



**Al Meezan**  
Investment Management Ltd.

# KANJUT SAR

Evaluating time horizons are critical for investments, just like climbing mountains.

Height 7,760 meters,  
belongs to the range Hispar Karakoram





# MEEZAN ISLAMIC INCOME FUND (MIIF)

Meezan Islamic Income Fund is Pakistan's first Shariah Compliant income fund scheme. The purpose of Meezan Islamic Income Fund is to provide investors with a high and stable rate of current income consistent with long term preservation of capital in a Shariah Compliant way. A secondary objective is to take advantage of opportunities to realize capital appreciation.



# FUND INFORMATION

## MANAGEMENT COMPANY

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

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. Muhammad Abdullah Ahmed	Nominee Director - MBL
Mr. Moin M. Fudda	Nominee Director - MBL
Mr. Furquan R Kidwai	Independent Director
Mr. Mubashar Maqbool	Nominee Director - PKIC
Mr. Tariq Mairaj	Nominee Director - MBL
Mr. Naeem Sattar	Nominee Director - PKIC
Mr. Feroz Rizvi	Independent Director
Ms. Danish Zuberi	Independent Director
Mr. Mohammad Shoaib, CFA	Chief Executive Officer

## CHIEF FINANCIAL OFFICER

Mr. Muhammad Shahid Ojha

## COMPANY SECRETARY

Mr. Salman Muslim

## BOARD AUDIT COMMITTEE

Mr. Feroz Rizvi	Chairman
Mr. Tariq Mairaj	Member
Mr. Naeem Sattar	Member

## BOARD RISK MANAGEMENT COMMITTEE

Mr. Mubashar Maqbool	Chairman
Mr. Moin M. Fudda	Member
Mr. Furquan R. Kidwai	Member

## BOARD HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. Ariful Islam	Chairman
Mr. Moin M. Fudda	Member
Mr. Mubashar Maqbool	Member
Mr. Furquan R. Kidwai	Member
Mr. Mohammad Shoaib, CFA	Member

## BOARD IT COMMITTEE

Mr. Furquan R. Kidwai	Chairman
Mr. Mohammad Shoaib, CFA	Member
Mr. Faiz ur Rehman	Subject Matter Expert

## 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  
Al Baraka Islamic Bank B.S.C (E.C)  
Askari Bank Limited - Islamic Banking  
Bank Al Habib Limited - Islamic Banking  
Bank Alfalah Limited  
Bank Islami Pakistan Limited  
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  
Samba Bank Limited  
Sindh Bank Limited  
Soneri Bank Limited - Islamic Banking  
The Bank Of Punjab - Islamic Banking  
The Bank Of Khyber - Islamic Banking  
UBL Ameen - Islamic Banking

## LEGAL ADVISER

Bawaney & Partners  
3rd & 4th Floor, 68-C, Lane-13, Bokhari Commercial Area,  
Phase VI, DHA, Karachi.  
Phone (+9221) 35156191-94 Fax: (+9221) 35156195  
E-mail: [bawaney@cyber.net.pk](mailto:bawaney@cyber.net.pk)

## TRANSFER AGENT

Al Meezan Investment Management Limited

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited



Pure. Profit.



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

### Type of Fund

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

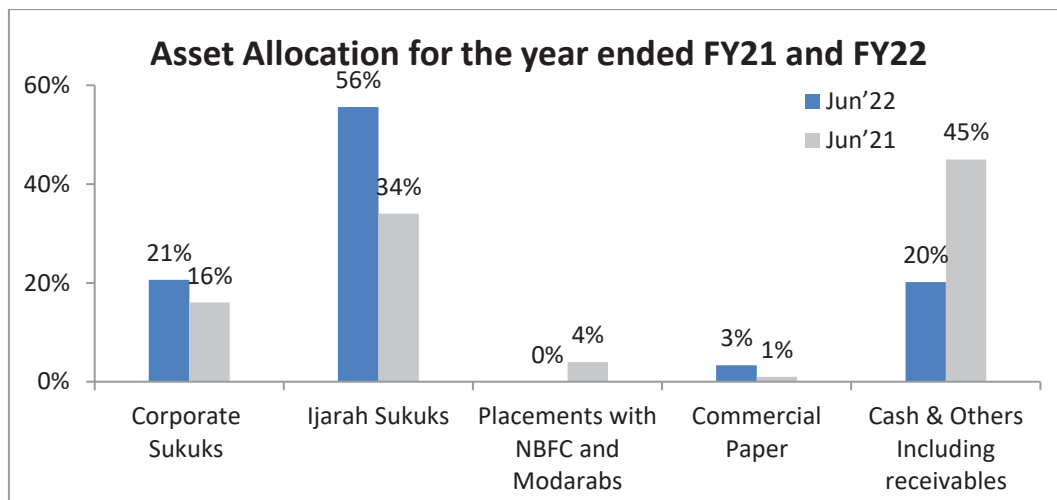
### Objective

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

### Strategy, Investment policy and asset allocation

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

During the year, the focus was on proactive and continuous reallocation between high yield instruments, so as to maximize fund yield, while maintaining a balance within the risk management constraints. Due to the increasing interest rate environment, Term Deposits and Bai Muajjal placements were kept at a very conservative levels.



### Performance Review

During FY22, Meezan Islamic Income Fund (MIIF) provided a full year return of 8.63% as compared to its benchmark return of 3.34%. The fund manager remained on a continuous look out for deployment opportunities in high quality Corporate Sukuk and investments were made in Sukuk issued by companies mainly in Power sector. In line with monetary tightening expectations, TDRs/Placements above three months' tenor were not placed during the year. The fund has four non performing Sukuk currently (Sukuk of Eden Housing Limited, Security Leasing Company Limited, Arzoo Textile Mills Limited and Hascol Petroleum Limited) but it is pertinent to note that Eden Housing Limited Sukuk, Arzoo Textile Mills Sukuk, Security Leasing Company Limited and Hascol Petroleum Limited Sukuk stand fully provided. A case for Arzoo Textile Mills Limited Sukuk is already under contestation in the courts, whereas for Eden Housing Limited, Security Leasing Limited and Hascol Petroleum Limited negotiations have not been very fruitful so it appears that the most likely way forward will be procession of legal proceedings against the respective companies but the Sukuk holders are yet to reach a conclusion on the matter. As at year end, the fund was invested 80% in Islamic Sukuk/Ijarah and 20% in Islamic Bank Deposits including other receivables.





Pure. Profit.



The Fund earned a gross income of Rs. 2,385 million, which was primarily due to profit on Sukuk certificates amounting worth Rs. 1,668 million. Profit on saving accounts at Islamic banks contributed Rs. 715 million, profit on musharakah certificates Rs. 66 million while realized loss on sale of Sukuks certificates was Rs. 64 million. On the other side, the fund incurred unrealized diminution worth Rs. 1 million and also recorded provision against sukuk certificate Rs. 45 million. The fund also incurred expenses totalling to Rs. 237 million, which brought the net income figure to Rs. 2,148 million. The net assets of the Fund as at June 30, 2022 were Rs. 18,609 million as compared to Rs. 27,246 million at the end of last year depicting an decrease of 32%. The net asset value per unit as at June 30, 2022 was Rs. 51.5323 (Ex-Dividend) as compared to Rs. 51.4736 per unit as on June 30, 2021.

	MIIF	Islamic Bank Deposits (Benchmark)
Net Asset Value as on June 30, 2021	51.47	
Net Asset Value as on June 30, 2022	51.53	
Return for the year	8.63%	3.34%
Outperformance	5.29%	

### Fund Rating

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

### Distributions

The final distribution in the form of cash dividend by the Fund during the fiscal year ended June 30, 2022 was Rs. 4.3714 per unit (8.74%). Total distribution made by the fund was Rs. 1,058 million.

### SWWF Disclosure

During the month of August 2021, provisioning against Sindh Workers' Welfare Fund by MIIF amounting to Rs. 134.99 million has been reversed on the clarification received by Sindh Revenue Board vide letter No. SRB/TP/70/2013/8772 dated August 12, 2021 addressed to Mutual Funds Association of Pakistan. This reversal of provision has contributed towards an increase in NAV of the MIIF by 0.46%. This is one-off event and is not likely to be repeated in the future.

### Breakdown of unit holdings by size:

(As on June 30, 2022)

Range (Units)	No. of investors
1 - 9,999	19,662
10,000 - 49,999	3,190
50,000 - 99,999	672
100,000 - 499,999	476
500,000 and above	66
<b>Total</b>	<b>24,066</b>

## **PERFORMANCE TABLE**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Net assets (Rs '000) (ex-distribution)	<b>18,609,435</b>	27,246,175	27,776,365
Net assets value / redemption price per unit as at June 30 (Rs) (ex-distribution)	<b>51.5323</b>	51.4736	51.4656
Offer price per unit as at June 30 (Rs) (ex-distribution)	<b>52.1146</b>	52.0552	51.7563
<b>Distribution (%)</b>			
- Interim			
- First quarter	-	-	-
- Second quarter	-	-	-
- Third quarter	-	-	-
- Fourth quarter	<b>8.74%</b>	6.82%	11.77%
- Annual	-	-	-
<b>Dates of distribution (interim)</b>			
- First quarter	-	-	-
- Second quarter	-	-	-
- Third quarter	-	-	-
- Fourth quarter	<b>June 27, 2022</b>	June 30, 2021	June 26, 2020
Dates of distribution (annual)	-	-	-
Income distribution (Rupees in '000)	<b>1,057,593</b>	828,248	1,052,042
Growth distribution (Rupees in '000)	-	-	-
Highest offer price per unit (Rs)	<b>56.4032</b>	55.4980	57.6066
Lowest offer price per unit (Rs)	<b>52.0043</b>	51.7670	51.7273
Highest redemption price per unit (Rs)	<b>55.7730</b>	54.8779	57.2830
Lowest redemption price per unit (Rs)	<b>51.4233</b>	51.4736	51.4367
Total return (%)	<b>8.63%</b>	6.64%	11.57%
Weighted Average Portfolio Duration (years)	<b>0.44</b>	0.20	0.19
	<b>One year</b>	<b>Two year</b>	<b>Three year</b>
Average annual return (%) as at June 30, 2022	<b>8.63%</b>	7.63%	8.93%

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



**Meezan Bank**  
The Premier Islamic Bank



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

July 29, 2022/ Dhu Al-Hijjah 29, 1443

**Alhamdulillah**, the period from July 01, 2021 to June 30, 2022 was the Fifteenth year of operations of Meezan Islamic Income Fund (MIIF) under management of Al Meezan Investment Management Limited (AMIM). We, Meezan Bank Limited, are the *Shariah* advisors of the Fund and are issuing the report in accordance with clause 7.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shariah* compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MIIF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MIIF by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MIIF for the year ended June 30, 2022 have been in compliance with *Shari'ah* principles.

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

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

**Meezan Bank Ltd.**

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**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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Email: [info@cdcpak.com](mailto:info@cdcpak.com)



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**MEEZAN ISLAMIC INCOME FUND**

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Islamic Income Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2022 in accordance with the provisions of the following:

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

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

Karachi, September 14, 2022





**INDEPENDENT AUDITOR'S REPORT**

**To the Unit holders of Meezan Islamic Income Fund**

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

**Opinion**

We have audited the financial statements of Meezan Islamic Income Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2022, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2022, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

**Basis for Opinion**

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

**Key Audit Matters**

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

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<b>Net Asset Value</b> (Refer notes 5 and 6 to the financial statements)	
	Investments and balances with banks constitute the most significant component of the net asset value. Investments of the Fund as at June 30, 2022 amounted to Rs 15,097.091 million and balances with banks aggregated to Rs 3,440.427 million.  The existence and proper valuation of investments and existence of balances with banks for the determination of NAV of the Fund as at June 30, 2022 was considered a high risk area and therefore we considered this as a key audit matter.	Our audit procedures amongst others included the following: <ul style="list-style-type: none"><li>Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2022 and traced 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; 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.

AT



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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is **Khattab Muhammad Akhi Baig**.

A. F. Ferguson & Co.  
Chartered Accountants  
Dated: September 21, 2022  
Karachi  
UDIN: AR202210081LRz9a3hrY





**MEEZAN ISLAMIC INCOME FUND  
STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2022**

	2022	2021
Note	(Rupees in '000)	
<b>Assets</b>		
Balances with banks	5 3,440,427	12,514,171
Investments	6 15,097,091	15,889,474
Receivable against conversion of units	86,611	18,133
Receivable against sale of investments	-	506
Advance, deposit, prepayments and other receivables	7 325,582	256,318
<b>Total assets</b>	<b>18,949,711</b>	<b>28,678,602</b>
<b>Liabilities</b>		
Payable to Al Meezan Investment Management Limited - Management Company	8 13,144	35,570
Payable to Central Depository Company of Pakistan Limited - Trustee	9 1,408	2,460
Payable to the Securities and Exchange Commission of Pakistan	10 5,316	6,965
Payable to Meezan Bank Limited	1,164	2,424
Payable against redemption and conversion of units	65,446	952,543
Dividend payable	-	36,220
Accrued expenses and other liabilities	11 253,798	396,245
<b>Total liabilities</b>	<b>340,276</b>	<b>1,432,427</b>
<b>Net assets</b>	<b>18,609,435</b>	<b>27,246,175</b>
<b>Unit holders' fund (as per statement attached)</b>	<b>18,609,435</b>	<b>27,246,175</b>
<b>Contingencies and commitments</b>	12	
	<b>(Number of units)</b>	
<b>Number of units in issue</b>	<b>361,122,076</b>	<b>529,323,430</b>
	<b>(Rupees)</b>	
<b>Net asset value per unit</b>	<b>51.5323</b>	<b>51.4736</b>

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Director

**MEEZAN ISLAMIC INCOME FUND**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Note	2022	2021
		(Rupees in '000)	
<b>Income</b>			
Profit on sukuk certificates and commercial papers		1,668,721	1,282,368
Profit on term deposit receipts		-	128,084
Profit on certificates of musharakah		66,278	89,240
Profit on Bai Muajjal		-	166,811
Net realised (loss) / gain on sale of investments		(64,630)	41,768
Profit on savings accounts with banks		714,843	953,206
Other income		937	390
		2,386,149	2,661,867
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.4	(989)	93,029
<b>Total income</b>		<u>2,385,160</u>	<u>2,754,896</u>
<b>Expenses</b>			
Remuneration of AI Meezan Investment Management Limited - Management Company	8.1	132,905	174,135
Sindh Sales Tax on remuneration of the Management Company	8.2	17,278	22,638
Allocated expenses	8.3	39,872	52,240
Selling and marketing expenses	8.4	98,795	128,003
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	19,922	26,120
Sindh Sales Tax on remuneration of the Trustee	9.2	2,590	3,396
Annual fee to the Securities and Exchange Commission of Pakistan	10	5,316	6,965
Auditors' remuneration	13	681	628
Fees and subscription		1,401	1,414
Legal and professional charges		754	329
Brokerage expense		1,491	2,213
Bank and settlement charges		2,262	2,308
Provision against sukuk certificates	6.1.2.4	45,000	54,259
(Reversal of provision) / provision for Sindh Workers' Welfare Fund (SWWF)	11.1	(130,733)	45,605
<b>Total expenses</b>		<u>237,534</u>	<u>520,253</u>
<b>Net income for the year before taxation</b>		<u>2,147,626</u>	<u>2,234,643</u>
Taxation	15	-	-
<b>Net income for the year after taxation</b>		<u><u>2,147,626</u></u>	<u><u>2,234,643</u></u>
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		2,147,626	2,234,643
Income already paid on units redeemed		(1,069,597)	(1,400,156)
		<u>1,078,029</u>	<u>834,487</u>
<b>Accounting income available for distribution</b>			
- Relating to capital gains		-	134,797
- Excluding capital gains		1,078,029	699,690
		<u>1,078,029</u>	<u>834,487</u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Director



**MEEZAN ISLAMIC INCOME FUND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2022**

	<b>2022</b>	<b>2021</b>
	<b>(Rupees in '000)</b>	
<b>Net income for the year after taxation</b>	2,147,626	2,234,643
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<u><u>2,147,626</u></u>	<u><u>2,234,643</u></u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Director



**MEEZAN ISLAMIC INCOME FUND**  
**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	2022			2021		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)			(Rupees in '000)		
<b>Net assets at the beginning of the year</b>	27,004,995	241,180	27,246,175	27,541,424	234,941	27,776,365
Issuance of 635,347,582 units (2021: 1,310,569,532 units)						
- Capital value (at net asset value per unit at the beginning of the year)	32,703,627	-	32,703,627	67,449,247	-	67,449,247
- Element of income	855,051	-	855,051	2,298,905	-	2,298,905
Total proceeds on issuance of units	33,558,678	-	33,558,678	69,748,152	-	69,748,152
Redemption of 803,548,936 units (2021: 1,320,953,621 units)						
- Capital value (at net asset value per unit at the beginning of the year)	41,361,557	-	41,361,557	67,983,671	-	67,983,671
- Element of loss	582,588	1,069,597	1,652,185	1,425,300	1,400,156	2,825,456
Total payments on redemption of units	41,944,145	1,069,597	43,013,742	69,408,971	1,400,156	70,809,127
Total comprehensive income for the year	-	2,147,626	2,147,626	-	2,234,643	2,234,643
Distribution for the year ended June 30, 2021	-	-	-	-	(828,248)	(828,248)
Distribution for the year ended June 30, 2022	-	(1,057,593)	(1,057,593)	-	-	-
Refund of capital for the year ended June 30, 2021	-	-	-	(875,610)	-	(875,610)
Refund of capital for the year ended June 30, 2022	(271,709)	-	(271,709)	-	-	-
Total distribution during the year	(271,709)	(1,057,593)	(1,329,302)	(875,610)	(828,248)	(1,703,858)
<b>Net assets at the end of the year</b>	<b>18,347,819</b>	<b>261,616</b>	<b>18,609,435</b>	<b>27,004,995</b>	<b>241,180</b>	<b>27,246,175</b>
<b>Undistributed income brought forward</b>						
- Realised income		148,151			217,183	
- Unrealised income		93,029			17,758	
		<u>241,180</u>			<u>234,941</u>	
<b>Accounting income available for distribution</b>						
- Relating to capital gains		-			134,797	
- Excluding capital gains		1,078,029			699,690	
		<u>1,078,029</u>			<u>834,487</u>	
Interim distribution during the year at Rs. 3.4123 per unit i.e. 6.82% of the par value of Rs. 50/- each (June 30, 2021)		-			(828,248)	
Interim distribution during the year at Rs. 4.3714 per unit i.e. 8.74% of the par value of Rs. 50/- each (June 27, 2022)		(1,057,593)			-	
Undistributed income carried forward		<u>261,616</u>			<u>241,180</u>	
<b>Undistributed income carried forward</b>						
- Realised income		262,605			148,151	
- Unrealised (loss) / income		(989)			93,029	
		<u>261,616</u>			<u>241,180</u>	
		<b>(Rupees)</b>			<b>(Rupees)</b>	
Net asset value per unit at the beginning of the year		<u>51.4736</u>			<u>51.4656</u>	
Net asset value per unit at the end of the year		<u>51.5323</u>			<u>51.4736</u>	

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Director



**MEEZAN ISLAMIC INCOME FUND  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2022**

	Note	2022 (Rupees in '000)	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year before taxation		2,147,626	2,234,643
<b>Adjustments for:</b>			
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.4	989	(93,029)
		2,148,615	2,141,614
<b>Decrease in assets</b>			
Investments - net		791,394	4,870,135
Receivable against sale of investments		506	(506)
Advance, deposit, prepayments and other receivables		(69,264)	42,993
		722,636	4,912,622
<b>(Decrease) / increase in liabilities</b>			
Payable to Al Meezan Investment Management Limited - Management Company		(22,426)	1,058
Payable to Central Depository Company of Pakistan Limited - Trustee		(1,052)	467
Payable to the Securities and Exchange Commission of Pakistan		(1,649)	2,701
Payable to Meezan Bank Limited		(1,260)	(462)
Accrued expenses and other liabilities		(142,447)	51,813
		(168,834)	55,577
<b>Net cash generated from operating activities</b>		2,702,417	7,109,813
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts against issuance and conversion of units		33,218,491	69,279,577
Payments against redemption and conversion of units		(43,900,839)	(69,940,508)
Dividend paid		(1,093,813)	(792,028)
<b>Net cash used in financing activities</b>		(11,776,161)	(1,452,959)
<b>Net (decrease) / increase in cash and cash equivalents during the year</b>		(9,073,744)	5,656,854
Cash and cash equivalents at the beginning of the year		12,514,171	6,857,317
<b>Cash and cash equivalents at the end of the year</b>	5	3,440,427	12,514,171

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Director

## **1 LEGAL STATUS AND NATURE OF BUSINESS**

**1.1** Meezan Islamic Income Fund (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed under the Trust Act, 1882 on September 13, 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on November 21, 2008 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) notified through S.R.O. 1203 (I) / 2008. The Management Company has been licensed by the SECP to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi

During the year ended June 30, 2021, the Trust Act, 1882 was repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act). The Fund is required to be registered under the Sindh Trust Act. Accordingly, on August 16, 2021 the above-mentioned Trust Deed has been registered under the Sindh Trust Act.

**1.2** The Fund has been formed to provide the unit holders competitive and stable rate of income on their investments in a Shariah compliant way with a broadly diversified portfolio of long, medium and short term and high quality Islamic income instruments. The Fund shall also keep an exposure in short-term instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns if available at any given point of time. Under the Trust Deed, all conducts and acts of the Fund are based on Shariah principles. Meezan Bank Limited acts as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah. The investment objectives and policies are explained in the Fund's offering document.

**1.3** The Fund is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund is categorised as an Open End Shariah Compliant (Islamic) Income Scheme in accordance with Circular 7 of 2009 issued by the SECP.

**1.4** The Management Company has been assigned a quality rating of 'AM1' by VIS Credit Rating Company Limited dated December 27, 2021 (2021: 'AM1' dated December 31, 2020) and by PACRA dated June 23, 2022 (2021: 'AM1' dated June 23, 2021). The rating reflects the Company's experienced management team, structured investment process and sound quality of systems and processes. The Fund has been given a stability rating of A+(f) by VIS Credit Rating Company Limited dated December 27, 2021 (2021: A+(f) dated January 12, 2021).

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

## **2 BASIS OF PRESENTATION**

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

## **3 BASIS OF PREPARATION**

### **3.1 Statement of compliance**

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

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



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

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

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2021. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements.

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

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's annual accounting period beginning on or after July 1, 2022. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements.

### **3.4 Critical accounting estimates and judgments**

The preparation of the financial statements in conformity with the accounting and reporting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires the management to exercise judgment in the application of the Company's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors, including expectation of future events, that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying value of assets and liabilities. These estimates and 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 the current and future years.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 4.2 and 6).

### **3.5 Accounting convention**

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

### **3.6 Functional and presentation currency**

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

## **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **4.1 Cash and cash equivalents**

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

### **4.2 Financial assets**

#### **4.2.1 Initial recognition and measurement**

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

## 4.2.2 Classification and subsequent measurement

### 4.2.2.1 Debt instruments

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

- at amortised cost;
- at fair value through other comprehensive income (FVOCI); and
- at fair value through profit or loss (FVPL)

based on the business model of the entity.

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

### 4.2.3 Impairment

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

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

#### 4.2.3.1 Impairment loss on debt securities

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

As allowed by the SECP, the Management Company may make provision against debt securities over and above the minimum provision requirement prescribed by the SECP, considering the specific credit and financial condition of the debt security issuer and in accordance with the provisioning policy duly approved by the Board of Directors of the Management Company. The provisioning policy approved by the Board of Directors has been placed on the Management Company's website as required under the SECP's circular.

### 4.2.4 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset.

### 4.2.5 Derecognition

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

## 4.3 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 value 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 arising on derecognition of financial liabilities is taken to the Income Statement.

#### 4.4 Offsetting of financial assets and financial liabilities

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

#### 4.5 Provisions

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

#### 4.6 Net asset value per unit

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

#### 4.7 Issue and redemption of units

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

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

#### 4.8 Distribution to unit holders

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

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

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

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

#### 4.10 Revenue recognition

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



#### 4.11 Expenses

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

#### 4.12 Taxation

##### Current

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

##### Deferred

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

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

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

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

#### 4.13 Earnings per unit

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

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.

#### 4.14 Foreign currency translation

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

	Note	2022 (Rupees in '000)	2021
<b>5 BALANCES WITH BANKS</b>			
Balances with banks in:			
Savings accounts	5.1	3,440,383	12,514,127
Current account		44	44
		<u>3,440,427</u>	<u>12,514,171</u>
<b>5.1</b>			
This includes balance of Rs 147.637 million (2021: Rs 90.730 million) maintained with Meezan Bank Limited (a related party) that has last declared profit rate of 6.01% (2021: 2.50%) per annum. Other savings accounts of the Fund have expected rates of profit ranging from 3.00% to 16.25% (2021: 1.50% to 7.32%) per annum.			

6 INVESTMENTS	Note	2022 (Rupees in '000)	2021
<b>Investments - 'at fair value through profit or loss'</b>			
Sukuk certificates	6.1	14,544,888	14,341,463
Certificates of musharakah	6.2	-	1,200,000
Commercial papers	6.3	552,203	348,011
		<u>15,097,091</u>	<u>15,889,474</u>
<b>6.1 Sukuk certificates</b>			
Government securities	6.1.1	10,538,677	9,816,183
Corporate sukuk certificates	6.1.2	4,006,211	4,525,280
		<u>14,544,888</u>	<u>14,341,463</u>

**6.1.1 Government securities**

Name of the security	Profit payments / principal redemptions	Issue date	Maturity date	Profit rate	As at July 1, 2021	Purchased during the year	Sold during the year	As at June 30, 2022	Carrying value as at June 30, 2022	Market value as at June 30, 2022	Unrealised appreciation/ (diminution) as at June 30, 2022	Percentage in relation to	
												Net assets of the Fund	Total market value of investments
					----- Number of certificates -----			----- (Rupees in '000) -----			----- % -----		
GoP Ijarah Sukuk Certificates - XIX - VRR	Semi-annually / At maturity	May 29, 2020	May 29, 2025	Weighted average 6 months T-Bills	2,000	-	-	2,000	201,260	200,060	(1,200)	1.08	1.33
GoP Ijarah Sukuk Certificates - XX - VRR	Semi-annually / At maturity	June 24, 2020	June 24, 2025	Weighted average 6 months T-Bills	2,340	-	-	2,340	235,401	233,254	(2,147)	1.25	1.55
GoP Ijarah Sukuk Certificates - XXI - VRR	Semi-annually / At maturity	December 9, 2020	December 9, 2025	Weighted average 6 months T-Bills	15,360	20,000	33,625	1,735	175,081	173,118	(1,963)	0.93	1.15
GoP Ijarah Sukuk Certificates - XXIII - VRR	Semi-annually / At maturity	October 6, 2021	October 6, 2026	Weighted average 6 months T-Bills	-	32,000	32,000	-	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XXIV - VRR	Semi-annually / At maturity	October 29, 2021	October 29, 2026	Weighted average 6 months T-Bills	-	13,000	8,000	5,000	500,169	499,650	(519)	2.68	3.31
GoP Ijarah Sukuk Certificates - XXV - VRR	Semi-annually / At maturity	April 27, 2022	April 27, 2027	Weighted average 6 months T-Bills	-	9,750	2,950	6,800	679,563	677,824	(1,739)	3.64	4.49
GoP Ijarah Sukuk Certificates - XI - FRR	Semi-annually / At maturity	December 15, 2021	December 15, 2026	Weighted average 6 months T-Bills	-	5,000	-	5,000	511,827	480,000	(31,827)	2.58	3.18
Pakistan Energy Sukuk II	Semi-annually / At maturity	May 21, 2020	May 21, 2030	6 months KIBOR minus base rate of 0.10%	1,553,450	130,000	40,000	1,643,450	8,282,338	8,274,771	(7,567)	44.47	54.81
<b>Total as at June 30, 2022</b>									<u>10,585,639</u>	<u>10,538,677</u>	<u>(46,962)</u>	<u>56.63</u>	<u>69.82</u>
<b>Total as at June 30, 2021</b>									<u>9,747,172</u>	<u>9,816,183</u>	<u>69,011</u>	<u>36.03</u>	<u>61.78</u>

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

## 6.1.2 Corporate sukuk certificates

Name of the security	Profit payments / principal redemptions	Maturity date	Face value per certificate (Rupees)	Profit rate	As at July 1, 2021	Purchased during the year	Sold / redeemed during the year	As at June 30, 2022	Carrying value as at June 30, 2022 *	Market value as at June 30, 2022 *	Unrealised appreciation/ (diminution) as at June 30, 2022	Percentage in relation to	
					----- (Number of certificates) -----			----- (Rupees in '000) -----			Net assets of the Fund	Total market value of investments	
												----- % -----	
<b>NON-PERFORMING ASSETS</b>													
Arzoo Textile Mills Limited (note 6.1.2.1) *	Not applicable	April 15, 2014	5,000	Not applicable	14,000	-	-	14,000	-	-	-	-	-
Eden Housing Limited (note 6.1.2.1) *	Not applicable	September 29, 2014	984	Not applicable	59,400	-	-	59,400	-	-	-	-	-
Security Leasing Corporation Limited II (note 6.1.2.1) *	Not applicable	January 19, 2022	1,540	Not applicable	10,000	-	-	10,000	-	-	-	-	-
Hascol Petroleum Limited (note 6.1.2.1 & 6.1.2.2) *	Not applicable	January 06, 2022	1,250	Not applicable	80,000	-	-	80,000	-	-	-	-	-
<b>COMMERCIAL BANKS</b>													
Dubai Islamic Bank Pakistan Limited (AA-, VIS, non-traded)	Semi-annually / At maturity	July 14, 2027	1,000,000	6 months KIBOR plus base rate of 0.50%	538	-	-	538	553,046	556,023	2,977	2.99	3.68
Meezan Bank Limited Tier - II (AA+, VIS) (a related party of the Fund)	Semi-annually / At maturity	September 22, 2026	1,000,000	6 months KIBOR plus base rate of 0.50%	298	-	298	-	-	-	-	-	-
<b>FERTILIZER</b>													
Fatima Fertilizer Company Limited (AA-, PACRA)	Semi-annually	November 28, 2021	500	6 months KIBOR plus base rate of 1.10%	200,666	-	200,666	-	-	-	-	-	-
<b>POWER GENERATION &amp; DISTRIBUTION</b>													
K-Electric Limited Sukuk V (AA+, VIS, non-traded)	Quarterly / Quarterly commencing from November 3, 2022	August 3, 2027	5,000	3 months KIBOR plus base rate of 1.70%	184,600	18,000	31,400	171,200	869,781	874,147	4,366	4.70	5.79
The Hub Power Company Limited (AA+, PACRA, traded)	Quarterly / Semi-annually	August 22, 2023	75,000	3 months KIBOR plus base rate of 1.90%	2,455	-	-	2,455	187,797	193,718	5,921	1.04	1.28
The Hub Power Company Limited (AA+, PACRA, non-traded)	Quarterly / Semi-annually commencing from September 19, 2022	March 19, 2024	100,000	12 months KIBOR plus base rate of 1.90%	6,550	300	3,500	3,350	343,040	344,643	1,603	1.85	2.28
Hub Power Holdings Limited (AA+, PACRA) (note 6.1.2.4)	Quarterly / Semi-annually commencing from May 12, 2024	November 12, 2025	100,000	6 months KIBOR plus base rate of 2.50%	6,000	-	-	6,000	592,518	592,518	-	3.18	3.92
Engro Powergen Thar (Private) Limited (A, PACRA, non-traded)	Quarterly / Annually commencing from August 2, 2022	August 2, 2024	5,000	3 months KIBOR plus base rate of 1.10%	62,400	-	-	62,400	312,000	330,481	18,481	1.78	2.19
Lucky Electric Power Company Limited (AA, PACRA)	At maturity	December 15, 2022	1,000,000	6 months KIBOR plus base rate of 1.20%	-	350	-	350	350,000	350,000	-	1.88	2.32
<b>PHARMACEUTICALS</b>													
AGP Limited (A+, PACRA)	Quarterly	June 9, 2022	5,000	3 months KIBOR plus base rate of 1.30%	1,624	992	2,616	-	-	-	-	-	-
OBS AGP (Private) Limited (A+, VIS, traded)	Quarterly / Quarterly commencing from October 15, 2022	July 15, 2026	100,000	3 months KIBOR plus base rate of 1.55%	-	3,900	600	3,300	330,000	331,650	1,650	1.78	2.20



Name of the security	Profit payments / principal redemptions	Maturity date	Face value per certificate (Rupees)	Profit rate	As at July 1, 2021	Purchased during the year	Sold / Redeemed during the year	As at June 30, 2022	Carrying value as at June 30, 2022 *	Market value as at June 30, 2022 *	Unrealised appreciation/ (diminution) as at June 30, 2022	Percentage in relation	
					----- (Number of certificates) -----			----- (Rupees in '000) -----		----- % -----			
<b>CEMENT &amp; CONSTRUCTION</b>													
Javedan Corporation Limited (AA-, VIS, non-traded)	Semi-annually	October 4, 2026	83,333	6 months KIBOR plus base rate of 1.75%	1,000	-	200	800	59,400	59,568	168	0.32	0.39
<b>STEEL &amp; ALLIED PRODUCTS</b>													
Agha Steel Industries Limited (A+, VIS, non-traded)	Quarterly / Quarterly commencing from January 9, 2022	October 9, 2025	937,500	3 months KIBOR plus base rate of 0.80%	250	-	68	182	158,905	165,069	6,164	0.89	1.09
<b>CHEMICALS</b>													
Engro Polymer and Chemicals Limited (AA, PACRA, non-traded)	Quarterly / Semi-annually commencing from July 11, 2024	July 11, 2026	100,000	3 months KIBOR plus base rate of 0.90%	478	-	-	478	48,804	51,146	2,342	0.27	0.34
<b>TEXTILE COMPOSITE</b>													
Masood Textile Mills Limited (A, VIS, non-traded)	Quarterly	December 17, 2024	785,714	3 months KIBOR plus base rate of 2.00%	150	-	23	127	89,691	89,356	(335)	0.48	0.59
<b>MISCELLANEOUS</b>													
International Brands Limited (AA, VIS)	Quarterly / Monthly	May 5, 2022	4,451	3 months KIBOR plus base rate of 0.50%	4,000	-	4,000	-	-	-	-	-	-
Shakarganj Food Products Limited (BBB+, VIS, non-traded) (note 6.1.2.1)	Quarterly	July 10, 2025	700,000	3 months KIBOR plus base rate of 1.75%	100	-	-	100	65,256	67,892	2,636	0.36	0.45
<b>Total as at June 30, 2022</b>									3,960,238	4,006,211	45,973	21.52	26.52
<b>Total as at June 30, 2021</b>									4,501,262	4,525,280	24,018	16.61	28.48

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

**6.1.2.1** The Securities and Exchange Commission of Pakistan vide Circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the Circular. Al Meezan Investment Management Limited (the Management Company) classified Meezan Islamic Income Fund (the Fund) as an 'Income Scheme' in accordance with the said Circular. As at June 30, 2022, the Fund is compliant with all the requirements of the said circular except for clause 9 (v) which requires that the rating of any security in the portfolio shall not be lower than the investment grade.

Following investments of the Funds are in sukuk certificates which are non-compliant securities. At the time of investment, these were compliant as per SECP criteria and the investment policy of the Fund.

Name of non-compliant investment	Type of Investment	Value of investment before provision	Provision held (if any)	Value of investment after provision	Percentage of	
					Net assets	Total assets
					----- % -----	
Arzoo Textile Mills Limited (note 6.1.2.1.1)	Non-traded sukuk certificates	70,000	70,000	-	-	-
Eden Housing Limited (note 6.1.2.1.1)	Non-traded sukuk certificates	58,472	58,472	-	-	-
Security Leasing Corporation Limited II (note 6.1.2.1.2)	Non-traded sukuk certificates	15,403	15,403	-	-	-
Hascol Petroleum Limited (note 6.1.2.1.3)	Non-traded sukuk certificates	99,259	99,259	-	-	-
Shakarganj Food Products Limited (note 6.1.2.1.4)	Non-traded sukuk certificates	67,892	-	67,892	0.36	0.36
<b>Total - June 30, 2022</b>		<b>311,026</b>	<b>243,134</b>	<b>67,892</b>	<b>0.36</b>	<b>0.36</b>
<b>Total - June 30, 2021</b>		<b>328,461</b>	<b>198,134</b>	<b>130,327</b>	<b>0.48</b>	<b>0.46</b>

- 6.1.2.1.1** On May 6, 2011, Arzoo Textile Mills Limited and Eden Housing Limited sukuk certificates have been classified as non-performing by Mutual Funds Association of Pakistan (MUFAP). Therefore in accordance with the requirement of SECP's Circular No.33 of 2012, the sukuk certificates have been classified as non-performing assets and no further profit has been accrued thereafter. Further, in accordance with the said Circular, an amount of Rs. 70 million and Rs. 58.472 million respectively have also been held as provision against the outstanding principal as at June 30, 2022.
- 6.1.2.1.2** The agreement with Security Leasing Corporation Limited (SLCL) had been amended on February 19, 2012. In accordance with the revised terms no mark-up is payable on the said sukuk as per the approval of contributories to the sukuk certificate. The sukuk certificates have been classified as non-performing by MUFAP on April 3, 2012. Therefore, in accordance with the requirement of circular no.33 of 2012, the sukuk certificates have been classified as non-performing assets and no further profit has been accrued thereafter. Further, in accordance with the provisioning policy of the Fund, an amount of Rs 15.403 million has also been held as provision against the outstanding principal as at June 30, 2022.
- 6.1.2.1.3** On April 1, 2021, sukuk certificates of Hascol Petroleum Limited have been classified as non-performing by Mutual Funds Association of Pakistan (MUFAP). Therefore, in accordance with the requirement of SECP's Circular No.33 of 2012, the sukuk certificates have been classified as non-performing asset and no further profit has been accrued thereafter. Further, in accordance with the said Circular, an amount of Rs. 99.259 million (June 30, 2021: Rs. 54.259 million) have also been held as provision. The face value of sukuk certificates is Rs. 100 million as at June 30, 2022.
- 6.1.2.1.4** In accordance with the Offering Document of the Fund, rating of any debt security in the portfolio of Income Scheme shall not be lower than the A-. Sukuk of Shakarganj Food Products Limited has been assigned a credit rating of BBB+ by VIS Credit Rating Company Limited dated November 23, 2020 making it non-compliant with the said constitutive document.
- 6.1.2.2** Circular No. 33 of 2012 allows the asset manager to apply a mark up / mark down within available limit for valuation of any specific debt security. Exercising the discretionary power, the above mentioned sukuk certificates of Agha Steel Industries Limited, Engro Powergen Thar (Private) Limited and Shakarganj Food Products Limited have been valued at a discretionary rate of Rs 103.6540, Rs 105.9234 and Rs 104.4499 when the reported market rate on MUFAP valuation sheet as at June 30, 2022 was Rs 105.8879, Rs 108.1771 and 107.3077 respectively. The mark up in prices has been done within allowable limits.
- 6.1.2.3** Sukuk certificates of Hub Power Holdings Limited and Lucky Electric Power Company Limited are carried at their cost as they are not valued by MUFAP.

	Note	2022	2021
		(Rupees in '000)	
<b>6.1.2.4 Movement of provision</b>			
Balance as at July 1		198,134	143,875
Charge for the year	6.1.2.1.3	45,000	54,259
Reversal for the year		-	-
Balance as at June 30		<u>243,134</u>	<u>198,134</u>

## 6.2 Certificates of musharakah

Name of the investee company	Maturity date	Profit rate	As at July 1, 2021	Placed during the year	Matured during the year	Carrying value as at June 30, 2022	Market value as at June 30, 2022	Unrealised appreciation / (diminution) as at June 30, 2022	Percentage in relation to	
									Net assets of the Fund	Total market value of investments
						(Rupees in '000)			% -----	
Orix Modaraba (AA, PACRA)	April 29, 2022	12.05	600,000	-	600,000	-	-	-	-	-
First Habib Modaraba (AA+, PACRA)	December 1, 2021	7.80	300,000	-	300,000	-	-	-	-	-
First Habib Modaraba (AA+, PACRA)	December 21, 2021	9.30	300,000	-	300,000	-	-	-	-	-
<b>Total as at June 30, 2022</b>			<u>1,200,000</u>	<u>-</u>	<u>1,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total as at June 30, 2021</b>			<u>1,600,000</u>	<u>2,252,830</u>	<u>2,652,830</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>-</u>	<u>4.39</u>	<u>7.56</u>

### 6.3 Commercial papers

Name of the security	Maturity date	Profit rate	As at July 1, 2021	Purchased during the year	Matured during the year	As at June 30, 2022	Carrying value as at June 30, 2022	Market value as at June 30, 2022	Unrealised appreciation/(diminution) as at June 30, 2022	Percentage in relation to	
			(Number of certificates)			(Rupees in '000)			Net assets of the Fund	Total market value of investments	
K-Electric Limited CP-16 (A-1+, PACRA)	September 16, 2021	6 months KIBOR plus base rate of 0.60%	225	-	225	-	-	-	-	-	-
K-Electric Limited CP-18 (A-1+, VIS)	October 19, 2021	6 months KIBOR plus base rate of 0.55%	130	-	130	-	-	-	-	-	-
Lucky Electric Power Company Limited ICP-1 (A-1, PACRA)	May 9, 2022	6 months KIBOR plus base rate of 0.75%	-	1,050	1,050	-	-	-	-	-	-
Mughal Iron & Steel Industries Limited ICP-1 (A-2, VIS)	July 21, 2022	6 months KIBOR plus base rate of 1.75%	-	300	-	300	303,122	303,122	-	1.63	2.01
Lucky Electric Power Company Limited ICP-2 (A-1, PACRA)	July 12, 2022	6 months KIBOR plus base rate of 1.50%	-	250	-	250	249,081	249,081	-	1.34	1.65
<b>Total as at June 30, 2022</b>							<b>552,203</b>	<b>552,203</b>	<b>-</b>	<b>2.97</b>	<b>3.66</b>
<b>Total as at June 30, 2021</b>							<b>348,011</b>	<b>348,011</b>	<b>-</b>	<b>1.28</b>	<b>2.19</b>

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

### 6.4 Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'

	Note	2022 (Rupees in '000)	2021 (Rupees in '000)
Market value of investments	6.1.1, 6.1.2, 6.2 & 6.3	15,097,091	15,889,474
Less: carrying value of investments	6.1.1, 6.1.2, 6.2 & 6.3	(15,098,080)	(15,796,445)
		<u>(989)</u>	<u>93,029</u>

### 7 ADVANCE, DEPOSIT, PREPAYMENTS AND OTHER RECEIVABLES

Security deposit with Central Depository Company of Pakistan Limited		100	100
Prepayments		282	267
Advance tax	7.1	3,127	3,127
Profit receivable on balances with banks		45,778	90,133
Profit receivable on sukuk certificates		273,591	153,757
Profit receivable on certificates of musharakah		-	6,230
ATM deposit with Meezan Bank Limited		2,704	2,704
		<u>325,582</u>	<u>256,318</u>

7.1 As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, during prior years, withholding tax on profit on debt securities and profit on bank deposits paid to the Fund was deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholder. The tax withheld on profit on debt securities and profit on bank deposits amounts to Rs 3.127 million.

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. A petition was filed in the Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgment of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit on debt securities and profit on bank deposits has been shown as other receivables as at June 30, 2022 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

8	<b>PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
			<b>(Rupees in '000)</b>	
	Remuneration payable	8.1	1,464	751
	Sindh Sales Tax payable on remuneration of the Management Company	8.2	190	98
	Allocated expenses payable	8.3	157	4,326
	Selling and marketing expenses payable	8.4	7,205	27,213
	Sales load payable		3,653	2,815
	Sindh Sales Tax payable on sales load		475	366
	Certificate charges payable		-	1
			<u>13,144</u>	<u>35,570</u>

**8.1** As per Regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the Offering Document subject to the total expense ratio limit. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 0.5% (2021: 0.5%) per annum of the average annual net assets of the Fund during the year ended June 30, 2022. The remuneration is payable to the Management Company monthly in arrears.

**8.2** During the year, an amount of Rs 17.278 million (2021: Rs 22.638 million) was charged on account of sales tax on remuneration of the Management Company levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs 17.186 million (2021: Rs 22.675 million) has been paid to the Management Company which acts as a collecting agent.

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

The Management Company, based on its own discretion, has charged such expenses at the rate of 0.15% (2021: 0.15%) of the average annual net assets of the Fund during the year ended June 30, 2022, subject to total expense charged being lower than actual expense incurred.

**8.4** In accordance with Circular 11 dated July 5, 2019 issued by the SECP with respect to charging selling and marketing expenses, the Management Company, based on its own discretion, has charged selling and marketing expenses at the following rates during the year ended June 30, 2022, subject to total expense charged being lower than actual expense incurred:

Rate applicable from July 1, 2021 to September 30, 2021	Rate applicable from October, 2021 to June 30, 2022	Rate applicable from July 1, 2020 to March 9, 2021	Rate applicable from March 10, 2021 to June 30, 2021
0.3% of the average annual net assets of the Fund	0.4% of the average annual net assets of the Fund	0.4% of the average annual net assets of the Fund	0.3% of the average annual net assets of the Fund

9	<b>PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
			<b>(Rupees in '000)</b>	
	Remuneration payable	9.1	1,246	2,177
	Sindh Sales Tax payable on remuneration of the Trustee	9.2	162	283
			<u>1,408</u>	<u>2,460</u>

**9.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed at the rate of 0.075% (2021: 0.075%) per annum of the average annual net assets of the Fund.

**9.2** During the year, an amount of Rs 2.590 million (2021: Rs 3.396 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 2.711 million (2021: Rs 3.342 million) was paid to the Trustee which acts as a collecting agent.

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

In accordance with the NBFC Regulations 2008, a Collective Investment Scheme (CIS) is required to pay annual fee to the Securities and Exchange Commission of Pakistan (SECP) at the rate of 0.02% (2021: 0.02%) of the average annual net assets of the Fund.



11	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
			<b>(Rupees in '000)</b>	
	Auditors' remuneration payable		459	430
	Printing charges payable		-	566
	Brokerage payable		527	207
	Shariah advisor fee payable		531	538
	Withholding tax payable		163,987	123,938
	Capital gain tax payable		33,900	86,196
	Provision for Sindh Workers' Welfare Fund (SWWF)	11.1	-	130,733
	Zakat payable		381	517
	Other payable		954	61
	Provision for Federal Excise Duty and related Sindh Sales Tax on remuneration of the Management Company	11.2	50,417	50,417
	Provision for Federal Excise Duty and related Sindh Sales Tax on sales load	11.2	2,642	2,642
			<u>253,798</u>	<u>396,245</u>

**11.1** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is 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 Mutual Funds Association of Pakistan (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 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 had 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 Sindh WWF Act, 2014 (i.e. starting from May 21, 2015). The Funds had accordingly made provision in respect of SWWF as recommended by MUFAP.

During the current year, SRB through its letter dated August 12, 2021 intimated MUFAP that the mutual funds do not qualify as Financial Institutions / Industrial Establishments and are therefore, not liable to pay the SWWF contributions. This development was discussed at MUFAP level and was also taken up with the SECP and all the Asset Management Companies, in consultation with the SECP, have reversed the cumulative provision for SWWF recognised in the financial statements of the Funds, for the period from May 21, 2015 to August 12, 2021, on August 13, 2021. The SECP also gave its concurrence for prospective reversal of provision for SWWF. Going forward, no provision for SWWF has been recognised in these financial statements of the Fund.

**11.2** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16% on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration made 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 Honourable Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

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

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution, the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 53.059 million is being retained in these financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2022 would have been higher by Re 0.15 (2021: Re 0.10) per unit.

**12 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments outstanding as at June 30, 2022 and June 30, 2021.

**13 AUDITORS' REMUNERATION**

	<b>2022</b>	<b>2021</b>
	<b>(Rupees in '000)</b>	
Annual audit fee	419	401
Half yearly review fee	150	130
Fee for other certifications	100	92
Out of pocket expenses	12	5
	<u>681</u>	<u>628</u>

**14 TOTAL EXPENSE RATIO**

The Total Expense Ratio (TER) of the Fund as at June 30, 2022 is 1.22% (2021: 1.45%) which includes 0.10% (2021: 0.23%) representing government levies on the Fund such as Sales Taxes, Federal Excise Duties, annual fee to the SECP etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an 'Income Scheme'.

**15 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 unit holders. Since the Management Company has distributed at least 90% of the Fund's accounting income for the year ended June 30, 2022 as reduced by capital gains (whether realised or unrealised) to its unit holders, therefore no provision for taxation has been made in these financial statements.

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.

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

Connected persons / related parties include Al Meezan Investment Management Limited being the Management Company, the Central Depository Company of Pakistan Limited being the Trustee, Meezan Bank Limited being the holding company of the Management Company, other collective investment schemes managed by the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of 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.

Transactions with connected persons 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 also in the normal course of business, at contracted rates and at terms determined in accordance with market rates. The management considers that the transactions between the related parties / connected persons are executed in accordance with the parameters defined in the Offering document, trust deed and NBFC regulations which are publicly available documents and hence, the transactions are considered to be on an arm's length basis.

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

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

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

<b>Balances</b>	<b>2022</b>	<b>2021</b>
	<b>(Rupees in '000)</b>	
<b>Al Meezan Investment Management Limited - Management Company</b>		
Remuneration payable	1,464	751
Sindh Sales Tax payable on remuneration of the Management Company	190	98
Allocated expenses payable	157	4,326
Selling and marketing expenses payable	7,205	27,213
Sales load payable	3,653	2,815
Sindh Sales Tax on sales load payable	475	366
Certificate charges payable	-	1
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Security deposit	100	100
Remuneration payable	1,246	2,177
Sindh Sales Tax payable on remuneration of the Trustee	162	283
<b>Meezan Bank Limited</b>		
Balances with bank	147,637	90,730
Profit receivable on savings accounts	199	-
Profit receivable on sukuk certificates	-	8,038
Investment of nil sukuk certificates (2021: 298 sukuk certificates)	-	308,615
Sales load payable	1,030	2,145
Sindh Sales Tax on sales load payable	134	279
ATM deposit	2,704	2,704
Shariah advisor fee payable	531	538
<b>Meezan Financial Planning Fund of Funds</b>		
<b>- Aggressive Allocation Plan</b>		
Investment of 1,418,225 units (2021: 1,681,170 units)	73,084	86,536
<b>Meezan Financial Planning Fund of Funds</b>		
<b>- Moderate Allocation Plan</b>		
Investment of 936,854 units (2021: 1,452,832 units)	48,278	74,782
<b>Meezan Financial Planning Fund of Funds</b>		
<b>- Conservative Allocation Plan</b>		
Investment of 2,080,458 units (2021: 3,297,127 units)	107,211	169,715
<b>Meezan Financial Planning Fund of Funds - MAAP - I</b>		
Investment of nil units (2021: 840,428 units)	-	43,260
<b>Al Meezan Investment Management Limited - Employees' Gratuity Fund</b>		
Investment of 217,135 units (2021: 200,139 units)	11,189	10,302
<b>Directors and Executives of the Management Company</b>		
Investment of 260,557 units (2021: 504,281 units)	13,427	25,957

Transactions during the year	2022	2021
	(Rupees in '000)	
<b>Al Meezan Investment Management Limited - Management Company</b>		
Remuneration of the Management Company	132,905	174,135
Sindh Sales Tax on remuneration of the Management Company	17,278	22,638
Allocated expenses	39,872	52,240
Selling and marketing expenses	98,795	128,003
Units issued: 7,606,241 units (2021: 1,157,861 units)	400,117	60,000
Units redeemed: 7,606,241 units (2021: 1,157,861 units)	400,467	62,364
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	19,922	26,120
Sindh Sales Tax on remuneration of the Trustee	2,590	3,396
CDS charges	59	1,086
<b>Meezan Bank Limited</b>		
Profit on savings accounts	2,544	2,356
Profit on sukuk certificates	10,515	26,789
Sale of Pakistan Energy Sukuk II certificates: nil certificates (2021: 1,540,000 sukuk certificates)	-	7,702,310
Sale of GoP Ijarah Sukuk Certificates - XXV - VRR: 2,500 sukuk certificates (2021: nil certificates)	253,000	-
Shariah advisor fee	1,073	1,080
<b>Meezan Sovereign Fund</b>		
Purchase of Pakistan Energy Sukuk II certificates: 130,000 sukuk certificates (2021: nil certificates)	662,999	-
<b>MSAF - Meezan Strategic Allocation Plan - I</b>		
Units issued: 4,524,388 units (2021: 1,951,560 units)	240,143	103,100
Units redeemed: 4,524,388 units (2021: 6,150,184 units)	241,280	332,546
<b>MSAF - Meezan Strategic Allocation Plan - II</b>		
Units issued: 2,913,682 units (2021: 1,067,723 units)	154,745	56,400
Units redeemed: 2,913,682 units (2021: 3,485,498 units)	155,719	187,990
<b>MSAF - Meezan Strategic Allocation Plan - III</b>		
Units issued: 2,688,979 units (2021: 1,386,262 units)	142,388	72,900
Units redeemed: 2,688,979 units (2021: 5,365,517 units)	143,037	286,958
<b>MSAF - Meezan Strategic Allocation Plan - IV</b>		
Units issued: 1,104,674 units (2021: 1,202,649 units)	58,512	63,000
Units redeemed: 1,104,674 units (2021: 5,223,379 units)	58,803	276,009
<b>MSAF - Meezan Strategic Allocation Plan - V</b>		
Units issued: 374,414 units (2021: 350,016 units)	19,830	18,370
Units redeemed: 374,414 units (2021: 1,387,069 units)	19,928	73,443



**Transactions during the year**
**2022**                      **2021**  
 (Rupees in '000)

**Meezan Financial Planning Fund of Funds**
**- Aggressive Allocation Plan**

Units issued: 241,623 units (2021: 2,201,104 units)	12,615	119,121
Units redeemed: 504,568 units (2021: 1,746,351 units)	26,714	95,363
Dividend paid	5,987	38
Refund of capital	178	5,342

**Meezan Financial Planning Fund of Funds**
**- Moderate Allocation Plan**

Units issued: 489,959 units (2021: 2,279,852 units)	25,671	123,287
Units redeemed: 1,005,937 units (2021: 1,886,624 units)	53,631	102,694
Dividend paid	3,520	33
Refund of capital	451	4,617

**Meezan Financial Planning Fund of Funds**
**- Conservative Allocation Plan**

Units issued: 807,839 units (2021: 5,120,910 units)	42,684	278,431
Units redeemed: 2,024,508 units (2021: 3,812,653 units)	109,293	208,207
Dividend paid	7,607	74
Refund of capital	1,101	10,477

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

Units issued: 989,214 units (2021: 3,401,272 units)	52,304	181,009
Units redeemed: 1,829,642 units (2021: 4,300,976 units)	96,664	228,479
Dividend paid	-	19
Refund of capital	-	2,670

**Al Meezan Investment Management Limited - Employees' Gratuity Fund**

Units issued: 16,996 units (2021: 200,139 units)	875	10,640
Dividend paid	875	300
Refund of capital	-	340

**Directors and Executives of the Management Company**

Units issued: 4,007,564 units (2021: 3,826,864 units)	209,303	204,061
Units redeemed: of 4,185,267 units (2021: 3,854,379 units)	221,528	206,934
Dividend paid	687	685
Refund of capital	329	935

**17 FINANCIAL INSTRUMENTS BY CATEGORY**

2022		
At amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		
Balances with banks	-	3,440,427
Investments	15,097,091	15,097,091
Receivable against conversion of units	-	86,611
Deposit and other receivables	-	322,173
<b>3,849,211</b>	<b>15,097,091</b>	<b>18,946,302</b>

2022		
At amortised cost	At fair value through profit or loss	Total

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

**Financial liabilities**

Payable to Al Meezan Investment Management Limited - Management Company	13,144	-	13,144
Payable to Central Depository Company of Pakistan Limited - Trustee	1,408	-	1,408
Payable to Meezan Bank Limited	1,164	-	1,164
Payable against redemption and conversion of units	65,446	-	65,446
Accrued expenses and other liabilities	2,471	-	2,471
	<u>83,633</u>	<u>-</u>	<u>83,633</u>

2021		
At amortised cost	At fair value through profit or loss	Total

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

**Financial assets**

Balances with banks	12,514,171	-	12,514,171
Investments	-	15,889,474	15,889,474
Receivable against conversion of units	18,133	-	18,133
Receivable against sale of investments	506	-	506
Deposit and other receivables	252,924	-	252,924
	<u>12,785,734</u>	<u>15,889,474</u>	<u>28,675,208</u>

**Financial liabilities**

Payable to Al Meezan Investment Management Limited - Management Company	35,570	-	35,570
Payable to Central Depository Company of Pakistan Limited - Trustee	2,460	-	2,460
Payable to Meezan Bank Limited	2,424	-	2,424
Payable against redemption and conversion of units	952,543	-	952,543
Dividend payable	36,220	-	36,220
Accrued expenses and other liabilities	1,802	-	1,802
	<u>1,031,019</u>	<u>-</u>	<u>1,031,019</u>

**18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

**18.1 Market risk**

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

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

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

**(i) Profit rate risk**

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. As of June 30, 2022, the Fund is exposed to such risk on its balances held with banks and investments in sukuk certificates. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

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

Presently, the Fund holds KIBOR based sukuk certificates and balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income for the year and net assets of the Fund would have been higher / lower by Rs. 175.053 million (2021: Rs. 280.555 million).

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

Presently, the Fund holds fixed rate GoP Ijara sukuk certificates and commercial papers 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 for the year and net assets of the Fund would have been higher / lower by Rs 10.322 million (2021: Rs 3.480 million).

The composition of the Fund's investment portfolio, profit 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, 2022 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, 2022 can be determined as follows:

----- 2022 -----					
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		
----- (Rupees in '000) -----					
<b>Financial assets</b>					
Balances with banks	3.00% - 16.25%	3,440,383	-	44	3,440,427
Investments	Weighted Average 6 months T-Bills & KIBOR + 0.5% to KIBOR +2.5%	13,101,441	1,995,650	-	15,097,091
Receivable against conversion of units		-	-	86,611	86,611
Deposit and other receivables		-	-	322,173	322,173
		16,541,824	1,995,650	408,828	18,946,302
<b>Financial liabilities</b>					
Payable to Al Meezan Investment Management Limited - Management Company		-	-	13,144	13,144
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	1,408	1,408
Payable to Meezan Bank Limited		-	-	1,164	1,164
Payable against redemption and conversion of units		-	-	65,446	65,446
Accrued expenses and other liabilities		-	-	2,471	2,471
		-	-	83,633	83,633
<b>On-balance sheet gap (a)</b>		16,541,824	1,995,650	325,195	18,862,669
<b>Off-balance sheet financial instruments</b>		-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-
<b>Total interest rate sensitivity gap (a+b)</b>		16,541,824	1,995,650	-	-
<b>Cumulative interest rate sensitivity gap</b>		16,541,824	18,537,474	18,537,474	-

Effective profit rate (%)	2021				Total
	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	
	Up to three months	More than three months and up to one year	More than one year		

(Rupees in '000)

**Financial assets**

Balances with banks	1.50% - 7.32%	12,514,127	-	-	44	12,514,171
Investments - Sukuk certificates	KIBOR + 0.5% - KIBOR + 2.50%	3,760,442	719,838	-	45,000	4,525,280
Investments - Government securities	KIBOR - 0.10% - 6MTB	-	9,816,183	-	-	9,816,183
Investments - Others	KIBOR + 1.15%	1,548,011	-	-	-	1,548,011
Receivable against conversion of units		-	-	-	18,133	18,133
Receivable against sale of investments		-	-	-	506	506
Deposit and other receivables		-	-	-	252,924	252,924
		17,822,580	10,536,021	-	316,607	28,675,208

**Financial liabilities**

Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	35,570	35,570
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	2,460	2,460
Payable to Meezan Bank Limited		-	-	-	2,424	2,424
Payable against conversion and redemption of units		-	-	-	952,543	952,543
Dividend payable		-	-	-	36,220	36,220
Accrued expenses and other liabilities		-	-	-	1,802	1,802
		-	-	-	1,031,019	1,031,019

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

	17,822,580	10,536,021	-	(714,412)	27,644,189
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**Off-balance sheet financial instruments**

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

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

	17,822,580	10,536,021	-		
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**Cumulative interest rate sensitivity gap**

	17,822,580	28,358,601	28,358,601		
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**(ii) Currency risk**

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

**(iii) Price risk**

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

**18.2 Liquidity risk**

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

The Fund is exposed to daily 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 redemption requests during the year ended June 30, 2022.

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 balances with banks have been included in the maturity grouping of one month:

----- 2022 -----							
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total	
----- (Rupees in '000) -----							
<b>Financial assets</b>							
Balances with banks	3,440,427	-	-	-	-	3,440,427	
Investments	552,203	-	350,000	4,489,947	9,704,941	15,097,091	
Receivable against conversion of units	86,611	-	-	-	-	86,611	
Deposit and other receivables	88,895	190,949	39,525	-	2,804	322,173	
	4,168,136	190,949	389,525	4,489,947	9,704,941	2,804	18,946,302
<b>Financial liabilities</b>							
Payable to Al Meezan Investment Management Limited - Management Company	13,144	-	-	-	-	13,144	
Payable to Central Depository Company of Pakistan Limited - Trustee	1,408	-	-	-	-	1,408	
Payable to Meezan Bank Limited	1,164	-	-	-	-	1,164	
Payable against redemption and conversion of units	65,446	-	-	-	-	65,446	
Accrued expenses and other liabilities	1,481	990	-	-	-	2,471	
	82,643	990	-	-	-	83,633	
<b>Net financial assets / (liabilities)</b>	<b>4,085,493</b>	<b>189,959</b>	<b>389,525</b>	<b>4,489,947</b>	<b>9,704,941</b>	<b>2,804</b>	<b>18,862,669</b>
----- 2021 -----							
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total	
----- (Rupees in '000) -----							
<b>Financial assets</b>							
Balances with banks	12,514,171	-	-	-	-	12,514,171	
Investments	-	221,140	1,636,275	4,264,149	9,767,910	15,889,474	
Receivable against conversion of units	18,133	-	-	-	-	18,133	
Receivable against sale of investments	506	-	-	-	-	506	
Deposit and other receivables	116,959	49,151	84,010	-	2,804	252,924	
	12,649,769	270,291	1,720,285	4,264,149	9,767,910	100	28,672,504
<b>Financial liabilities</b>							
Payable to Al Meezan Investment Management Limited - Management Company	35,570	-	-	-	-	35,570	
Payable to Central Depository Company of Pakistan Limited - Trustee	2,460	-	-	-	-	2,460	
Payable to Meezan Bank Limited	2,424	-	-	-	-	2,424	
Payable against redemption and conversion of units	952,543	-	-	-	-	952,543	
Dividend payable	36,220	-	-	-	-	36,220	
Accrued expenses and other liabilities	268	968	566	-	-	1,802	
	1,029,485	968	566	-	-	1,031,019	
<b>Net financial assets / (liabilities)</b>	<b>11,620,284</b>	<b>269,323</b>	<b>1,719,719</b>	<b>4,264,149</b>	<b>9,767,910</b>	<b>100</b>	<b>27,641,485</b>

### 18.3 Credit risk

**18.3.1** Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. 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 and receivable against conversion of units.

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. 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:

	2022		2021	
	Balance as per statement of assets and liabilities	Maximum exposure to credit risk	Balance as per statement of assets and liabilities	Maximum exposure to credit risk
	----- (Rupees in '000) -----			
Balances with banks	3,440,427	3,440,427	12,514,171	12,514,171
Investments in debt instruments	15,097,091	4,558,414	15,889,474	6,073,291
Receivable against conversion of units	86,611	86,611	18,133	18,133
Receivable against sale of investments	-	-	506	506
Deposit and other receivables	322,173	319,469	252,924	250,220
	<u>18,946,302</u>	<u>8,404,921</u>	<u>28,675,208</u>	<u>18,856,321</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2022 is the carrying amount of the financial assets. Investment in government securities and related profit receivable, however, are not exposed to credit risk and have been excluded from the above analysis as these are guaranteed by the Government of Pakistan.

### 18.3.2 Credit quality of financial assets

The Fund's significant credit risk arises mainly on account of its placements in banks, investment in sukuk certificates, commercial papers and related profit receivable thereon. The credit rating profile of balances with banks is as follows:

Rating	% of financial assets exposed to credit risk	
	2022	2021
AAA	56.00%	5.78%
AA+	-	-
AA	-	0.03%
AA-	0.01%	0.01%
A+	43.99%	94.18%
	<u>100.00%</u>	<u>100.00%</u>

Ratings of investments have been disclosed in related notes to these financial statements. Since, the assets of the Fund are held with credit worthy counterparties, therefore any significant credit risk is mitigated.

### 18.3.3 Concentration of credit risk

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

All financial assets of the Fund as at June 30, 2022 and June 30, 2021 are unsecured and are not impaired except for sukuk certificates Arzoo Textiles Limited, Security Leasing Corporation II, Eden Housing Limited and Hascol Petroleum Limited as disclosed in note 6 to these financial statements.

## 19 FAIR VALUE MEASUREMENT

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

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

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

### Fair value hierarchy

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

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

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

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

As at June 30, 2022 and June 30, 2021, the Fund held the following financial instruments measured at fair value:

	2022			
	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>	----- (Rupees in '000) -----			
<b>Financial assets 'at fair value through profit or loss'</b>				
Sukuk certificates	-	14,544,888	-	14,544,888
Certificates of musharakah *	-	-	-	-
Commercial papers **	-	552,203	-	552,203
	<u>-</u>	<u>15,097,091</u>	<u>-</u>	<u>15,097,091</u>
	----- (Rupees in '000) -----			
<b>Financial assets 'at fair value through profit or loss'</b>				
Sukuk certificates	-	14,341,463	-	14,341,463
Certificates of musharakah *	-	1,200,000	-	1,200,000
Commercial papers **	-	348,011	-	348,011
	<u>-</u>	<u>15,889,474</u>	<u>-</u>	<u>15,889,474</u>

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

\*\* The valuation of commercial papers has been done based on amortisation to its fair value as per the guidelines given in Circular 33 of 2012 since the residual maturity of this investment is less than six months and are placed with counterparties which have high credit rating except for the commercial paper of Mughal Iron & Steel Industries Limited which has a tenure of one year, however, this has also been valued on the same basis.

## 20 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

## 21 UNIT HOLDING PATTERN OF THE FUND

Category	2022			2021		
	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	23,820	14,717,133	79.08%	21,230	20,951,529	76.90%
Associated companies /						
Directors	6	245,762	1.32%	7	401,154	1.47%
Insurance companies	5	373,706	2.01%	8	478,728	1.76%
Banks and DFIs	-	-	0.00%	1	400,182	1.47%
Retirement funds	104	1,275,224	6.85%	103	1,468,165	5.39%
Private limited companies	51	800,071	4.30%	46	962,591	3.53%
Public limited companies	3	10,306	0.06%	3	9,504	0.03%
Others	77	1,187,234	6.38%	74	2,574,322	9.45%
	<u>24,066</u>	<u>18,609,435</u>	<u>100.00%</u>	<u>21,472</u>	<u>27,246,175</u>	<u>100.00%</u>

## 22 LIST OF TOP BROKERS BY PERCENTAGE OF COMMISSION PAID

2022		2021	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
JS Global Capital Limited	31.04%	JS Global Capital Limited	65.34%
Next Capital Limited	26.90%	Next Capital Limited	11.59%
BIPL Securities Limited	14.63%	BIPL Securities Limited	0.45%
Paramount Capital (Private) Limited	10.99%	Summit Capital (Private) Limited	0.26%
Summit Capital (Private) Limited	8.72%	BMA Capital Management Limited	10.61%
Alfalah CLSA Securities (Private) Limited	4.05%	Invest One Markets Limited	11.75%
C & M Management (Private) Limited	3.41%		
BMA Capital Management Limited	0.27%		

22.1 The Fund has traded with only the above mentioned 8 brokers / dealers during the year ended June 30, 2022 (2021: 6 brokers / dealers).



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

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

Name	Designation	Qualification	Overall experience
Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	Thirty Two years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Twenty Six years
Mr. Taha Javed	Head of Equities	CFA / MBA	Fifteen years
Mr. Faizan Saleem	Head of Fixed Income	CFA level II / MBA	Fifteen years
Mr. Ali Asghar	Head of Research	CFA / MBA	Eleven years
Mr. Ali Khan	Head of Product Development	CFA / FRM / MBA	Twelve years
Mr. Akhtar Munir	Head of Risk Management	CFA Level II / MBA, ACCA, FRM, FCMA	Thirteen years
Mr. Ahmed Hassan	SVP Investments	CFA / MBA	Fifteen years
Mr. Asif Imtiaz	VP Investments	CFA / MBA - Finance	Fourteen years
Mr. Zohaib Saeed	AVP Fixed Income	CFA / ACCA	Eight years

23.2 The Fund manager of the Fund is Mr. Faizan Saleem. Other Funds being managed by the Fund Manager are as follows:

- Meezan Cash Fund;
- Meezan Fixed Term Fund; and
- Meezan Rozana Amdani Fund

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

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

Name of Directors	Designation	Meeting held on					
		August 9, 2021	September 14, 2021	October 11, 2021	February 14, 2022	April 18, 2022	June 9, 2022
Mr. Ariful Islam	Chairman	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Muhammad Abdullah	Director	Yes	No	Yes	Yes	Yes	Yes
Mr. Moin M. Fudda	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Furquan Kidwai	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mubashar Maqbool	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Tariq Mairaj	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Naeem	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Feroz Rizvi	Director	Yes	Yes	Yes	Yes	Yes	Yes
Ms. Danish Zuberi	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib	Chief Executive Officer	Yes	Yes	No	No	Yes	Yes

**25 GENERAL**

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

**26 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 16, 2022 by the Board of Directors of the Management Company.

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

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

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

\_\_\_\_\_  
Director



**Al Meezan**  
Investment Management Ltd.

# KUNYANG CHHISH

A generational wealth legacy and the delight of conquering a summit are both exhilarating.

Height 7,823 meters,  
belongs to the range Hispar Karakoram



# 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.



# FUND INFORMATION

## MANAGEMENT COMPANY

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

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. Muhammad Abdullah Ahmed	Nominee Director - MBL
Mr. Moin M. Fudda	Nominee Director - MBL
Mr. Furquan R Kidwai	Independent Director
Mr. Mubashar Maqbool	Nominee Director - PKIC
Mr. Tariq Mairaj	Nominee Director - MBL
Mr. Naeem Sattar	Nominee Director - PKIC
Mr. Feroz Rizvi	Independent Director
Ms. Danish Zuberi	Independent Director
Mr. Mohammad Shoaib, CFA	Chief Executive Officer

## CHIEF FINANCIAL OFFICER

Mr. Muhammad Shahid Ojha

## COMPANY SECRETARY

Mr. Salman Muslim

## BOARD AUDIT COMMITTEE

Mr. Feroz Rizvi	Chairman
Mr. Tariq Mairaj	Member
Mr. Naeem Sattar	Member

## BOARD RISK MANAGEMENT COMMITTEE

Mr. Mubashar Maqbool	Chairman
Mr. Moin M. Fudda	Member
Mr. Furquan R. Kidwai	Member

## BOARD HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. Ariful Islam	Chairman
Mr. Moin M. Fudda	Member
Mr. Mubashar Maqbool	Member
Mr. Furquan R. Kidwai	Member
Mr. Mohammad Shoaib, CFA	Member

## BOARD IT COMMITTEE

Mr. Furquan R. Kidwai	Chairman
Mr. Mohammad Shoaib, CFA	Member
Mr. Faiz ur Rehman	Subject Matter Expert

## 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  
Al Baraka Islamic Bank B.S.C (E.C) Askari Bank  
Limited - Islamic Banking Bank Al Habib Limited -  
Islamic Banking Bank Alfalah Limited  
Bank Islami Pakistan Limited  
Dubai Islamic Bank Pakistan Limited Faysal Bank  
Limited - Islamic Banking Habib Bank Limited -  
Islamic Banking

Habib Metropolitan Bank Limited - Islamic  
Banking MCB Islamic Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan - Islamic  
Banking Sindh Bank Limited  
Soneri Bank Limited  
The Bank Of Punjab Limited  
UBL Ameen - Islamic Banking

## LEGAL ADVISER

Bawaney & Partners  
3rd & 4th Floor, 68-C, Lane-13, Bokhari Commercial Area,  
Phase VI, DHA, Karachi.  
Phone (+9221) 35156191-94 Fax: (+9221) 35156195  
E-mail: [bawaney@cyber.net.pk](mailto:bawaney@cyber.net.pk)

## TRANSFER AGENT

Al Meezan Investment Management Limited

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited



Pure. Profit.



## REPORT OF THE FUND MANAGER Meezan Sovereign Fund (MSF)

### Type of Fund

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

### Objective

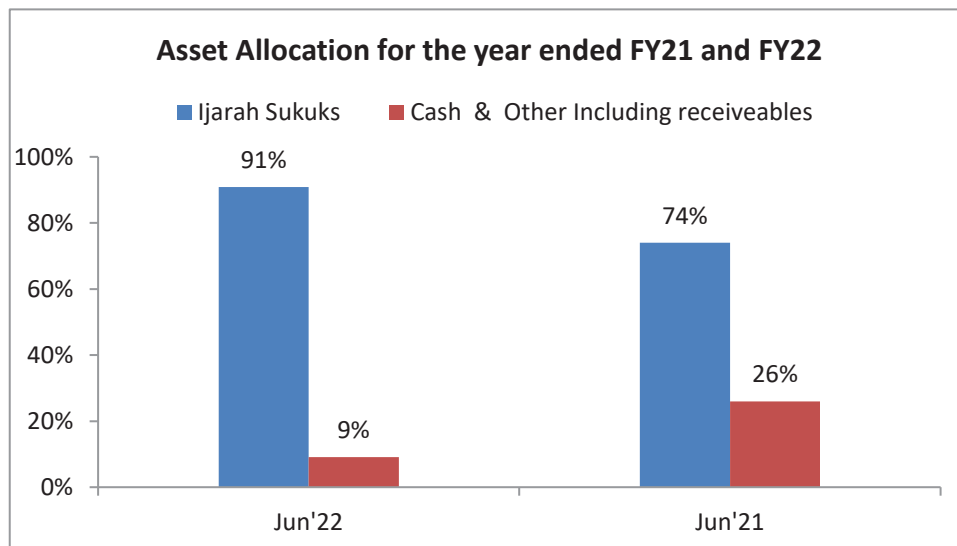
The Fund's primary objective is to provide investors with a low risk and stable rate of current income by primarily investing in Shariah Compliant Sovereign Securities.

### Investment Policy and Strategy

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

### Asset Allocation for the year ended FY21 and FY22

The asset allocation of the fund on June 30, 2021 and June 30, 2022 is as follows:



### Performance Review

Meezan Sovereign Fund (MSF) provided a return of 8.27% to its investors for the year ended June 30, 2022 against a deposits at Islamic Banks (benchmark) return of 3.34%.





Pure. Profit.



	MSF	Deposits at Islamic Banks (Benchmark)
Net Asset Value as on June 30, 2020	51.59	
Net Asset Value as on June 30, 2021	51.67	
Return for the year	8.27%	3.34%
Underperformance	4.93%	

During the year, the Fund earned a gross income of Rs. 765 million, which was primarily due to profit on Sukuks certificates worth Rs. 669 million. Profit on saving accounts at Islamic banks contributed Rs. 116 million. On the other side, the fund accrued realized loss and unrealized loss worth Rs. 19 million and Rs. 2 million respectively. The fund also incurred expenses totalling to Rs. 61 million, which brought the net income figure to Rs. 703 million. The net assets of the Fund as at June 30, 2022 were Rs. 6,196 million as compared to Rs. 9,939 million at the end of last year depicting decrease of 38%. The net asset value per unit as at June 30, 2022 was Rs. 51.6654 as compared to Rs. 51.5918 per unit as on June 30, 2021.

### Distributions

Interim Pay-out by the Fund during the fiscal year ended June 30, 2022 was Rs. 4.1829 per unit (8.36%). Total distribution made by the fund was Rs. 348 million.

### Fund Stability Rating

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

### SWWF Disclosure

During the month of August 2021, provisioning against Sindh Workers' Welfare Fund by MSF amounting to Rs. 41.52 million has been reversed on the clarification received by Sindh Revenue Board vide letter No. SRB/TP/70/2013/8772 dated August 12, 2021 addressed to Mutual Funds Association of Pakistan. This reversal of provision has contributed towards an increase in NAV of the MSF by 0.42%. This is one-off event and is not likely to be repeated in the future.

### Unit holder Break down:

(As on June 30, 2022)

Range (Units)	No. of investors
1 - 9,999	7,117
10,000 - 49,999	974
50,000 - 99,999	191
100,000 - 499,999	137
500,000 and above	28
<b>Total</b>	<b>8,447</b>

**PERFORMANCE TABLE**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Net assets (Rs. in '000) (ex-distribution)	<b>6,196,077</b>	9,939,252	9,736,331
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	<b>51.6654</b>	51.5918	51.5476
Offer price per unit as at June 30 (Rs.) (ex-distribution)	<b>52.2492</b>	52.1747	51.8388
Distribution (%)			
Interim			
- First quarter	-	-	-
- Second quarter	-	-	-
- Third quarter	-	-	-
- Fourth quarter	8.4	7.8	11.4
Annual			
Dates of distribution (interim)			
- First quarter	-	-	-
- Second quarter	-	-	-
- Third quarter	-	-	-
- Fourth quarter	24-Jun-22	25-Jun-21	26-Jun-20
Dates of distribution (annual)	-	-	-
Income distribution (Rs. in '000)	348,331	617,730	973,049
Growth distribution (Rs. in '000)	-	-	-
Highest offer price per unit (Rs.)	56.332	56.0695	57.5204
Lowest offer price per unit (Rs.)	52.1293	51.8486	51.8202
Highest redemption price per unit (Rs.)	55.7026	55.443	57.1973
Lowest redemption price per unit (Rs.)	51.5469	51.5574	51.5291
Total return (%)	8.27	7.65	11.17
Weighted Average Portfolio Duration (years)	0.34	0.33	0.31
	<b>One Year</b>	<b>Two Year</b>	<b>Three Year</b>
Average annual return (%) as at June 30, 2022	8.27	7.96	9.02



**Meezan Bank**  
The Premier Islamic Bank



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

July 29, 2022/ Dhu Al-Hijjah 29, 1443

**Alhamdulillah**, the period from July 01, 2021 to June 30, 2022 was the Twelvth year of operations of Meezan Sovereign Fund (MSF) under management of Al Meezan Investment Management Limited (Al Meezan). We, Meezan Bank Limited, are the *Shariah* advisors of the Fund and are issuing the report in accordance with clause 8.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shariah* compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MSF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MSF by Al Meezan are *Shari'ah* compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MSF for the year ended June 30, 2022 have been in compliance with *Shari'ah* principles.

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

**Dr. Muhammad Imran Ashraf Usmani**

For and on behalf of Meezan Bank

*Shariah* Advisor

**Meezan Bank Ltd.**

Head Office: Meezan House, C-25, Estate Avenue, SITE, Karachi - Pakistan.

PABX: (92-21) 38103500 UAN:111-331-331 & 111-331-332 www.meezanbank.com

**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) 34326021 - 23

URL: www.cdcpakistan.com

Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**MEEZAN SOVEREIGN FUND**

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Sovereign Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2022 in accordance with the provisions of the following:

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

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

Karachi, September 14, 2022





**INDEPENDENT AUDITOR'S REPORT**

**To the Unit holders of Meezan Sovereign Fund  
Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Meezan Sovereign Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2022, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2022, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

**Basis for Opinion**

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

**Key Audit Matters**

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

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<b>Net Asset Value</b> (Refer notes 5 and 6 to the financial statements)	
	Investments and balances with banks constitute the most significant component of the net asset value. Investments of the Fund as at June 30, 2022 amounted to Rs 5,794.717 million and balances with banks aggregated to Rs 384.892 million.  The existence and proper valuation of investments and existence of balances with banks for the determination of NAV of the Fund as at June 30, 2022 was considered a high risk area and therefore we considered this as a key audit matter.	Our audit procedures amongst others included the following: <ul style="list-style-type: none"><li>▪ Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2022 and traced 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; and</li><li>▪ Obtained bank reconciliation statements and tested reconciling items on a sample basis.</li></ul>

AGS





### **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 Requirements**

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

The engagement partner on the audit resulting in this independent auditor's report is **Khattab Muhammad Akhi Baig**.

A. F. Ferguson & Co.  
Chartered Accountants  
Dated: September 21, 2022  
Karachi  
UDIN: AR2022100815qrKiuEmk





**MEEZAN SOVEREIGN FUND  
STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2022**

	Note	2022 (Rupees in '000)	2021 (Rupees in '000)
<b>Assets</b>			
Balances with banks	5	384,892	2,060,201
Investments	6	5,794,717	7,613,507
Receivable against conversion of units		79,729	526,734
Deposit, prepayments and other receivables	7	115,438	88,668
<b>Total assets</b>		<b>6,374,776</b>	<b>10,289,110</b>
<b>Liabilities</b>			
Payable to AI Meezan Investment Management Limited - Management Company	8	2,521	9,590
Payable to Central Depository Company of Pakistan Limited - Trustee	9	329	830
Payable to the Securities and Exchange Commission of Pakistan	10	1,789	1,822
Payable to Meezan Bank Limited		516	834
Payable against redemption and conversion of units		35,110	153,609
Accrued expenses and other liabilities	11	138,434	183,173
<b>Total liabilities</b>		<b>178,699</b>	<b>349,858</b>
<b>Net assets</b>		<b>6,196,077</b>	<b>9,939,252</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>6,196,077</b>	<b>9,939,252</b>
<b>Contingencies and commitments</b>	12		
		<b>(Number of units)</b>	
<b>Number of units in issue</b>		<b>119,927,049</b>	<b>192,651,699</b>
		<b>(Rupees)</b>	
<b>Net asset value per unit</b>		<b>51.6654</b>	<b>51.5918</b>

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Director

**MEEZAN SOVEREIGN FUND  
INCOME STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2022**

	Note	2022 (Rupees in '000)	2021 (Rupees in '000)
<b>Income</b>			
Profit on sukuk certificates		668,615	574,146
Net realised (loss) / gain on sale of sukuk certificates		(18,505)	10,472
Profit on savings accounts with banks		116,275	107,841
Other income		578	-
		766,963	692,459
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.2	(2,431)	101,175
<b>Total income</b>		<u>764,532</u>	<u>793,634</u>
<b>Expenses</b>			
Remuneration of AI Meezan Investment Management Limited - Management Company	8.1	44,732	45,554
Sindh Sales Tax on remuneration of the Management Company	8.2	5,815	5,922
Allocated expenses	8.3	13,419	13,666
Selling and marketing expenses	8.4	26,839	33,464
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	5,172	5,922
Sindh Sales Tax on remuneration of the Trustee	9.2	672	770
Annual fee to the Securities and Exchange Commission of Pakistan	10.1	1,789	1,822
Auditors' remuneration	13	578	537
Legal and professional charges		184	55
Fees and subscription		1,172	1,013
Brokerage expense		643	686
Bank and settlement charges		125	672
(Reversal of provision) / provision for Sindh Workers' Welfare Fund	11.1	(40,077)	13,671
<b>Total expenses</b>		<u>61,063</u>	<u>123,754</u>
<b>Net income for the year before taxation</b>		<u>703,469</u>	<u>669,880</u>
Taxation	15	-	-
<b>Net income for the year after taxation</b>		<u><u>703,469</u></u>	<u><u>669,880</u></u>
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		703,469	669,880
Income already paid on units redeemed		(434,081)	(424,806)
		<u>269,388</u>	<u>245,074</u>
<b>Accounting income available for distribution</b>			
- Relating to capital gains		-	111,647
- Excluding capital gains		269,388	133,427
		<u>269,388</u>	<u>245,074</u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Director



**MEEZAN SOVEREIGN FUND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2022**

	<b>2022</b>	<b>2021</b>
	<b>(Rupees in '000)</b>	
<b>Net income for the year after taxation</b>	703,469	669,880
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<u>703,469</u>	<u>669,880</u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Director



**MEEZAN SOVEREIGN FUND  
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND  
FOR THE YEAR ENDED JUNE 30, 2022**

	2022			2021		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)			(Rupees in '000)		
<b>Net assets at the beginning of the year</b>	9,634,121	305,131	9,939,252	9,438,622	297,709	9,736,331
Issue of 313,601,076 units (2021: 475,605,732 units)						
- Capital value (at net asset value per unit at the beginning of the year)	16,179,244	-	16,179,244	24,516,334	-	24,516,334
- Element of income	434,015	-	434,015	938,609	-	938,609
Total proceeds on issuance of units	16,613,259	-	16,613,259	25,454,943	-	25,454,943
Redemption of 386,325,726 units (2021: 471,834,316 units)						
- Capital value (at net asset value per unit at the beginning of the year)	19,931,240	-	19,931,240	24,321,927	-	24,321,927
- Element of income	346,251	434,081	780,332	557,439	424,806	982,245
Total payments on redemption of units	20,277,491	434,081	20,711,572	24,879,366	424,806	25,304,172
Total comprehensive income for the year	-	703,469	703,469	-	669,880	669,880
Distribution for the year ended June 30, 2022	-	(262,606)	(262,606)	-	-	-
Refund of capital for the year ended June 30, 2022	(85,725)	-	(85,725)	-	-	-
Distribution for the year ended June 30, 2021	-	-	-	-	(237,652)	(237,652)
Refund of capital for the year ended June 30, 2021	-	-	-	(380,078)	-	(380,078)
Total distribution during the year	(85,725)	(262,606)	(348,331)	(380,078)	(237,652)	(617,730)
<b>Net assets at the end of the year</b>	<b>5,884,164</b>	<b>311,913</b>	<b>6,196,077</b>	<b>9,634,121</b>	<b>305,131</b>	<b>9,939,252</b>
<b>Undistributed income brought forward</b>						
- Realised income		203,956			297,512	
- Unrealised income		101,175			197	
		<u>305,131</u>			<u>297,709</u>	
<b>Accounting income available for distribution</b>						
- Relating to capital gains		-			111,647	
- Excluding capital gains		269,388			133,427	
		<u>269,388</u>			<u>245,074</u>	
Interim distribution during the year at Rs. 4.1829 per unit i.e. 8.3658% of the par value of Rs. 50/- each (June 24, 2022)		(262,606)			-	
Interim distribution during the year at Rs. 3.8954 per unit i.e. 7.7908% of the par value of Rs. 50/- each (June 26, 2021)		-			(237,652)	
Undistributed income carried forward		<u>311,913</u>			<u>305,131</u>	
<b>Undistributed income carried forward</b>						
- Realised income		314,344			203,956	
- Unrealised (loss) / income		(2,431)			101,175	
		<u>311,913</u>			<u>305,131</u>	
Net asset value per unit at the beginning of the year			<u>51.5918</u>			<u>51.5476</u>
Net asset value per unit at the end of the year			<u>51.6654</u>			<u>51.5918</u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Director



**MEEZAN SOVEREIGN FUND  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2022**

	Note	2022 (Rupees in '000)	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year before taxation		703,469	669,880
<b>Adjustments for:</b>			
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.2	2,431	-101,175
		705,900	568,705
<b>Decrease / (increase) in assets</b>			
Investments - net		1,816,359	-330,042
Deposit, prepayments and other receivables		-26,770	16,570
		1,789,589	-313,472
<b>(Decrease) / increase in liabilities</b>			
Payable to Al Meezan Investment Management Limited - Management Company		-7,069	866
Payable to Central Depository Company of Pakistan - Trustee		-501	294
Payable to the Securities and Exchange Commission of Pakistan		-33	855
Payable to Meezan Bank Limited		-318	422
Accrued expenses and other liabilities		-44,739	19,092
		-52,660	21,529
<b>Net cash generated from operating activities</b>		2,442,829	276,762
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts against issuance and conversion of units		16,974,539	24,697,878
Payments against redemption and conversion of units		-20,830,071	-25,256,829
Dividend paid		-262,606	-237,652
<b>Net cash used in financing activities</b>		-4,118,138	-796,603
<b>Net decrease in cash and cash equivalents during the year</b>		-1,675,309	-519,841
Cash and cash equivalents at the beginning of the year		2,060,201	2,580,042
<b>Cash and cash equivalents at the end of the year</b>	5	384,892	2,060,201

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Director

## **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 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 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the 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.

During the year ended June 30, 2021, the Trust Act, 1882 was repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act). The Fund is now required to be registered under the Sindh Trust Act. Accordingly, on September 3, 2021 the above-mentioned Trust Deed has been registered under the Sindh Trust Act.

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

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

**1.4** The Management Company has been assigned a quality rating of 'AM1' by VIS Credit Rating Company Limited dated December 27, 2021 (2021: 'AM1' dated December 31, 2020) and by PACRA dated June 23, 2022 (2021: AM1 dated June 23, 2021). The rating reflects the Company's experienced management team, structured investment process and sound quality of systems and processes. The Fund has been given a stability rating of AA(f) by VIS Credit Rating Company Limited dated December 27, 2021 (2021: AA(f) dated January 12, 2021).

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

## **2 BASIS OF PRESENTATION**

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

## **3 BASIS OF PREPARATION**

### **3.1 Statement of compliance**

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

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

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

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

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2021. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements.

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

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's annual accounting period beginning on or after July 1, 2022. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements.

### **3.4 Critical accounting estimates and judgments**

The preparation of the financial statements in conformity with the accounting and reporting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires the management to exercise judgment in the application of the Company's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors, including expectation of future events, that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying value of assets and liabilities. These estimates and 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 the current and future years.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 4.2 and 6).

### **3.5 Accounting convention**

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

### **3.6 Functional and presentation currency**

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

## **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **4.1 Cash and cash equivalents**

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

### **4.2 Financial assets**

#### **4.2.1 Initial recognition and measurement**

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

## 4.2.2 Classification and subsequent measurement

### 4.2.2.1 Debt instruments

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

- at amortised cost;
- at fair value through other comprehensive income (FVOCI); and
- at fair value through profit or loss (FVPL)

based on the business model of the entity.

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

### 4.2.3 Impairment

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

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

#### 4.2.3.1 Impairment loss on debt securities

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

As allowed by the SECP, the Management Company may make provision against debt securities over and above the minimum provision requirement prescribed by the SECP, considering the specific credit and financial condition of the debt security issuer and in accordance with the provisioning policy duly approved by the Board of Directors of the Management Company. The provisioning policy approved by the Board of Directors has been placed on the Management Company's website as required under the SECP's circular.

### 4.2.4 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset.

### 4.2.5 Derecognition

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

## 4.3 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 value 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 arising on derecognition of financial liabilities is taken to the Income Statement.



#### 4.4 Offsetting of financial assets and financial liabilities

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

#### 4.5 Provisions

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

#### 4.6 Net asset value per unit

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

#### 4.7 Issue and redemption of units

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

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

#### 4.8 Distribution to unit holders

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

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

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

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

#### 4.10 Revenue recognition

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

#### 4.11 Expenses

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

#### 4.12 Taxation

##### Current

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

##### Deferred

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

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

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

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

#### 4.13 Earnings per unit

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

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.

#### 4.14 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.

<b>5</b>	<b>BALANCES WITH BANKS</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
		<b>(Rupees in '000)</b>		
	Balances with banks in:			
	Savings accounts	5.1	384,888	2,057,357
	Current accounts		4	2,844
			384,892	2,060,201
<b>5.1</b>	This includes balance of Rs 265.464 million (2021: Rs 698.752 million) maintained with Meezan Bank Limited (a related party) that has last declared profit rate of 6.01% (2021: 2.50%) per annum. Other savings accounts of the Fund have expected rates of profit ranging from 3.00% to 16.25% (2021: 1.50% to 7.32%) per annum.			
<b>6</b>	<b>INVESTMENTS</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
		<b>(Rupees in '000)</b>		
	<b>Investments - 'at fair value through profit or loss'</b>			
	Sukuk certificates	6.1	5,794,717	7,613,507

6.1 Sukuk certificates	Note	2022	2021
		(Rupees in '000)	
Government securities	6.1.1	5,761,444	7,502,782
Corporate sukuk certificates	6.1.2	33,273	110,725
		<u>5,794,717</u>	<u>7,613,507</u>

**6.1.1 Government securities**

Name of the security	Profit payments / principal redemptions	Issue date	Maturity date	Profit rate	As at July 1, 2021	Purchased during the year	Sold during the year	As at June 30, 2022	Carrying value as at June 30, 2022	Market value as at June 30, 2022	Unrealised appreciation / (diminution) as at June 30, 2022	Percentage in relation to	
					(Number of certificates)				(Rupees in '000)			Net assets of the Fund	Total market value of investments
Pakistan Energy Sukuk I	Semi-annually / At maturity	March 1, 2019	March 1, 2029	6 months KIBOR plus base rate of 0.80%	150,000	-	-	150,000	800,625	801,000	375	12.93%	13.82%
Pakistan Energy Sukuk II	Semi-annually / At maturity	May 21, 2020	May 21, 2030	6 months KIBOR minus base rate of 0.10%	1,154,200	-	170,000	984,200	4,960,368	4,955,447	(4,921)	79.98%	85.52%
GoP Ijarah Sukuk Certificates - XX - VRR	Semi-annually / At maturity	June 24, 2020	June 24, 2025	Weighted average 6 months T-Bills	1,000	-	1,000	-	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XXI - VRR	Semi-annually / At maturity	July 29, 2020	July 29, 2025	Weighted average 6 months T-Bills	1,830	-	1,830	-	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XXII - VRR	Semi-annually / At maturity	December 9, 2025	December 9, 2025	Weighted average 6 months T-Bills	5,950	-	5,950	-	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XXIII - VRR	Semi-annually / At maturity	October 6, 2021	October 6, 2026	Weighted average 6 months T-Bills	-	15,000	15,000	-	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XXIV - VRR	Semi-annually / At maturity	October 29, 2021	October 29, 2026	Weighted average 6 months T-Bills	-	3,050	3,000	50	5,008	4,997	(11)	0.08%	0.09%
<b>Total as at June 30, 2022</b>									<u>5,766,001</u>	<u>5,761,444</u>	<u>(4,557)</u>	<u>92.99%</u>	<u>99.43%</u>
<b>Total as at June 30, 2021</b>									<u>7,402,091</u>	<u>7,502,782</u>	<u>100,691</u>		

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

**6.1.2 Corporate sukuk certificates**

Name of the security	Profit payments / principal redemptions	Maturity date	Profit rate	As at July 1, 2021	Purchased during the year	Sold during the year	As at June 30, 2022	Carrying value as at June 30, 2022	Market value as at June 30, 2022	Unrealised appreciation as at June 30, 2022	Percentage in relation to		
				(Number of certificates)				(Rupees in '000)			Net assets of the Fund	Total market value of investments	
<b>Power generation &amp; distribution</b>													
Neelum Jhelum Hydropower Company (Private) Limited (AAA, VIS, non-traded)	Semi-annually	June 29, 2026	6 months KIBOR plus base rate of 1.13%	1,720	-	1,000	720	31,147	33,273	2,126	0.54%	0.57%	
<b>Total as at June 30, 2022</b>								<u>31,147</u>	<u>33,273</u>	<u>2,126</u>	<u>0.54%</u>	<u>0.57%</u>	
<b>Total as at June 30, 2021</b>								<u>110,241</u>	<u>110,725</u>	<u>484</u>			

6.1.2.1 The nominal value of these sukuk certificates is Rs 50,000 each.

	Note	2022 (Rupees in '000)	2021
<b>6.2 Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'</b>			
Market value of investments	6.1.1 & 6.1.2	5,794,717	7,613,507
Less: carrying value of investments	6.1.1 & 6.1.2	(5,797,148)	(7,512,332)
		<u>(2,431)</u>	<u>101,175</u>

## 7 DEPOSIT, PREPAYMENTS AND OTHER RECEIVABLES

Security deposit with Central Depository Company of Pakistan Limited		100	100
Prepayments		177	152
Profit receivable on balances with banks		3,331	9,323
Profit receivable on sukuk certificates		111,436	78,699
ATM deposit with Meezan Bank Limited		394	394
		<u>115,438</u>	<u>88,668</u>

## 8 PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY

Remuneration payable	8.1	416	268
Sindh Sales Tax payable on remuneration of the Management Company	8.2	54	35
Allocated expenses payable	8.3	47	1,205
Selling and marketing expenses payable	8.4	1,787	7,297
Sales load payable		192	695
Sindh Sales Tax on sales load payable		25	90
		<u>2,521</u>	<u>9,590</u>

**8.1** As per Regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the Offering Document subject to the total expense ratio limit. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 0.5% (2021: 0.5%) per annum of the average annual net assets of the Fund during the year ended June 30, 2022. The remuneration is payable to the Management Company monthly in arrears.

**8.2** During the year, an amount of Rs 5.815 million (2021: Rs 5.922 million) was charged on account of sales tax on remuneration of the Management Company levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs 5.796 million (2021: Rs 5.931 million) has been paid to the Management Company which acts as a collecting agent.

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

The Management Company, based on its own discretion, has charged such expenses at the rate of 0.15% (2021: 0.15%) of the average annual net assets of the Fund during the year ended June 30, 2022, subject to total expense charged being lower than actual expense incurred.

**8.4** In accordance with Circular 11 dated July 5, 2019 issued by the SECP with respect to charging selling and marketing expenses, the Management Company, based on its own discretion, has charged selling and marketing expenses at the following rates during the year ended June 30, 2022, subject to total expense charged being lower than actual expense incurred:

Rate applicable from July 1, 2021 to June 30, 2022	Rate applicable from July 1, 2020 to March 9, 2021	Rate applicable from March 10, 2021 to June 30, 2021
0.3% of the average annual net assets of the Fund	0.4% of the average annual net assets of the Fund	0.3% of the average annual net assets of the Fund

	Note	2022	2021
(Rupees in '000)			
<b>9 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Remuneration payable	9.1	291	530
Sindh Sales Tax payable on remuneration of the Trustee	9.2	38	69
CDS charges payable		-	231
		329	830

- 9.1** The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed. During the year, with effect from October 1, 2021, the Trustee has revised its tariff as follows:

Previous Tariff (Flat Rate)	Revised Tariff (Flat Rate)
0.065% per annum of net assets	0.055% per annum of net assets

Accordingly, the Fund has charged trustee fee at the rate 0.055 percent per annum of net assets during the year with effect from October 1, 2021.

- 9.2** During the year, an amount of Rs 0.672 million (2021: Rs 0.770 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 0.703 million (2021: Rs 0.763 million) was paid to the Trustee which acts as a collecting agent.

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

- 10.1** In accordance with the NBFC Regulations 2008, a Collective Investment Scheme (CIS) is required to pay annual fee to the Securities and Exchange Commission of Pakistan (SECP) at the rate of 0.02% (2021: 0.02%) of the average annual net assets of the Fund.

	Note	2022	2021
(Rupees in '000)			
<b>11 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration payable		368	350
Printing charges payable		-	156
Brokerage payable		377	487
Shariah advisor fee payable		268	271
Withholding tax payable		41,908	36,570
Capital gain tax payable		12,763	22,411
Provision for Sindh Workers' Welfare Fund (SWWF)	11.1	-	40,077
Zakat payable		111	212
Provision for Federal Excise Duty and related Sindh Sales Tax on remuneration of the Management Company	11.2	80,077	80,077
Provision for Federal Excise Duty and related Sindh Sales Tax on sales load	11.2	2,562	2,562
		138,434	183,173

- 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, is 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 Mutual Funds Association of Pakistan (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 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 had 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 Sindh WWF Act, 2014 (i.e. starting from May 21, 2015). The Funds had accordingly made provision in respect of SWWF as recommended by MUFAP.



During the current year, SRB through its letter dated August 12, 2021 intimated MUFAP that the mutual funds do not qualify as Financial Institutions / Industrial Establishments and are therefore, not liable to pay the SWWF contributions. This development was discussed at MUFAP level and was also taken up with the SECP and all the Asset Management Companies, in consultation with the SECP, have reversed the cumulative provision for SWWF recognised in the financial statements of the Funds, for the period from May 21, 2015 to August 12, 2021, on August 13, 2021. The SECP also gave its concurrence for prospective reversal of provision for SWWF. Going forward, no provision for SWWF has been recognised in these financial statements of the Fund.

- 11.2** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16% on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration made 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 Honourable Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

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

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution, the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 82.639 million is being retained in these financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2022 would have been higher by Re 0.69 (2021: Re 0.43) per unit.

## 12 CONTINGENCIES AND COMMITMENTS

There were no other contingencies and commitments outstanding as at June 30, 2022 and June 30, 2021.

<b>13 AUDITORS' REMUNERATION</b>	<b>2022</b>	<b>2021</b>
	<b>(Rupees in '000)</b>	
Annual audit fee	302	282
Fee for half yearly review of condensed interim financial statements	150	130
Fee for other certifications	102	100
Out of pocket expenses	24	25
	<u>578</u>	<u>537</u>

## 14 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2022 is 1.13% (2021: 1.36%) which includes 0.09% (2021: 0.24%) representing government levies on the Fund such as Sales Taxes, Federal Excise Duties, annual fee to the SECP etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an 'Income Scheme'.

## 15 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 unit holders. Since the Management Company has distributed at least 90% of the Fund's accounting income for the year ended June 30, 2022 as reduced by capital gains (whether realised or unrealised) to its unit holders, therefore no provision for taxation has been made in these financial statements.

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.

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

Connected persons / related parties include Al Meezan Investment Management Limited being the Management Company, the Central Depository Company of Pakistan Limited being the Trustee, Meezan Bank Limited being the holding company of the Management Company, other collective investment schemes managed by the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of 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.

Transactions with connected persons 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 also in the normal course of business, at contracted rates and at terms determined in accordance with market rates. The management considers that the transactions between the related parties / connected persons are executed in accordance with the parameters defined in the Offering document, trust deed and NBFC regulations which are publicly available documents and hence, the transactions are considered to be on an arm's length basis.

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

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

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

<b>Balances</b>	<b>2022</b>	<b>2021</b>
	<b>(Rupees in '000)</b>	
<b>Al Meezan Investment Management Limited - Management Company</b>		
Remuneration payable	416	268
Sindh Sales Tax payable on remuneration of the Management Company	54	35
Allocated expenses payable	47	1,205
Selling and marketing expenses payable	1,787	7,297
Sales load payable	192	695
Sindh Sales Tax on sales load payable	25	90
Investment of 9,873,760 units (2021: 19,388,675 units)	510,132	1,000,297
<b>Meezan Bank Limited</b>		
Balances with bank	265,464	701,593
Profit receivable on savings accounts	88	59
Sales load payable	457	738
Sindh Sales Tax on sales load payable	59	96
Shariah advisor fee payable	268	271
ATM deposit	394	394
Investment of 9,969 units (2021: nil units)	515	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	291	530
Sindh Sales Tax payable on remuneration of the Trustee	38	69
Security deposit	100	100
CDS charges payable	-	231
<b>Meezan Strategic Allocation Fund II - MCPP - V *</b>		
Investment of 4 units (2021: nil units)	-	-
<b>Al Meezan Investment Management Limited - Employees Gratuity Fund</b>		
Investment of 187,593 units (2021: 173,525 units)	9,691	8,952
<b>Directors and Executives of the Management Company</b>		
Investment of 158,431 units (2021: 535,228 units)	8,185	27,613

\* Nil figures due to rounding off

Transactions during the year	For the year ended June 30,	
	2022	2021
<b>Al Meezan Investment Management Limited - Management Company</b>	(Rupees in '000)	
Remuneration of the Management Company	44,732	45,554
Sindh Sales Tax on remuneration of the Management Company	5,815	5,922
Allocated expenses	13,419	13,666
Selling and marketing expenses	26,839	33,464
Units issued: 9,884,452 units (2021: 23,914,884 units)	510,581	1,234,482
Units redeemed: 19,399,367 units (2021: 4,526,209 units)	1,002,327	237,409
<b>Meezan Bank Limited</b>		
Profit on savings accounts	1,165	605
Shariah advisor fee	806	614
Units issued: 9,969 units (2021: nil units)	539	-
Dividend paid	14	-
Refund of capital	24	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	5,172	5,922
Sindh Sales Tax on remuneration of the Trustee	672	770
CDS charges	18	567
<b>Meezan Islamic Income Fund</b>		
Sale of Pakistan Energy Sukuk II certificates: 130,000 sukuk certificates (2021: nil certificates)	662,999	-
<b>Meezan Financial Planning Fund of Funds - MAAP I</b>		
Units issued: nil units (2021: 1,925,443 units)	-	101,785
Units redeemed: nil units (2021: 1,925,447 units)	-	102,346
<b>Meezan Strategic Allocation Fund - MCPP - III</b>		
Units issued: 4,798,411 units (2021: 948,831 units)	257,387	51,384
Units redeemed: 4,798,411 units (2021: 9,052,461 units)	260,528	490,656
<b>Meezan Strategic Allocation Fund II - MCPP - IV</b>		
Units issued: 9,205,562 units (2021: 6,613,932 units)	492,845	352,575
Units redeemed: 9,205,562 units (2021: 27,659,225 units)	500,368	1,482,123
<b>Meezan Strategic Allocation Fund II - MCPP - V</b>		
Units issued: 2,375,613 units (2021: 2,853,217 units)	127,777	153,486
Units redeemed: 2,375,609 units (2021: 7,077,019 units)	128,767	376,964
<b>Meezan Strategic Allocation Fund II - MCPP - VI</b>		
Units issued: 2,417,989 units (2021: 507,359 units)	129,998	27,414
Units redeemed: 2,417,989 units (2021: 4,643,657 units)	131,077	250,638
<b>Meezan Strategic Allocation Fund II - MCPP - VII</b>		
Units issued: 2,755,659 units (2021: 376,013 units)	148,148	20,331
Units redeemed: 2,755,659 units (2021: 3,036,001 units)	149,473	164,630
<b>Meezan Strategic Allocation Fund II - MCPP - VIII</b>		
Units issued: nil units (2021: 199,183 units)	-	10,776
Units redeemed: nil units (2021: 1,437,426 units)	-	77,824
<b>Meezan Strategic Allocation Fund III - MCPP - IX</b>		
Units issued: 1,064,988 units (2021: 911,851 units)	56,917	48,437
Units redeemed: 1,064,988 units (2021: 1,960,832 units)	57,488	105,424
<b>Al Meezan Investment Management Limited - Employees Gratuity Fund</b>		
Units issued: 14,069 units (2021: 12,192 units)	726	628
Dividend paid	726	628
<b>Directors and Executives of the Management Company</b>		
Units issued: 1,594,737 units (2021: 2,206,792 units)	85,412	116,923
Units redeemed: 1,979,393 units (2021: 1,987,385 units)	106,231	105,657
Dividend paid	243	323
Refund of capital	463	727

**17 FINANCIAL INSTRUMENTS BY CATEGORY**

----- 2022 -----		
At amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		
<b>Financial assets</b>		
Balances with banks	384,892	384,892
Investments	-	5,794,717
Receivable against conversion of units	79,729	79,729
Deposit and other receivables	115,261	115,261
	<u>579,882</u>	<u>6,374,599</u>

----- 2022 -----		
At amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		
<b>Financial liabilities</b>		
Payable to Al Meezan Investment Management Limited - Management Company	2,521	2,521
Payable to Central Depository Company of Pakistan Limited - Trustee	329	329
Payable against redemption and conversion of units	35,110	35,110
Payable to Meezan Bank Limited	516	516
Accrued expenses and other liabilities	1,013	1,013
	<u>39,489</u>	<u>39,489</u>

----- 2021 -----		
At amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		
<b>Financial assets</b>		
Balances with banks	2,060,201	2,060,201
Investments	-	7,613,507
Receivable against conversion of units	526,734	526,734
Deposit and other receivables	88,516	88,516
	<u>2,675,451</u>	<u>10,288,958</u>

----- 2021 -----		
At amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		
<b>Financial liabilities</b>		
Payable to Al Meezan Investment Management Limited - Management Company	9,590	9,590
Payable to Central Depository Company of Pakistan Limited - Trustee	830	830
Payable against redemption and conversion of units	153,609	153,609
Payable to Meezan Bank Limited	834	834
Accrued expenses and other liabilities	1,264	1,264
	<u>166,127</u>	<u>166,127</u>

**18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

## 18.1 Market risk

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

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

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

### (i) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. As of June 30, 2022, the Fund is exposed to such risk on its balances held with banks and investments in sukuk certificates. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

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

Presently, the Fund holds KIBOR based sukuk certificates and balances with banks which expose the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income for the year and net assets of the Fund would have been higher / lower by Rs. 61.796 million (2021: Rs. 96.709 million).

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

As at June 30, 2022, the Fund did not hold any fixed rate instrument that may expose the Fund to fair value profit rate risk.

The composition of the Fund's investment portfolio, profit 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, 2022 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, 2022 can be determined as follows:

----- 2022 -----					
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		
----- Rupees in 000 -----					
<b>Financial assets</b>					
Balances with banks	3.00% - 16.25%	384,888	-	4	384,892
Investments	11.83% - 14.77%	801,000	4,993,717	-	5,794,717
Receivable against conversion of units		-	-	79,729	79,729
Deposit and other receivables		-	-	115,261	115,261
		1,185,888	4,993,717	194,994	6,374,599
<b>Financial liabilities</b>					
Payable to Al Meezan Investment Management Limited - Management Company		-	-	2,521	2,521
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	329	329
Payable against redemption and conversion of units		-	-	35,110	35,110
Payable to Meezan Bank Limited		-	-	516	516
Accrued expenses and other liabilities		-	-	1,013	1,013
		-	-	39,489	39,489
<b>On-balance sheet gap (a)</b>		1,185,888	4,993,717	155,505	6,335,110
<b>Off-balance sheet financial instruments</b>		-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-
<b>Total interest rate sensitivity gap (a+b)</b>		1,185,888	4,993,717	-	-
<b>Cumulative interest rate sensitivity gap</b>		1,185,888	6,179,605	6,179,605	-



----- 2021 -----					
Effective profit rate (%)	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

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

**Financial assets**

Balances with banks	1.50% - 7.32%	2,057,357	-	-	2,844	2,060,201
Investments	7.20% - 8.81%	-	7,613,507	-	-	7,613,507
Receivable against conversion of units		-	-	-	526,734	526,734
Deposit, prepayments and other receivables		-	-	-	88,516	88,516
		2,057,357	7,613,507	-	618,094	10,288,958

**Financial liabilities**

Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	9,590	9,590
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	830	830
Payable against redemption and conversion of units		-	-	-	153,609	153,609
Payable to Meezan Bank Limited		-	-	-	834	834
Accrued expenses and other liabilities		-	-	-	1,264	1,264
		-	-	-	166,127	166,127

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

	2,057,357	7,613,507	-	451,967	10,122,831
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**Off-balance sheet financial instruments**

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

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

	2,057,357	7,613,507	-		
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**Cumulative interest rate sensitivity gap**

	2,057,357	9,670,864	9,670,864		
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**(ii) Currency risk**

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

**(iii) Price risk**

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

Equity price risk is the risk that the fair value of equity instruments decreases as a result of changes in the level of equity indices and the value of individual stocks. The Fund does not hold any instruments that expose it to price risk (other than those arising from profit rate risk or currency risk) as of June 30, 2022.

**18.2 Liquidity risk**

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

The Fund is exposed to daily 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 redemption requests during the year ended June 30, 2022.

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 balances with banks have been included in the maturity grouping of one month:

2022							
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total	
Rupees in '000							
<b>Financial assets</b>							
Balances with banks	384,892	-	-	-	-	384,892	
Investments	-	-	38,270	5,756,447	-	5,794,717	
Receivable against conversion of units	79,729	-	-	-	-	79,729	
Deposit and other receivables	3,331	-	111,436	-	494	115,261	
	467,952	-	111,436	38,270	5,756,447	494	6,374,599
<b>Financial liabilities</b>							
Payable to Al Meezan Investment Management Limited - Management Company	2,521	-	-	-	-	2,521	
Payable to Central Depository Company of Pakistan Limited - Trustee	329	-	-	-	-	329	
Payable against redemption and conversion of units	35,110	-	-	-	-	35,110	
Payable to Meezan Bank Limited	516	-	-	-	-	516	
Accrued expenses and other liabilities	377	636	-	-	-	1,013	
	38,853	636	-	-	-	39,489	
<b>Net financial assets / (liabilities)</b>	<b>429,099</b>	<b>(636)</b>	<b>111,436</b>	<b>38,270</b>	<b>5,756,447</b>	<b>494</b>	<b>6,335,110</b>

2021							
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total	
Rupees in '000							
<b>Financial assets</b>							
Balances with banks	2,060,201	-	-	-	-	2,060,201	
Investments	-	-	995,714	6,617,793	-	7,613,507	
Receivable against conversion of units	526,734	-	-	-	-	526,734	
Deposit and other receivables	88,022	-	-	-	494	88,516	
	2,674,957	-	-	995,714	6,617,793	494	10,288,958
<b>Financial liabilities</b>							
Payable to Al Meezan Investment Management Limited Management Company	9,590	-	-	-	-	9,590	
Payable to the Central Depository Company of Pakistan Limited - Trustee	830	-	-	-	-	830	
Payable against redemption and conversion of units	153,609	-	-	-	-	153,609	
Payable to Meezan Bank Limited	834	-	-	-	-	834	
Accrued expenses and other liabilities	487	777	-	-	-	1,264	
	165,350	777	-	-	-	166,127	
<b>Net financial assets / (liabilities)</b>	<b>2,509,607</b>	<b>(777)</b>	<b>-</b>	<b>995,714</b>	<b>6,617,793</b>	<b>494</b>	<b>10,122,831</b>

### 18.3 Credit risk

**18.3.1** Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. 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 and receivable against conversion of units.

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. 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:

	2022		2021	
	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	384,892	384,892	2,060,201	2,060,201
Investments	5,794,717	33,273	7,613,507	110,725
Receivable against conversion of units	79,729	79,729	526,734	526,734
Deposits and other receivables	115,261	3,458	88,122	61,317
	<u>6,374,599</u>	<u>501,352</u>	<u>10,288,564</u>	<u>2,758,977</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2022 is the carrying amount of the financial assets. Investment in government securities and related profit receivable, however, are not exposed to credit risk and have been excluded from the above analysis as these are guaranteed by the Government of Pakistan.

### 18.3.2 Credit quality of financial assets

The Fund's significant credit risk arises mainly on account of its placements in banks, investment in sukuk certificates and related profit receivable thereon. The credit rating profile of balances with banks is as follows:

Rating	% of financial assets exposed to credit risk	
	2022	2021
<b>Balances with banks</b>		
AAA	75.04	75.58
AA+	0.70	0.13
AA	3.31	8.68
A+	20.92	15.50
AA-	0.03	0.11
	<u>100.00</u>	<u>100.00</u>

Ratings of investments have been disclosed in related notes to these financial statements. Since, the assets of the Fund are held with credit worthy counterparties, therefore any significant credit risk is mitigated.

### 18.3.3 Concentration of credit risk

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

All financial assets of the Fund as at June 30, 2022 and June 30, 2021 are unsecured and are not impaired.

## 19 FAIR VALUE MEASUREMENT

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

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

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

### Fair value hierarchy

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

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

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

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

As at June 30, 2022 and June 30, 2021, the Fund held the following financial instruments measured at fair value:

	2022			
	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>	----- (Rupees in '000) -----			
<b>Financial assets 'at fair value through profit or loss'</b>				
Sukuk certificates	-	5,794,717	-	5,794,717
	<u>-</u>	<u>5,794,717</u>	<u>-</u>	<u>5,794,717</u>
	----- (Rupees in '000) -----			
	2021			
	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>	----- (Rupees in '000) -----			
<b>Financial assets 'at fair value through profit or loss'</b>				
Sukuk certificates	-	7,613,507	-	7,613,507
	<u>-</u>	<u>7,613,507</u>	<u>-</u>	<u>7,613,507</u>

## 20 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

**21 UNIT HOLDING PATTERN OF THE FUND**

Category	2022			2021		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total investment (%)	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total investment (%)
Individuals	8,314	4,400,331	71.01	7,060	6,378,042	64.17
Associated companies / Directors	6	525,314	8.48	6	1,018,914	10.25
Insurance companies	4	172,839	2.79	5	429,982	4.33
Retirement funds	49	575,567	9.29	55	1,190,089	11.97
Others	74	522,026	8.43	71	922,225	9.28
<b>Total</b>	<b>8,447</b>	<b>6,196,077</b>	<b>100.00</b>	<b>7,197</b>	<b>9,939,252</b>	<b>100.00</b>

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

2022		2021	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
Summit Capital (Private) Limited	21.97	Summit Capital (Private) Limited	2.47
BIPL Securities Limited	18.01	BMA Capital Management Limited	0.28
JS Global Capital Limited	60.02	BIPL Securities Limited	1.32
		JS Global Capital Limited	95.93

**22.1** The Fund has traded with only the above mentioned 3 brokers / dealers during the year ended June 30, 2022 (2021: 4 brokers / dealers).

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

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

Name	Designation	Qualification	Overall experience
Mr. Mohammad Shoab	Chief Executive Officer	CFA / MBA	Thirty Two years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Twenty Six years
Mr. Taha Javed	Head of Equities	CFA / MBA	Fifteen years
Mr. Faizan Saleem	Head of Fixed Income	CFA level II / MBA	Fifteen years
Mr. Ali Asghar	Head of Research	CFA / MBA	Eleven years
Mr. Ali Khan	Head of Product Development	CFA / FRM / MBA	Twelve years
Mr. Akhtar Munir	Head of Risk Management	CFA Level II / MBA, ACCA, FRM, FCMA	Thirteen years
Mr. Ahmed Hassan	SVP Investments	CFA / MBA	Fifteen years
Mr. Asif Intiaz	VP Investments	CFA / MBA - Finance	Fourteen years
Mr. Zohaib Saeed	AVP Fixed Income	CFA/ACCA	Eight years

**23.2** The Fund manager of the Fund is Mr. Zohaib Saeed. Other Fund being managed by the Fund Manager is as follows:

- Meezan Daily Income Fund

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

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

Name of Directors	Designation	Meeting held on					
		August 09, 2021	September 14, 2021	October 11, 2021	February 14, 2022	April 18, 2022	June 09, 2022
Mr. Ariful Islam	Chairman	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoab	Chief Executive Officer	Yes	Yes	No	No	Yes	Yes
Mr. Muhammad Abdullah	Director	Yes	No	Yes	Yes	Yes	Yes
Mr. Moin M. Fudda	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Furquan Kidwai	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Naeem Abdul Sattar	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mubashar Maqbool	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Tariq Mairaj	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Feroz Rizvi	Director	Yes	Yes	Yes	Yes	Yes	Yes
Ms. Danish Zuberi	Director	Yes	Yes	Yes	Yes	Yes	Yes



**25 GENERAL**

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

**26 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 16, 2022 by the Board of Directors of the Management Company.

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

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**Chief Executive Officer**

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**Chief Financial Officer**

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**Director**



**Al Meezan**  
Investment Management Ltd.

# PUMARI CHHISH

Mountain climbing and investments both require intrinsic understanding of marginal benefits.

Height 7,492 meters,  
belongs to the range Hispar Karakoram





# MEEZAN DAILY INCOME FUND(MDIF)

Meezan Daily Income Fund is an Allocation Plan under “Meezan Daily Income Fund (MDIF)” with an objective to provide investors with a competitive rate of return, together with daily payout, through investment in Shariah Compliant Fixed Income Instruments.



# FUND INFORMATION

## MANAGEMENT COMPANY

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

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. Muhammad Abdullah Ahmed	Nominee Director - MBL
Mr. Moin M. Fudda	Nominee Director - MBL
Mr. Furquan R Kidwai	Independent Director
Mr. Mubashar Maqbool	Nominee Director - PKIC
Mr. Tariq Mairaj	Nominee Director - MBL
Mr. Naeem Sattar	Nominee Director - PKIC
Mr. Feroz Rizvi	Independent Director
Ms. Danish Zuberi	Independent Director
Mr. Mohammad Shoaib, CFA	Chief Executive Officer

## CHIEF FINANCIAL OFFICER

Mr. Muhammad Shahid Ojha

## COMPANY SECRETARY

Mr. Salman Muslim

## BOARD AUDIT COMMITTEE

Mr. Feroz Rizvi	Chairman
Mr. Tariq Mairaj	Member
Mr. Naeem Sattar	Member

## BOARD RISK MANAGEMENT COMMITTEE

Mr. Mubashar Maqbool	Chairman
Mr. Moin M. Fudda	Member
Mr. Furquan R. Kidwai	Member

## BOARD HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. Ariful Islam	Chairman
Mr. Moin M. Fudda	Member
Mr. Mubashar Maqbool	Member
Mr. Furquan R. Kidwai	Member
Mr. Mohammad Shoaib, CFA	Member

## BOARD IT COMMITTEE

Mr. Furquan R. Kidwai	Chairman
Mr. Mohammad Shoaib, CFA	Member
Mr. Faiz ur Rehman	Subject Matter Expert

## TRUSTEE

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

## AUDITORS

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

## SHARIAH ADVISER

Meezan Bank Limited

## BANKERS TO THE FUND

Al Baraka Islamic Bank B.S.C (E.C)	Allied Bank Limited - Islamic Banking
Askari Bank Ltd - - Islamic Banking	Bank Islami Pakistan Limited
Bank of Khyber - Islamic Banking	Dubai Islamic Bank
Habib Bank Limited - Islamic Banking	Meezan Bank Limited
Soneri Bank Ltd - Islamic Banking	The Bank of Punjab - Islamic Banking
United Bank Limited- Islamic Banking	

## LEGAL ADVISER

Bawanev & Partners  
3rd & 4th Floor, 68-C, Lane-13, Bokhari Commercial Area,  
Phase VI, DHA, Karachi.  
Phone (+9221) 35156191-94 Fax: (+9221) 35156195  
E-mail: [bawanev@cyber.net.pk](mailto:bawanev@cyber.net.pk)

## TRANSFER AGENT

Al Meezan Investment Management Limited

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited





Pure. Profit.



## REPORT OF THE FUND MANAGER Meezan Daily Income Fund (MDIP-I)

### Type of Fund

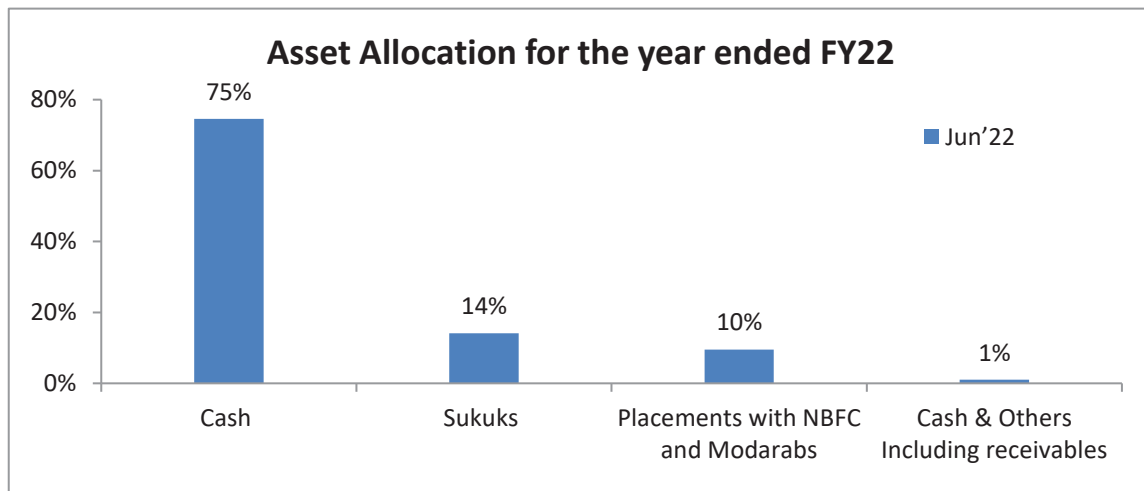
Open end money market fund investing primarily in Shariah compliant money market and Islamic bonds (Sukuks).

### Objective

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

### Investment Policy and Strategy

The fund provides investors with the opportunity to park their excess liquidity in secure high quality instruments. To minimize the credit risk, the investment policy limits the investment avenues to short term tenors in corporate sukuk. As per its investment policy, MDIP I can invest or place funds in instruments with a credit rating of at least 'double A' (AA).



### Performance Review

Meezan Daily Income Fund (MDIP-I) provided a return of 10.58% to its investors for the year ended June 30, 2022 as compared to its benchmark return of 3.39%

Launched date September 13, 2022

	MDIP-I	Six Month deposits at Islamic Banks (Benchmark)
Net Asset Value as on September 13, 2021	50.00	
Net Asset Value as on June 30, 2022	50.00	
Return for the year	10.58%	3.39%
Outperformance	7.19%	

**Benchmark: 6 Months average deposit rates of 3 A-rated Islamic Banks**





Pure. Profit.



The Fund earned a gross income of Rs. 1.542 million, which was primarily due to profit on bank deposits, placements and Sukuks amounting to Rs. 1,542 million. The fund also incurred expenses totalling to Rs. 60 million, which brought the net income figure to Rs. 1,482 million. The net assets of the Fund as at June 30, 2021 were Rs. 30,649 million. The net asset value per unit as at June 30, 2022 was Rs. 50 (Ex-dividend).

### Distributions

The Total Pay-out by the Fund during the period ended June 30, 2022 was Rs. 4.0337 per unit (8.07%). Total distribution made by the fund was Rs. 1,482 million.

### Fund Stability Rating

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

### Breakdown of unit holdings by size

(As on June 30, 2022)

Range (Units)	No. of investors
1 - 9,999	2,133
10,000 - 49,999	2,740
50,000 - 99,999	844
100,000 - 499,999	821
500,000 and above	189
<b>Total</b>	<b>6,727</b>





**Meezan Bank**  
The Premier Islamic Bank



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

July 29, 2022/ Dhu Al-Hijjah 29, 1443

**Alhamdulillah**, the period from Sep 13, 2021 to June 30, 2022 was the First year of operations of Meezan Daily Income Fund (MDIF) under management of Al Meezan Investment Management Limited (Al Meezan). We, Meezan Bank Limited, are the *Shariah* advisors of the Fund and are issuing the report in accordance with clause 8.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shariah* compliance of the Fund's activity.

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

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

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MDIF in light of the *Shari'ah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MDIF 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 MDIF for the year ended June 30, 2022 have been in compliance with *Shari'ah* principles.

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

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

**Meezan Bank Ltd.**

Head Office: Meezan House, C-25, Estate Avenue, SITE, Karachi - Pakistan.  
PABX: (92-21) 38103500 UAN:111-331-331 & 111-331-332 www.meezanbank.com

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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S.M.C.H.S., Main Shakra-e-Faisal  
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URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)

Email: [info@cdcpak.com](mailto:info@cdcpak.com)



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**MEEZAN DAILY INCOME FUND**

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Daily Income Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the period from September 14, 2021 to June 30, 2022 in accordance with the provisions of the following:

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

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

Karachi, September 14, 2022





**INDEPENDENT AUDITOR'S REPORT**

**To the Unit holders of Meezan Daily Income Fund**

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

**Opinion**

We have audited the financial statements of Meezan Daily Income Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2022, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the period from September 14, 2021 to June 30, 2022, 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, 2022, and of its financial performance and its cash flows for the period from September 14, 2021 to June 30, 2022 in accordance with the accounting and reporting standards as applicable in Pakistan.

**Basis for Opinion**

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

**Key Audit Matters**

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

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<b>Net Asset Value</b> (Refer notes 5 and 6 to the financial statements)	
	Investments and balances with banks constitute the most significant component of the net asset value. Investments of the Fund as at June 30, 2022 amounted to Rs 7,294 million and balances with banks aggregated to Rs 22,995.517 million.  The existence and proper valuation of investments and existence of balances with banks for the determination of NAV of the Fund as at June 30, 2022 was considered a high risk area and therefore we considered this as a key audit matter.	Our audit procedures amongst others included the following: <ul style="list-style-type: none"> <li>Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2022 and traced 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; and</li> <li>Obtained bank reconciliation statements and tested reconciling items on a sample basis.</li> </ul>

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



**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.

ABB



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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is **Khattab Muhammad Akhi Baig**.

A. F. Ferguson & Co.

Chartered Accountants

Dated: September 21, 2022

Karachi

UDIN: AR202210081XJqIaG8FE





**MEEZAN DAILY INCOME FUND  
STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2022**

	Note	2022 MDIP-I (Rupees in '000)
<b>Assets</b>		
Balances with banks	5	22,995,517
Investments	6	7,294,000
Receivable against conversion of units		47,229
Deposits, prepayments and profit receivable	7	484,814
Preliminary expenses and floatation costs	8	648
<b>Total assets</b>		<b>30,822,208</b>
<b>Liabilities</b>		
Payable to AI Meezan Investment Management Limited - Management Company	9	8,087
Payable to Central Depository Company of Pakistan Limited - Trustee	10	2,072
Payable to the Securities and Exchange Commission of Pakistan (SECP)	11	2,638
Payable to Meezan Bank Limited		15,378
Payable against conversion and redemption of units		107,446
Accrued expenses and other liabilities	12	37,943
<b>Total liabilities</b>		<b>173,564</b>
<b>Net assets</b>		<b>30,648,644</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>30,648,644</b>
<b>Contingencies and commitments</b>	13	
<b>Number of units in issue</b>		<b>612,972,871</b>
<b>Net asset value per unit</b>		<b>50.0000</b>

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

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

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

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

\_\_\_\_\_  
Director

**MEEZAN DAILY INCOME FUND  
INCOME STATEMENT  
FOR THE PERIOD FROM SEPTEMBER 14, 2021 TO JUNE 30, 2022**

	<b>Note</b>	<b>For the period from September 14, 2021 to June 30, 2022 MDIP-I (Rupees in '000)</b>
<b>Income</b>		
Profit on sukuks		166,703
Income on commercial papers		31,281
Profit on certificate of musharaka		136,314
Profit on term deposit receipts		37,177
Profit on savings accounts with banks		1,170,881
Net realised loss on sale of investment		(235)
<b>Total income</b>		<u>1,542,121</u>
<b>Expenses</b>		
Remuneration of AI Meezan Investment Management Limited - Management Company	9.1	26,983
Sindh Sales Tax on remuneration of the Management Company	9.2	3,508
Selling and marketing expenses	9.3	13,093
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1	9,892
Sindh Sales Tax on remuneration of the Trustee	10.2	1,286
Annual fees to the Securities and Exchange Commission of Pakistan (SECP)	11	2,638
Auditors' remuneration	14	212
Brokerage expenses		38
Bank and settlement charges		568
Amortisation of preliminary expenses and floatation costs	8	121
Fees and subscription		1,556
<b>Total expenses</b>		<u>59,895</u>
<b>Net income for the period before taxation</b>		<u>1,482,226</u>
Taxation	16	-
<b>Net income for the period after taxation</b>		<u>1,482,226</u>
<b>Allocation of net income for the period</b>		
Net income for the period after taxation		1,482,226
Income already paid on units redeemed		-
		<u>1,482,226</u>
<b>Accounting income available for distribution</b>		
- Relating to capital gains		-
- Excluding capital gains		1,482,226
		<u>1,482,226</u>

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

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

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

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

\_\_\_\_\_  
Director

**MEEZAN DAILY INCOME FUND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD FROM SEPTEMBER 14, 2021 TO JUNE 30, 2022**



**For the period  
from  
September 14,  
2021 to June  
30, 2022  
MDIP-I  
(Rupees in '000)**

<b>Net income for the period after taxation</b>	1,482,226
Other comprehensive income for the period	-
<b>Total comprehensive income for the period</b>	<u><u>1,482,226</u></u>

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

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

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

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

\_\_\_\_\_  
**Director**





**MEEZAN DAILY INCOME FUND**  
**CASH FLOW STATEMENT**  
**FOR THE PERIOD FROM SEPTEMBER 14, 2021 TO JUNE 30, 2022**

	Note	For the period from September 14, 2021 to June 30, 2022 MDIP-I (Rupees in '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation		1,482,226
<b>Adjustment for non-cash items:</b>		
Amortisation of preliminary expenses and floatation costs	8	121
		<u>1,482,347</u>
<b>Increase in assets</b>		
Investments - net		(4,350,000)
Deposits, prepayments and profit receivable		(484,814)
Preliminary expenses and floatation costs paid		(769)
		<u>(4,835,583)</u>
<b>Increase in liabilities</b>		
Payable to AI Meezan Investment Management Limited - Management Company		8,087
Payable to Central Depository Company of Pakistan Limited - Trustee		2,072
Payable to the Securities and Exchange Commission of Pakistan (SECP)		2,638
Payable to Meezan Bank Limited		15,378
Accrued expenses and other liabilities		37,943
		<u>66,118</u>
<b>Net cash used in operating activities</b>		<u>(3,287,118)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts against issuance and conversion of units		69,605,262
Payment against redemption and conversion of units		(38,896,401)
Dividend paid		(1,482,226)
<b>Net cash generated from financing activities</b>		<u>29,226,635</u>
<b>Net increase in cash and cash equivalents during the period</b>		<u>25,939,517</u>
Cash and cash equivalents at the beginning of the period		-
<b>Cash and cash equivalents at the end of the period</b>	18	<u><u>25,939,517</u></u>

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

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

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

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

\_\_\_\_\_  
**Director**



**MEEZAN DAILY INCOME FUND  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE PERIOD FROM SEPTEMBER 14, 2021 TO JUNE 30, 2022**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

1.1 Meezan Daily Income Fund (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on August 13, 2021 under Sindh Trusts Act, 2020 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). The Management Company has been granted license by the SECP to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.

1.2 The Fund is an open ended Shariah compliant Income Scheme with allocation plans. The investment objective of the Fund is to earn return by investing in Shariah compliant fixed income instruments and has the following specific features:

- (a) Dividend will be distributed to the entitled unit holders on a daily basis (i.e. each business day); and
- (b) Daily dividend received by the unit holders shall be reinvested.

By distributing dividend on a daily basis, the Management Company is required to ensure that total distribution in an accounting period accumulates to an amount that is required under the tax laws and other regulations in force.

1.3 Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund is listed on Pakistan Stock Exchange Limited.

1.4 The Management Company has been assigned a quality rating of AM1 by VIS dated December 27, 2021 and by PACRA dated June 23, 2022. The rating reflects the Company's experienced management team, structured investment process and sound quality of systems and processes.

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

1.6 As per offering document approved by SECP, the accounting period, in case of the first period, shall commence from the date on which the trust property is first paid or transferred to the Trustee. Accordingly, these financial statements have been prepared from September 14, 2021.

**2 BASIS OF PRESENTATION**

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

**3 BASIS OF PREPARATION**

**3.1 Statement of compliance**

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

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

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

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

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2021. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements.

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

There are certain new standards and amendments to the accounting and reporting standards that are mandatory for the Fund's annual accounting period beginning on or after July 1, 2022. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements.

### **3.4 Critical accounting estimates and judgments**

The preparation of financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgments 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 judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

### **3.5 Accounting convention**

These financial statements have been prepared under the historical cost convention except that investments have been carried at fair values.

### **3.6 Functional and presentation currency**

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

## **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

4.1 The principal accounting policies applied in the preparation of these financial statements are set out below.

### **4.2 Cash and cash equivalents**

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

### **4.3 Financial assets**

#### **4.3.1 Initial recognition and measurement**

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

#### **4.3.2 Classification and subsequent measurement**

##### **a) Debt instruments**



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

- amortised cost
- at fair value through other comprehensive income (FVOCI)
- at fair value through profit or loss (FVPL)

based on the business model of the entity.

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

#### **b) Impairment**

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

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

#### **c) Impairment loss on debt securities**

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

As allowed by the SECP, the Management Company may make provision against debt securities over and above the minimum provision requirement prescribed by the SECP, considering the specific credit and financial condition of the debt security issuer and in accordance with the provisioning policy duly approved by the Board of Directors of the Management Company. The provisioning policy approved by the Board of Directors has also been placed on the Management Company's website as required under the SECP's circular.

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

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

#### **4.3.4 Derecognition**

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

#### **4.4 Financial liabilities**

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

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

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

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



#### **4.6 Provisions**

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

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

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

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

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

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

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

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on the Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the period also includes portion of income already paid on units redeemed during the period. As more fully explained in note 1.2 to the financial statements, the Fund is required to make distribution on each business day.

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

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

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

#### **4.11 Revenue recognition**

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

#### **4.12 Expenses**

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

#### 4.13 Taxation

##### Current

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

##### Deferred

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

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

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

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

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

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

#### 4.15 Foreign currency translation

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

	Note	2022 MDIP-I (Rupees in '000)
<b>5 BALANCES WITH BANKS</b>		
Balances with bank in:		
Savings accounts	5.1	<u>22,995,517</u>
<b>5.1</b> These includes balance amounting to Rs. 458.682 million maintained with Meezan Bank Limited (a related party) that has an expected profit rate of 6.01% per annum. Other savings accounts of the Fund have expected profit rates ranging from 3.70% to 16.40% per annum.		
<b>6 INVESTMENTS</b>		
<b>At fair value through profit or loss</b>		
Commercial papers	6.1	-
Sukuk certificates	6.2	4,350,000
Term deposit receipts	6.3	-
Certificates of musharaka	6.4	<u>2,944,000</u>
		<u><u>7,294,000</u></u>

## 6.1 Commercial papers

Name of the security	Maturity date	Profit rate	Purchased during the period	Matured during the period	As at June 30, 2022	Carrying value as at June 30, 2022	Market value as at June 30, 2022	Unrealised appreciation / (diminution) as at June 30, 2022	Percentage in relation to	
									Net assets of the Fund	Total market value of investment
						Number of certificates			(Rupees in '000)	
K-Electric Limited ICP - 22 (AA, VIS)	April 07, 2022	6 months Kibor plus base rate of 0.5%	425	425	-	-	-	-	-	-
K-Electric Limited ICP - 24 (AA, VIS)	May 16, 2022	6 months Kibor plus base rate of 0.6%	300	300	-	-	-	-	-	-
<b>Total as at June 30, 2022</b>						<b>-</b>	<b>-</b>	<b>-</b>		

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

6.2 Sukuk certificates	Note	2022 MDIP-I (Rupees in '000)
Government securities - GOP Ijarah sukuk	6.2.1	-
Corporate sukuks	6.2.2	4,350,000
		<u>4,350,000</u>

### 6.2.1 Government Securities - GOP Ijarah Sukuk

Name of the Security	Profit payments / principal redemptions	Issue date	Maturity date	Profit rate	Purchased during the period	Sold during the period	As at June 30, 2022	Carrying value as at June 30, 2022	Market value as at June 30, 2022	Unrealised appreciation / (diminution) as at June 30, 2022	Percentage in relation to	
											Net assets of the Fund	Total market value of investments
										Number of certificates		(Rupees in '000)
GoP Ijarah Sukuk Certificates - XXIII VRR	Semi-annually / At maturity	October 06, 2021	October 06, 2026	Weighted Average 6 months T-Bills	2,000	2,000	-	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XXIV VRR	Semi-annually / At maturity	October 29, 2021	October 29, 2026	Weighted Average 6 months T-Bills	5,000	5,000	-	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XXV VRR	Semi-annually / At maturity	April 27, 2022	April 27, 2027	Weighted Average 6 months T-Bills	15,000	15,000	-	-	-	-	-	-
<b>Total as at June 30, 2022</b>						<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

6.2.1.1 The nominal value of the GoP Ijarah sukuk certificates is Rs 100,000 each.

### 6.2.2 Corporate sukuks

Name of the security	Maturity date	Profit rate	Purchased during the period	Matured during the period	As at June 30, 2022	Carrying value as at June 30, 2022	Market value as at June 30, 2022	Unrealised appreciation / (diminution) as at June 30, 2022	Percentage in relation to	
									Net assets of the Fund	Total market value of investment
						Number of certificates			(Rupees in '000)	
Hub Power Company Limited VII (AA+, PACRA) (note 6.2.2.1)	May 02, 2022	6 months KIBOR plus base rate of 0.80%	4,750	4,750	-	-	-	-	-	-
K-Electric Limited PPSTS - 1 (AA, PACRA) (note 6.2.2.2)	August 04, 2022	6 months KIBOR plus base rate of 0.85%	625	-	625	625,000	625,000	-	2.04	8.57
K-Electric Limited PPSTS - 2 (AA, PACRA) (note 6.2.2.2)	August 15, 2022	6 months KIBOR plus base rate of 0.85%	675	-	675	675,000	675,000	-	2.20	9.25
K-Electric Limited PPSTS - 3 (AA, PACRA) (note 6.2.2.2)	September 01, 2022	6 months KIBOR plus base rate of 0.85%	675	-	675	675,000	675,000	-	2.20	9.25

Name of the security	Maturity date	Profit rate	Purchased during the period	Matured during the period	As at June 30, 2022	Carrying value as at June 30, 2022	Market value as at June 30, 2022	Unrealised appreciation / (diminution) as at June 30, 2022	Percentage in relation to	
									Number of certificates	(Rupees in '000)
									%	
K-Electric Limited PPSTS - 4 (AA, PACRA) (note 6.2.2.2)	September 23, 2022	6 months KIBOR plus base rate of 0.85%	300	-	300	300,000	300,000	-	0.98	4.11
K-Electric Limited PPSTS - 5 (AA, PACRA) (note 6.2.2.2)	October 12, 2022	6 months KIBOR plus base rate of 0.95%	400	-	400	400,000	400,000	-	1.31	5.48
Hub Power Company Limited XI (AA+, PACRA) (note 6.2.2.1)	October 27, 2022	6 months KIBOR plus base rate of 1.00%	6,750	-	6,750	675,000	675,000	-	2.20	9.25
Lucky Electric Power Company Limited PPSTS - 2 (AA, PACRA) (note 6.2.2.2)	December 15, 2022	6 months KIBOR plus base rate of 1.20%	1,000	-	1,000	1,000,000	1,000,000	-	3.26	13.74

**6.2.2.1** The nominal value of the sukuk certificates is Rs 100,000 and the profit and principal of corporate sukuks is receivable at maturity.

**6.2.2.2** The nominal value of the sukuk certificates is Rs 1,000,000 and the profit and principal of corporate sukuks is receivable at maturity.

### 6.3 Term deposit receipts

Name of the bank	Maturity date	Profit rate	Placed during the period	Matured during the period	Carrying value as at June 30, 2022	Market value as at June 30, 2022	Unrealised appreciation / (diminution) as at June 30, 2022	Percentage in relation to	
								Net assets of the Fund	Total market value of investment
		%	(Rupees in '000)					%	
Meezan Bank Limited (related party) (AAA, VIS)	March 21, 2022	9.85%	1,200,000	1,200,000	-	-	-	-	-
The Bank of Punjab (AA+, PACRA)	March 28, 2022	11.40%	1,000,000	1,000,000	-	-	-	-	-

### 6.4 Certificates of musharaka

Name of the company	Maturity date	Profit rate	Placed during the period	Matured during the period	Carrying value as at June 30, 2022	Market value as at June 30, 2022	Unrealised appreciation / (diminution) as at June 30, 2022	Percentage in relation to	
								Net assets of the Fund	Total market value of investment
		%	(Rupees in '000)					%	
First Habib Modaraba (AA+, PACRA)	January 31, 2022	11.65%	700,000	700,000	-	-	-	-	-
First Habib Modaraba (AA+, PACRA)	January 31, 2022	11.65%	700,000	700,000	-	-	-	-	-
First Habib Modaraba (AA+, PACRA)	April 28, 2022	10.90%	700,000	700,000	-	-	-	-	-
First Habib Modaraba (AA+, PACRA)	April 28, 2022	10.90%	700,000	700,000	-	-	-	-	-
First Habib Modaraba (AA+, PACRA)	May 9, 2022	10.90%	300,000	300,000	-	-	-	-	-
First Habib Modaraba (AA+, PACRA)	July 28, 2022	15.00%	718,000	-	718,000	718,000	-	2.34	9.84
First Habib Modaraba (AA+, PACRA)	July 28, 2022	15.00%	718,000	-	718,000	718,000	-	2.34	9.84
OLP Modaraba (Formerly Orix)	July 29, 2022	15.50%	700,000	-	700,000	700,000	-	2.28	9.60

Name of the company	Maturity date	Profit rate	Placed during the period	Matured during the period	Carrying value as at June 30, 2022	Market value as at June 30, 2022	Unrealised appreciation / (diminution) as at June 30, 2022	Percentage in relation to	
								Net assets of the Fund	Total market value of investment
		%	(Rupees in '000)				%		
First Habib Modaraba (AA+, PACRA)	August 9, 2022	15.00%	308,000	-	308,000	308,000	-	1.00	4.22
First Habib Modaraba (AA+, PACRA)	August 19, 2022	15.00%	500,000	-	500,000	500,000	-	1.63	6.85
<b>Total as at June 30, 2022</b>			<b>6,044,000</b>	<b>3,100,000</b>	<b>2,944,000</b>	<b>2,944,000</b>	<b>-</b>		

	Note	2022 MDIP-I (Rupees in '000)
<b>6.5 Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss'</b>		
Market value of investments	6.1,6.2, 6.3 & 6.4	7,294,000
Carrying value of investments	6.1,6.2, 6.3 & 6.4	7,294,000
		-
<b>7 DEPOSITS, PREPAYMENTS AND PROFIT RECEIVABLE</b>		
Security deposit with Central Depository Company of Pakistan Limited		100
Profit receivable on balances with banks		276,751
Profit receivable on sukuk certificates		135,697
Profit receivable on certificates of musharaka		71,188
Prepayments		78
Others		1,000
		484,814
<b>8 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>		
At the beginning of the period		769
Less: amortisation during the period	8.1	(121)
At the end of the year		648
<b>8.1</b>		
Preliminary expenses and flotation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.		
<b>9 PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED-MANAGEMENT COMPANY</b>	Note	2022 MDIP-I (Rupees in '000)
Management fee payable	9.1	1,027
Sindh Sales Tax on remuneration of the Management Company	9.2	134
Selling and marketing expenses payable	9.3	2,135
Sales load payable		4,240
Sindh Sales Tax on sales load payable		551
		8,087
<b>9.1</b>		
As per regulation 61 of the NBFC Regulations, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the Offering Document subject to the total expense ratio limit.		
Keeping in view the maximum allowable threshold, during the period, the Management Company has charged remuneration at the following rates:		

From September 14, 2021 to September 30, 2021	From October 1, 2021 to December 7, 2021
Nil	0.1% per annum of the average annual net assets





<b>From December 8, 2021 to January 13, 2022</b>	<b>From January 14, 2022 to January 31, 2022</b>
0.2% per annum of the average annual net assets	0.4% per annum of the average annual net assets

<b>From February 01, 2022 to June 30, 2022</b>
0.2% per annum of the average annual net assets

The remuneration is payable to the Management Company monthly in arrears.

- 9.2** During the period, an amount of Rs. 3.508 million was charged on account of sales tax on remuneration of the Management Company levied through the Sindh Sales Tax on Services Act, 2011, and an amount of Rs. 3.374 million has been paid to the Management Company which acts as a collecting agent.
- 9.3** In accordance with Circular 11 dated July 5, 2019, the Management Company is entitled for charging selling and marketing expenses to Collective Investment Schemes (CISs) managed by them upto a maximum limit approved by the Board of Directors as part of annual plan. The Management Company, based on its own discretion, has charged selling and marketing expenses while keeping in view the overall return and the total expense ratio limit at the following rates subject to the total expense charged not being higher than the actual expense incurred during the period:

<b>From September 14, 2021 to September 30, 2021</b>	<b>From October 1, 2021 to June 30, 2022</b>
Nil	0.1% per annum of the average annual net assets

	Note	2022 MDIP-I (Rupees in '000)
<b>10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>		
Remuneration payable	10.1	1,834
Sindh Sales Tax on remuneration payable to the Trustee	10.2	238
		<u>2,072</u>

- 10.1** The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the trust deed, at the rate of 0.075% per annum of net assets of the Fund.
- 10.2** During the period, an amount of Rs 1.286 million was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs 1.048 million was paid to the Trustee which acts as a collecting agent.

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

In accordance with the NBFC Regulations, a Collective Investment Scheme (CIS) is required to pay annual fee to the Securities and Exchange Commission of Pakistan (SECP) at the rate of 0.02% per annum of average annual net assets during the period.

	2022 MDIP-I (Rupees in '000)
<b>12 ACCRUED EXPENSES AND OTHER LIABILITIES</b>	
Brokerage payable	16
Auditors' remuneration payable	131
Zakat Payable	612
Withholding tax payable	36,645
Shariah advisory fee payable	539
	<u>37,943</u>

### 13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2022.

**For the period  
from  
September 14,  
2021 to June  
30, 2022  
MDIP-I  
(Rupees in '000)**

### 14 AUDITORS' REMUNERATION

Statutory audit fee	133
Half yearly review fee	79
	<u>212</u>

### 15 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2022 is 0.36% which includes 0.05% representing government levies on the Fund such as sales taxes, annual fee to the SECP etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Income Scheme.

### 16 TAXATION

The Fund's income is exempt from income tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Furthermore, as per regulation 63 of the NBFC Regulations, the Fund is required to distribute at least 90 percent of the net accounting income other than capital gains to the unitholders. Since the management has distributed the required minimum percentage of income earned by the Fund for the period from September 14, 2021 to June 30, 2022 to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements during the period.

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.

### 17 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include Al Meezan Investment Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, Meezan Bank Limited being the holding company of the Management Company, Directors and Executives of the Management Company, other Funds under the common management of the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company, Al Meezan Investment Management Limited - Employees Gratuity Fund and unit holders holding 10 percent or more of the Fund's net assets.

Transactions with connected persons 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 also in the normal course of business, at contracted rates and at terms determined in accordance with market rates. The management considers that the transactions between the related parties / connected persons are executed in accordance with the parameters defined in the Offering document, trust deed and NBFC regulations which are publicly available documents and hence, the transactions are considered to be on an arm's length basis.

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

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

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



	<b>2022 MDIP-I (Rupees in '000)</b>
<b>Balances</b>	
<b>AI Meezan Investment Management Limited - Management Company</b>	
Management fee payable	1,027
Sindh Sales Tax on management fee payable	134
Selling and marketing expenses payable	2,135
Sales Load Payable	4,240
Sindh Sales Tax on sales load payable	551
<b>Central Depository Company of Pakistan Limited - Trustee</b>	
Remuneration payable to the Trustee	1,834
Sindh Sales Tax on remuneration of the Trustee	238
Security deposit	100
<b>Meezan Bank Limited</b>	
Balance with bank	458,682
Profit receivable on saving account	1,202
Sales Load Payable	13,609
Sindh Sales Tax on sales load payable	1,769
Shariah advisor fee payable	539
<b>Meezan Strategic Allocation Fund - MSAP - I</b>	
Investment of 1,667,038 units	83,352
<b>Meezan Strategic Allocation Fund - MSAP - II</b>	
Investment of 1,452,507 units	72,625
<b>Meezan Strategic Allocation Fund - MSAP - III</b>	
Investment of 923,647 units	46,182
<b>Meezan Strategic Allocation Fund - MSAP - IV</b>	
Investment of 409,858 units	20,493
<b>Meezan Strategic Allocation Fund - MSAP - V</b>	
Investment of 220,543 units	11,027
<b>Meezan Financial Planning Fund Of Funds - MAAP - I</b>	
Investment of 340,490 units	17,025
<b>Directors and Executives of the Management Company</b>	
Investment of 7,558,695 units	377,935
<b>Transactions during the period</b>	<b>For the period from September 14, 2021 to June 30, 2022 MDIP-I (Rupees in '000)</b>
<b>AI Meezan Investment Management Limited - Management Company</b>	
Remuneration for the period	26,983
Sindh Sales Tax on management fee for the period	3,508
Selling and marketing expense	13,093
Units issued: 64,476,273 units	3,223,814
Units redeemed: 64,476,273 units	3,223,814
Dividend paid	57,161

**For the period  
from  
September 14,  
2021 to June  
30, 2022  
MDIP-I  
(Rupees in '000)**

**Central Depository Company of Pakistan Limited - Trustee**

Remuneration of the Trustee	9,892
Sindh Sales Tax on remuneration of the Trustee	1,286
CDS charges	7

**Meezan Bank Limited**

Profit on savings account	5,389
Shariah advisory fee	862
Term deposit receipt placed	1,200,000
Term deposit receipt matured	1,200,000
Profit on term deposit receipts	9,067

**Meezan Strategic Allocation Fund - MSAP - I**

Units issued: 7,957,107 units	397,855
Units redeemed: 6,290,069 units	314,503
Dividend paid	7,769

**Meezan Strategic Allocation Fund - MSAP - II**

Units issued: 5,342,797 units	267,140
Units redeemed: 3,890,290 units	194,515
Dividend paid	5,564

**Meezan Strategic Allocation Fund - MSAP - III**

Units issued: 5,095,204 units	254,760
Units redeemed: 4,171,557 units	208,578
Dividend paid	4,814

**Meezan Strategic Allocation Fund - MSAP - IV**

Units issued: 2,160,094 units	108,005
Units redeemed: 1,750,236 units	87,512
Dividend paid	1,934

**Meezan Strategic Allocation Fund - MSAP - V**

Units issued: 706,934 units	35,347
Units redeemed: 486,391 units	24,320
Dividend paid	791

**Meezan Financial Planning Fund Of Funds - MAAP - I**

Units issued: 1,986,772 units	99,339
Units redeemed: 1,646,282 units	82,314
Dividend paid	1,731

**Directors and Executives of the Management Company**

Units issued: 17,030,250 units	851,513
Units redeemed: 9,471,555 units	473,578
Dividend Paid	11,334

		<b>Note</b>	<b>2022 MDIP-I (Rupees in '000)</b>
<b>18</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Balances with banks	5	22,995,517
	Certificates of musharaka	6.4	2,944,000
			25,939,517

**19 FINANCIAL INSTRUMENTS BY CATEGORY**

	2022		
	At amortised cost	At fair value through profit or loss	Total
	(Rupees in '000)		
<b>Financial assets</b>			
Balances with banks	22,995,517	-	22,995,517
Investments	-	7,294,000	7,294,000
Receivable against conversion of units	47,229	-	47,229
Deposits and profit receivable	484,736	-	484,736
	<u>23,527,482</u>	<u>7,294,000</u>	<u>30,821,482</u>
<b>Financial liabilities</b>			
Payable to Al Meezan Investment Management Limited - Management Company	8,087	-	8,087
Payable to Central Depository Company of Pakistan Limited - Trustee	2,072	-	2,072
Payable to Meezan Bank Limited	15,378	-	15,378
Payable against conversion and redemption of units	107,446	-	107,446
Accrued expenses and other liabilities	686	-	686
	<u>133,669</u>	<u>-</u>	<u>133,669</u>

**20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

**20.1 Market risk**

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

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

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

**(i) Profit rate risk**

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. As of June 30, 2022, the Fund is exposed to such risk on its balances held with banks, investments in sukuk certificates and certificates of musharaka. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

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

The Fund's variable rate risk arises from the balances with banks. At June 30, 2022, if there had been increase / decrease of 100 basis points in interest rates, with all other variables held constant, net assets of the Fund for the period then ended would have been higher / lower by Rs 19.163 million.



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

As at June 30, 2022, the Fund did not hold any fixed rate instrument that may expose the Fund to fair value profit rate risk.

The composition of the Fund's investment portfolio and profit rates are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2022 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, 2022 can be determined as follows:

----- 2022 -----						
Effective profit rate (%)	Exposed to profit rate risk			Not exposed to profit rate risk	Total	
	Up to three months	More than three months and up to one year	More than one year			
----- (Rupees in '000) -----						
<b>Financial assets</b>						
Balances with bank	3.7% - 16.40%	22,995,517	-	-	-	22,995,517
Investments	11.61% - 16.83%	5,219,000	2,075,000	-	-	7,294,000
Receivable against conversion of units		-	-	-	47,229	47,229
Deposits and profit receivable		-	-	-	484,736	484,736
		28,214,517	2,075,000	-	531,965	30,821,482
<b>Financial liabilities</b>						
Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	8,087	8,087
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	2,072	2,072
Payable to Meezan Bank Limited		-	-	-	15,378	15,378
Payable against conversion and redemption of units		-	-	-	107,446	107,446
Accrued expenses and other liabilities		-	-	-	686	686
		-	-	-	133,669	133,669
<b>On-balance sheet gap (a)</b>		<u>28,214,517</u>	<u>2,075,000</u>	<u>-</u>	<u>398,296</u>	<u>30,687,813</u>
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-
<b>Off-balance sheet gap (b)</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total profit rate sensitivity gap (a+b)</b>		<u>28,214,517</u>	<u>2,075,000</u>	<u>-</u>		
<b>Cumulative profit rate sensitivity gap</b>		<u>28,214,517</u>	<u>30,289,517</u>	<u>30,289,517</u>		

**(ii) Currency risk**

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

**(iii) Price risk**

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

The Fund does not hold any instruments that expose it to price risk as of June 30, 2022.

## 20.2 Liquidity risk

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

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

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

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the period from September 14, 2021 to June 30, 2022.

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:

2022						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
(Rupees in '000)						
<b>Financial assets</b>						
Balances with banks	-	-	-	-	-	22,995,517
Investments	3,083,000	2,075,000	-	-	-	7,294,000
Receivable against conversion of units	-	-	-	-	-	47,229
Deposits and profit receivable	106,748	37,785	-	-	1,100	484,736
	25,517,849	3,189,748	2,112,785	-	1,100	30,821,482
<b>Financial liabilities</b>						
Payable to Al Meezan Investment Management Limited - Management Company	8,087	-	-	-	-	8,087
Payable to Central Depository Company of Pakistan Limited - Trustee	2,072	-	-	-	-	2,072
Payable to Meezan Bank Limited	15,378	-	-	-	-	15,378
Payable against conversion and redemption of units	107,446	-	-	-	-	107,446
Accrued expenses and other liabilities	686	-	-	-	-	686
	133,669	-	-	-	-	133,669
<b>Net assets / (liabilities)</b>	<b>25,384,180</b>	<b>3,189,748</b>	<b>2,112,785</b>	<b>-</b>	<b>1,100</b>	<b>30,687,813</b>

## 20.3 Credit risk

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

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

	2022	
	Balance as per statement of assets and liabilities	Maximum exposure to credit risk
	Rupees in '000	
Balances with banks	22,995,517	22,995,517
Investments	7,294,000	7,294,000
Receivable against conversion of units	47,229	47,229
Deposits, prepayments and profit receivable	484,814	484,736
	<u>30,821,560</u>	<u>30,821,482</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2022 is the carrying amount of the financial assets.

### 20.3.2 Credit quality of financial assets

The Fund's significant credit risk arises mainly on account of its placements with banks, investments and profit accrued thereon. The credit rating profile of balances with banks is as follows:

Rating	% of financial assets exposed to credit risk
	2022
AAA	39.12%
AA-	14.75%
A+	46.13%
	<u>100.00%</u>

Ratings of investments have been disclosed in related notes to these financial statements. Since, the assets of the Fund are held with credit worthy counterparties, therefore any significant credit risk is mitigated.

### 20.3.3 Concentration of credit risk

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

All financial assets of the Fund as at June 30, 2022 are unsecured and are not impaired.

## 21 FAIR VALUE MEASUREMENT

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

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

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

### Fair value hierarchy

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



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

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

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

As at June 30, 2022, the Fund held the following financial instruments measured at fair values:

	2022			Total
	Level 1	Level 2	Level 3	
----- (Rupees in '000) -----				
<b>Financial assets 'at fair value through profit or loss'</b>				
Sukuk certificates*	-	4,350,000	-	-
Certificates of musharaka*	-	2,944,000	-	-
	-	7,294,000	-	-

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

## 22 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

## 23 UNIT HOLDING PATTERN OF THE FUND

Category	----- 2022 -----		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total
Individuals	6,593	25,603,197	83.54
Associated Companies /	8	572,492	1.87
Insurance Companies	1	2,250	0.01
Bank / DFIs	1	9,557	0.03
Retirement Funds	29	890,480	2.91
Private limited companies	80	3,141,323	10.25
Others	15	429,345	1.40
	<u>6,727</u>	<u>30,648,644</u>	<u>100%</u>

**24 LIST OF TOP BROKERS BY PERCENTAGE OF COMMISSION PAID**

2022	
Name of broker	Percentage of commission paid
JS Global Capital Limited	91.18%
Summit Capital (Private) Limited	5.88%
Invest One Markets Limited	2.94%
	<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	Overall experience
Mr. Mohammad Shoab	Chief Executive Officer	CFA / MBA	Thirty Two years
Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Twenty Six years
Mr. Taha Javed	Head of Equities	CFA / MBA	Fifteen years
Mr. Faizan Saleem	Head of Fixed Income	CFA level II / MBA	Fifteen years
Mr. Ali Asghar	Head of Research	CFA / MBA	Eleven years
Mr. Ali Khan	Head of Product Development	CFA / FRM / MBA	Twelve years
Mr. Akhtar Munir	Head of Risk Management	CFA Level II / MBA, ACCA, FRM, FCMA	Thirteen years
Mr. Ahmed Hassan	SVP Investments	CFA / MBA	Fifteen years
Mr. Asif Imtiaz	VP Investments	CFA / MBA - Finance	Fourteen years
Mr. Zohaib Saeed	AVP Fixed Income	CFA / ACCA	Eight years

The Fund Manager of the Fund is Mr. Zohaib Saeed. Other fund being managed by the Fund Manager is Meezan Sovereign Fund.

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

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

Name of Directors	Designation	Meeting held on					
		August 09, 2021	September 14, 2021	October 11, 2021	February 14, 2022	April 18, 2022	June 09, 2022
Mr. Ariful Islam	Chairman	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Muhammad Abdullah	Director	Yes	No	Yes	Yes	Yes	Yes
Mr. Moin M. Fudda	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Furqan Kidwai	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mubashar Maqbool	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Tariq Mairaj	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Naeem	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Feroz Rizvi	Director	Yes	Yes	Yes	Yes	Yes	Yes
Ms. Danish Zuberi	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoab, CFA	Chief Executive Officer	Yes	Yes	No	No	Yes	Yes





**27 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 16, 2022

**28 GENERAL**

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

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

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

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

\_\_\_\_\_  
Director