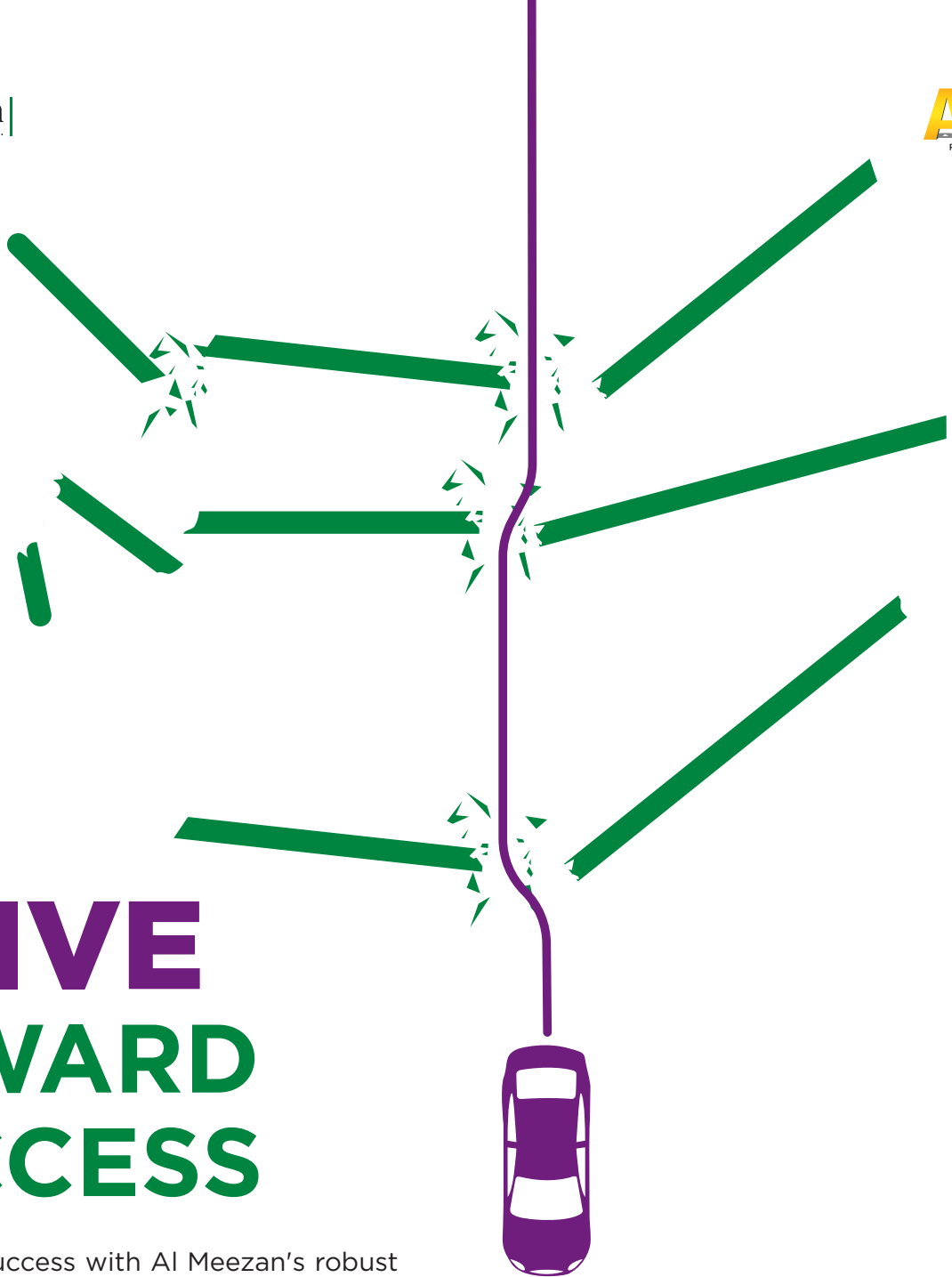




Al Meezan
Investment Management Ltd.

AM1
Rating by VIS & PACRA



DRIVE TOWARD SUCCESS

Drive toward success with Al Meezan's robust financial strategies. Our commitment to excellence and innovation propels you towards achieving your financial milestones and secure a prosperous future.

Meezan Sovereign Fund

The investment objective of the Fund is to seek 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
E-mail: info@almeezangroup.com

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Irfan Siddiqui	Chairman
Mr. Ahmed Iqbal Rajani	Non-Executive Nominee Director- PKIC
Ms. Danish Zuberi	Independent Director
Mr. Feroz Rizvi	Independent Director
Mr. Furquan Kidwai	Independent Director
Mr. Imtiaz Gadar	Chief Executive Officer
Mr. Saad Ur Rahman Khan	Non-Executive Nominee Director- PKIC
Ms. Shazia Khurram	Non-Executive Nominee Director- MBL
Syed Amir Ali	Non-Executive Nominee Director- MBL
Mr. Tariq Mairaj*	Non-Executive Nominee Director- MBL
Syed Imran Ali Shah**	Non-Executive Nominee Director- MBL

* Mr. Tariq Mairaj resigned from the Board on September 10, 2024.

** Syed Imran Ali Shah appointed as Director on September 18, 2024.

CHIEF FINANCIAL OFFICER

Mr. Muhammad Shahid Ojha

COMPANY SECRETARY

Syed Haseeb Ahmed Shah

BOARD AUDIT COMMITTEE

Mr. Feroz Rizvi	Chairman
Mr. Ahmed Iqbal Rajani	Member
Syed Imran Ali Shah*	Member

* Syed Imran Ali Shah appointed as Member on September 18, 2024.

BOARD RISK MANAGEMENT COMMITTEE

Mr. Saad Ur Rahman Khan	Chairman
Mr. Furquan R. Kidwai	Member
Ms. Shazia Khurram	Member

BOARD HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. Irfan Siddiqui	Chairman
Mr. Furquan R. Kidwai	Member
Mr. Imtiaz Gadar	Member
Mr. Saad Ur Rahman Khan	Member

BOARD IT COMMITTEE

Mr. Furquan R. Kidwai	Chairman
Mr. Imtiaz Gadar	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

Dr. Muhammad Imran Usmani
Jamia Darul Uloom Karachi
Korangi Industrial Area Karachi Postal Code 75180 Pakistan
Tel: +92 21 35044770
Email: miu786@gmail.com

BANKERS TO THE FUND

Allied Bank Limited	Dubai Islamic Bank Pakistan Limited	National Bank of Pakistan - Islamic Banking
Al Baraka Bank Pakistan Limited	Faysal Bank Limited - Islamic Banking	Sindh Bank Limited
Askari Bank Limited - Islamic Banking	Habib Bank Limited -Islamic Banking	Soneri Bank Limited
Bank Al Habib Limited - Islamic Banking	Habib Metropolitan Bank Limited - Islamic Banking	The Bank Of Punjab Limited
Bank Alfalah Limited	MCB Islamic Bank Limited	UBL Ameen - Islamic Banking
Bank Islami Pakistan Limited	Meezan Bank Limited	

LEGAL ADVISER

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

TRANSFER AGENT

Al Meezan Investment Management Limited

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited

REPORT OF THE FUND MANAGER Meezan Sovereign Fund (MSF)

Type of Fund

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

Objective

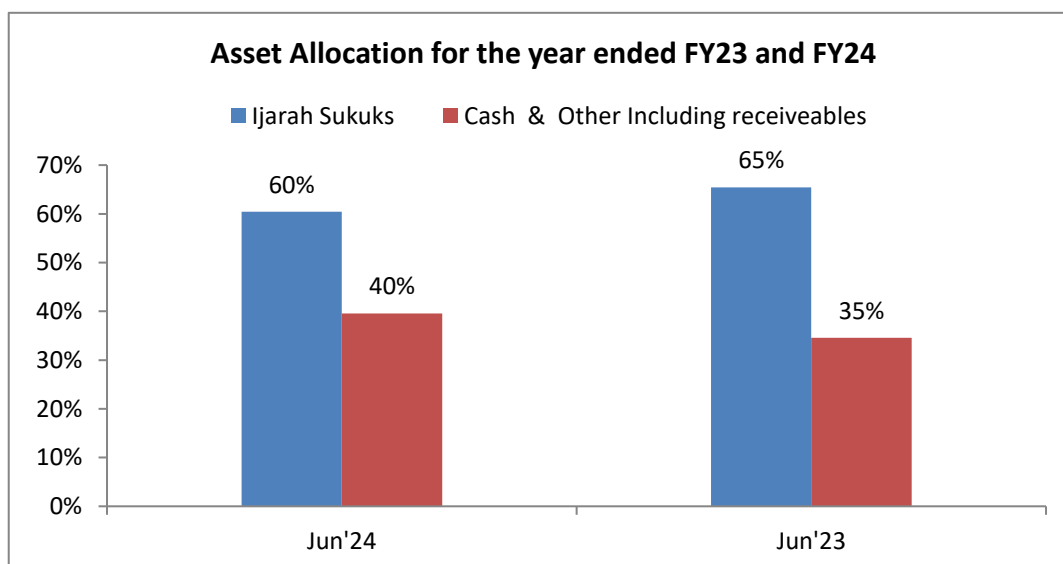
The Fund's primary objective is to provide investors with a low risk and stable rate of current income by primarily investing in Shariah Compliant Sovereign Securities.

Investment Policy and Strategy

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

Asset Allocation for the year ended FY23 and FY24

The asset allocation of the fund on June 30, 2023 and June 30, 2024 is as follows:



Performance Review

Meezan Sovereign Fund (MSF) provided a return of 21.89% to its investors for the year ended June 30, 2024 against a benchmark return of 18.95%.

	MSF	Deposits at Islamic Banks (Benchmark)
Net Asset Value as on June 30, 2023	52.14	
Net Asset Value as on June 30, 2024	52.39	
Return for the year	21.89%	18.95%
Underperformance	2.94%	



Pure. Profit.



During the year, the Fund earned a gross income of Rs. 9,742 million, which was primarily due to profit on Sukuks certificates worth Rs. 7,975 million. Profit on saving accounts at Islamic banks contributed Rs. 1,769 million. On the other side, the fund recorded realized loss of 58 million and accrued unrealized gain of Rs. 55 million. The fund also incurred expenses totalling to Rs. 555 million, which brought the net income figure to Rs. 9,187 million. The net assets of the Fund as at June 30, 2024 were Rs. 58,055 million as compared to Rs. 8,133 million at the end of last year depicting increase of 614%. The net asset value per unit as at June 30, 2024 was Rs. 52.3857 as compared to Rs. 52.1375 per unit as on June 30, 2023.

Distributions

An interim distribution in the form of cash dividend by the Fund during the fiscal year ended June 30, 2024 was Rs. 11.14 per unit (22.29%). Total distribution made by the fund was Rs. 1,907 million.

Fund Stability Rating

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

SWWF Disclosure

Not Applicable

Unit holder Break down:

(As on June 30, 2024)

Range (Units)	No. of investors
1 - 9,999	16,178
10,000 - 49,999	3,856
50,000 - 99,999	1,242
100,000 - 499,999	1,365
500,000 and above	373
Total	23,014

Dr. Muhammad Imran Usmani

Jamia Darul Uloom Karachi

Korangi Industrial Area Karachi, Pakistan

Postal Code 75180

Tel: +92 21 35123225

Fax: +92 21 5040234

Email: miu786@gmail.com

Report of the Shariah Advisor –Meezan Sovereign Fund (MSF)

July 23, 2024/Muharram 16, 1446 AH

Alhamdulillah, the period from July 1, 2023 to June 30, 2024 was the **Fourteenth** year of operations of **Meezan Sovereign Fund** (the “**MSF**” or the “Fund”) under management of Al Meezan Investment Management Limited (the “Al Meezan” or the “Management Company”). I, Dr. Muhammad Imran Ashraf Usmani, am the Shariah Advisor of the Fund and issuing the Shariah Advisor Report (the “Report”) in accordance with 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.

It is the responsibility of the Management Company of the Fund to establish and maintain a system of internal controls to ensure Shariah compliance with the Shariah 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.

We have reviewed and approved the modes of investments of the Fund in light of Shariah requirements. On the basis of information provided by the Management Company, all operations of the Fund for the year ended June 30, 2024 have been in compliance with the Shariah principles.

In light of the above, we hereby certify that all the provisions of the scheme and investments made on account of the Fund under management of Al Meezan are Shariah-compliant and in accordance with the criteria established by us.

We further confirm that earnings realized through prohibited sources were transferred to the charity account (where applicable).

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

And Allah knows the best.

Dr. Muhammad Imran Ashraf Usmani
Shariah Advisor

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, 2024, 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 material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2024, 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	Net Asset Value (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, 2024 amounted to Rs. 35,569.74 million and balances with banks aggregated to Rs. 13,868.75 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, 2024 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"> Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2024 and traced it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; and Obtained bank reconciliation statements and tested reconciling items on a sample basis.



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State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>



Other Matter

The financial statements of the Fund for the year ended June 30, 2023 were audited by another firm of Chartered Accountants who had expressed an unmodified opinion thereon vide their report dated September 26, 2023.

Other Information

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

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

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

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

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

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

Board of directors of the Management Company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. 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 16, 2024
Karachi
UDIN: AR202410081dV1a2xKgf



MEEZAN SOVEREIGN FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2024

	Note	2024	2023
		------(Rupees in '000)-----	
Assets			
Balances with banks	5	13,868,751	3,054,345
Investments	6	35,569,735	6,444,210
Receivable against conversion of units		8,485,446	92,944
Advances, deposits, prepayments and profit receivable	7	925,400	254,588
Total assets		58,849,332	9,846,087
Liabilities			
Payable to Al Meezan Investment Management Limited - Management Company	8	41,925	9,603
Payable to Central Depository Company of Pakistan Limited - Trustee	9	2,087	423
Payable to the Securities and Exchange Commission of Pakistan	10	2,554	1,321
Payable to Meezan Bank Limited		1,609	251
Payable against redemption and conversion of units		67,804	1,582,929
Dividend payable		-	386
Accrued expenses and other liabilities	11	678,027	118,210
Total liabilities		794,006	1,713,123
Net assets		58,055,326	8,132,964
Unit holders' fund (as per statement attached)		58,055,326	8,132,964
Contingencies and commitments	12		
		(Number of units)	
Number of units in issue		1,108,228,269	155,990,593
		(Rupees)	
Net asset value per unit		52.3857	52.1375

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 SOVEREIGN FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

	Note	2024	2023
		----- (Rupees in '000) -----	
Income			
Profit on sukuk certificates		7,975,034	869,745
Net realised loss on sale of sukuk certificates		(57,639)	(5,779)
Profit on savings accounts with banks		1,769,171	196,606
		9,686,566	1,060,572
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.2	55,080	(29,660)
Total income		9,741,646	1,030,912
Expenses			
Remuneration of Al Meezan Investment Management Limited - Management Company	8.1	284,338	33,045
Sindh Sales Tax on remuneration of the Management Company	8.2	36,964	4,296
Allocated expenses	8.3	37,769	9,914
Selling and marketing expenses	8.4	125,011	19,811
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	26,013	3,635
Sindh Sales Tax on remuneration of the Trustee	9.2	3,382	473
Fee to the Securities and Exchange Commission of Pakistan	10.1	35,471	1,321
Auditors' remuneration	13	1,000	554
Legal and professional charges		-	198
Fees and subscription		1,451	1,128
Brokerage expense		2,169	1,139
Printing expense		9	10
Bank and settlement charges		1,004	492
Total expenses		554,581	76,016
Net income for the year before taxation		9,187,065	954,896
Taxation	15	-	-
Net income for the year after taxation		9,187,065	954,896
Allocation of net income for the year			
Net income for the year after taxation		9,187,065	954,896
Income already paid on units redeemed		(7,113,622)	(499,100)
		2,073,443	455,796
Accounting income available for distribution			
- Relating to capital gains		-	-
- Excluding capital gains		2,073,443	455,796
		2,073,443	455,796

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 SOVEREIGN FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2024

	2024	2023
	----- (Rupees in '000) -----	
Net income for the year after taxation	9,187,065	954,896
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>9,187,065</u>	<u>954,896</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 SOVEREIGN FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2024**

	2024			2023		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)			(Rupees in '000)		
Net assets at the beginning of the year	7,758,082	374,882	8,132,964	5,884,164	311,913	6,196,077
Issuance of 3,514,825,662 units (2023: 293,143,686 units)						
- Capital value (at net asset value per unit at the beginning of the year)	183,254,223	-	183,254,223	15,145,386	-	15,145,386
- Element of income	14,529,306	-	14,529,306	875,337	-	875,337
Total proceeds on issuance of units	197,783,529	-	197,783,529	16,020,723	-	16,020,723
Redemption of 2,562,587,986 units (2023: 257,080,143 units)						
- Capital value (at net asset value per unit at the beginning of the year)	(133,606,931)	-	(133,606,931)	(13,282,148)	-	(13,282,148)
- Element of income	(9,617,548)	(7,113,622)	(16,731,170)	(591,752)	(499,100)	(1,090,852)
Total payments on redemption of units	(143,224,479)	(7,113,622)	(150,338,101)	(13,873,900)	(499,100)	(14,373,000)
Total comprehensive income for the year	-	9,187,065	9,187,065	-	954,896	954,896
Distribution for the year	-	(1,907,437)	(1,907,437)	-	(392,827)	(392,827)
Refund of capital for the year	(4,802,694)	-	(4,802,694)	(272,905)	-	(272,905)
Total distribution during the year	(4,802,694)	(1,907,437)	(6,710,131)	(272,905)	(392,827)	(665,732)
Net assets at the end of the year	57,514,438	540,888	58,055,326	7,758,082	374,882	8,132,964
Undistributed income brought forward						
- Realised income		404,542			314,344	
- Unrealised loss		(29,660)			(2,431)	
		374,882			311,913	
Accounting income available for distribution						
- Relating to capital gains		-			-	
- Excluding capital gains		2,073,443			455,796	
		2,073,443			455,796	
Distribution during the year at Rs. 11.1434 per unit declared on June 21, 2024 (2023: Rs. 7.4027 per unit declared on June 19, 2023)		(1,907,437)			(392,827)	
Undistributed income carried forward		540,888			374,882	
Undistributed income carried forward						
- Realised income		485,808			404,542	
- Unrealised income / (loss)		55,080			(29,660)	
		540,888			374,882	
		(Rupees)			(Rupees)	
Net asset value per unit at the beginning of the year		52.1375			51.6654	
Net asset value per unit at the end of the year		52.3857			52.1375	

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 SOVEREIGN FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

	Note	2024	2023
		----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before taxation		9,187,065	954,896
Adjustments for:			
Net unrealised (appreciation) / diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.2	(55,080)	29,660
		9,131,985	984,556
Increase in assets			
Investments - net		(29,070,445)	(679,153)
Advances, deposits, prepayments and profit receivable		(670,812)	(139,150)
		(29,741,257)	(818,303)
Increase / (decrease) in liabilities			
Payable to Al Meezan Investment Management Limited - Management Company		32,322	7,082
Payable to Central Depository Company of Pakistan Limited - Trustee		1,664	94
Payable to the Securities and Exchange Commission of Pakistan		1,233	(468)
Payable to Meezan Bank Limited		1,358	(265)
Accrued expenses and other liabilities		559,817	(20,224)
		596,394	(13,781)
Net cash (used in) / generated from operating activities		(20,012,878)	152,472
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts against issuance and conversion of units - net of refund of capital		184,588,333	15,734,603
Payments against redemption and conversion of units		(151,853,226)	(12,825,181)
Dividend paid		(1,907,823)	(392,441)
Net cash generated from financing activities		30,827,284	2,516,981
Net increase in cash and cash equivalents during the year		10,814,406	2,669,453
Cash and cash equivalents at the beginning of the year		3,054,345	384,892
Cash and cash equivalents at the end of the year	5	13,868,751	3,054,345

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 SOVEREIGN FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

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 ('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.

In the year 2021, the Trust Act, 1882 was repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (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 29, 2023 (2023: 'AM1' dated December 30, 2022) and by PACRA dated June 21, 2024 (2023: 'AM1' dated June 23, 2023). 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, 2023 (2023: AA(f) dated January 03, 2023).
- 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 (IFRS Accounting Standards) 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 IFRS Accounting Standards, 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, 2023. However, these are not considered to be relevant or did not have any material effect on the Fund's financial statements and have, therefore, not been disclosed in these financial statements except that during the year certain amendments to IAS 1 'Presentation of Financial Statements' have become applicable to the Fund which require entities to disclose their material accounting policy information rather than their significant accounting policies. These amendments to IAS 1 have been introduced to help entities improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements. These amendments have been incorporated in these financial statements with the primary impact that the material accounting policy information has been disclosed rather than the significant accounting policies.

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 published accounting and reporting standards that will be applicable to the Fund for its annual periods beginning on or after July 1, 2024. However, these are not considered to be relevant or did not have any material effect on the Fund's financial statements except for:

- The new standard - IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) (published in April 2024) with applicability date of January 1, 2027 by IASB. IFRS 18 is yet to be adopted in Pakistan. IFRS 18 when adopted and applicable shall impact the presentation of 'Income Statement' with certain additional disclosures in the financial statements.
- Amendments to IFRS 9 'Financial Instruments' which clarify the date of recognition and derecognition of a financial asset or financial liability including settlement of liabilities through banking instruments and channels including electronic transfers. The amendment when applied may impact the timing of recognition and derecognition of financial liabilities.

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 MATERIAL ACCOUNTING POLICY INFORMATION

The material 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 (other than debt securities)

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. 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.

The Fund considers that a financial asset is in default when the counterparty fails to make contractual payments within 90 days of when they fall due. Further, financial assets are written off by the Fund, in whole or part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery.

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 / (loss) per unit

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

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

4.14 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.

5 BALANCES WITH BANKS

	Note	2024	2023
		------(Rupees in '000)-----	
Balances with banks in:			
Savings accounts	5.1	13,868,746	3,054,340
Current accounts		5	5
		<u>13,868,751</u>	<u>3,054,345</u>

- 5.1 This includes balances maintained with Meezan Bank Limited (a related party) that has an expected profit rate of 11.01% (2023: 10.00%) per annum. Other savings accounts of the Fund have expected profit rates ranging from 6.75% to 19.80% (2023: 6.74% to 20.50%) per annum.

6	INVESTMENTS	Note	2024 ------(Rupees in '000)-----	2023
	Investments - 'at fair value through profit or loss'			
	Sukuk certificates	6.1	<u>35,569,735</u>	<u>6,444,210</u>
6.1	Sukuk certificates			
	Government securities	6.1.1	35,554,458	6,421,246
	Corporate sukuk certificates	6.1.2	<u>15,277</u>	<u>22,964</u>
			<u>35,569,735</u>	<u>6,444,210</u>

6.1.1 Government securities

Name of the security	Profit payments / principal redemption	Issue date	Maturity date	Profit rate	As at July 1, 2023	Purchased during the year	Sold / matured during the year	As at June 30, 2024	Carrying value as at June 30, 2024	Market value as at June 30, 2024	Unrealised appreciation / (diminution) as at June 30, 2024	Percentage in relation to	
					Number of certificates			(Rs 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	801,000	801,000	-	1.38%	2.25%
Pakistan Energy Sukuk II	Semi-annually / at maturity	May 21, 2030	May 21, 2030	6 months KIBOR minus base rate of 0.10%	914,200	320,000	140,000	1,094,200	5,472,274	5,477,565	5,291	9.44%	15.40%
GoP Ijarah Sukuk Certificates - XXX - VRR	Semi-annually / at maturity	April 17, 2023	April 17, 2024	Weighted average 6 months T-Bills	3,500	53,000	56,500	-	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XXXI - VRR	Semi-annually / at maturity	May 22, 2023	May 22, 2024	Weighted average 6 months T-Bills	3,500	60,500	64,000	-	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XXI - VRR	Semi-annually / at maturity	July 29, 2020	July 29, 2025	Weighted average 6 months T-Bills	3,500	-	569	2,931	291,342	292,983	1,641	0.50%	0.82%
GoP Ijarah Sukuk Certificates - XXXV - VRR	Semi-annually / at maturity	July 12, 2023	July 12, 2024	Weighted average 6 months T-Bills	-	20,000	20,000	-	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XXXVII - VRR	Semi-annually / at maturity	August 07, 2023	August 07, 2024	Weighted average 6 months T-Bills	-	80,000	80,000	-	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XXXII - FRR	Semi-annually / at maturity	October 09, 2023	October 09, 2024	22.49%	-	100	-	100	10,055	10,066	11	0.02%	0.03%
GoP Ijarah Sukuk Certificates - XLI - VRR	Semi-annually / at maturity	December 04, 2023	December 04, 2028	Weighted average 6 months T-Bills	-	10,000	-	10,000	987,600	1,001,600	14,000	1.73%	2.82%
GoP Ijarah Sukuk Certificates - XLI - VRR	Semi-annually / at maturity	December 04, 2023	December 04, 2026	Weighted average 6 months T-Bills	-	210,000	102,500	107,500	10,726,550	10,730,650	4,100	18.48%	30.17%
GoP Ijarah Sukuk Certificates - XXXIX - VRR	Semi-annually / at maturity	October 09, 2023	October 09, 2024	Weighted average 6 months T-Bills	-	146,000	101,860	44,140	4,414,000	4,426,801	12,801	7.63%	12.45%
GoP Ijarah Sukuk Certificates - XIX - VRR	Semi-annually / at maturity	May 29, 2020	May 29, 2025	Weighted average 6 months T-Bills	-	250	-	250	24,750	24,938	188	0.04%	0.07%
GoP Ijarah Sukuk Certificates - XX - VRR	Semi-annually / at maturity	June 24, 2020	June 24, 2025	Weighted average 6 months T-Bills	-	100	-	100	9,900	9,976	76	0.02%	0.03%
GoP Ijarah Sukuk Certificates - XXII - VRR	Semi-annually / at maturity	December 09, 2020	December 09, 2025	Weighted average 6 months T-Bills	-	100	-	100	9,900	10,075	175	0.02%	0.03%
GoP Ijarah Sukuk Certificates - XXIV - VRR	Semi-annually / at maturity	October 29, 2021	October 29, 2026	Weighted average 6 months T-Bills	-	20,000	-	20,000	1,990,000	2,020,600	30,600	3.48%	5.68%
GoP Ijarah Sukuk Certificates - III - VRR	Semi-annually / at maturity	January 24, 2024	January 24, 2027	Weighted average 6 months T-Bills	-	300,000	400	299,600	1,498,000	1,505,489	7,489	2.59%	4.23%
GoP Ijarah Sukuk Certificates - I - FRR	At maturity	December 11, 2023	December 9, 2024	19.52%	-	2,006,002	9,304	1,996,698	9,263,975	9,242,715	(21,260)	15.92%	25.98%
Total as at June 30, 2024									<u>35,499,346</u>	<u>35,554,458</u>	<u>55,112</u>	<u>61.25%</u>	<u>99.96%</u>
Total as at June 30, 2023									<u>6,448,915</u>	<u>6,421,246</u>	<u>(27,669)</u>	<u>78.96%</u>	<u>99.64%</u>

- 6.1.1.1 The nominal value of these sukuk certificates is Rs 100,000 each except for GoP Ijarah sukuk certificates I - FRR, GoP Ijarah sukuk certificates III - VRR, and 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 redemption	Maturity date	Profit rate	As at July 1, 2023	Purchased during the year	Sold / matured during the year	As at June 30, 2024	Carrying value as at June 30, 2024	Market value as at June 30, 2024	Unrealised diminution as at June 30, 2024	Percentage in relation to	
				Number of certificates			(Rs in '000)			Net assets of the fund	Total market value of investments	
												(%)
Power generation & distribution												
Neelum Jhelum Hydropower Company (Private) Limited (AAA, VIS, non-traded) (note 6.1.2.1)	Semi-annually	June 29, 2026	6 months KIBOR plus base rate of 1.13%	720	-	-	720	15,309	15,277	(32)	0.03%	0.04%
Total as at June 30, 2024								15,309	15,277	(32)	0.03%	0.04%
Total as at June 30, 2023								24,955	22,964	(1,991)	0.28%	0.36%

6.1.2.1 The nominal value of these sukuk certificates is Rs 21,000 each.

6.2	Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	Note	2024 ----- (Rupees in '000) -----	2023
	Market value of investments	6.1.1 & 6.1.2	35,569,735	6,444,210
	Less: carrying value of investments	6.1.1 & 6.1.2	(35,514,655)	(6,473,870)
			<u>55,080</u>	<u>(29,660)</u>
7	ADVANCES, DEPOSIT, PREPAYMENTS AND PROFIT RECEIVABLE			
	Security deposit with Central Depository Company of Pakistan Limited		100	100
	Prepayments		280	219
	Profit receivable on balances with banks		87,128	37,917
	Profit receivable on sukuk certificates		813,497	215,957
	Advance against IBFT redemptions		24,000	-
	ATM deposit with Meezan Bank Limited		395	395
			<u>925,400</u>	<u>254,588</u>
8	PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY			
	Remuneration payable	8.1	4,136	974
	Sindh Sales Tax payable on remuneration of the Management Company	8.2	538	127
	Allocated expenses payable	8.3	-	1,020
	Selling and marketing expenses payable	8.4	21,200	5,480
	Sales load payable		14,138	1,772
	Sindh Sales Tax on sales load payable		1,913	230
			<u>41,925</u>	<u>9,603</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 following rates during the year ended June 30, 2024:

Rate applicable from July 1, 2023 to July 31, 2023	Rate applicable from August 1, 2023 to August 31, 2023	Rate applicable from September 1, 2023 to June 30, 2024	Rate applicable from July 1, 2022 to June 30, 2023
0.40% per annum of the average annual net assets of the Fund	0.70% per annum of the average annual net assets of the Fund	0.60% per annum of the average annual net assets of the Fund	0.50% per annum of the average annual net assets of the Fund

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

- 8.2 Sindh Sales Tax on remuneration of the Management Company levied through the Sindh Sales Tax on Services Act, 2011 has been charged at the rate of 13% (2023: 13%).
- 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% (2023: 0.15%) per annum of the average annual net assets of the Fund for the period from July 1, 2023 to January 31, 2024 whereas no expense has been charged for the period from February 1, 2024 to June 30, 2024, 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, 2024, subject to total expense charged being lower than actual expense incurred:

Rate applicable from July 1, 2023 to July 31, 2023	Rate applicable from August 1, 2023 to August 31, 2023	Rate applicable from September 1, 2023 to March 31, 2024	Rate applicable from April 1, 2024 to June 30, 2024	Rate applicable from July 1, 2022 to June 30, 2023
0.40% per annum of the average annual net assets of the Fund	0.20% per annum of the average annual net assets of the Fund	0.30% per annum of the average annual net assets of the Fund	0.15% per annum of the average annual net assets of the Fund	0.30% per annum of the average annual net assets of the Fund

- 8.5 During the year, SECP carried out routine offsite review and onsite inspection of the Management Company and inspected, among other matters, the mechanism of chargeability of selling and marketing expenses to the funds under its management. As a result of this inspection, SECP recommended changes in the mechanism of chargeability of selling and marketing expenses to the fund. As agreed with SECP, the Management Company has refunded an aggregate amount of Rs. 6.46 million to the identified unit holders through the issuance of additional units of the Fund subsequent to the year end. There is no impact of this refund on Net Assets Value of the Fund as at June 30, 2024.

9	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2024 ----- (Rupees in '000) -----	2023 ----- (Rupees in '000) -----
	Remuneration payable	9.1	1,847	374
	Sindh Sales Tax payable on remuneration of the Trustee	9.2	240	49
			<u>2,087</u>	<u>423</u>

- 9.1 The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed at the rate of 0.055% (2023: 0.055%) per annum of the average annual net assets of the Fund.
- 9.2 Sindh Sales Tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 has been charged at the rate of 13% (2023: 13%).

10	PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	2024 ----- (Rupees in '000) -----	2023 ----- (Rupees in '000) -----
	Fee payable	10.1	<u>2,554</u>	<u>1,321</u>

- 10.1 In accordance with the NBFC Regulations, a Collective Investment Scheme (CIS) is required to pay non-refundable fee to the Securities and Exchange Commission of Pakistan (SECP). Accordingly, the Fund has charged SECP fee at the rate of 0.075% (2023: 0.02%) per annum of the daily net assets during the year ended June 30, 2024.

Further, the Fund is required to pay SECP fee within fifteen days of the close of every calendar month. Previously, the Fund was required to pay SECP fee within three months of the close of accounting year.

11	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2024 ----- (Rupees in '000) -----	2023 ----- (Rupees in '000) -----
	Auditors' remuneration payable		698	333
	Brokerage payable		121	513
	Shariah advisor fee payable		889	218
	Withholding tax payable		297,468	-
	Capital gain tax payable		293,135	34,338
	Zakat payable		1,908	169
	IBFT charges payable		1,169	-
	Provision for Federal Excise Duty and related Sindh Sales Tax on remuneration of the Management Company	11.1	80,077	80,077
	Provision for Federal Excise Duty and related Sindh Sales Tax on sales load	11.1	<u>2,562</u>	<u>2,562</u>
			<u>678,027</u>	<u>118,210</u>

- 11.1** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16% 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 01, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 82.639 million (2023 : Rs 82.639 million) is being retained in the 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, 2024 would have been higher by Re 0.07 (2023: Re. 0.53) per unit.

12 CONTINGENCIES AND COMMITMENTS

There were no other contingencies and commitments outstanding as at June 30, 2024 and June 30, 2023.

13 AUDITORS' REMUNERATION

	2024	2023
	————(Rupees in '000)————	
Annual audit fee	444	361
Fee for half yearly review of condensed interim financial statements	169	168
Fee for other certifications	50	-
Out of pocket expenses and Sindh Sales Tax	337	25
	<u>1,000</u>	<u>554</u>

14 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2024 is 1.17% (2023: 1.15%) which includes 0.16% (2023: 0.09%) representing government levies on the Fund such as Sales Taxes, 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 has distributed the required minimum percentage of income earned by the Fund for the year ended June 30, 2024 to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements during the year.

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

16 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

- 16.1 Connected persons / related parties 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, 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 net assets of the Fund, directors and their close family members and key management personnel of the Management Company.
- 16.2 Transactions with connected persons 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.
- 16.3 Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 16.4 Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.
- 16.5 Allocated expenses and selling and marketing expenses are charged to the Fund by the Management Company subject to the maximum prescribed Total Expense Ratio.
- 16.6 The details of transactions carried out by the Fund with connected persons during the year and balances with them as at year end are as follows:

Balances

	2024	2023
	----- (Rupees in '000) -----	
Al Meezan Investment Management Limited - Management Company		
Management fee payable	4,136	974
Sindh Sales Tax payable on remuneration of the Management Company	538	127
Sales load payable	14,138	1,772
Sindh Sales Tax payable on sales load	1,913	230
Allocated expense payable	-	1,020
Selling and marketing expense payable	21,200	5,480
Investment of 467,035 units (2023: nil units)	24,466	-
Meezan Bank Limited		
Balances with bank	717,338	224,245
Profit receivable on saving accounts	1,228	364
Sales load payable	1,424	222
Sindh Sales Tax on sales load payable	185	29
Investment of 9,969 units (2023: 9,969 units)	522	520
Advance against IBFT redemptions	24,000	-
Advance against ATM deposit	395	395
IBFT charges payable	1,169	-
Shariah advisory fee payable	889	218
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	1,847	374
Sindh Sales Tax payable on remuneration of the Trustee	240	49
Security deposit	100	100
Meezan Financial Planning Fund of Funds - Aggressive		
Investment of 417,004 units (2023: nil units)	21,845	-

Balances

	2024	2023
	----- (Rupees in '000) -----	
Meezan Financial Planning Fund of Funds - Moderate Plan		
Investment of 668,398 units (2023: nil units)	35,014	-
Meezan Financial Planning Fund of Funds - Conservative Plan		
Investment of 637,273 units (2023: nil units)	33,384	-
Al Meezan Investment Management Limited - Employees Gratuity Fund		
Investment of 260,311 units (2023: 214,472 units)	13,637	11,182
Directors and Executives of the Management Company		
Investment of 1,795,161 units (2023: 7,175,564 units)	94,041	374,116
Transactions during the year		
	2024	2023
	----- (Rupees in '000) -----	
Al Meezan Investment Management Limited - Management Company		
Remuneration of Al Meezan Investment Management Limited	284,338	33,045
Sindh Sales Tax on remuneration of the Management Company	36,964	4,296
Allocated expenses	37,769	9,914
Selling and marketing expense	125,011	19,811
Units issued: 472,646 units (2023: 33,040,152 units)	24,732	1,812,566
Units redeemed: 5,610 units (2023: 42,913,911 units)	311	2,350,385
Meezan Bank Limited		
Profit on saving accounts	34,777	2,549
Shariah advisor fee	1,075	759
Dividend paid	111	74
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	26,013	3,635
Sindh Sales Tax on remuneration of the Trustee	3,382	473
CDS charges	121	72
Meezan Islamic Income Fund		
Sale of Pakistan Energy Sukuk II certificates: 140,000 sukuk certificates (2023: nil certificates)	700,840	-
National Clearing Company of Pakistan Limited		
Settlement charges	162	-
Meezan Strategic Allocation Fund MCPP-III		
Units issued: 3,096,465 units (June 30, 2023: 2,347,330 units)	172,514	121,652
Units redeemed: 3,096,465 units (June 30, 2023: 2,347,330 units)	184,114	122,151
Meezan Strategic Allocation Fund -II MCPP-IV		
Units issued: 3,406,537 units (June 30, 2023: 3,430,352 units)	185,422	177,780
Units redeemed: 3,406,537 units (June 30, 2023: 3,430,352 units)	205,554	178,513
Meezan Strategic Allocation Fund -II MCPP-V		
Units issued: 796,881 units (June 30, 2023: 617,773 units)	44,091	32,016
Units redeemed: 796,881 units (June 30, 2023: 617,773 units)	46,266	32,149
Meezan Strategic Allocation Fund -II MCPP-VI		
Units issued: 537,717 units (June 30, 2023: 859,215 units)	29,254	44,529
Units redeemed: 537,717 units (June 30, 2023: 859,215 units)	32,319	44,713

Transactions during the year

Meezan Strategic Allocation Fund -II MCPP-VII

Units issued: 442,828 units (June 30, 2023: 481,352 units)
Units redeemed: 442,828 units (June 30, 2023: 481,352 units)

2024	2023
(Rupees in '000)	
24,091	24,946
26,753	25,049

Meezan Strategic Allocation Fund-III MCPP-IX

Units issued: 3,342,572 units (June 30, 2023: 3,373,730 units)
Units redeemed: 3,342,572 units (June 30, 2023: 3,373,730 units)

181,961	174,846
201,111	175,564

Meezan Financial Planning Fund of Funds - Aggressive Plan

Units issued: 577,036 units (June 30, 2023: 312,778 units)
Units redeemed: 160,032 units (June 30, 2023: 312,778 units)
Dividend paid
Refund of capital

31,816	16,210
9,075	16,276
2,305	-
1,365	-

Meezan Financial Planning Fund of Funds - Moderate Plan

Units issued: 883,967 units (June 30, 2023: 598,357 units)
Units redeemed: 215,569 units (June 30, 2023: 598,357 units)
Dividend paid
Refund of capital

48,426	31,010
12,771	31,138
4,128	-
1,816	-

Meezan Financial Planning Fund of Funds - Conservative Plan

Units issued: 1,549,088 units (June 30, 2023: 862,999 units)
Units redeemed: 911,815 units (June 30, 2023: 862,999 units)
Dividend paid
Refund of capital

87,684	44,725
55,038	44,909
1,411	-
4,383	-

AI Meezan Investment Management Limited - Employees Gratuity Fund

Units issued: 45,839 units (2023: 26,878 units)
Dividend paid

2,390	1,389
2,390	1,389

Directors and Executives of the Management Company

Units issued: 15,958,671 units (2023: 13,063,939 units)
Units redeemed: 17,390,410 units (2023: 6,046,724 units)
Dividend paid
Refund of capital

881,256	712,217
961,147	353,382
1,347	157
8,981	231

17 FINANCIAL INSTRUMENTS BY CATEGORY

	2024		
	At amortised cost	At fair value through profit or loss	Total
	(Rupees in '000)		
Financial assets			
Balances with banks	13,868,751	-	13,868,751
Investments	-	35,569,735	35,569,735
Receivable against conversion of units	8,485,446	-	8,485,446
Advances, deposits, prepayments and profit receivable	925,120	-	925,120
	23,279,317	35,569,735	58,849,052
Financial liabilities			
Payable to AI Meezan Investment Management Limited - Management Company	41,925	-	41,925
Payable to Central Depository Company of Pakistan Limited - Trustee	2,087	-	2,087
Payable to Meezan Bank Limited	1,609	-	1,609
Payable against redemption and conversion of units	67,804	-	67,804
Accrued expenses and other liabilities	2,877	-	2,877
	116,302	-	116,302

2023		
At amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		
Financial assets		
Balances with banks	3,054,345	3,054,345
Investments	-	6,444,210
Receivable against conversion of units	92,944	92,944
Advances, deposits, prepayments and profit receivable	254,369	254,369
	<u>3,401,658</u>	<u>9,845,868</u>
Financial liabilities		
Payable to Al Meezan Investment Management Limited - Management Company	9,603	9,603
Payable to Central Depository Company of Pakistan Limited - Trustee	423	423
Payable to Meezan Bank Limited	251	251
Payable against redemption and conversion of units	1,582,929	1,582,929
Dividend payable	386	386
Accrued expenses and other liabilities	1,064	1,064
	<u>1,594,656</u>	<u>1,594,656</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, 2024, 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. 401.857 million (2023: Rs. 94.986 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, 2024 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, 2024 can be determined as follows:

2024						
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	6.75% - 19.80%	13,868,746	-	-	5	13,868,751
Investments	19.52% to 23.23%	1,093,983	34,475,752	-	-	35,569,735
Receivable against conversion of units		-	-	-	8,485,446	8,485,446
Advances, deposits, prepayments and profit receivables		-	-	-	925,120	925,120
		14,962,729	34,475,752	-	9,410,571	58,849,052
Financial liabilities						
Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	41,925	41,925
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	2,087	2,087
Payable to Meezan Bank Limited		-	-	-	1,609	1,609
Payable against redemption and conversion of units		-	-	-	67,804	67,804
Accrued expenses and other liabilities		-	-	-	2,877	2,877
		-	-	-	116,302	116,302
On-balance sheet gap (a)		14,962,729	34,475,752	-	9,294,269	58,732,750
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a+b)		14,962,729	34,475,752	-		
Cumulative interest rate sensitivity gap		14,962,729	49,438,481	49,438,481		

----- 2023 -----						
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	6.74% - 20.50%	3,054,340	-	-	5	3,054,345
Investments	17.65% - 24.10%	1,148,900	5,295,310	-	-	6,444,210
Receivable against conversion of units		-	-	-	92,944	92,944
Advances, deposits, prepayments and profit receivable		-	-	-	254,369	254,369
		4,203,240	5,295,310	-	347,318	9,845,868
Financial liabilities						
Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	9,603	9,603
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	423	423
Payable to Meezan Bank Limited		-	-	-	251	251
Payable against redemption and conversion of units		-	-	-	1,582,929	1,582,929
Dividend payable		-	-	-	386	386
Accrued expenses and other liabilities		-	-	-	1,064	1,064
		-	-	-	1,594,656	1,594,656
On-balance sheet gap (a)		4,203,240	5,295,310	-	(1,247,338)	8,251,212
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a+b)		4,203,240	5,295,310	-		
Cumulative interest rate sensitivity gap		4,203,240	9,498,550	9,498,550		

(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, 2024.

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 subject to the maximum limit which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. However, no borrowing was required to be obtained by the Fund during the year.

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, 2024.

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:

2024						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
Rupees in '000						
Financial assets						
Balances with banks	13,868,751	-	-	-	-	13,868,751
Investments	-	-	13,714,496	16,377,674	5,477,565	35,569,735
Receivable against conversion of units	8,485,446	-	-	-	-	8,485,446
Advances, deposits, prepayments and profit receivables	87,128	-	813,497	-	24,495	925,120
	22,441,325	-	14,527,993	16,377,674	5,477,565	24,495 58,849,052
Financial liabilities						
Payable to Al Meezan Investment Management Limited - Management Company	41,925	-	-	-	-	41,925
Payable to Central Depository Company of Pakistan Limited - Trustee	2,087	-	-	-	-	2,087
Payable against redemption and conversion of units	67,804	-	-	-	-	67,804
Payable to Meezan Bank Limited	1,609	-	-	-	-	1,609
Accrued expenses and other liabilities	1,290	698	889	-	-	2,877
	114,715	698	889	-	-	- 48,498
Net financial assets / (liabilities)	22,326,610	(698)	14,527,104	16,377,674	5,477,565	24,495 58,800,554

2023							
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total	
Rupees in '000							
Financial assets							
Balances with banks	3,054,345	-	-	-	-	3,054,345	
Investments	-	-	700,432	370,864	5,372,915	6,444,211	
Receivable against conversion of units	92,944	-	-	-	-	92,944	
Advances, deposits, prepayments and profit receivables	37,917	78,103	137,854	-	495	254,369	
	3,185,206	78,103	838,286	370,864	5,372,915	495	9,845,869
Financial liabilities							
Payable to Al Meezan Investment Management Limited Management Company	9,603	-	-	-	-	9,603	
Payable to the Central Depository Company of Pakistan Limited - Trustee	423	-	-	-	-	423	
Payable to Meezan Bank Limited	251	-	-	-	-	251	
Payable against redemption and conversion of units	1,582,929	-	-	-	-	1,582,929	
Dividend payable	386	-	-	-	-	386	
Accrued expenses and other liabilities	513	551	-	-	-	1,064	
	1,594,105	551	-	-	-	1,594,656	
Net financial assets	1,591,101	77,552	838,286	370,864	5,372,915	495	8,251,213

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:

	2024		2023	
	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	13,868,751	13,868,751	3,054,345	3,054,345
Investments	35,569,735	15,277	6,444,210	22,964
Receivable against conversion of units	8,485,446	8,485,446	92,944	92,944
Advances, deposits, prepayments and profit receivables	925,120	271,837	254,369	38,044
	58,849,052	22,641,311	9,845,868	3,208,297

The maximum exposure to credit risk before any credit enhancement as at June 30, 2024 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	
	2024	2023
Balances with banks		
AAA	90.51	97.65
AA+	0.02	0.10
AA	0.05	0.30
AA-	0.01	1.65
A+	9.41	0.30
	<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, 2024 and June 30, 2023 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, 2024 and June 30, 2023, the Fund held the following financial instruments measured at fair value:

	2024			
	Level 1	Level 2	Level 3	Total
ASSETS	(Rupees in '000)			
Financial assets 'at fair value through profit or loss'				
Sukuk certificates	15,531,346	20,038,389	-	35,569,735

ASSETS

Financial assets 'at fair value through profit or loss'
Sukuk certificates

2023			
Level 1	Level 2	Level 3	Total

(Rupees in '000)

-	6,444,210	-	6,444,210
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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	2024			2023		
	Number of unit holders	Investment amount	Percentage of total investment	Number of unit holders	Investment amount	Percentage of total investment
		(Rupees in '000)	(%)		(Rupees in '000)	(%)
Individuals	22,798	49,590,626	85.42	10,120	5,888,601	72.41
Associated companies						
/ Directors	9	128,359	0.22	5	374,464	4.60
Insurance companies	8	316,493	0.55	4	81,258	1.00
Retirement funds	82	2,931,966	5.05	51	944,868	11.62
Others	117	5,087,880	8.76	74	843,773	10.37
Total	23,014	58,055,326	100.00	10,254	8,132,964	100.00

22 LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

2024		2023	
Name of broker	Percentage of commission paid	Name of broker	Percentage of commission paid
JS Global Capital Limited	36.61%	JS Global Capital Limited	52.61%
Alfalah Securities (Private) Limited	27.57%	BIPL Securities Limited	22.23%
AKD Securities Limited	24.09%	Invest One Markets Limited	20.84%
Summit Capital (Private) Limited	4.78%	Arif Habib Limited	1.99%
Cybernetic Solved Private Limited	2.60%	Alfalah CLSA Securities (Private) Ltd	1.24%
Continental Exchange Private Limited	2.54%		
Arif Habib Limited	1.81%		

22.1 The Fund has traded with only the above mentioned 7 brokers / dealers during the year ended June 30, 2024 (2023: 5 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	Qualifications	Overall experience
Mr. Muhammad Asad	Acting Chief Executive Officer / Chief Investment Officer	CFA level II / MBA	Twenty Eight years
Mr. Ahmed Hassan	Head of Equity	CFA / MBA	Seventeen years
Mr. Faizan Saleem	Head of Fixed Income	CFA level II / MBA	Seventeen years
Mr. Asif Imtiaz	VP Investments	CFA / MBA - Finance	Sixteen years
Mr. Akhtar Munir	Head of Risk Management	CFA / MBA, ACCA, FRM, FCMA	Fifteen years
Mr. Ali Khan	Head of Product Development	CFA / FRM / MBA	Fourteen years
Mr. Ali Asghar	Head of Research	CFA / MBA	Thirteen years
Mr. Zohaib Saeed	AVP Fixed Income	CFA / ACCA	Ten 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 Plan (managed under Meezan Daily Income Fund); and
- Meezan Mahana Munafa Plan (managed under 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						
		July 4, 2023	August 7, 2023	October 13, 2023	February 2, 2024	February 9, 2024	February 29, 2024	April 15, 2024
Mr. Ariful Islam ¹	Chairman	Yes	Yes	Yes	No	No	No	No
Mr. Irfan Siddiqui ²	Chairman	No	No	No	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib ³	Ex-Chief Executive Officer	Yes	Yes	Yes	Yes	Yes	Yes	No
Mr. Muhammad Abdullah Ahmed ¹	Director	Yes	No	No	No	No	No	No
Mr. Moin M. Fudda ⁴	Director	No	No	No	Yes	Yes	Yes	No
Mr. Furquan Kidwai	Director	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mubashar Maqbool ⁵	Director	Yes	No	No	No	No	No	No
Mr. Tariq Mairaj	Director	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Naeem Sattar ¹	Director	Yes	Yes	Yes	No	No	No	No
Mr. Feroz Rizvi	Director	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Ms. Danish Zuberi	Director	No	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Saad Ur Rahman Khan ⁶	Director	No	No	Yes	Yes	Yes	Yes	Yes
Ms. Shazia Khurram	Director	No	Yes	Yes	Yes	Yes	Yes	Yes
Syed Amir Ali ⁷	Director	No	No	No	No	No	No	Yes
Mr. Ahmed Iqbal Rajani ²	Director	No	No	No	Yes	Yes	Yes	Yes

¹ Mr. Ariful Islam, Mr. Muhammad Abdullah Ahmed and Mr. Naeem Sattar retired from the Board on December 31, 2023.

² Mr. Irfan Siddiqui and Mr. Ahmed Iqbal Rajani were elected on the Board vide an EOGM dated December 26, 2023.

³ Mr. Mohammad Shoaib resigned from the Board on February 29, 2024.

⁴ Mr. Moin M. Fudda was elected on the Board vide an EOGM dated December 26, 2023 and subsequently resigned from the Board on March 14, 2024.

⁵ Mr. Mubashar Maqbool resigned from the Board on July 18, 2023.

⁶ Mr. Saad Ur Rahman Khan was appointed on the Board with effect from August 7, 2023.

⁷ Syed Amir Ali was appointed on the Board with effect from April 9, 2024.

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 19, 2024 by the Board of Directors of the Management Company.

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

PERFORMANCE TABLE
MEEZAN SOVEREIGN FUND

	2024	2023	2022
Net assets (Rs. '000) (ex-distribution)	58,055,326	8,132,964	6,196,077
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	52.3857	52.1375	51.6654
Offer price per unit as at June 30, (Rs.) (ex-distribution)	52.9776	52.7266	52.2492
Highest offer price per unit (Rs.)	63.9959	59.7355	56.3320
Lowest offer price per unit (Rs.)	52.7266	52.2492	52.1293
Highest redemption price per unit (Rs.)	63.2809	59.0681	55.7026
Lowest redemption price per unit (Rs.)	52.1375	51.6654	51.5469
Distribution (%)			
Interim	22.29	14.8	8.4
Final			
Date of distribution			
Interim	21-Jun-24	19-Jun-23	24-Jun-22
Final			
Income distribution (Rupees in '000)	6,710,131	665,732	348,331
Growth distribution (Rupees in '000)	-	-	-
Total return (%)	21.89	15.37	8.27

	One Year	One Year	Two Years
Average annual return as at June 30, 2024 (%)	21.89%	18.59%	15.04%

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