



Al Meezan
Investment Management Ltd.

AM1
Rating by VIS & PACRA

NAVIGATE WITH EXPERT GUIDANCE

With Al Meezan, navigate the complex financial landscape with confidence. Our team of seasoned experts offers personalized guidance to help you make informed decisions that align with your financial objectives.

Meezan Islamic Income Fund

The investment objective of the Fund is to provide investors with a high and stable rate of current income consistent with long term preservation of capital in a Shariah Compliant way. A secondary objective is to take advantage of opportunities to realize capital appreciation.



FUND INFORMATION

MANAGEMENT COMPANY

Al Meezan Investment Management Limited
Ground Floor, Block "B", Finance & Trade Centre, Shahrah-e-Faisal Karachi 74400, Pakistan.
Phone (+9221) 35630722-6, 111-MEEZAN
Fax: (+9221) 35676143, 35630808
Website: www.almeezangroup.com
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	Faysal Bank Limited - Islamic Banking
Al Baraka Bank Pakistan Limited	Habib Bank Limited -Islamic Banking
Askari Bank Limited - Islamic Banking	Habib Metropolitan Bank Limited - Islamic Banking
Bank Al Habib Limited - Islamic Banking	MCB Bank Limited
Bank Alfalah Limited	MCB Islamic Bank Limited
Bank Islami Pakistan Limited	Meezan Bank Limited
Dubai Islamic Bank Pakistan Limited	National Bank of Pakistan - Islamic Banking

Samba Bank Limited
Sindh Bank Limited
Soneri Bank Limited - Islamic Banking
The Bank Of Punjab - Islamic Banking
The Bank Of Khyber - Islamic Banking
UBL Ameen - Islamic Banking

LEGAL ADVISER

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

TRANSFER AGENT

Al Meezan Investment Management Limited

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited

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

Type of Fund

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

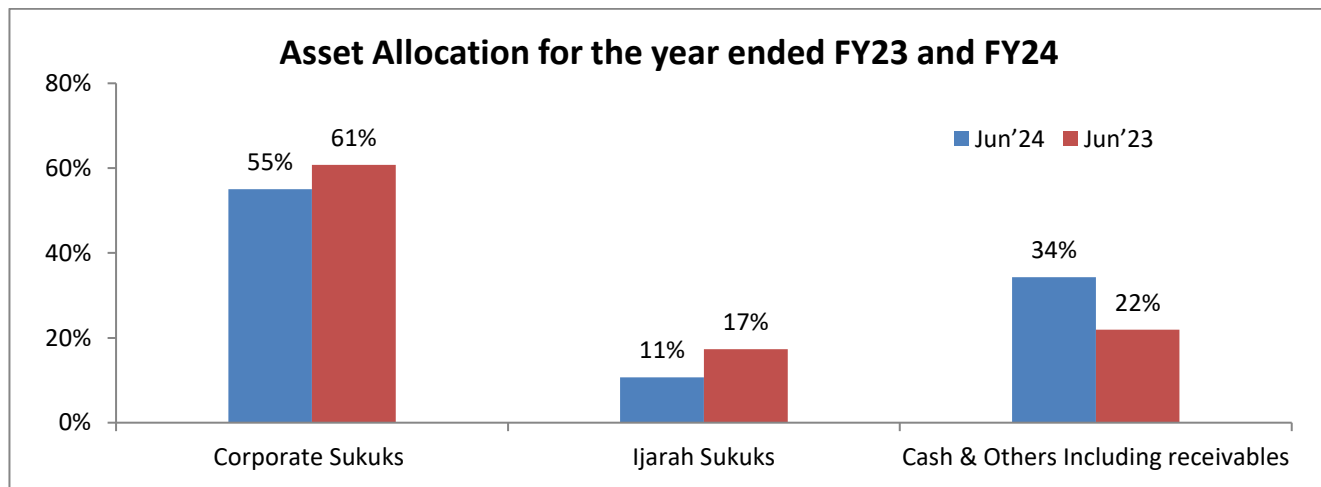
Objective

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

Strategy, Investment policy and asset allocation

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

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



Performance Review

During FY24, Meezan Islamic Income Fund (MIIF) provided a full year return of 20.94% as compared to its benchmark return of 10.10%. The fund manager continued to deploy the funds in high quality government instruments, corporate instruments and other investment avenues. In line with monetary expansionary expectations, minimal liquidity was maintained in the form of cash to take advantage of higher yielding instruments. The fund has six non-performing Sukuk (Sukuk of Eden Housing Limited, Security Leasing Company Limited, Arzoo Textile Mills Limited, Hascol Petroleum Limited, Shakarganj Food Products Limited and Agha Steel Industries) but it is pertinent to note that Eden Housing Limited Sukuk, Arzoo Textile Mills Sukuk, Security Leasing Company Limited and Hascol Petroleum Limited Sukuk stand fully provided while provisioning for Agha Steel Sukuk is being carried out as per the regulatory requirements. A case for Arzoo Textile Mills Limited Sukuk is already under contestation in the courts, whereas for Eden Housing



Pure. Profit.



Limited, Security Leasing Limited and Hascol Petroleum Limited negotiations have not been very fruitful so it appears that the most likely way forward will be procession of legal proceedings against the respective companies but the Sukuk holders are yet to reach a conclusion on the matter. For Agha Steel sukuk, the company is in the process of negotiating restructuring terms with the sukuk holders. We are receiving payments due on Shakarganj sukuk on regular basis however, the sukuk is still being classified as non-performing. As at year end, the fund was invested 66% in Islamic Sukuk/Ijarah and 34% in Islamic Bank Deposits including other receivables.

The Fund earned a gross income of Rs. 2,757 million, which was primarily due to profit on Sukuk certificates amounting worth Rs. 1,970 million. Profit on saving accounts at Islamic banks contributed Rs. 820 million while realized loss on sale of Sukuks certificates was Rs. 44 million. On the other side, the fund earned unrealized appreciation worth Rs. 10 million. The fund also incurred expenses totalling to Rs. 203 million which also includes provision against sukuk certificate Rs. 33 million., which brought the net income figure to Rs. 2,555 million. The net assets of the Fund as at June 30, 2024 were Rs. 15,980 million as compared to Rs. 11,474 million at the end of last year depicting an increase of 39%. The net asset value per unit as at June 30, 2024 was Rs. 51.9209 (Ex-Dividend) as compared to Rs. 51.6491 per unit as on June 30, 2023.

	MIIF	Islamic Bank Deposits (Benchmark)
Net Asset Value as on June 30, 2023	51.65	
Net Asset Value as on June 30, 2024	51.92	
Return for the year	20.94%	10.10%
Outperformance	10.84%	

Fund Rating

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

Distributions

An interim distribution in the form of cash dividend by the Fund during the fiscal year ended June 30, 2024 was Rs. 10.52 per unit (21.04%). Total distribution made by the fund was Rs. 1,336 million.

SWWF Disclosure

Not Applicable

Breakdown of unit holdings by size:

(As on June 30, 2024)

Range (Units)	No. of investors
1 - 9,999	22,847
10,000 - 49,999	2,151
50,000 - 99,999	549
100,000 - 499,999	472
500,000 and above	60
Total	26,079

Dr. Muhammad Imran Usmani

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Report of the Shariah Advisor – Meezan Islamic Income Fund (MIIF)

July 23, 2024/Muharram 16, 1446 AH

Alhamdulillah, the period from July 1, 2023 to June 30, 2024 was the **Seventeenth** year of operations of **Meezan Islamic Income Fund** (the “**MIIF**” 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

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TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN ISLAMIC INCOME FUND

Report of the Trustee pursuant to Regulation 41(h) and Clause 8 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Islamic Income Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2024 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund;
- (iii) The management fee, fee payable to Securities and Exchange Commission of Pakistan (SECP) and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

For the attention of unit holders, during an onsite inspection of the Management Company, the Securities and Exchange Commission of Pakistan (SECP) identified certain matters related to the charging and allocation of selling and marketing expenses to the Fund. Accordingly, the Management Company, following the guidance and interpretation provided by the SECP, has issued units to an amount of Rs. 17.07 million to the entitled unit holders.


Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 25, 2024

INDEPENDENT AUDITOR'S REPORT

To the Unit holders of Meezan Islamic Income Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meezan Islamic Income Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 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. 10,890.47 million and balances with banks aggregated to Rs. 4,508.38 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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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.

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- 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: AR202410081x07eX0k2s



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

	Note	2024	2023
		----- (Rupees in '000) -----	
Assets			
Balances with banks	5	4,508,378	2,340,015
Investments	6	10,890,473	9,479,354
Receivable against conversion of units		669,775	3,037
Receivable against sale of investments		9	-
Advances, deposits, prepayments and profit receivable	7	521,611	317,500
Total assets		16,590,246	12,139,906
Liabilities			
Payable to Al Meezan Investment Management Limited - Management Company	8	26,162	19,081
Payable to Central Depository Company of Pakistan Limited - Trustee	9	1,068	959
Payable to the Securities and Exchange Commission of Pakistan	10	946	3,366
Payable to Meezan Bank Limited		683	505
Payable against redemption and conversion of units		216,997	314,198
Dividend payable		-	37,141
Accrued expenses and other liabilities	11	364,236	290,308
Total liabilities		610,092	665,558
Net assets		15,980,154	11,474,348
Unit holders' fund (as per statement attached)		15,980,154	11,474,348
Contingencies and commitments	12		
		----- (Number of units) -----	
Number of units in issue		307,778,724	222,159,660
		----- (Rupees) -----	
Net asset value per unit		51.9209	51.6491

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

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

MEEZAN ISLAMIC INCOME FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024



Meezan
Islamic Income
Fund

Note	2024	2023
	(Rupees in '000) -----	
Income		
Profit on sukuk certificates and commercial papers	1,969,869	1,920,161
Profit on savings accounts with banks	819,798	734,049
Net realised loss on sale of investments	(43,947)	(56,661)
Other income	1,404	202
	<u>2,747,124</u>	<u>2,597,751</u>
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.2 10,017	(86,045)
Total income	<u>2,757,141</u>	<u>2,511,706</u>
Expenses		
Remuneration of Al Meezan Investment Management Limited - Management Company	8.1 91,786	84,128
Sindh Sales Tax on remuneration of the Management Company	8.2 11,932	10,937
Allocated expenses	8.3 10,791	25,238
Selling and marketing expenses	8.4 28,076	67,314
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1 10,065	12,619
Sindh Sales Tax on remuneration of the Trustee	9.2 1,308	1,640
Fee to the Securities and Exchange Commission of Pakistan	10.1 10,053	3,366
Auditors' remuneration	13 947	728
Fees and subscription	1,450	1,435
Legal and professional charges	-	1,356
Brokerage expense	1,704	1,367
Bank and settlement charges	990	377
Provision against sukuk certificates - net	6.1.3 33,402	11,173
Printing expense	9	29
Total expenses	<u>202,513</u>	<u>221,707</u>
Net income for the year before taxation	<u>2,554,628</u>	<u>2,289,999</u>
Taxation	15 -	-
Net income for the year after taxation	<u>2,554,628</u>	<u>2,289,999</u>
Allocation of net income for the year		
Net income for the year after taxation	2,554,628	2,289,999
Income already paid on units redeemed	(1,157,074)	(1,184,586)
	<u>1,397,554</u>	<u>1,105,413</u>
Accounting income available for distribution		
- Relating to capital gains	-	-
- Excluding capital gains	1,397,554	1,105,413
	<u>1,397,554</u>	<u>1,105,413</u>

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

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

**MEEZAN ISLAMIC INCOME FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2024**



Meezan
Islamic Income
Fund

	2024	2023
	----- (Rupees in '000) -----	
Net income for the year after taxation	2,554,628	2,289,999
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>2,554,628</u>	<u>2,289,999</u>

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

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

Chief Executive Officer

Chief Financial Officer

Director

MEEZAN ISLAMIC INCOME FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2024



Meezan
Islamic Income
Fund

	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	11,186,880	287,468	11,474,348	18,347,819	261,616	18,609,435
Issuance of 504,863,733 units (2023: 431,785,293 units)						
- Capital value (at net asset value per unit at the beginning of the year)	26,075,757	-	26,075,757	22,250,889	-	22,250,889
- Element of income	2,405,685	-	2,405,685	1,868,587	-	1,868,587
Total proceeds on issuance of units	28,481,442	-	28,481,442	24,119,476	-	24,119,476
Redemption of 419,244,669 units (2023: 570,747,709 units)						
- Capital value (at net asset value per unit at the beginning of the year)	(21,653,610)	-	(21,653,610)	(29,411,942)	-	(29,411,942)
- Element of income	(1,266,719)	(1,157,074)	(2,423,793)	(1,460,529)	(1,184,586)	(2,645,115)
Total payments on redemption of units	(22,920,329)	(1,157,074)	(24,077,403)	(30,872,471)	(1,184,586)	(32,057,057)
Total comprehensive income for the year	-	2,554,628	2,554,628	-	2,289,999	2,289,999
Distribution during the year	-	(1,335,747)	(1,335,747)	-	(1,079,561)	(1,079,561)
Refund of capital during the year	(1,117,114)	-	(1,117,114)	(407,944)	-	(407,944)
Net income for the year less distribution	(1,117,114)	1,218,881	101,767	(407,944)	1,210,438	802,494
Net assets at the end of the year	15,630,879	349,275	15,980,154	11,186,880	287,468	11,474,348
Undistributed income brought forward						
- Realised income		373,513			262,605	
- Unrealised loss		(86,045)			(989)	
		287,468			261,616	
Accounting income available for distribution						
- Relating to capital gains		-			-	
- Excluding capital gains		1,397,554			1,105,413	
		1,397,554			1,105,413	
Distribution during the year @ Rs. 10.5182 per unit declared on June 21, 2024 (2023: Rs. 7.5250 per unit declared on June 27, 2023)		(1,335,747)			(1,079,561)	
Undistributed income carried forward		349,275			287,468	
Undistributed income carried forward						
- Realised income		339,258			373,513	
- Unrealised income / (loss)		10,017			(86,045)	
		349,275			287,468	
	(Rupees)			(Rupees)		
Net asset value per unit at the beginning of the year	51.6491			51.5323		
Net asset value per unit at the end of the year	51.9209			51.6491		

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

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

MEEZAN ISLAMIC INCOME FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024



Meezan
Islamic Income
Fund

	Note	2024	2023
		----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before taxation		2,554,628	2,289,999
Adjustments for:			
Net unrealised (appreciation) / diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6.2	(10,017)	86,045
Provision against sukuk certificates - net	6.1.3	33,402	11,173
		<u>2,578,013</u>	<u>2,387,217</u>
(Increase) / decrease in assets			
Investments - net		(1,434,504)	5,520,519
Receivable against sale of investments		(9)	-
Advances, deposits, prepayments and profit receivable		(204,111)	8,082
		<u>(1,638,624)</u>	<u>5,528,601</u>
Increase / (decrease) in liabilities			
Payable to Al Meezan Investment Management Limited - Management Company		7,081	5,937
Payable to Central Depository Company of Pakistan Limited - Trustee		109	(449)
Payable to the Securities and Exchange Commission of Pakistan		(2,420)	(1,950)
Payable to Meezan Bank Limited		178	(659)
Accrued expenses and other liabilities		73,928	36,510
		<u>78,876</u>	<u>39,389</u>
Net cash generated from operating activities		<u>1,018,265</u>	<u>7,955,207</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts against issuance and conversion of units - net of refund of capital		26,697,590	23,795,106
Payments against redemption and conversion of units		(24,174,604)	(31,808,305)
Dividend paid		(1,372,888)	(1,042,420)
Net cash generated from / (used in) financing activities		<u>1,150,098</u>	<u>(9,055,619)</u>
Net increase / (decrease) in cash and cash equivalents during the year		<u>2,168,363</u>	<u>(1,100,412)</u>
Cash and cash equivalents at the beginning of the year		2,340,015	3,440,427
Cash and cash equivalents at the end of the year	5	<u>4,508,378</u>	<u>2,340,015</u>

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

For AI Meezan Investment Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

MEEZAN ISLAMIC INCOME FUND
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 Islamic Income Fund (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed under the Trust Act, 1882 on September 13, 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on November 21, 2008 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) notified through S.R.O. 1203 (I) / 2008. The Management Company has been licensed by the SECP to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company of the Fund is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 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 August 16, 2021 the above-mentioned Trust Deed has been registered under the Sindh Trust Act.

- 1.2** The Fund has been formed to provide the unit holders competitive and stable rate of income on their investments in a Shariah compliant way with a broadly diversified portfolio of long, medium and short term and high quality Islamic income instruments. The Fund shall also keep an exposure in short-term instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns if available at any given point of time. Under the Trust Deed, all conducts and acts of the Fund are based on Shariah principles. Meezan Bank Limited acts as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah. The investment objectives and policies are explained in the Fund's offering document.
- 1.3** The Fund is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund is categorised as an Open End Shariah Compliant Islamic Income Scheme in accordance with Circular 7 of 2009 issued by the SECP.
- 1.4** The Management Company has been assigned a quality rating of 'AM1' by VIS Credit Rating Company Limited dated December 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 A+(f) by VIS Credit Rating Company Limited dated December 27, 2023 (2023: A+(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 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 when adopted and applicable shall impact the presentation of 'Income Statement' with certain additional disclosures in the financial statements; and
- 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, liabilities, 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 and valuation 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 are measured at fair values.

3.6 Functional and presentation currency

Items included in these 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, unless otherwise stated.

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 losses (ECL) associated with its financial assets (other than debt instruments) carried at amortised cost and FVOCI. The fund recognises loss allowances for such losses at each reporting date. The measurement of ECL reflects:

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

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. Regular way purchases / sales of assets require delivery of securities within two days from the transaction date as per the stock exchange regulations.

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

4.3.1 Classification and subsequent measurement

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.

4.3.2 Derecognition

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 Issuance and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the Management Company / distributors during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as at 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 the Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

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

4.9 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 balances with banks is recognised on an accrual basis.

4.11 Expenses

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

4.12 Taxation

Current

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

Deferred

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

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

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

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

4.13 Earnings per unit

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

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

4.14 Foreign currency translation

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

	Note	2024	2023
		----- (Rupees in '000) -----	
5 BALANCES WITH BANKS			
Balances with banks in:			
Savings accounts	5.1	4,508,338	2,339,975
Current account		40	40
		<u>4,508,378</u>	<u>2,340,015</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 19.82% (2023: 6.74% to 20.50%) per annum.

	Note	2024 ----- (Rupees in '000) -----	2023
6 INVESTMENTS			
Investments - 'at fair value through profit or loss'			
Sukuk certificates	6.1	<u>10,890,473</u>	<u>9,479,354</u>
6.1 Sukuk certificates			
Government securities	6.1.1	9,153,900	7,383,457
Corporate sukuk certificates	6.1.2	<u>1,736,573</u>	<u>2,095,897</u>
		<u>10,890,473</u>	<u>14,341,463</u>

6.1.1 Government securities

Name of the security	Profit payments / principal redemptions	Issue date	Maturity date	Profit rate	As at July 1, 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)					(Rupees in '000)		Net assets of the Fund	Total market value of investments
GoP Ijarah Sukuk Certificates - XIX - VRR	Semi-annually / At maturity	May 29, 2020	May 29, 2025	Weighted average 6 months T-Bills	145	-	-	145	14,406	14,463	57	0.09%	0.13%
GoP Ijarah Sukuk Certificates - XI - FRR	Semi-annually / At maturity	December 15, 2021	December 15, 2026	11.40%	5,000	-	5,000	-	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XXXII - FRR	Semi-annually / At maturity	October 9, 2023	October 9, 2024	22.49%	-	10,000	3,620	6,380	648,030	642,211	(5,819)	4.02%	5.90%
GoP Ijarah Sukuk Certificates - XLII - VRR	Semi-annually / At maturity	December 4, 2023	December 4, 2028	Weighted average 6 months T-Bills	-	2,000	-	2,000	197,520	200,320	2,800	1.25%	1.84%
GoP Ijarah Sukuk Certificates - XXX - VRR	Semi-annually / At maturity	April 17, 2023	April 17, 2024	Weighted average 6 months T-Bills	-	2,000	2,000	-	-	-	-	-	-
GoP Ijarah Sukuk Certificates - XXXVII - VRR	Semi-annually / At maturity	August 7, 2023	August 7, 2024	Weighted average 6 months T-Bills	-	10,000	-	10,000	1,000,200	1,000,600	400	6.26%	9.19%
GoP Ijarah Sukuk Certificates - XXVI - FRR	Semi-annually / At maturity	July 12, 2023	July 12, 2024	22.15%	-	80	-	80	8,001	8,004	3	0.05%	0.07%
GoP Ijarah Sukuk Certificates - XX - FRR	Semi-annually / At maturity	April 17, 2023	April 17, 2024	21.25%	-	300	300	-	-	-	-	-	-
GoP Ijarah Sukuk Certificates - I - FRR	At maturity	December 11, 2023	December 9, 2024	19.52%	-	69,560	13,043	56,517	262,354	261,617	(737)	1.64%	2.40%
GoP Ijarah Sukuk Certificates - III - VRR	Semi-annually / At maturity	January 24, 2024	January 24, 2027	Weighted average 6 months T-Bills	-	60,063	-	60,063	300,316	301,816	1,500	1.89%	2.77%
GoP Ijarah Sukuk Certificates - V - VRR	Semi-annually / At maturity	January 24, 2024	January 24, 2029	Weighted average 6 months T-Bills	-	140,000	200	139,800	688,585	700,398	11,813	4.38%	6.43%
Pakistan Energy Sukuk II	Semi-annually / At maturity	May 21, 2020	May 21, 2030	6 months KIBOR minus base rate of 0.10%	1,383,450	140,000	320,000	1,203,450	6,019,153	6,024,471	5,318	37.70%	55.32%
Total as at June 30, 2024									<u>9,138,565</u>	<u>9,153,900</u>	<u>15,335</u>	<u>57.28%</u>	<u>84.05%</u>
Total as at June 30, 2023									<u>7,460,004</u>	<u>7,383,457</u>	<u>(76,547)</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, GoP Ijarah sukuk certificates V - VRR and Pakistan Energy sukuk certificates having nominal value of Rs. 5,000 each.

6.1.2 Corporate sukuk certificates

Name of the security	Profit payments / principal redemptions	Maturity date	Face value per certificate (Rupees)	Profit rate	As at July 1, 2023	Purchased during the period	Sold / matured during the period	As at June 30, 2024	Carrying value as at June 30, 2024	Market value as at June 30, 2024	Unrealised (diminution) / appreciation as at June 30, 2024	Percentage in relation to	
												Net assets of the Fund	Total market value of investments
										(Number of certificates)			(Rupees in '000)
Power generation & distribution													
K-Electric Limited Sukuk V (AA+, VIS, traded)	Quarterly	August 3, 2027	3,250	3 months KIBOR plus base rate of 1.70%	171,200	-	-	171,200	566,599	566,137	(462)	3.54%	5.20%
The Hub Power Company Limited (AA+, PACRA)	Not applicable	August 22, 2023	25,000	3 months KIBOR plus base rate of 1.90%	2,455	-	2,455	-	-	-	-	-	-
Hub Power Holdings Limited (AA+, PACRA, traded)	Quarterly / Semi-annually	November 12, 2025	75,000	6 months KIBOR plus base rate of 2.50%	5,100	-	-	5,100	392,560	389,958	(2,602)	2.44%	3.58%
Engro Powergen Thar (Private) Limited (AA-, PACRA, non-traded)	Quarterly / Annually	August 2, 2024	2,500	3 months KIBOR plus base rate of 1.10%	62,400	-	-	62,400	158,705	156,093	(2,612)	0.98%	1.43%
Lucky Electric Power Company Limited PPSTS-19 (A-1+, PACRA)	At maturity	December 27, 2024	1,000,000	6 months KIBOR plus base rate of 0.15%	-	300	-	300	300,000	300,000	-	1.88%	2.75%
Pharmaceuticals													
OBS AGP (Private) Limited (A+, VIS, non-traded)	Quarterly	July 15, 2026	56,250	3 months KIBOR plus base rate of 1.55%	3,300	-	650	2,650	149,361	149,659	298	0.94%	1.37%
Javedan Corporation Limited (AA-, VIS, non-traded)	Semi-annually	October 4, 2026	41,667	6 months KIBOR plus base rate of 1.75%	800	-	-	800	32,667	32,667	-	0.20%	0.30%
Steel & allied products													
Agha Steel Industries Limited Sukuk 1 (A+, VIS)	Quarterly	October 9, 2025	625,000	3 months KIBOR plus base rate of 0.80%	182	-	182	-	-	-	-	-	-
Textile composite													
Masood Textile Mills Limited (A, VIS, non-traded)	Quarterly	December 17, 2024	142,857	3 months KIBOR plus base rate of 2.00%	127	-	-	127	18,134	18,194	60	0.11%	0.17%
Non-performing assets													
Arzoo Textile Mills Limited (notes 6.1.2.1 and 6.1.2.2) *	Not applicable	April 15, 2014	5,000	Not applicable	14,000	-	-	14,000	-	-	-	-	-
Eden Housing Limited (notes 6.1.2.1 and 6.1.2.2) *	Not applicable	September 29, 2014	984	Not applicable	59,400	-	-	59,400	-	-	-	-	-
Security Leasing Corporation Limited II (notes 6.1.2.1 and 6.1.2.2) *	Not applicable	January 19, 2022	1,540	Not applicable	10,000	-	-	10,000	-	-	-	-	-
Hascol Petroleum Limited (notes 6.1.2.1 and 6.1.2.2) *	Not applicable	January 06, 2022	1,250	Not applicable	80,000	-	-	80,000	-	-	-	-	-
Shakarganj Food Products Limited (notes 6.1.2.1 and 6.1.2.3) *	Quarterly	July 10, 2026	450,000	3 months KIBOR plus base rate of 1.75%	100	-	-	100	28,845	28,845	-	0.18%	0.26%
Agha Steel Industries Limited Sukuk 2 (notes 6.1.2.1 and 6.1.2.4) *	Quarterly	August 17, 2027	10,000	3 months KIBOR plus base rate of 0.80%	-	12,376	-	12,376	95,020	95,020	-	0.59%	0.87%
Total as at June 30, 2024									1,741,891	1,736,573	(5,318)	10.86%	15.93%
Total as at June 30, 2023									2,105,395	2,095,897	(9,498)		

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

6.1.2.1 Details of non-compliant investments

The Securities and Exchange Commission of Pakistan (SECP), vide Circular no. 7 of 2009 dated March 6, 2009, required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the Circular. Al Meezan Investment Management Limited (the Management Company) classified Meezan Islamic Income Fund (the Fund) as an 'Income Scheme' in accordance with the said Circular. As at June 30, 2024, the Fund is compliant with all the requirements of the said circular except for clause 9 (v) which requires that the rating of any security in the portfolio shall not be lower than the investment grade.

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

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held (if any)	Value of investment after provision	Percentage of	
		(Rupees in '000)			Net assets of the Fund	Total assets of the Fund
					%	
Arzoo Textile Mills Limited	Non-traded sukuk certificates	70,000	70,000	-	-	-
Eden Housing Limited	Non-traded sukuk certificates	58,472	58,472	-	-	-
Security Leasing Corporation Limited II	Non-traded sukuk certificates	15,403	15,403	-	-	-
Hascol Petroleum Limited	Non-traded sukuk certificates	99,259	99,259	-	-	-
Shakarganj Food Products Limited	Non-traded sukuk certificates	44,680	15,835	28,845	0.18%	0.17%
Agha Steel Industries Limited	Non-traded sukuk certificates	123,760	28,740	95,020	0.59%	0.57%
Total as at June 30, 2024		411,574	287,709	123,865	0.77%	0.74%
Total as at June 30, 2023		292,814	254,307	38,507	0.33%	0.32%

6.1.2.2 The sukuk certificates of Arzoo Textile Mills Limited, Eden Housing Limited, Security Leasing Corporation Limited II and Hascol Petroleum Limited have been fully provided in accordance with Circular No. 33 of 2012 issued by the SECP.

6.1.2.3 On April 26, 2023, sukuk certificates of Shakarganj Food Products Limited (SFPL) had been classified as non-performing by Mutual Funds Association of Pakistan (MUFAP). Therefore, in accordance with the requirement of SECP's Circular No. 33 of 2012, the sukuk certificates have been classified as non-performing asset and no further profit has been accrued thereafter in accordance with the SECP Circular.

During the current period, SFPL repaid one principal installment amounting to Rs. 5 million which was due to be repaid on April 10, 2023, thereby resulting in the reversal of Rs. 5 million against the provision created on June 30, 2023. On September 8, 2023, the restructuring of the aforementioned sukuk was approved by all the sukuk investors whereby the four principal installments due on July 10, 2023, October 10, 2023, January 10, 2024 and April 10, 2024 has been deferred for one year from their respective due dates and the tenure of the sukuk has been extended by twelve months. However, SFPL will continue to service profit payments on quarterly basis on the outstanding amount of principal as per the earlier agreed terms. Therefore, the Fund has not recorded further provision after the finalisation of the restructuring agreement. However, an amount of Rs. 15.835 million (2023: Rs. 11.173 million) has been held as provision. The face value of sukuk certificates is Rs. 45 million as at June 30, 2024.

6.1.2.4 On March 7, 2024, sukuk certificates of Agha Steel Industries Limited have been classified as non-performing by Mutual Funds Association of Pakistan (MUFAP). Therefore, in accordance with the requirement of SECP's Circular No. 33 of 2012, the sukuk certificates have been classified as non-performing asset and no further profit has been accrued thereafter. Further, in accordance with the said circular, an amount of Rs. 28.740 million (2023: Nil) has been held as provision against the outstanding principal as at June 30, 2024. The face value of sukuk certificates is Rs. 123.760 million as at June 30, 2024.

	Note	2024	2023
		(Rupees in '000)	
6.1.3 Movement of provision			
Balance as at July 1		254,307	243,134
Charge for the year	6.1.2.3 & 6.1.2.4	38,402	11,173
Reversal for the year	6.1.2.3	(5,000)	-
		33,402	11,173
Balance as at June 30		287,709	254,307
6.2 Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'			
Market value of investments	6.1.1 & 6.1.2	10,890,473	9,479,354
Less: carrying value of investments	6.1.1 & 6.1.2	(10,880,456)	(9,565,399)
		10,017	(86,045)

	Note	2024	2023
		----- (Rupees in '000) -----	
7 ADVANCES, DEPOSITS, PREPAYMENTS AND PROFIT RECEIVABLE			
Security deposit with Central Depository Company of Pakistan Limited		100	100
Prepayments		307	290
Advance tax	7.1	3,127	3,127
Profit receivable on balances with banks		79,062	58,163
Profit receivable on sukuk certificates		406,311	252,116
Advance to Meezan Bank Limited against IBFT redemptions		30,000	1,000
ATM deposit with Meezan Bank Limited		2,704	2,704
		<u>521,611</u>	<u>317,500</u>

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

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. A petition was filed in the Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgment of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit on debt securities and profit on bank deposits has been shown as advance tax as at June 30, 2024 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

	Note	2024	2023
		----- (Rupees in '000) -----	
8 PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Remuneration payable	8.1	1,469	1,279
Sindh Sales Tax payable on remuneration of the Management Company	8.2	191	166
Allocated expenses payable	8.3	-	1,698
Selling and marketing expenses payable	8.4	7,565	13,850
Sales load payable		14,989	1,848
Sindh Sales Tax payable on sales load		1,948	240
		<u>26,162</u>	<u>19,081</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 June 30, 2024	Rate applicable from July 1, 2022 to June 30, 2023
0.50% per annum of the average annual net assets of the Fund	0.70% per annum of the average annual net assets of the Fund	0.50% 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 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 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	0.18% per annum of the average annual net assets of the Fund	0.40% 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. 17.07 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	945	849
	Sindh Sales Tax payable on remuneration of the Trustee	9.2	123	110
			<u>1,068</u>	<u>959</u>

- 9.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed at the rate of 0.075% (2023: 0.075%) 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>946</u>	<u>3,366</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) at the rate of 0.075% per annum of the daily net assets of the Fund, applicable to an "Income Scheme". 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.

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		693	492
	Brokerage payable		398	825
	Shariah advisory fee payable		1,075	532
	Withholding tax payable		222,583	188,636
	Capital gain tax payable		83,704	46,691
	Zakat payable		229	73
	Other payable		2,495	-
	Provision for Federal Excise Duty and related Sindh Sales Tax on remuneration of the Management Company	11.1	50,417	50,417
	Provision for Federal Excise Duty and related Sindh Sales Tax on sales load	11.1	<u>2,642</u>	<u>2,642</u>
			<u>364,236</u>	<u>290,308</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 and the related Sindh Sales Tax made for the period from June 13, 2013 till June 30, 2016 amounting to Rs. 53.059 million (2023: Rs. 53.059 million) is being retained in these financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED and related Sindh Sales Tax not been made, the Net Assets Value of the Fund as at June 30, 2024 would have been higher by Re. 0.17 (2023: Re. 0.24) per unit.

12 CONTINGENCIES AND COMMITMENTS

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

13 AUDITORS' REMUNERATION

	2024	2023
	----- (Rupees in '000) -----	
Annual audit fee	556	532
Fee for half yearly review of condensed interim financial statements	169	159
Fee for other certifications	50	-
Out of pocket expenses and Sindh Sales Tax	172	37
	<u>947</u>	<u>728</u>

14 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2024 is 1.26% (2023) 1.25% which includes 0.18% (2023: 0.23%) 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 AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

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.

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.

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

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

Allocated expenses and selling and marketing expenses are charged to the Fund by the Management Company subject to the maximum prescribed Total Expense Ratio.

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 as at year end

	2024	2023
	----- (Rupees in '000) -----	
Al Meezan Investment Management Limited - Management Company		
Remuneration payable	1,469	1,279
Sindh Sales Tax payable on remuneration of the Management Company	191	166
Allocated expenses payable	-	1,698
Selling and marketing expenses payable	7,565	13,850
Sales load payable	14,989	1,848
Sindh Sales Tax payable on sales load	1,948	240
Central Depository Company of Pakistan Limited - Trustee		
Security deposit	100	100
Remuneration payable	945	849
Sindh Sales Tax payable on remuneration of the Trustee	123	110
Meezan Bank Limited		
Balances with bank	159,051	20,598
Profit receivable on savings accounts	664	273
Sales load payable	604	447
Sindh Sales Tax payable on sales load	79	58
ATM deposit	2,704	2,704
Shariah advisory fee payable	1,075	532
Advance against IBFT redemptions	30,000	1,000
Investment of 96,807 units (2023: Nil units)	5,026	-
Al Meezan Investment Management Limited - Employees' Gratuity Fund		
Investment of 10,720 units (2023: 8,906 units)	557	460
Directors and executives of the Management Company		
Investment of 41,058 units (2023: 31,878 units)	2,132	1,646
Unit holders holding 10% or more units of the Fund		
Investment of Nil units (2023: 27,544,351 units)	-	1,422,641

Transactions during the year

AI Meezan Investment Management Limited - Management Company

Remuneration of the Management Company

Sindh Sales Tax on remuneration of the Management Company

Allocated expenses

Selling and marketing expenses

Units issued: Nil units (2023: 19,050,954 units)

Units redeemed: Nil units (2023: 19,050,954 units)

2024	2023
----- (Rupees in '000) -----	
91,786	84,128
11,932	10,937
10,791	25,238
28,076	67,314
-	1,084,702
-	1,087,763

Central Depository Company of Pakistan Limited - Trustee

Remuneration of the Trustee

Sindh Sales Tax on remuneration of the Trustee

CDS charges

10,065	12,619
1,308	1,640
130	79

Meezan Bank Limited

Profit on savings accounts

Shariah advisory fee

Units issued: 96,807 units (2023: Nil units)

Dividend paid

Refund of capital

7,417	3,914
1,081	1,080
5,814	-
39	-
814	-

National Clearing Company of Pakistan Limited

NCCPL charges

153	-
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Meezan Sovereign Fund

Purchase of Pakistan Energy Sukuk II: 140,000 certificates (2023: Nil certificates)

700,840	-
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Meezan Financial Planning Fund of Funds

- Aggressive Allocation Plan

Units issued: Nil units (2023: 30,761 units)

Units redeemed: Nil units (2023: 1,448,986 units)

-	1,750
-	80,751

Meezan Financial Planning Fund of Funds

- Moderate Allocation Plan

Units issued: Nil units (2023: 64,770 units)

Units redeemed: Nil units (2023: 1,001,624 units)

-	3,500
-	56,715

Meezan Financial Planning Fund of Funds

- Conservative Allocation Plan

Units redeemed: Nil units (2023: 2,080,458 units)

-	115,875
---	---------

AI Meezan Investment Management Limited - Employees' Gratuity Fund

Units issued: 1,814 units (2023: 1,135 units)

Units redeemed: Nil units (2023: 209,364 units)

Dividend paid

94	58
-	11,000
94	58

Directors and executives of the Management Company

Units issued: 412,286 units (2023: 4,631,346 units)

Units redeemed: 402,768 units (2023: 4,837,035 units)

Dividend paid

Refund of capital

23,739	270,693
24,119	282,586
127	133
132	79

Unit holders holding 10% or more units of the Fund

Units issued: Nil units (2023: 48,321,041 units)

Units redeemed: Nil units (2023: 24,307,724 units)

Refund of capital

-	2,850,502
-	1,420,555
-	180,861

17 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

Balances with banks
Investments
Receivable against conversion of units
Receivable against sale of investments
Advances, deposits and profit receivable

2024		
At amortised cost	At fair value through profit or loss	Total

(Rupees in '000)

4,508,378	-	4,508,378
-	10,890,473	10,890,473
669,775	-	669,775
9	-	9
518,177	-	518,177
<u>5,696,339</u>	<u>10,890,473</u>	<u>16,586,812</u>

Financial liabilities

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

26,162	-	26,162
1,068	-	1,068
683	-	683
216,997	-	216,997
4,661	-	4,661
<u>249,571</u>	<u>-</u>	<u>249,571</u>

Financial assets

Balances with banks
Investments
Receivable against conversion of units
Advances, deposits and profit receivable

2023		
At amortised cost	At fair value through profit or loss	Total

(Rupees in '000)

2,340,015	-	2,340,015
-	9,479,354	9,479,354
3,037	-	3,037
314,083	-	314,083
<u>2,657,135</u>	<u>9,479,354</u>	<u>12,136,489</u>

Financial liabilities

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

19,081	-	19,081
959	-	959
505	-	505
314,198	-	314,198
37,141	-	37,141
1,849	-	1,849
<u>373,733</u>	<u>-</u>	<u>373,733</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. 144.870 million (2023: Rs. 113.689 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% - 19.82%	4,508,338	-	-	40	4,508,378
Investments	19.52% - 24.08%	3,024,766	7,865,707	-	-	10,890,473
Receivable against conversion of units		-	-	-	669,775	669,775
Receivable against sale of investments		-	-	-	9	9
Advances, deposits and profit receivable		-	-	-	518,177	518,177
		7,533,104	7,865,707	-	1,188,001	16,586,812
Financial liabilities						
Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	26,162	26,162
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	1,068	1,068
Payable to Meezan Bank Limited		-	-	-	683	683
Payable against redemption and conversion of units		-	-	-	216,997	216,997
Accrued expenses and other liabilities		-	-	-	4,661	4,661
		-	-	-	249,571	249,571
On-balance sheet gap (a)		7,533,104	7,865,707	-	938,430	16,337,241
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a+b)		7,533,104	7,865,707	-		
Cumulative interest rate sensitivity gap		7,533,104	15,398,811	15,398,811		

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%	2,339,975	-	-	40	2,340,015
Investments	11.40% - 24.58%	1,488,244	7,502,186	-	488,924	9,479,354
Receivable against conversion of units		-	-	-	3,037	3,037
Advances, deposits, prepayments and profit receivable		-	-	-	314,083	314,083
		3,828,219	7,502,186	-	806,084	12,136,489
Financial liabilities						
Payable to Al Meezan Investment Management Limited - Management Company		-	-	-	19,081	19,081
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	959	959
Payable to Meezan Bank Limited		-	-	-	505	505
Payable against conversion and redemption of units		-	-	-	314,198	314,198
Dividend payable		-	-	-	37,141	37,141
Accrued expenses and other liabilities		-	-	-	1,849	1,849
		-	-	-	373,733	373,733
On-balance sheet gap (a)		3,828,219	7,502,186	-	432,351	11,762,756
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a+b)		3,828,219	7,502,186	-		
Cumulative interest rate sensitivity gap		3,828,219	11,330,405	11,330,405		

(ii) Currency risk

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

(iii) Price risk

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

18.2 Liquidity risk

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

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

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

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemption requests during the year ended June 30, 2024.

The table below summarizes 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	4,508,378	-	-	-	-	4,508,378	
Investments	8,004	1,156,693	1,236,485	2,464,820	6,024,471	10,890,473	
Receivable against conversion of units	669,775	-	-	-	-	669,775	
Receivable against sale of investments	9	-	-	-	-	9	
Advances, deposits and profit receivable	179,561	111,580	194,232	-	32,804	518,177	
	5,365,727	1,268,273	1,430,717	2,464,820	6,024,471	32,804	16,586,812
Financial liabilities							
Payable to Al Meezan Investment Management Limited - Management Company	26,162	-	-	-	-	-	26,162
Payable to Central Depository Company of Pakistan Limited - Trustee	1,068	-	-	-	-	-	1,068
Payable to Meezan Bank Limited	683	-	-	-	-	-	683
Payable against redemption and conversion of units	216,997	-	-	-	-	-	216,997
Accrued expenses and other liabilities	2,893	693	1,075	-	-	-	4,661
	247,803	693	1,075	-	-	-	249,571
Net financial assets	5,117,924	1,267,580	1,429,642	2,464,820	6,024,471	32,804	16,337,241

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	2,340,015	-	-	-	-	2,340,015	
Investments	-	-	-	2,560,721	6,918,633	9,479,354	
Receivable against conversion of units	3,037	-	-	-	-	3,037	
Advances, deposits and profit receivable	78,048	38,951	193,280	-	2,804	313,083	
	2,421,100	38,951	193,280	2,560,721	6,918,633	2,804	12,135,489
Financial liabilities							
Payable to Al Meezan Investment Management Limited - Management Company	19,081	-	-	-	-	-	19,081
Payable to Central Depository Company of Pakistan Limited - Trustee	959	-	-	-	-	-	959
Payable to Meezan Bank Limited	505	-	-	-	-	-	505
Payable against redemption and conversion of units	314,198	-	-	-	-	-	314,198
Dividend payable	37,141	-	-	-	-	-	37,141
Accrued expenses and other liabilities	825	492	532	-	-	-	1,849
	372,709	492	532	-	-	-	373,733
Net financial assets	2,048,391	38,459	192,748	2,560,721	6,918,633	2,804	11,761,756

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 and sale of investments.

Credit risk arising on the debt instruments other than government securities is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of at least investment grade by the recognised rating agencies. The Fund receives a monthly rating update, against which investments are reviewed. The Fund, however, also invests in unrated instruments based on internal ratings assigned by the Fund manager using an approach that is consistent with the approach used by the rating agencies. Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. 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	4,508,378	4,508,378	2,340,015	2,340,015
Investments	10,890,473	1,736,573	9,479,354	2,095,897
Receivable against conversion of units	669,775	669,775	3,037	3,037
Receivable against sale of investments	9	9	-	-
Advances, deposits and profit receivable	518,177	128,925	313,083	136,963
	<u>16,586,812</u>	<u>7,043,660</u>	<u>12,135,489</u>	<u>4,575,912</u>

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 and receivable against conversion of units and sale of investments. The credit rating profile of balances with banks is as follows:

Rating	% of financial assets exposed to credit risk	
	2024	2023
AAA	35.94%	32.46%
AA+	0.05%	0.09%
AA	0.02%	0.04%
AA-	0.27%	0.73%
A+	0.14%	1.73%
A	63.58%	64.95%
	<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 except as disclosed in note 6 to these financial statements.

19 FAIR VALUE MEASUREMENT

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

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

Financial assets which are tradeable 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.

19.1 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
(Rupees in '000)				
ASSETS				
Financial assets 'at fair value through profit or loss'				
Sukuk certificates	7,288,302	3,602,171	-	10,890,473
	2023			
	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
Financial assets 'at fair value through profit or loss'				
Sukuk certificates	6,918,633	2,560,721	-	9,479,354

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 (Rupees in '000)	Percentage of total	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total
Individuals	25,895	14,513,661	90.82%	23,859	10,101,399	88.03%
Associated companies /						
Directors	3	5,032	0.03%	3	816	0.01%
Insurance companies *	1	7	-	2	1,411	0.01%
Retirement funds	82	1,171,799	7.33%	74	996,335	8.68%
Public limited companies	2	943	0.01%	-	-	-
Private limited companies	46	103,176	0.65%	75	253,107	2.21%
Others	50	185,536	1.16%	39	121,280	1.06%
	26,079	15,980,154	100.00%	24,052	11,474,348	100.00%

* Nil figures due to rounding off difference.

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	46.68%	JS Global Capital Limited	47.14%
AKD Securities Limited	29.43%	BIPL Securities Limited	22.73%
Optimus Capital Management (Private) Limited	7.88%	Next Capital Limited	14.36%
Summit Capital (Private) Limited	7.88%	C & M Management (Private) Limited	4.96%
Arif Habib Limited	6.30%	AKD Securities Limited	4.29%
Next Capital Limited	1.76%	Continental Exchange (Private) Limited	2.36%
Alfalsh CLSA Securities (Private) Limited	0.06%	Arif Habib Limited	1.65%
		Invest One Markets Limited	1.15%
		Alfalsh CLSA Securities (Private) Limited	1.03%
		Paramount Capital (Private) Limited	0.33%

22.1 The Fund has traded with only the above mentioned 7 brokers / dealers during the year ended June 30, 2024 (2023: 10 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. Faizan Saleem. Other Funds being managed by the Fund Manager are as follows:

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

24 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

Name of Directors	Designation	Meeting held on						
		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 AI Meezan Investment Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

PERFORMANCE TABLE
MEEZAN ISLAMIC INCOME FUND

	2024	2023	2022
Net assets (Rs. '000) (ex-distribution)	15,980,154	11,474,348	18,609,435
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)	51.9209	51.6491	51.5323
Offer price per unit as at June 30, (Rs.) (ex-distribution)	52.5076	52.2327	52.1146
Highest offer price per unit (Rs.)	62.8697	59.7246	56.4032
Lowest offer price per unit (Rs.)	52.2327	52.1146	52.0043
Highest redemption price per unit (Rs.)	62.1673	59.0573	55.7730
Lowest redemption price per unit (Rs.)	51.6491	51.5323	51.4233
Distribution (%)			
Interim	21.04	15.06	8.74
Final	-	-	-
Date of distribution			
Interim	June 21, 2024	June 27, 2023	June 27, 2022
Final	-	-	-
Income distribution (Rupees in '000)	1,335,747	1,079,561	1,057,593
Growth distribution (Rupees in '000)	-	-	-
Total return (%)	20.94	14.86	8.63

	One Year	Two Years	Three Years
Average annual return as at June 30, 2024 (%)	20.94%	17.86%	14.70%

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