of 121 (2017: 190,811) units	6	9,991
Redemption of 29,999 (2017: 182,368) units	1,536	9,607
Cash dividend	-	92
Investment of 5 units (2017: 31,123 units)	-	1,600

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

## 19. FINANCIAL INSTRUMENTS BY CATEGORY

	2018			
	Loans and receivables	At fair value through profit or loss	Available-for-sale	Total
	Rupees in '000			
<b>Financial assets</b>				
Balances with banks	673,082	-	-	673,082
Investments	-	1,489,533	-	1,489,533
Receivable against conversion of units	31,469	-	-	31,469
Deposits and profit accrued	34,033	-	-	34,033
	<b>738,584</b>	<b>1,489,533</b>	<b>-</b>	<b>2,228,117</b>
	2018			
	At fair value through profit or loss	Available-for-sale	Total	
	Rupees in '000			
<b>Financial liabilities</b>				
Payable to Al Meezan Investment Management Limited - Management Company	-	2,203	2,203	
Payable to the Central Depository Company Limited - Trustee	-	220	220	
Payable against redemption and conversion of units	-	11,847	11,847	
Payable to Meezan Bank Limited	-	322	322	
Accrued expenses and other liabilities	-	1,094	1,094	
	-	<b>15,686</b>	<b>15,686</b>	
	2017			
	Loans and receivables	At fair value through profit or loss	Available-for-sale	Total
	Rupees in '000			
<b>Financial assets</b>				
Balances with banks	1,243,261	-	-	1,243,261
Investments	-	3,689,101	-	3,689,101
Receivable against conversion of units	718,732	-	-	718,732
Deposits and profit accrued	61,769	-	-	61,769
	<b>2,023,762</b>	<b>3,689,101</b>	<b>-</b>	<b>5,712,863</b>
	2017			
	At fair value through profit or loss	Available-for-sale	Total	
	Rupees in '000			
<b>Financial liabilities</b>				
Payable to Al Meezan Investment Management Limited - Management Company	-	4,420	4,420	
Payable to the Central Depository Company Limited - Trustee	-	371	371	
Payable against conversion of units	-	1,189,116	1,189,116	
Payable to Meezan Bank Limited	-	229	229	
Dividend Payable	-	67,471	67,471	
Accrued expenses and other liabilities	-	1,346	1,346	
	-	<b>1,262,953</b>	<b>1,262,953</b>	





## 20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management objectives and policies:

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

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

Risks managed and measured by the Fund are explained below:

### 20.1 Market risk

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

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

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

#### (i) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2018, the Fund is exposed to such risk on its balances held with banks and investments in Ijarah / sukuk certificates. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

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

Presently, the Fund holds KIBOR based sukuk certificates and balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase/decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher/lower by Rs. 0.08 million (2017: Rs. 0.13 million).

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

As at June 30, 2018, the Fund holds GoP Ijarah sukuk which are classified as financial assets at fair value through profit or loss' exposing the Fund to fair value profit rate risk. In case of 100 basis points increase in rates announced by the Financial Markets Association of Pakistan for GoP Ijarah sukuk and with all other variables held constant, the net income for the year and net assets of the Fund would have been higher by Rs 0.25 million (2017: Rs 0.48 million). In case of 100 basis points decrease in those rates, the net income for the year and net assets of the Fund would have been lower by Rs 0.25 million (2017: Rs 0.48 million).

The composition of the Fund's investment portfolio, KIBOR rates and the rates announced by the Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

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

The Fund's profit rate sensitivity related to financial assets and financial liabilities as at June 30, 2018 can be determined as follows:

	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	2.00% - 6.60%	667,641	-	-	5,441	673,082
Investments	5.24% - 6.10%	1,010,125	479,408	-	-	1,489,533
Receivable against conversion of units		-	-	-	31,469	31,469
Deposits and profit accrued		-	-	-	34,033	34,033
		<b>1,677,766</b>	<b>479,408</b>	<b>-</b>	<b>70,943</b>	<b>2,228,117</b>
<b>Financial liabilities</b>						
Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	2,203	2,203
Payable to the Central Depository Company Limited - Trustee		-	-	-	220	220
Payable against conversion of units		-	-	-	11,847	11,847
Payable to Meezan Bank Limited		-	-	-	322	322
Dividend payable / unclaimed dividend		-	-	-	-	-
Accrued expenses and other liabilities		-	-	-	1,094	1,094
		-	-	-	15,686	15,686
<b>On-balance sheet gap (a)</b>		<b>1,677,766</b>	<b>479,408</b>	<b>-</b>	<b>55,257</b>	<b>2,212,431</b>
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-	-
<b>Total interest rate sensitivity gap (a+b)</b>		<b>1,677,766</b>	<b>479,408</b>	<b>-</b>		
<b>Cumulative interest rate sensitivity gap</b>		<b>1,677,766</b>	<b>2,157,174</b>	<b>2,157,174</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	2.00% - 6.10%	1,227,312	-	-	15,949	1,243,261
Investments	5.24% - 6.10%	-	3,689,101	-	-	3,689,101
Receivable against conversion of units		-	-	-	718,732	718,732
Deposits and profit accrued		-	-	-	61,769	61,769
		<b>1,227,312</b>	<b>3,689,101</b>	<b>-</b>	<b>796,450</b>	<b>5,712,863</b>
<b>Financial liabilities</b>						
Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	4,420	4,420
Payable to the Central Depository Company Limited - Trustee		-	-	-	371	371
Payable against conversion of units		-	-	-	1,189,116	1,189,116
Payable to Meezan Bank Limited		-	-	-	229	229
Dividend payable / unclaimed dividend		-	-	-	67,471	67,471
Accrued expenses and other liabilities		-	-	-	1,346	1,346
Bank loan and overdraft or other forms of borrowing		-	-	-	-	-
		-	-	-	1,262,953	1,262,953
<b>On-balance sheet gap (a)</b>		<b>1,227,312</b>	<b>3,689,101</b>	<b>-</b>	<b>(466,503)</b>	<b>4,449,910</b>
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-	-
<b>Total interest rate sensitivity gap (a+b)</b>		<b>1,227,312</b>	<b>3,689,101</b>	<b>-</b>		
<b>Cumulative interest rate sensitivity gap</b>		<b>1,227,312</b>	<b>4,916,413</b>	<b>4,916,413</b>		





**(ii) Currency risk**

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

**(iii) Price risk**

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

Equity price risk is the risk that the fair value of equity instruments decreases as a result of changes in the level of equity indices and the value of individual stocks. The Fund does not have any investment in equity securities as of 30 June 2018.

**20.2 Liquidity risk**

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

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

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

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

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

	2018						Total
	Within 1 month	More than one month and upto three months	More than three months and upto one year	More than three months and upto five year	More than 5 years	Financial Instruments with no fixed maturity	
	(Rupees in '000)						
<b>Financial assets</b>							
Cash and bank balances	673,082	-	-	-	-	-	673,082
Investments	-	-	1,464,993	24,540	-	-	1,489,533
Receivable against issue of units	31,469	-	-	-	-	-	31,469
Deposits and profit accrued	33,539	-	-	-	-	494	34,033
	<b>738,090</b>	<b>-</b>	<b>1,464,993</b>	<b>24,540</b>	<b>-</b>	<b>494</b>	<b>2,228,117</b>

	2018						
	Within 1 month	More than one month and upto three months	More than three months and upto one year	More than three months and upto five year	More than 5 years	Financial instruments with no fixed maturity	Total
	(Rupees in '000)						
<b>Financial liabilities</b>							
Payable to Al Meezan Investment Management Limited Management Company	2,203	-	-	-	-	-	2,203
Payable to the Central Depository Company Limited Limited - Trustee	220	-	-	-	-	-	220
Payable against conversion of units	11,847	-	-	-	-	-	11,847
Payable to Meezan Bank Limited	322	-	-	-	-	-	322
Accrued expenses and other liabilities	289	631	174	-	-	-	1,094
	14,881	631	174	-	-	-	15,686
<b>Net assets / (liabilities)</b>	<b>723,209</b>	<b>(631)</b>	<b>1,464,819</b>	<b>24,540</b>	<b>-</b>	<b>494</b>	<b>2,212,431</b>
	2017						
	Within 1 month	More than one month and upto three months	More than three months and upto one year	More than three months and upto five year	More than 5 years	Financial instruments with no fixed maturity	Total
	(Rupees in '000)						
<b>Financial assets</b>							
Cash and bank balances	1,243,261	-	-	-	-	-	1,243,261
Investments	-	-	3,689,101	-	-	-	3,689,101
Receivable against issue of units	718,732	-	-	-	-	-	718,732
Deposits and profit accrued	61,275	-	-	-	-	494	61,769
	2,023,268	-	3,689,101	-	-	494	5,712,863
<b>Financial liabilities</b>							
Payable to Al Meezan Investment Management Limited Management Company	4,420	-	-	-	-	-	4,420
Payable to the Central Depository Company Limited Limited - Trustee	371	-	-	-	-	-	371
Payable against conversion of units	1,189,116	-	-	-	-	-	1,189,116
Payable to Meezan Bank Limited	229	-	-	-	-	-	229
Accrued expenses and other liabilities	271	719	356	-	-	-	1,346
	1,194,407	719	356	-	-	-	1,195,482
<b>Net assets / (liabilities)</b>	<b>828,861</b>	<b>(719)</b>	<b>3,688,745</b>	<b>-</b>	<b>-</b>	<b>494</b>	<b>4,517,381</b>

## 20.3 Credit risk

**20.3.1** Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. Credit risk arises from deposits with banks and financial institutions, profit receivable on bank deposits, credit exposure arising as a result of investment in debt securities, profit receivable on debt securities, receivable against issuance and conversion and receivable against sale of investments.

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





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

	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	673,082	673,082	1,243,261	1,243,261
Investments	1,489,533	-	3,689,101	-
Receivable against conversion of units	31,469	31,469	718,732	718,732
Deposits and profit accrued	34,159	34,033	61,991	61,769
	<b>2,228,243</b>	<b>738,584</b>	<b>5,713,085</b>	<b>2,023,762</b>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2018 is the carrying amount of the financial assets. Investment in government securities, however, are not exposed to credit risk and have been excluded from the above analysis as these are guaranteed by the Government of Pakistan.

### 20.3.2 Credit quality of financial assets

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

Rating	% of financial assets exposed to credit risk	
	2018	2017
AAA	27.24	59.07
AA+	6.62	1.04
AA	26.28	3.17
A+	6.93	34.42
A	0.02	0.15
A-	32.91	2.15
	<b>100.00</b>	<b>100.00</b>

## 21. 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).

As at June 30, 2018, the Fund held the following financial instruments measured at fair values:

	2018		
	Level 1	Level 2	Level 3
	Rupees in '000		
<b>Financial assets</b>			
At fair value through profit or loss	-	<b>1,489,533</b>	-
	-	<b>1,489,533</b>	-
	2017		
	Level 1	Level 2	Level 3
	Rupees in '000		
<b>Financial assets</b>			
At fair value through profit or loss	-	<b>3,689,101</b>	-
	-	<b>3,689,101</b>	-

## 22. UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

## 23. UNIT HOLDING PATTERN OF THE FUND

Category	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	3,850	1,483,948	69.98	4,122	2,011,526	46.42
Associated Companies / Directors	1	20	0.00	6	1,239,468	28.60
Insurance Companies	3	13,466	0.64	11	226,417	5.22
Retirement Funds	39	510,853	24.09	45	615,504	14.20
Public Limited Companies	2	592	0.03	4	577	0.01
Others	82	111,637	5.26	86	240,176	5.54
<b>Total</b>	<b>3,977</b>	<b>2,120,516</b>	<b>100.00%</b>	<b>4,274</b>	<b>4,333,668</b>	<b>100.00%</b>





**24. 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
Paramount Capital (Private) Limited	48.00	Paramount Capital (Private) Limited	45.00
Invest Capital Markets Limited	45.00	Invest Capital Markets Limited	31.00
Vector Capital (Private) Limited	7.00	Vector Capital (Private) Limited	18.00
	<u>100.00</u>	JS Global Capital Limited	3.00
		Arif Habib Securities Limited	3.00
			<u>100.00</u>

**25. DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE**

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

Name	Designation	Qualification	Experience in years
Mr. Mohammad Shoaib	Chief Executive	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 - Finance	Ten years
Mr. Asmar Hamoodi	AVP Investments	BBA - Finance / CFA / A.C.C.A	Six years
Mr. Imad Ansari	Head of Risk Management	B.S Actuarial Sciences & Risk Management / MBA - Finance	Thirteen years
Mr. Ali Asghar	AVP/Head of Research	CFA level II / MBA (in progress)	Seven years

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

- Meezan Cash Fund
- Meezan Islamic Income Fund

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

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

Name	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	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.

## **27. CORRESPONDING FIGURES**

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

## **28. NON-ADJUSTING EVENTS AFTER REPORTING PERIOD**

The Board of Directors of the Management Company in the meeting held on July 6, 2018, approved a final cash dividend of Rs 1.24 per unit (2017: Rs 2.75 per unit) on the face value of Rs 50 each (i.e. 2.48%) amounting to Rs 37.025 million (2017: Rs 204.384 million). The financial statements of the Fund for the year ended 30 June 2018 do not include the effect of this distribution which will be accounted for in the financial statements of the Fund for the year ending 30 June 2019.

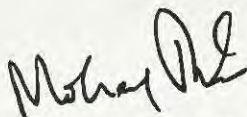
## **29. DATE OF AUTHORISATION FOR ISSUE**

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

## **30. 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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