



ANNUAL REPORT 2013
Meezan Balanced Fund



THE RIGHT BALANCE
IN YOUR FINANCIAL LIFE



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balanced fund
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CONTENTS

02	Vision & Mission Statements
04	Fund Information
05	Report of the Directors of the Management Company
12	Pattern of Certificate Holdings as per requirements of the Code of Corporate Governance
13	Report of the Fund Manager
16	Trustee Report to the Certificate Holders
17	Statement of Compliance with the Shariah Principles
18	Report of the Shariah Adviser
20	Independent Assurance Provider's Report on Shariah Compliance to the Certificate Holders
21	Statement of Compliance with Best Practices of Code of Corporate Governance
23	Review Report to the Certificate Holders on the Statement of Compliance with the Best Practices of the Code of Corporate Governance
24	Independent Auditors' Report to the Certificate Holders
25	Statement of Assets and Liabilities
26	Income Statement
27	Distribution Statement
28	Statement of Changes in Equity
29	Statement of Movement in Equity and Reserves Per Certificate
30	Cash Flow Statement
31	Notes to the Financial Statements
58	Pattern of Certificate Holding
60	Categories of Certificate Holders
61	Statement of Income & Expenditure of the Management Company in Relation to the Fund

The top portion of the page features a dark purple background with a bokeh effect of out-of-focus light spots in various shades of purple and pink. Below this, the word "Vision" is written in a large, bold, white sans-serif font.

Vision

**To be the leading Islamic closed end balanced scheme
in the country, setting performance and best practices
standards for the industry.**



Mission

To provide investors, RIBA Free, stable and regular income from a diversified portfolio of equity securities and islamic income instruments.

To offer superior financial services to our valued investors, developing, nurturing and maintaining relationship with them and complying with the code of professional and ethical conduct that sets highest standards in corporate ethics and service to society.

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
Web site: www.almeezangroup.com
E-mail: info@almeezangroup.com

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. P. Ahmed	Director
Mr. Salman Sarwar Butt	Director
Mr. Tasnimul Haq Farooqui	Director
Mr. Mazhar Sharif	Director
Syed Amir Ali	Director
Syed Amir Ali Zaidi	Director
Mr. Mohammad Shoaib, CFA	Chief Executive

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

Mr. P. Ahmed	Chairman
Mr. Mazhar Sharif	Member
Syed Amir Ali	Member

HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. Salman Sarwar Butt	Chairman
Mr. Tasnimul Haq Farooqui	Member
Mr. Mazhar Sharif	Member
Mr. Mohammad Shoaib, CFA	Member

TRUSTEE

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

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No.2, Beaumont Road, Karachi- 75530.

BANKERS TO THE FUND

Meezan Bank Limited
Habib Metropolitan Bank Limited - Islamic Banking Branch
Al Baraka Islamic Bank B.S.C (E.C)
Bank Alfalah - Islamic Banking Branch
UBL Ameen - Islamic Banking Branch
Askari Bank Limited - Islamic Banking
Dubai Islamic Bank
National Bank of Pakistan

SHARIAH ADVISER

Meezan Bank Limited

LEGAL ADVISER

Bawaney & Partners
404, 4th Floor, Beaumont Plaza, 6-CL-10
Beaumont Road, Civil Lines, Karachi - 75530
Phone: (9221) 3565 7658-59
Fax: (9221) 3565 7673
E-mail: bawaney@cyber.net.pk

TRANSFER AGENT

THK Associates (Pvt.) Limited
Ground Floor, State Life Building-3
Dr. Ziauddin Ahmed Road, Karachi-75536
Phone : (9221) 111-000-322
Fax : (9221) 35655595
P.O. Box No. 8533

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of Al Meezan Investment Management Limited is pleased to present the audited annual financial statement of Meezan Balanced Fund, for the year ended June 30, 2013:

Economic Review

Amid rising macroeconomic challenges, the outgoing FY'13 continued to be marred with energy crisis, structural weaknesses and heightened security concerns. Given these challenges, GDP growth fell to 3.6% during the year in comparison to 4.4% last year and the budgetary target of 4.3%. This however, compares favorably with the last five years average growth rate of 2.9% and was supported by 3.3% growth in agriculture, 2.8% growth in large scale manufacturing and 3.7% growth in the services sector. On the external front, in spite of Coalition Support Fund (CSF) inflows, strong remittances and lower trade deficit, forex reserves remained under pressure due to IMF loan repayments. The headline CPI inflation dipped to a multi-year low of 7.4% in FY'13 mainly because of sluggish private sector demand, decline in consumer gas tariff and softer food inflation. This low inflation number formed the basis for SBP to reduce the discount rate by a cumulative 300bps to 9% during the year.

The magnitude of current account deficit stayed manageable with the year end figure clocking in at US\$ 2.3 billion as against a deficit of US\$ 4.66 billion in FY'12; the primary driver of this improvement were the CSF flows amounting to US\$ 1.8 billion. Subdued oil prices and softer food inflation also helped the current account especially when the country's trade deficit declined to US\$ 15.1 billion in FY'13 as against US\$ 15.8 billion last year. Workers remittance however, grew by 5.6% to US\$ 13.9 billion in FY'13. Pressure on external account came from financial account (FA) which posted a deficit of US\$ 80 million in FY'13 as against a surplus of US\$ 1,280 million in the same period last year. This was mainly due to higher debt repayments and subdued loan flows. The repayments to IMF (US\$ 3.0 billion paid in FY'13) also contributed to reduction in Pakistan's forex reserves, which declined by \$4.3 billion to \$11 billion as on June 30, 2013. These payments also exerted immense pressure on the currency as Pak Rupee depreciated by 5.4% to close the year at Rs. 99.66/\$.

On the fiscal front, election year considerations kept the pressure intact. The pace of fiscal reforms during last year of the outgoing government was slow with low tax mobilization and higher subsidy outlays (particularly power subsidy of around Rs. 349.287 billion) remained the major concerns. FBR tax collection remained lack luster as it provisionally increased by merely 1.8% to Rs. 1.940 trillion in FY'13, showing a shortfall of Rs. 110 billion from their revised target. Further to this, circular debt payments of Rs. 480 billion led to increase in fiscal deficit. As a result, fiscal deficit in FY'13 is provisionally close to 9% of GDP vs. 6.8% in FY'12. A turnaround of loss-making public sector enterprises as well as increasing the tax-to-GDP ratio will be must to address challenges for the newly elected government.

Going forward, Pakistan has applied for new IMF program amounting to US\$ 6.6bn to control external account pressures. Higher taxes and likely increase in power tariffs may push CPI inflation up in FY'14 from 7.4% in FY'13. This will probably exceed the year's target of 8% which could trigger an increase in discount rate. The IMF loan, disbursement of which is likely to start by September 2013, along with increased multilateral and bilateral support has greatly de-risked external account.

Equity Review

Fiscal year ended June, 2013 (FY'13) turned out to be one of the best years for Pakistan's equity market as the KSE-100 index gained 52% or 7,204pts (46% in dollar terms) to close at the level of 21,006 points while the KMI 30 index gained 55.75% or 13,142 pts (48.42% in dollar terms) to close at the level of 36,714 pts. Post the relaxation of Capital Gains Tax (CGT) rules, the rally gained additional impetus on the back of improved ties with the US and resultant CSF flows which also coincided with a series of discount rate cuts. Towards the end of the year, a smooth political transition, albeit after a delay in installation of the caretaker setup provided added muscle to the continued bull run, resulting in re-rating of the market trailing P/E from 6.5x to ~7.9x over 12-months. The improvement in macro economic outlook in line with improved corporate performance, Pak US relationship and a smooth political transition also reflected in improved foreign investor confidence as foreign portfolio investment clocked in at US\$553 million for the year.

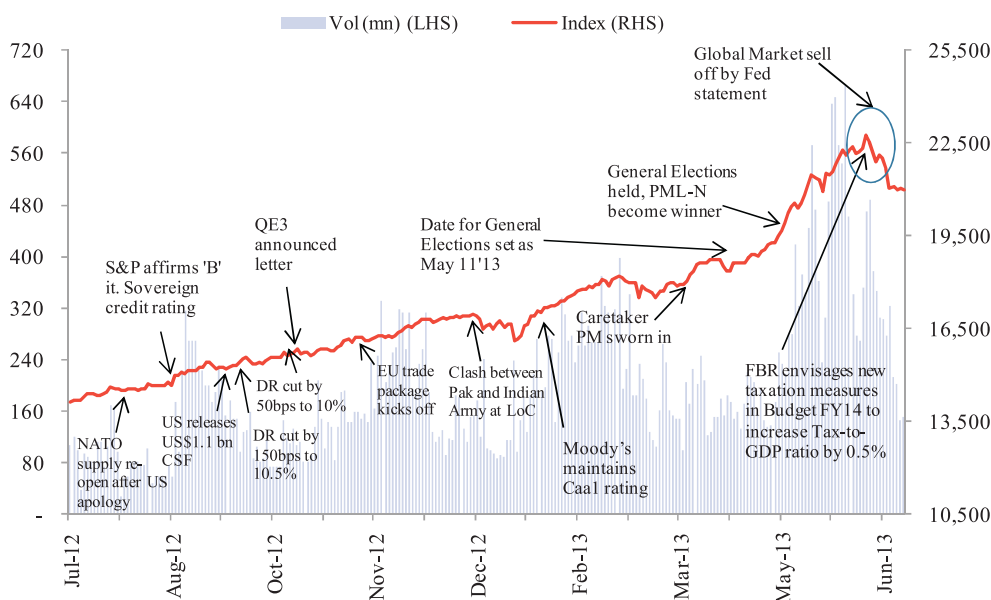
FY'13 started off for KSE on a strong note, buoyed by an unexpected 150 bps reduction in the SBP benchmark discount rate from 12% to 10.5% in Aug 2012; subsequent reductions in the key rate during FY'13 translated into a cumulative cut of 300bps during the year. The monetary easing followed on the heels of decelerating inflation, which averaged 7.4% in FY'13, as compared to 11% last year. Other policy matters that played a role in driving the market were 1) International Clearing House (ICH) formation and revocation (higher termination rates for long distance international (LDI) operators 2) gas supply to fertilizer sector and fertilizer import policy; 3) Oil & Gas sector policy finalization, though the impact of the same will be seen with a lag; 4) auto sector (used car imports) 5) announcement of Unilever buyback from KSE of a total amount of approximately US\$ 500 million and likely diversion of these funds to local equity market by existing minority shareholders of Unilever and 5) active foreign participation which lifted investor sentiment and boosted the market.

Towards the end of FY'13, the stock market got another boost from election results in May, 2013 which resulted in a simple majority to the PML-N, and the same was viewed as a precursor to a very positive economic change by the business community, since PML-N has been known for its pro-business policies. An important advantage of PML-N's strong mandate is that it will allow them to undertake unpopular but much needed reforms (such as raising power tariffs, taxes), without getting bogged down by coalition politics/opposition. The incoming government presented its first budget soon after taking charge whereby some ostracized measures were implemented, such as a 1% rise in GST, a 0.5% wealth tax on net movable assets, and a more progressive income tax structure. However from KSE's vantage point, corporate tax rate was reduced by 1% to 34% for tax year 2014, with a scheduled step-wise annual decline of 1% to 30% by FY'18.

After announcement of the budget, the market took a correction after peaking up to the level of 22,881 points; the index ultimately closed at the level of 21,006 points translating into an overall appreciation of 52% during FY'13.

Sector Performance

In terms of sector performance, the index was propelled by strong gains across Telecom, Cements, Textiles, Food Producers and heavyweight Oil and Gas companies. Stable cotton prices, increased yarn demand from China and lower interest rates were the key positives also providing tailwinds to the market. Among the laggards, chemical sector severely underperformed the market mainly due to issues faced by the fertilizer sector. Initially it appeared to be a dismal period for the banking sector as well since it was overwhelmed by significant monetary easing and resultant decline in net interest margins, while the decision to maintain the minimum average deposit rate compounded the issue. However, towards the later part of the year, with more stable macros and politics, the banking sector showed signs of improvement, Market expectations started changing on the currently prevalent interest rate scenario as well, which bodes well for higher spreads in the future. High yield and leveraged stocks performed well in response to this 300 bps cut in discount rate to 9.0%.



Volumes, Liquidity and Foreign activity

The volumes at KSE also improved significantly, taking average daily shares volume to 199 million shares (US\$ 59 million in value terms) in FY'13, with the KSE 100 up 52% (46% in US\$ term) compared to corresponding period last year. During the last quarter of the year, average daily volume on the KSE surged to 289mn shares.

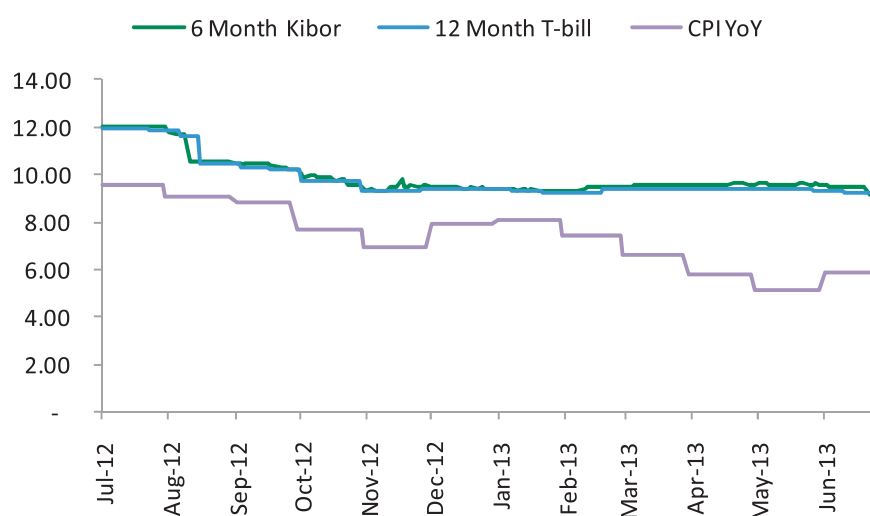
The impressive performance resulted in a revival of foreign interest where the KSE saw net inflows of US\$ 553 million (US\$358mn excluding ULEVER buyback) in FY'13 vs. a US\$ 166 million outflow in FY'12. During the year, companies and mutual funds remained net sellers to the tune of US\$ 178.76 million and US\$ 150.41 million respectively, while banks/ DFI's were net sellers to the tune of US\$ 12.99 million. Individuals were also net sellers by US\$ 33.06 million.

Money Market Review

Fiscal year 2013 turned out to be a rutted period for the money market in light of SBP's continued monetary easing and the resultant mayhem in market expectations/actions. With the CPI ultimately clocking in at 7.4% for FY'13, the falling inflation numbers provided enough cushion for the SBP to slash the key rate by 300 bps bringing it down to 9.0% during the year. Every bimonthly monetary policy announced during this fiscal year followed a round of immense speculation regarding the probability of a discount rate cut which ultimately kept the T-bill and PIB yields quite volatile for most part of this year.

The forex front continued on a dismal trend for the rupee during FY'13, mainly on account of external debt repayments, a major chunk of which comprised IMF repayments amounting to \$3.0 billion; the SBP's reserves declined to \$6 billion as of June 2013 from \$10.8 billion in June 2012, despite inflows through foreign remittances and realization of \$1.8 billion worth of CSF tranches. Despite SBP's interventions, rupee hit its all time lows both in the interbank as well as open market; depreciating by 5.4%, it closed at Rs. 99.80/\$ in the interbank market while in the open market, it closed at Rs. 100.75/\$ which translates into a depreciation of 5.17%. Subsequent to year end, the rupee has eroded further in interbank market to 101.85/\$ as on 31st July 2013.

Graphically, the overall interest rate, T-bill yield and inflation rate behaviors can be observed as under:



Mutual Fund Industry Review

During the fiscal year 2013, Assets under Management (AUM) of the mutual fund industry witnessed a decline of 5.3% to Rs. 361 billion. Islamic funds on the other hand grew by 30.3% during the year to Rs 68 billion, thus bringing the contribution of Islamic funds to 18.9% in the total mutual fund industry.

In terms of net assets, open end sovereign, money market and income funds collectively showed a decline of 17.3% during FY13, reaching Rs 234 billion at period end. Islamic funds in the above mentioned categories increased by 21.3% during the year. Open end Equity funds depicted a mixed picture where the equity based funds (including capital protected, index tracker, and asset allocation) increased by 30.8% to reach Rs 91 billion compared to Rs 70 billion as at June 30, 2012. Islamic equity based funds, on the other hand, showed a significant growth of 71.2% in the year and stood at Rs. 18.0 billion. Similarly, the size of Voluntary Pension funds also reached Rs 4.7 billion as at June 2013 end, up 74.7% from June 2012. Islamic Pension Funds also witnessed a growth of 80.4% in the year to clock in at Rs 2.9 billion as on June 30, 2013, having market share of 62% in Voluntary Pension Schemes.

The decline in the mutual fund industry in general, and in the sovereign and money market categories in particular, is primarily due to a levy of tax at 25% for the tax year 2013 on any dividend received by banks from a money market or income fund. Further to this, the decline may also be attributable to a steep rise in equity markets as the money started flowing into equity funds.

The Mutual Fund industry is, therefore, in a consolidation stage, and is expected to stabilize with the launch of newer products catering to investors with diversified requirements. Al Meezan itself is looking forward to cater to the diversified investment requirements of investors through its upcoming product, Meezan Financial Planning Fund of Funds. This fund is designed with three allocation plans to allow investors whether they prefer an aggressive, moderate, or conservative approach to invest through the fund.

Performance Review

Name of Fund	Type	Net Assets June 30, 2013 (Rs. millions)	Growth in Net Assets for FY13	Return for FY13	Benchmark FY13
Al Meezan Mutual Fund (AMMF)	Open-End Equity	2,190	30%	50.56%	54.4%
Meezan Islamic Fund (MIF)	Open-End Equity	9,476	77%	50.73%	54.4%
Meezan Balanced Fund (MBF)	Closed-End Balanced	1,747	14%	31.84%	30%
Meezan Islamic Income Fund (MIIF)	Open-End Income	2,645	119%	14.45%	5.54%
Meezan Cash Fund (MCF)	Open-End Money Market	6,511	-12%	8.78%	6.91%
Meezan Sovereign Fund (MSF)	Open-End Income Fund	19,654	0%	9.11%	6.91%
Meezan Capital Protected Fund - II	Open-End Capital Protected Fund	506	14%	15.21%	17.9%
Meezan Tahaffuz Pension Fund					
- Equity sub fund	Voluntary Pension	804	149%	54.93%	
- Debt sub fund	Scheme	640	93%	8.26%	
- Money market sub fund		303	43%	7.77%	
KSE Meezan Index Fund	Open-End Index Tracker	901	211%	49.64%	54.4%
Meezan Financial Planning Fund of Funds*					
- Aggressive		255	NA	9.00%	7.9%
- Moderate	Open-end Fund of Fund	158	NA	6.50%	6.2%
- Conservative		285	NA	3.80%	3.6%
Total		45,380			

* The Fund was launched on April 11, 2013
NA: Not Applicable

Operational Review

Please refer to fund management report for operational review.

Auditors

Collective Investment Schemes

The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants retire and being eligible has offered themselves as auditors of the collective investment schemes under management of Al Meezan for FY: 2013-14. The board of directors on recommendation of the audit committee has approved their appointment for all the collective investment schemes under management of Al Meezan for FY: 2013-14.

Outlook

Pakistan's external account risks have started to subside as budgetary measures to raise revenue and eliminate subsidies have paved the way for a new IMF loan by September, 13. This will also help Pakistan generate FX inflows from multilaterals. Improvement in bilateral support is already visible with China treating the currency swap as a loan for budgetary financing. With the IMF loan providing support to the external account, GoP's focus on fiscal consolidation, broadening of tax net, and a commitment towards revival of growth is expected to lead the way for economy's return to the growth path. Budget made major headways in restoring private sector confidence. Onetime payment of circular debt balance by end June as promised by the government in the budget covered further ground in restoring private sector confidence. However, increase in taxation in the budget, and likely increase in electricity tariffs to reduce subsidies could drive up inflation, which remains the key risk faced by the economy.

With higher taxes and likely increase in power tariffs setting the base for rising inflation, key signpost to watch would be CPI inflation figures for the next few months which would determine the future path of interest rates. IMF loan, which is likely by September, 13, along with increased multilateral and bilateral support have greatly de-risked external account.

Despite the fact that the KSE-100 index rallied more than 50% in FY'13 and has already risen 11% by July 31, 2013 (1MFY'14), KSE-100 is trading at FY'14 PER of 8.1x, with FY'14 earnings growth of 11% and a dividend yield of 6.7%. We believe that the new government will focus more on infusing economic growth, improving transparency and administrative efficiencies. Resultantly the stock market is also expected to perform well on the back of positive economic outlook, stable government focusing on good governance and attractive valuations of fundamentally strong scrips.

Compliance with Code of Corporate Governance

Al Meezan Investment Management Limited always strives to maintain the highest standards of corporate governance. In compliance with the Code of Corporate Governance, the Board of Directors declares that:

- These financial statements, prepared by the management company of the Fund, present fairly the state of affairs of the Fund, the result of its operations, cash flows and changes in equity.
- The Fund has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards and International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Fund's ability to continue as a going concern.

Board Meetings

Please refer to note no. 26 provided in the financial statements.

Acknowledgement

We take this opportunity to thank our valued investors for reposing faith in Al Meezan Investments and making it one of the largest asset management company in the private sector in Pakistan. We also thank the regulator, Securities and Exchange Commission of Pakistan, Trustee, Central Depository Company of Pakistan and management of Karachi Stock Exchange for their support. We would also like to thank the members of the Shariah Supervisory Board of Meezan Bank for their continued assistance and support on Shariah aspects of fund management.

PATTERN OF CERTIFICATE HOLDINGS AS PER REQUIREMENTS OF THE CODE OF CORPORATE GOVERNANCE

AS AT JUNE 30, 2013

Certificate held by	No. of Certificates held	Percentage of total investment
Associated companies		
-Meezan Bank Limited	16,134,468	13.45
-Pakistan Kuwait Investment Company (Pvt) Ltd.	11,057,791	9.21
-Al-Meezan Investment Management Ltd	4,596,824	3.83
-Meezan Bank Limited Staff Provident Fund	534,566	0.45
-Trustee AMIM Employees Provident Fund	616,569	0.51
-Trustee AMIM Employees Gratuity Fund	324,075	0.27
Chief Executive & his Spouse		
-Mohammad Shoaib, CFA	12,975	0.01
-Shabana Mohammad Shoaib	500	0.00
Director	12,500	0.01
Bank & Financial Institutes	17,602,396	14.67
Mutual Funds		
-MC FSL - Trustee Atlas Fund of Funds	4,167,903	3.47
Retirement funds	8,356,373	6.96
Public Limited Companies	20,472,618	17.06
Individuals	36,110,442	30.09
Total	120,000,000	100

REPORT OF THE FUND MANAGER

Meezan Balanced Fund (MBF) was recently converted from a closed end fund to an open end fund in June 2013. MBF is a balanced fund that invests in Shariah compliant listed equity securities and listed or unlisted Islamic fixed income products. The objective of MBF is to generate long term capital appreciation as well as current income by creating a balanced portfolio that is invested both in high quality equity securities and Islamic fixed income avenues such as Sukuks (Islamic Bonds), Musharaka and Murabaha instruments; Shariah compliant spread transactions, Certificate of Islamic Investments, Islamic bank deposits, and other Islamic income products.

MBF invests only in Shariah Compliant instruments with the objective of maximizing total return to its unit holders and maintaining risks within acceptable levels. The fund also has a focus of long term preservation of capital and aims to maximize total returns by varying fund's allocations to fixed income and equity exposures in accordance with the economic conditions and market scenario..

Conversion into an open end fund

Meezan Balanced Fund (MBF) has been converted from a closed end to an open end fund with effect from July 1, 2013. The key objective of this conversion is to protect the interest of investors who will be getting units prices based on net asset value instead of prevailing discounted market price of MBF shares on the stock exchange. The conversion of MBF will offer investors the ability to switch freely between Al Meezan's equity, income and money market funds.

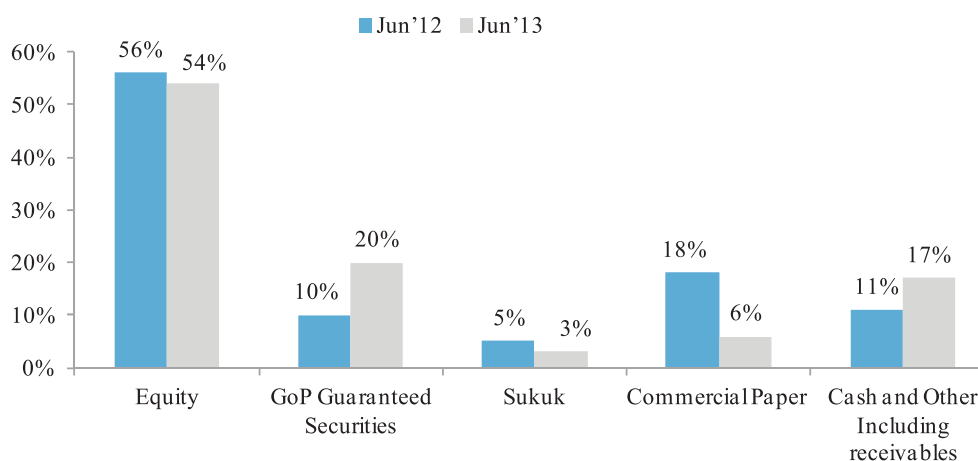
Strategy and Investment Policy

Being a balanced fund, performance of MBF is linked proportionately to the performance of stock market and Islamic fixed income instruments. The fund manager, Al Meezan Investments, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. The fund primarily aims at controlling risk by balancing growth and income earning objectives of certificate holders. To achieve this purpose, the fund manager strives to reduce equity exposure in times when the market is trading above valuations and increase exposure to high quality liquid Islamic fixed income instruments. As per policy, the fund can invest up to 60% in listed equities.

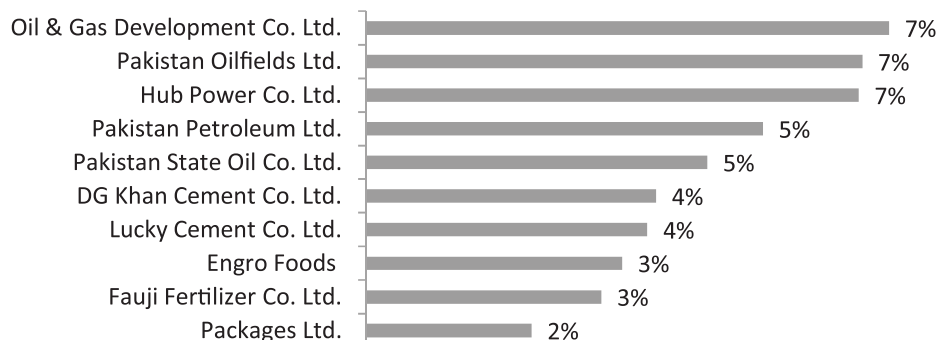
During the year, the focus was on proactive and continuous re-allocation between high yield instruments so as to optimize fund return while simultaneously minimizing risk. To keep interest rate risk at a minimum in a volatile interest rate environment and reaping benefits of fluctuation in interest rate, the fund manager over the period has kept the duration of the fixed income portfolio below six months.

During the year, the fund maintained a significant exposure to oil and fertilizer sectors because of better prospects of these sectors. The overall equity exposure in the fund during the year was maintained at 57.02% while the balance was deployed in fixed income avenues.

Sector Allocation for the year ended FY12 and FY13



Top Holdings



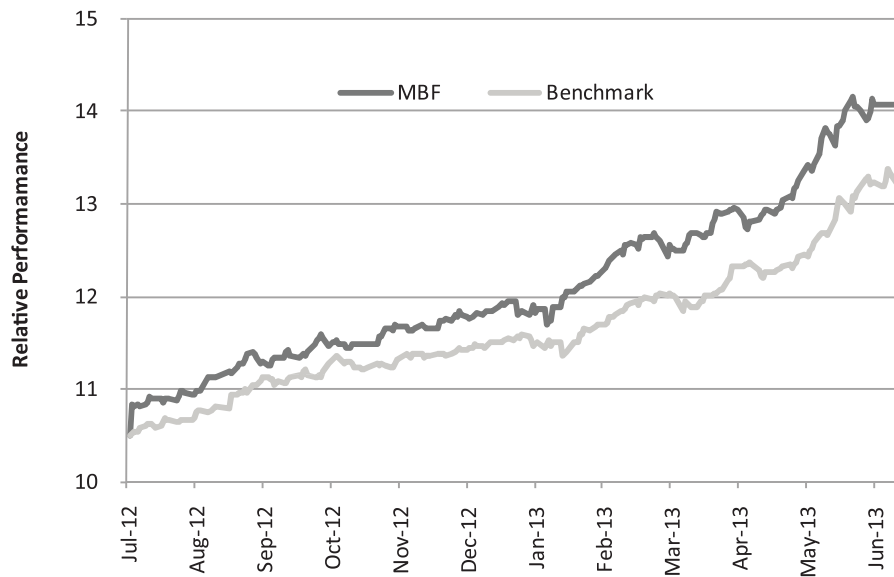
Performance Review

Meezan Balanced Fund (MBF) was a closed end balanced fund that was converted to an open end fund w.e.f July 1, 2013. MBF invests in Shariah compliant listed equity securities and listed or unlisted Islamic fixed income products. During the fiscal year 2013, Meezan Balanced Fund (MBF) provided a return of 32% to its investors compared to its bench mark return of 30%.

The Fund during the period ended June 30, 2013 earned a total income of Rs.257 million, which mainly was from realized gain on sale of investments of Rs.116 million, profit on sukuk certificates of Rs. 63 million and dividend income of Rs. 67 million. Profit on bank deposits was Rs. 10 million. The unrealized gain on re-measurement of investments at fair value was Rs. 136 million. After accounting for expenses of Rs. 65 million, the net income for the period was Rs. 323 million, which translates into earnings per share of Rs.2.69 as on June 30, 2013.

The net assets of the fund as at the year-end were Rs. 1,747 million as compared to Rs. 1,535 million as on June 30, 2012. The net asset value per share as at June 30, 2013 was Rs.14.56 per share as compared to Rs.12.79 per share as on June 30, 2012.

	30-Jun-13	30-Jun-12	Change
NAV (Dividend Adjusted)			
Meezan Balanced Fund	14.56	10.89	16.75%
Benchmark Returns (Inputs)			
KMI 30	36,713	23,776	13.57%
Average Yield on Islamic Bank Deposits (annualised)			6.00%
KMI 30 Return	54.41%	13.57%	5.92%
Islamic Bank Deposit Return	6.00%	6%	0.09%
Benchmark Return			9.78%
Outperformance			6.97%



Charity Statement

The Fund purifies the dividend earned by setting aside from its income an amount payable by the Management Company out of the income of the Trust to a charitable / welfare organization, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2013 an amount of Rs. 1.341 million was accrued as charity payable.

Distribution

The Board of Directors in its meeting held on July 8, 2013 approved final dividend @ 15% i.e. Rs. 1.5 per certificate. The dividend was paid to the certificate holders of closed end fund, whose names were appearing in the register as at the close of business of Friday June 14, 2013. Dividend warrants for the dividend have been dispatched to investors on 25 July, 2013.

Breakdown of unit holding by size

Range (Units)	No. of investors
1-9,999	646
10,000-49,999	182
50,000-99,999	36
100,000-499,999	47
500,000 and above	39
Total	950



**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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



TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN BALANCED FUND

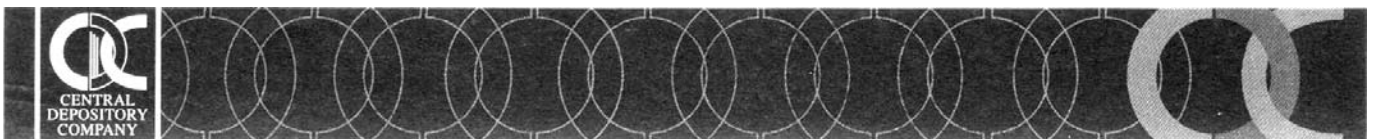
Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Balanced 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, 2013 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 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.


Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 23, 2013





Al Meezan
Investment Management Ltd

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

Meezan Balanced Fund (the Fund) has fully complied with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for its operations, investments and placements made during the year ended June 30, 2013. This has been duly confirmed by the Shariah Advisor of the Fund.

Dated: August 23, 2013

A handwritten signature in black ink, appearing to read 'Muhammad Shoaib'.

Muhammad Shoaib, CFA
Chief Executive Officer



Meezan Bank
The Premier Islamic Bank

Report of the Shari'ah Advisor –Meezan Balanced Fund

August 20, 2013/ Shawwal 12, 1434

In the capacity of *Shari'ah Advisor*, we have prescribed six criteria for *Shari'ah* compliance of equity investments which relate to (i) Nature of business, (ii) Interest bearing debt to total assets, (iii) Investment in non- *Shari'ah* compliant activities to Total assets (iv) *Shari'ah* Non-Compliant Income to Gross Revenue (v) Illiquid assets to total assets, and (vi) Net liquid assets per share vs. share price.

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

- i. We have reviewed and approved the modes of investments of MBF in light of *Shari'ah* requirements. Following is the list of investments of MBF as on June 30, 2013 and their evaluation according to the screening criteria established by us. (December 31, 2012 accounts of the Investee companies have been used for the following calculations):

Company Name	(i) Nature of Business	(ii)* Debt to Assets (<37%)	(iii) % of Non- <i>Shari'ah</i> Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
DG Khan Cement	Cement Manufacturer	23.93%	28.79%	4.16%	67%	(12.40)	54.58
Fauji Fertilizer Company Limited	Manufacturer of Fertilizer	25.41%	19.08%	1.21%	60%	(21.62)	117.14
Engro Foods	Food Producers	32.25%	12.21%	0.21%	71.66%	(7.68)	98.14
Hub Power Company Limited	Power generation & Distribution	33.17%	0.00%	0.00%	36.66%	(30.89)	45.24
Lucky Cement	Cement Manufacturer	6.51%	0.00%	0.00%	93%	(26.30)	151.54
Oil & Gas Development Company Limited	Exploration and Production of Oil & Gas	0.00%	32.55%	3.84%	35.89%	37.05	192.61

Meezan Bank Ltd.

Meezan House, C-25, Estate Avenue, SITE, Karachi - Pakistan.
Tel : (92-21) 38103500, Fax : (92-21) 36406049 www.meezanbank.com



Company Name	(i) Nature of Business	(ii)* Debt to Assets (<37%)	(iii) % of Non-Shari'ah Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Pakistan Oilfields Limited	Exploration and Production of Oil & Gas	0.00%	0.12%	3.74%	72.44%	(45.41)	437.54
Pakistan Petroleum Limited	Exploration and Production of Oil & Gas	0.12%	32%	4.88%	34.85%	45.09	176.79
Pakistan State Oil Company Limited	Distribution of Oil & Gas	15.92%	0.00%	0.41%	39.86%	(294.79)	232.21
Pakistan Telecommunication Ltd	Fixed Line Telecommunication	13.65%	12.30%	2.49%	65.84%	(7.69)	17.35

* All interest based debts.

** These ratios are for the calculation of non-Shari'ah compliant Element in the business and are not relevant for Islamic Banks & Islamic financial Institutions.

ii. On the basis of information provided by the management, all operations of MBF for the year ended June 30, 2013 have been in compliance with the *Shari'ah* principles.

In light of the above, we hereby certify that all the provisions of the Scheme and investments made on account of MBF under management of Al Meezan Investment Management Limited (Al Meezan) are *Shari'ah* compliant and in accordance with the criteria established by us.

During the year a provision of Rupees 1.181 million was created and an amount of Rupees 0.6 million was disbursed.

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

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



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Independent Assurance Report to the Unitholders' on the Statement of Compliance with the Shariah Principles

We were engaged by the Board of Directors of Al Meezan Investment Management Limited, Management Company of Meezan Balanced Fund (the Fund), to report on Fund's Compliance with the Shariah principles as set out in the annexed statement prepared by the management company for the year ended 30 June 2013 in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly, in all material respects, the status of the Fund's compliance with Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor as required under clause 5.3 of the Trust Deed of the Fund.

Management Company's Responsibilities

The management company of the Fund is responsible for preparing the annexed statement that is free from material misstatement in accordance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor. This responsibility includes designing, implementing and maintaining internal control relevant to the operations of the Fund in accordance with the Shariah principles and to ensure that Fund's investments and placements are made in compliance with Shariah principles.

Our Responsibilities

Our responsibility is to examine the annexed statement prepared by the Management Company and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE 3000) 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board. That standard requires that we comply with ethical requirements, including independence requirements, and plan and perform our procedures to obtain reasonable assurance about whether the annexed statement fairly presents the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliance with Shariah principles whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the operations of the Fund in accordance with the Shariah principles in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Fund's internal control.

The procedures performed included:

1. Checking compliance of specific guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund.
2. Check that the Shariah Advisor has certified that investments made by the Fund during the year ended 30 June 2013 are in compliance with the Shariah principles and where required purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for the year ended 30 June 2013.

Date: 03 September 2013

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED JUNE 30, 2013

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of Karachi Stock Exchange Limited (Formerly Karachi Stock Exchange (Guarantee) Limited) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The Management Company has applied the principles contained in the CCG in the following manner:

1. The Management Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	Mr. P. Ahmed, Mr. Salman Sarwar Butt
Executive Director	Mohammad Shoaib, CFA - CEO
Non- Executive Directors	Mr. Ariful Islam Mr. Tasnimul Haq Farooqui Syed Amir Ali Mr. Mazhar Sharif Syed Amir Ali Zaidi

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, no casual vacancy occurred on the Board of the Management Company.
5. The Management Company has prepared a "Code of conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures. However, it has not been placed on the Company's website.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Three of the directors of the Management Company have obtained 'Directors Training Certification' during the year.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO of the Management Company before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the units of the Fund other than that disclosed in the pattern of unit holding.
14. The Management Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, all the three members are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of four members including the CEO, all other members are non-executive directors and the chairman of the committee is an independent director.
18. The Board has set up an effective internal audit function.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Management Company / certificates of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Fund's certificates, was determined and intimated to directors, employees and stock exchange(s).
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

Mohammad Shoaib, CFA

Chief Executive

Dated: August 23, 2013

Karachi



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Review Report to the Certificate holders' of Meezan Balanced Fund ("the Fund") on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Al Meezan Investment Management Limited ("Management Company") to comply with the Listing Regulations of the Karachi Stock Exchange Limited (formerly Karachi Stock Exchange (Guarantee) Limited), where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. 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 Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

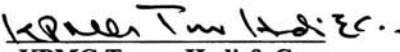
Further, Listing Regulations notified by the Karachi Stock Exchange Limited (formerly Karachi Stock Exchange (Guarantee) Limited) requires the Management Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

As more fully explained in paragraph 5 there is non-compliance in respect of placement of comprehensive code of conduct on website.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended 30 June 2013.

Date: 23 August 2013

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

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KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Independent Auditors' Report to the Certificate Holders

Report on the Financial Statements

We have audited the accompanying financial statements of **Meezan Balanced Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2013, and the related income statement, distribution statement, cash flow statement, statement of changes in equity and statement of movement in reserves per certificate for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2013, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Emphasis of Matter

We draw your attention to note 1.6 of the accompanying financial statements which describes the status of conversion of the Fund as required by Clause 65 of Non-Banking Finance Companies and Notified Entities Regulations, 2008 into an open end fund. Securities and Exchange Commission of Pakistan (SECP) vide its letter No. SCD/AMCW/MBF/512/2013 dated 3 May 2013 approved the conversion of closed end scheme into an open end fund with effect from 1 July 2013. Our opinion is not modified in respect of the aforementioned matter.

Other Matters


The financial statements of the Fund for the year ended 30 June 2012 were audited by another firm of Chartered Accountants, who vide their report dated 12 October 2012, addressed to the Certificate Holders, had expressed an unmodified opinion thereon.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation Rules, 2003) and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Date: 23 August 2013

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Nadeem

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.


STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2013

	Note	2013 (Rupees in '000)	2012
Assets			
Balances with banks	4	296,693	72,888
Investments	5	1,493,960	1,470,386
Dividend receivable		974	1,482
Deposits and other receivables	6	13,109	15,250
Total assets		1,804,736	1,560,006
Liabilities			
Payable to Al Meezan Investment Management Limited (Al Meezan) - Management Company	7	3,655	2,920
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	156	140
Payable to Securities and Exchange Commission of Pakistan (SECP)	9	1,356	1,237
Payable against purchase of investments		8,921	44
Brokerage payable		269	213
Accrued expenses and other liabilities	10	25,482	4,002
Unclaimed dividend		17,417	16,407
Total liabilities		57,256	24,963
Net assets		1,747,480	1,535,043
Certificate holders' equity (as per statement attached)			
Issued, subscribed and paid-up capital			
120,000,000 (2012: 120,000,000) ordinary certificates of Rs 10 each issued as fully paid-up in cash		1,200,000	1,200,000
Revenue reserves			
Unappropriated income		374,850	279,992
Surplus on revaluation of available for sale investments		172,630	55,051
		1,747,480	1,535,043
Contingencies and commitments			
	11		(Rupees)
Net assets value per certificate		14.56	12.79

The annexed notes 1 to 29 form an integral part of these financial statements.

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director


INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 (Rupees in '000)	2012
Income			
Net realised gain on sale of investments		115,893	160,189
Dividend income		67,498	55,771
Profit on saving accounts with banks		10,012	9,789
Profit on sukuk certificates		63,473	78,304
Other income		-	52
		256,876	304,105
Unrealised gain on re-measurement of investments - 'at fair value through profit or loss' (net)	5.1	136,041	12,871
Provision against non - performing debt securities (net)	5.1.2.9	(607)	(2,046)
Impairment loss on 'available for sale' investments	5.2.2	(4,028)	(20,937)
		131,406	(10,112)
Total income		388,282	293,993
Expenses			
Remuneration to Al Meezan Investment Management Limited - Management Company	7.1	31,924	29,108
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	5,386	4,657
Remuneration to Central Depository Company of Pakistan Limited - Trustee	8	1,752	1,641
Annual fee to Securities and Exchange Commission of Pakistan	9	1,356	1,237
Auditors' remuneration	13	480	523
Fees and subscription		395	350
Securities transaction costs		1,033	1,018
Printing charges		615	313
Legal and professional charges		-	5
Charity expense		1,181	1,059
Bank and settlement charges		567	228
Provision for Workers' Welfare Fund (WWF)	12	20,735	-
Total expenses		65,424	40,139
Net income for the year before taxation		322,858	253,854
Taxation	21	-	-
Net income for the year after taxation		322,858	253,854
Other comprehensive income for the year			
Items can be reclassified to income statement in subsequent periods			
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale' (net)		113,551	(32,243)
Total comprehensive income for the year		436,409	221,611
Earnings per certificate - basic (Rupees)	14	2.69	2.11

The annexed notes 1 to 29 form an integral part of these financial statements.

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director


DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2013

	2013 (Rupees in '000)	2012
Undistributed income brought forward		
- Realised	267,121	224,084
- Unrealised	12,871	12,054
	<u>279,992</u>	<u>236,138</u>
Less : Final distribution @ 19% (Rs. 1.9 per certificate) in the form of cash dividend for the year ended June 30, 2012 (June 30, 2011: Rs. 1.75 per certificate)	(228,000)	(210,000)
Net income for the year	322,858	253,854
Undistributed income carried forward	<u>374,850</u>	<u>279,992</u>
Undistributed income carried forward		
- Realised	238,809	267,121
- Unrealised	136,041	12,871
	<u>374,850</u>	<u>279,992</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director


STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2013

	Issued, subscribed and paid- up capital	Revenue Reserves		Total
		Unappropriated income	Surplus / (deficit) on revaluation of investments	
----- (Rupees in '000) -----				
Balance as at July 1, 2011	1,200,000	236,138	87,294	1,523,432
Comprehensive income for the year				
Net income for the year ended June 30, 2012	-	253,854	-	253,854
<i>Other comprehensive income</i>				
- Deficit on revaluation of 'available for sale investments' (net)	-	-	(53,180)	(53,180)
- Deficit realised on impairment of 'available for sale' investments transferred to income statement	-	-	20,937	20,937
Total comprehensive income for the year ended June 30, 2012	-	253,854	(32,243)	221,611
<i>Transactions with owners</i>				
Final distribution for the year ended June 30, 2011 in the form of cash dividend @ Rs 1.75 per certificate	-	(210,000)	-	(210,000)
Balance as at June 30, 2012	1,200,000	279,992	55,051	1,535,043
Comprehensive income for the year				
Net income for the year ended June 30, 2013	-	322,858	-	322,858
<i>Other comprehensive income</i>				
- Surplus on revaluation of 'available for sale investments' (net)	-	-	113,551	113,551
- Deficit realised on impairment of 'available for sale' investments transferred to income statement	-	-	4,028	4,028
Total comprehensive income for the year ended June 30, 2013	-	322,858	117,579	440,437
<i>Transactions with owners</i>				
Final distribution for the year ended June 30, 2012 in the form of cash dividend @ Rs 1.90 per certificate	-	(228,000)	-	(228,000)
Balance as at June 30, 2013	1,200,000	374,850	172,630	1,747,480

The annexed notes 1 to 29 form an integral part of these financial statements.

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director


STATEMENT OF MOVEMENT IN RESERVES PER CERTIFICATE

FOR THE YEAR ENDED JUNE 30, 2013

	2013 (Rupees in '000)	2012
Net assets per certificate at beginning of the year	12.79	12.70
Net realised gain on sale of investments	0.98	1.33
Dividend income	0.56	0.46
Profit on saving accounts with banks	0.08	0.08
Profit on sukuk certificates	0.53	0.65
Unrealised gain on re-measurement of investments - 'at fair value through profit or loss' (net)	1.13	0.11
Provision against non-performing debt securities	(0.01)	(0.02)
Impairment loss on 'available for sale' investments	(0.03)	(0.17)
Expenses	(0.55)	(0.33)
Net income for the year before taxation	2.69	2.11
Final distribution in the form of cash dividend for the year ended June 30, 2012 Rs. 1.90 per certificate (June 30, 2011: Rs. 1.75 per certificate)	(1.90)	(1.75)
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale' (net)	0.98	(0.27)
Net assets value per certificate at end of the year	<u>14.56</u>	<u>12.79</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director


CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 (Rupees in '000)	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		322,858	253,854
Adjustments for:			
Unrealised gain on re-measurement of investments 'at fair value through profit or loss' (net)		(136,041)	(12,871)
Provision against non-performing debt securities		607	2,046
Impairment loss on 'available for sale' investments		4,028	20,937
		<u>191,452</u>	<u>263,966</u>
(Increase) / decrease in assets			
Investments - net		225,411	(46,800)
Dividend receivable		508	2,091
Deposit and other receivables		2,141	14,798
		<u>228,060</u>	<u>(29,911)</u>
Increase / (decrease) in liabilities			
Payable to Al Meezan Investment Management Limited - Management Company		735	413
Payable to Central Depository Company of Pakistan Limited - Trustee		16	(1)
Payable to Securities and Exchange Commission of Pakistan		119	46
Payable against purchase of investments		8,877	3
Brokerage payable		56	213
Accrued expenses and other liabilities		21,480	1,134
		<u>31,283</u>	<u>1,808</u>
Net cash inflow from operating activities		<u>450,795</u>	<u>235,863</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(226,990)	(205,161)
Net cash used in financing activities		<u>(226,990)</u>	<u>(205,161)</u>
Net increase in cash and cash equivalents		223,805	30,702
Cash and cash equivalents at beginning of the year		72,888	42,186
Cash and cash equivalents at end of the year	4	<u>296,693</u>	<u>72,888</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Balanced Fund (the Fund) was established as a closed-end scheme under a Trust Deed executed between Al Meezan Investment Management Limited (Al Meezan) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on June 15, 2004 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on September 8, 2004 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). The Management Company has been licensed by the Securities and Exchange Commission of Pakistan (SECP) to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.2 The investment objective of the Fund is to generate long-term capital appreciation as well as current income by creating a balanced portfolio that is invested both in high quality equity securities and Islamic income instruments such as certificates of Islamic investment, musharaka certificates, Islamic sukuk certificates and other Shariah compliant instruments. Under the Trust Deed all the conducts and acts of the Fund are based on Shariah. The Management Company has appointed Meezan Bank Limited (MBL) as Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Islamic Shariah. The Management Company is registered with the SECP as a Non-Banking Finance Company under NBFC Rules.
- 1.3 The Fund is a closed-end scheme (mutual fund) upto June 30, 2013 and its certificates were listed on Karachi Stock Exchange. The Management Company has been given a quality rating of AM2 by JCR - VIS Credit Rating Company Limited and was converted into an open end scheme from July 1, 2013 as described in note 1.6 below.
- 1.4 The objective of the Fund is to carry on the business as a closed-end mutual fund and to invest its assets in securities, which are listed or proposed to be listed on the stock exchanges or Mutual Funds Association of Pakistan (MUFAP).
- 1.5 Title to the assets of the Fund are held in the name of CDC as a Trustee.

1.6 CONVERSION OF THE COMPANY INTO AN OPEN END SCHEME.

Under the regulation 65 of Non-Banking Finance Companies and Notified Entities Regulations, 2008, an Asset Management Company managing a Closed-End Fund or an Investment Company shall, upon the expiry of five years from 21 November 2007 or the date of the launch of the Fund whichever is later, hold within one month of such period, a meeting of the certificate holders in case of a Closed-End Scheme or shareholders in case of an investment company to seek their approval to convert into an Open-End Scheme or revoke the Closed-End Scheme / wind-up the investment company.

Accordingly, a meeting of the shareholders of the Fund was held on January 31, 2013 in which a resolution to convert the company into an Open-End Scheme (Meezan Balanced Fund) was passed.

Subsequently, on May 3, 2013, SECP vide its letter No. SCD/AMCW/MBF /512/2013 has approved the conversion of the closed end structure into an open end scheme through the establishment of the Unit Trust Scheme under the name of Meezan Balanced Fund (MBF).

On June 27, 2013, SECP vide its letter No SCD/AMCW/MBF/613/2013 registered MBF (the open-end scheme) as a notified entity and has withdrawn the registration of MBF as close end scheme with effect from the effective date i.e. 01 July 2013 and therefore from July 1, 2013, the Fund has been converted into an open end scheme and accordingly the certificate holders of closed end scheme at June 30, 2013, were converted to unitholders of open end scheme from July 1, 2013. Further, the Fund has recognised the unrecognised provision of WWF during the year as described in note 12 to the financial statements.

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 earlier referred guidelines. This practice is being followed to comply with the requirements of approved accounting standards as applicable in Pakistan.

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, 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 2008) and directives issued by the SECP. Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations 2008 and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations 2008 and the said directives shall prevail.

2.2 Basis of measurement

These financial statements have been prepared on the basis of historical cost convention except that investments classified as 'at fair value through profit or loss' and 'available for sale' are measured at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

2.4 Critical accounting estimates and assumptions

The preparation of financial statements in conformity with approved accounting standards requires the use of critical accounting estimates. It also requires the Management Company to exercise its judgement in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable in the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- (a) Classification and valuation of financial instruments (notes 3.1 and 5)
- (b) Impairment of financial instruments (note 3.1.5)
- (c) Recognition of provision for Workers' Welfare Fund (note 12)

2.5 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on the financial statements of the Fund.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on the financial statements of the Fund.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on the financial statements of the Fund.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the Statement of Assets and Liabilities or subject to master netting agreement or similar arrangement.
- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.
- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to Statement of Assets and Liabilities.
- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments have no impact on the financial statement of the Fund.
- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a financial statements of the Fund.
- IFRIC 21- Levies ‘an Interpretation on the accounting for levies imposed by governments’ (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).
- Amendment to IAS 36 “Impairment of Assets” Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Financial instruments

3.1.1 Classification

The Fund classifies its financial assets in the following categories: 'loans and receivables', 'at fair value through profit or loss', 'held to maturity' and 'available for sale'. The classification depends on the purpose for which the financial assets were acquired. The management determines the appropriate classification of its financial assets in accordance with the requirement of International Accounting Standard (IAS) 39 : ' Financial Instruments: Recognition and Measurement', at the time of initial recognition and re-evaluates this classification on a regular basis.

a) Financial instruments as 'at fair value through profit or loss'

An instrument is classified as 'at fair value through profit or loss' if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated as 'at fair value through profit or loss' if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy. Financial assets which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading or a derivative.

All derivatives in a net receivable position (positive fair value), are reported as financial assets held for trading. All derivatives in a net payable position (negative fair value), are reported as financial liabilities held for trading.

(b) Held to maturity

These are securities acquired by the Fund with the intention and ability to hold them upto maturity.

(c) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as 'at fair value through profit or loss' or 'available for sale'.

(d) Available for sale

These are non-derivatives financial assets that are either designated in this category or are not classified in any of the other categories mentioned in (a) to (c) above.

3.1.2 Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

3.1.3 Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities 'at fair value through profit or loss' are expensed immediately. Subsequent to initial recognition, instruments classified as financial assets 'at fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising from changes in the fair value of the financial assets 'at fair value through profit or loss' are recognised in the Income Statement. The changes in the fair value of instruments classified as 'available for sale' are recognised in other comprehensive income until derecognised or impaired when the accumulated fair value adjustments recognised in other comprehensive income are transferred to Income Statement.

Financial assets classified as 'loans and receivables' are carried at amortised cost using the effective yield method, less impairment losses, if any.

Financial liabilities, other than those 'at fair value through profit or loss', are measured at amortised cost using the effective yield method.

3.1.4 Fair value measurement principles

The fair value of financial instruments is determined as follows:

Basis of valuation of debt securities:

The fair value of debt securities is based on the value determined and announced by MUFAP in accordance with the criteria laid down in Circular No.1 of 2009 dated January 6, 2009 and Circular No. 33 of 2012 dated October 24, 2012 issued by the SECP. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

Provisions are recognised when there is objective evidence that a financial asset or group of financial assets are non-performing, in accordance with the circular and subsequent clarification thereon. Additional provision may be recognised when there is objective evidence of the continuity of non-performance. Further the reversal of provisions are also made in accordance with the said circulars and subsequent clarifications.

Basis of valuation of government securities:

The government securities not listed on a stock exchange and traded in the interbank market are valued at the average rates quoted on a widely used electronic quotation system which are based on the remaining tenor of the securities.

Basis of valuation of equity securities:

The fair value of shares of listed companies / units of funds, derivatives and financial instruments sold on deferred settlement basis is based on their price quoted on the Karachi Stock Exchange at the reporting date without any deduction for estimated future selling costs.

Financial assets and financial liabilities are priced at their fair value.

3.1.5 Impairment

Impairment loss on investments other than 'available for sale' is recognised in the income statement whenever the carrying amount of investment exceeds its recoverable amount. If in a subsequent period, the amount of an impairment loss recognised decreases the impairment is reversed through the Income Statement.

In case of investment classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is transferred from other comprehensive income and recognised in the Income Statement. However, the decrease in impairment loss on equity securities classified as 'available for sale' is recognised in other comprehensive income. If in any subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through Income Statement.

3.1.6 Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

3.1.7 Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the Statement of Assets and Liabilities if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.1.8 Regular way contracts

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

3.2 Provisions

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

3.3 Net assets value per certificate

The net assets value (NAV) per certificate, as disclosed on the Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of certificates in issue.

3.4 Earnings per certificate

Earning per certificate (EPC) has been calculated by dividing the net income by the weighted average number of certificates in issue at the year end.

3.5 Taxation

Current

The income of the Fund is exempt from income tax under clause 99 of Part I to the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the period, as reduced by capital gains, whether realised or unrealised, is distributed amongst the certificate holders. Accordingly, the Fund has not recorded a tax liability in respect of income relating to the current year as the Fund intends to avail this exemption.

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

Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that these will be available for set off against future taxable profits. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

However, the Fund has not recognised any amount of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least 90 percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised to its certificate holders every year.

3.6 Revenue recognition

- (i) Gains / (losses) arising on sale of investments are included in income statement currently and are recognised on the date when the transaction takes place.
- (ii) Unrealised gains / (losses) arising on revaluation of securities classified as financial assets 'at fair value through profit or loss' are included in the income statement in the period in which they arise.
- (iii) Unrealised gains / (losses) arising on revaluation of securities classified as 'available for sale' are included in the other comprehensive income in the period in which they arise.
- (iv) Dividend income is recognised when the Fund's right to receive the same is established, i.e. on the date of book closure of the investee company / institution declaring the dividend.
- (v) Income on sukuk certificates and government securities is recognized on a time proportionate basis using 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 receipt basis.
- (vi) Profit on bank deposit is recognized on time proportion basis using effective yield method.

3.7 Expenses

All expenses, including management fee, trustee fee, SECP fee are recognised in the Income Statement as and when incurred.

3.8 Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Assets and Liabilities at cost. Cash comprises current and saving accounts with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3.9 Segment Reporting

Operating segments are reported in the manner consistent with the internal reporting used by the investment committee. The investment committee of the Management Company makes the strategic resource allocations on behalf of the Fund. The Fund has determined the operating segments based on the reports reviewed by its investment committee for taking strategic decisions. Therefore the operating segments are equity sub-portfolio and debt sub-portfolio.

3.10 Distribution

Distribution and appropriation to reserves are recognised in the year in which they are approved.

	Note	2013 (Rupees in '000)	2012
4. BALANCES WITH BANKS			
On current accounts		8,062	6,332
On saving accounts	4.1	288,631	66,556
		<u>296,693</u>	<u>72,888</u>
4.1	The balances in saving accounts have an expected profit ranging from 5.65% to 12.10% (2012: 5.04% to 12.10%) per annum.		
5. INVESTMENTS			
Investments - 'at fair value through profit or loss'	5.1	1,095,632	985,868
Investments - 'available for sale'	5.2	398,328	484,518
		<u>1,493,960</u>	<u>1,470,386</u>
5.1 Investments 'at fair value through profit or loss'			
Held for trading	5.1.1	911,413	788,771
Investments at fair value through profit or loss upon initial recognition	5.1.2	184,219	197,097
		<u>1,095,632</u>	<u>985,868</u>
5.1.1 Held for trading			
Shares of listed companies	5.1.1.1	554,413	353,771
Sukuk certificates	5.1.1.4	357,000	435,000
		<u>911,413</u>	<u>788,771</u>

5.1.1.1 Held for trading - shares of listed companies

Name of the investee company	As at July 1, 2012	Purchases during the year	Bonus issue	Sales during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market value as at June 30, 2013	Unrealised gain / (loss) as at June 30, 2013	Percentage of market value of total investment
	-----Number of shares-----					----- (Rupees in '000) -----			%
Automobile and parts									
Pakistan Suzuki Motor Company Limited	26,800	-	-	19,000	7,800	747	1,160	413	0.08
Chemicals									
Fauji Fertilizer Bin Qasim Limited	685,000	100,000	-	435,000	350,000	13,936	13,139	(797)	0.88
Fauji Fertilizer Company Limited	870,000	108,300	-	476,500	501,800	56,231	53,908	(2,323)	3.61
ICI Pakistan Limited	2,195	-	-	-	2,195	288	366	78	0.02
									4.51
Construction and materials									
Akzo Nobel Pakistan Limited	1,104	-	-	1,104	-	-	-	-	-
Attock Cement Pakistan Limited	125,000	-	16,350	86,000	55,350	3,920	7,306	3,386	0.49
Lucky Cement Limited	230,000	120,000	-	81,000	269,000	31,944	56,414	24,470	3.78
DG Khan Cement Company Limited	224,660	339,500	-	105,000	459,160	23,976	38,427	14,451	2.57
									6.84
Fixed line telecommunication									
Pakistan Telecommunication Company Limited "A"	1,758,365	1,035,000	-	2,086,855	706,510	11,696	15,677	3,981	1.05
General industrials									
Thal Limited (note 5.1.1.2)	171,522	-	12,363	122,885	61,000	5,157	7,777	2,620	0.52
Tri-Pack Films Limited	83,400	-	-	28,400	55,000	11,549	11,110	(439)	0.75
Packages Limited	220,000	-	-	42,000	178,000	17,747	39,760	22,013	2.66
									3.93
Oil and gas									
Pakistan Oilfields Limited	69,775	84,700	-	44,000	110,475	47,522	54,947	7,425	3.68
Attock Refinery Limited	-	54,000	-	54,000	-	-	-	-	-
Pakistan Petroleum Limited	106,784	241,900	30,946	77,300	302,330	55,147	63,967	8,820	4.28
National Refinery Limited	12,900	-	-	12,000	900	208	217	9	0.02
Pakistan State Oil Company Limited	30,000	50,000	23,200	-	103,200	19,215	33,063	13,848	2.21
Oil and Gas Development Company Limited (note 5.1.1.3)	89,000	127,000	-	55,200	160,800	28,832	36,783	7,951	2.46
Attock Petroleum Limited	-	20,000	-	20,000	-	-	-	-	-
									12.65
Personal Goods									
Nishat Mills Limited	-	333,000	-	-	333,000	27,938	31,372	3,434	2.10
Electricity									
Hub Power Company Limited	281,097	108,000	-	-	389,097	16,743	23,988	7,245	1.60
Kohinoor Energy Limited	-	75,000	-	-	75,000	2,550	2,813	263	0.19
									1.79
Food producers									
Engro Foods Limited	300,000	482,500	-	340,500	442,000	46,674	62,219	15,545	4.17
Unilever Pakistan Limited (note 5.1.1.2)	-	750	-	750	-	-	-	-	-
									4.17
Engineering									
Millat Tractors Limited	-	26,500	1,590	28,090	-	-	-	-	-
Total						422,020	554,413	132,393	
Total cost of investments							414,457		

5.1.1.2 All shares have a face value of Rs 10 each except for the shares of Thal Limited which have a face value of Rs. 5 each and Unilever Pakistan Limited which has a face value of Rs 50.

5.1.1.3 100,000 shares (2012 : 100,000 shares) of Oil and Gas Development Company Limited, having market value of Rs 22.875 million as at June 30, 2013 (June 30, 2012 : Rs 16.044 million) have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

5.1.1.4 Held for trading - Sukuk certificates

Name of the investee company	Maturity	Profit rate	As at July 01, 2012	Purchases during the year	Sales during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market value / Face value as at June 30, 2013 (note 5.1.1.6)	Unrealised gain / (loss) as at June 30, 2013	Percentage of market value of total investment
			-----Number of certificates-----			----- (Rupees in '000) -----		%		
Secured										
GoP Ijarah Sukuk Certificates - IV (Note 5.1.1.5)	September 17, 2012	Weighted Average 6 months T-Bills less 5 basis points	30	-	30	-	-	-	-	-
GoP Ijarah Sukuk Certificates - V (Note 5.1.1.5)	November 15, 2013	Weighted Average 6 months T-Bills	20	-	-	20	2,000	2,000	-	0.13
GoP Ijarah Sukuk Certificates - IX (Note 5.1.1.5)	December 26, 2014	Weighted Average 6 months T-Bills	950	-	-	950	95,000	95,000	-	6.36
GoP Ijarah Sukuk Certificates - XI (Note 5.1.1.5)	April 30, 2015	Weighted Average 6 months T-Bills	600	-	-	600	60,000	60,000	-	4.02
GoP Ijarah Sukuk Certificates - XII (Note 5.1.1.5)	June 28, 2015	Weighted Average 6 months T-Bills	2,750	-	1,000	1,750	175,000	175,000	-	11.71
GoP Ijarah Sukuk Certificates - XIV (Note 5.1.1.5)	March 28, 2016	Weighted Average 6 months T-Bills	-	250	-	250	25,000	25,000	-	1.67
Total							357,000	357,000	-	
Total cost of investments								357,000		

5.1.1.5 The nominal value of GoP Ijarah sukuk certificates is Rs. 100,000 each and they are stated at face value.

5.1.1.6 GoP Ijarah Sukuks are valued at their face value as allowed by MUFAP after consultation with SECP. Had the Sukuks been valued at PKISRV rates the investment would have been higher by Rs 0.676 million as at 30 June 2013.

5.1.2 Investments - 'at fair value through profit or loss upon initial recognition'

	Note	2013 (Rupees in '000)	2012 (Rupees in '000)
Shares of listed companies	5.1.2.1	24,169	19,746
Sukuk certificates	5.1.2.2	160,050	177,351
		<u>184,219</u>	<u>197,097</u>

5.1.2.1 Investments at fair value through profit or loss upon initial recognition - Shares of listed companies

Name of the investee company	As at July 01, 2012	Purchases during the year	Bonus issue	Sales during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market value as at June 30, 2013	Unrealised gain / (loss) as at June 30, 2013	Percentage of market value of total investment
	-----Number of shares-----					----- (Rupees in '000) -----		%	
Automobile and parts									
Indus Motor Company Limited	50,055	-	-	-	50,055	12,267	15,567	3,300	1.04
Banks									
Meezan Bank Limited (an associate company of the Fund)	250,084	-	27,509	-	277,593	7,232	8,050	818	0.54
General industrials									
Packages Limited	2,473	-	-	-	2,473	247	552	305	0.04
Total						19,746	24,169	4,423	
Total cost of investments							12,894		

5.1.2.2 Sukuk certificates

Name of the investee company	Maturity	Profit rate	As at July 01, 2012	Purchases during the year	Sales / redemptions during the year	As at June 30, 2013	*Carrying value as at June 30, 2013	*Market value as at June 30, 2013	Unrealised loss as at June 30, 2013	Percentage of market value of total investments
			-----Number of certificates-----			----- (Rupees in '000) -----			%	
Secured										
Engro Fertilizer Pakistan Limited (note 5.1.2.3)	September 1, 2015	6 months KIBOR plus base rate of 1.5%	10,000	-	-	10,000	50,826	50,051	(775)	3.35
Security Leasing Corporation Limited II (note 5.1.2.3, 5.1.2.7 & 5.1.2.8)	January 19, 2022	Nil	1,946	-	203	1,743	3,487	3,487	-	0.23
Century Paper & Board Mills Limited (note 5.1.2.3)	September 25, 2014	6 months KIBOR plus base rate of 1.35%	2,500	-	2,500	-	-	-	-	-
Eden Housing Limited (note 5.1.2.4, 5.1.2.6 & 5.1.2.8)	September 29, 2014	6 months KIBOR plus base rate of 2.5%	5,000	-	-	5,000	6,512	6,512	-	0.44
Arzoo Textile Mills Limited (note 5.1.2.3 & 5.1.2.8)	April 15, 2014	6 months KIBOR plus base rate of 2%	5,000	-	-	5,000	-	-	-	-
Hub Power Company Limited - CP Sukuk (note 5.1.2.3 & 5.1.2.5)	August 4, 2012	6 months Kibor plus base rate of 1.25%	20,000	-	20,000	-	-	-	-	-
Hub Power Company Limited - CP Sukuk (note 5.1.2.3 & 5.1.2.5)	February 16, 2013	6 months Kibor plus base rate of 1.25%	-	20,000	20,000	-	-	-	-	-
Hub Power Company Limited - CP Sukuk (note 5.1.2.3 & 5.1.2.5)	September 12, 2013	6 months Kibor plus base rate of 1.25%	-	20,000	-	20,000	100,000	100,000	-	6.69
Kot Addu Power Company - CP Sukuk (note 5.1.2.3 & 5.1.2.5)	June 10, 2013	6 months Kibor plus base rate of 1.1%	-	20,000	20,000	-	-	-	-	-
Total							160,825	160,050	(775)	
Total cost of investments								189,638		

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

5.1.2.3 The nominal value of these sukuk certificates is Rs 5,000 each.

5.1.2.4 The nominal value of the sukuk certificates of Eden Housing Limited has a face value of Rs. 1,302 each. (2012 : Rs. 1,856)

5.1.2.5 The securities are carried at face value as per the requirements of Circular 1 of 2009 and Circular 33 of 2012 with respect to thinly and non traded debt securities with residual maturity of upto six months.

5.1.2.6 On May 6, 2011, Eden Housing sukuk certificates were classified as non-performing by MUFAP. Accordingly, Fund has valued the sukuku at the last price quoted by MUFAP. Although, the fund has received all the instalments due as per the restructured terms, accrual of profit has been stopped and all income have been recognized on cash basis from September 30, 2011.

5.1.2.7 The agreement with Security Leasing Corporation Limited with respect to investment in the sukuk certificates had been amended on February 19, 2012. In accordance with the revised terms no mark-up is payable on the said sukuk with the approval of contributories to the sukuk certificates. The sukuk certificates have been classified as non-performing by MUFAP on April 3, 2012. Therefore, in accordance with the requirement of Circular No. 33 of 2012, the sukuk certificates have been classified as non-performing assets and no further profit has been accrued thereafter. Further, in accordance with the requirement of Circular 33 of 2012, an amount of Rs. 2.653 million has also been provided against the outstanding principal as at June 30, 2013. The Fund has received all the instalments due as per the restructured terms.

5.1.2.8 Following investments of the Fund are in the sukuk certificates which are below 'investments grade' securities:

The Securities and Exchange Commission of Pakistan vide circular 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 (Management Company) classified Meezan Balanced Fund (the Fund) as 'Balanced Scheme' in accordance with the said circular. As at June 30, 2013 the Fund is compliant with all the requirements of the said circular except for clause 2 (iv) which requires any security in the portfolio shall not be lower than the investment grade.

Name of the investee company	Type of investments	Value of investment before provision	Provision held as at June 30, 2013	Value of investment after provision	Percentage of net assets	Percentage of total assets
		(Rupees in '000)			%	
Arzoo Textile Mills Limited	Non-traded sukuk certificates	18,750	18,750	-	-	-
Eden Housing Limited	Non-traded sukuk certificates	6,512	-	6,512	0.37	0.36
Security Leasing Corporation Limited II	Non-traded sukuk certificates	6,140	2,653	3,487	0.20	0.19
		<u>31,402</u>	<u>21,403</u>	<u>9,999</u>	<u>0.57</u>	<u>0.55</u>
				Note	2013	2012
					(Rupees in '000)	

5.1.2.9 Provision on sukuk certificates

Opening	20,796	18,750
Provision / (Reversal) for the year - net	607	2,046
Closing	<u>21,403</u>	<u>20,796</u>

5.2 Investments - 'available for sale'

Shares of listed companies	5.2.1	<u>398,328</u>	<u>484,518</u>
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5.2.1 Shares of listed companies- 'available for sale'

Name of the investee company	As at July 01, 2012	Purchases during the year	Bonus issue	Sales during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market value as at June 30, 2013	Unrealised gain / (loss) as at June 30, 2013	Percentage of market value of total investment
	-----Number of shares-----					------(Rupees in '000)-----			%
Automobile and parts									
Indus Motor Company Limited	62,375	-	-	46,300	16,075	3,515	4,999	1,484	0.34
Pakistan Suzuki Motor Company Limited	11,260	-	-	-	11,260	833	1,675	842	0.11
									0.45
Banks									
Meezan Bank Limited (an associate of the Fund)	351,178	-	10,029	260,000	101,207	1,415	2,935	1,520	0.20
BankIslami Pakistan Limited	500	-	-	-	500	2	3	1	0.00
									0.20
Chemicals									
Fauji Fertilizer Bin Qasim Company Limited	3,377	-	-	-	3,377	120	127	7	0.01
Fauji Fertilizer Company Limited	76,599	-	-	46,000	30,599	2,465	3,287	822	0.22
ICI Pakistan Limited	226,236	-	-	218,315	7,921	999	1,318	319	0.09
									0.32
Construction and materials									
Akzo Nobel Pakistan Limited	113,764	-	-	113,764	-	-	-	-	-
Attock Cement Pakistan Limited	35,000	-	5,250	-	40,250	1,785	5,313	3,528	0.36
Lucky Cement Limited	200,451	-	-	143,000	57,451	6,840	12,049	5,209	0.81
DG Khan Cement Company Limited	699,749	-	-	316,500	383,249	15,092	32,074	16,982	2.14
									3.31
Electricity									
Hub Power Company Limited	2,727,050	-	-	1,173,000	1,554,050	57,446	95,807	38,361	6.41
Fixed line telecommunication									
Pakistan Telecommunication Company Limited "A"	103,145	-	-	103,145	-	-	-	-	-
General industrials									
Tri-Pack Films Limited	10,000	-	-	10,000	-	-	-	-	-
Oil and gas									
National Refinery Limited	20,000	-	-	20,000	-	-	-	-	-
Oil and Gas Development Company Limited	395,666	-	-	-	395,666	54,070	90,509	36,439	6.06
Pakistan Oilfields Limited	162,250	-	-	30,000	132,250	32,942	65,777	32,835	4.40
Pakistan Petroleum Limited	284,632	-	71,158	202,000	153,790	22,658	32,539	9,881	2.17
Pakistan State Oil Company Limited	221,600	-	90,804	156,600	155,804	25,516	49,916	24,400	3.34
									15.97
Total						225,698	398,328	172,630	
Total cost of investments							225,698		

5.2.2 During the year, an impairment loss amounting to Rs. 4.028 million was recognized on Akzo Nobel Pakistan Limited. No further impairment loss has been recognized as a result of impairment testing as at June 30, 2013.

6. DEPOSITS AND OTHER RECEIVABLES	Note	2013	2012
		(Rupees in '000)	
Security deposits		2,800	2,800
Profit receivable on saving accounts with banks		3,466	2,794
Profit receivable on sukuk certificates		6,843	9,656
		13,109	15,250
7. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED (Al Meezan) - Management Company			
Management fee	7.1	2,911	2,517
Sindh Sales Tax and Federal Excise Duty on management fee	7.2 & 7.3	744	403
		3,655	2,920

- 7.1 Under the provisions of NBFC Regulations, the Management Company is entitled to a remuneration of an amount not exceeding three percent of the average annual net assets of the Fund during the first five year of the Fund's existence, and thereafter, of an amount equal to two percent of such assets of the Fund. The remuneration of the Management Company has been charged at the rate of two percent per annum of the average annual net assets of the Fund.
- 7.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 16 percent on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.
- 7.3 With effect from June 13, 2013, the Federal Government levied Federal Excise Duty at the rate of 16 percent on the remuneration of the Management Company and sales load through Finance Act, 2013.

8. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED (CDC) - Trustee

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed in accordance with the tariff specified therein, based on the average daily net assets value of the Fund.

The remuneration of the Trustee for the year ended June 30, 2013 and 2012 has been calculated as per the following applicable tariff:

Net assets	Tariff
Upto to Rs 250 million	0.20% per annum
On amount exceeding Rs 250 million up to Rs 500 million	Rs. 0.875 million plus 0.08% per annum on amount exceeding Rs. 500 million

9. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

This represents annual fee payable to SECP. Fee at the rate of 0.085 percent of the average annual net assets of the Fund is payable to SECP under regulation 62 read with Schedule II of the NBFC Regulations.

	Note	2013 (Rupees in '000)	2012
10. ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		340	363
Charity payable	10.1	4,003	3,262
Annual listing fee payable		-	10
Provision for Worker Welfare Fund (WWF)		20,735	-
Others		404	367
		25,482	4,002

- 10.1 According to the instructions of the shariah advisor, any income earned by the Fund from investments whereby portion of the investment of such investees has been made in shariah non-compliant avenues, such proportion of income of the Fund from those investees should be given away for charitable purposes directly by the Fund.

Accordingly, an amount of Rs 4.003 million (2012: Rs 3.262 million) is outstanding in this regard after making charity payments of Rs 0.600 million (2012: Rs 0.250 million) to renowned charitable institutions. None of the directors of the Management Company of the Fund were interested in any of donees.

11. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2013.

12. WORKERS' WELFARE FUND (WWF)

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

In 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its collectorates for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the funds managed by Al Meezan for collection of WWF. In respect of such showcase notices, certain mutual funds have been granted stay by Honourable Sindh High Court (SHC) on the basis of pending constitutional petition as referred above. No such notice was received by the Fund.

During the year 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 declared the said amendments as unlawful and unconstitutional. In March 2013 a large bench of Sindh High Court (SHC) in various Constitutional Petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the court.

In view of above stated facts and considering the uncertainty on the applicability of WWF to mutual funds due to show cause notices issued to a number of mutual funds, the management company as a matter of abundant caution has decided to continue to maintain the provision for WWF for the year ended 30 June 2013. As at 30 June 2013, the Fund, has recognised WWF amounting to Rs 20.735 million which includes Rs 6.457 million pertaining to current year and Rs 14.278 million pertaining to prior years.

Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs 0.17 (1.19%).

	2013	2012
	(Rupees in '000)	
13. AUDITORS' REMUNERATION		
Statutory Audit fee	240	263
Half yearly review fee	100	100
Other certifications	100	100
Out of pocket expenses	40	60
	<u>480</u>	<u>523</u>
14. EARNINGS PER CERTIFICATE - BASIC		
Net income for the year	<u>322,858</u>	<u>253,854</u>
	---Number of certificates---	
Weighted average number of ordinary certificates outstanding during the year	<u>120,000,000</u>	<u>120,000,000</u>
	-----Rupees-----	
Basic earnings per certificate	<u>2.69</u>	<u>2.11</u>

A diluted earnings per certificate has not been presented as the Fund does not have any convertible instruments as at June 30, 2013 and 2012 which would have any effect on the earnings per certificate if the option to convert is exercised.

15. OPERATING SEGMENTS

The investment committee of the Management Company makes the strategic resource allocations on behalf of the Fund. The Fund has determined the operating segments based on the reports reviewed by this committee for taking strategic decisions.

The committee considers the investments as two sub-portfolios, which are managed by the Fund manager of the Management Company. These sub-portfolios consist of an equity portfolio, which focuses on equity securities and related derivatives; the second sub-portfolio consisting of debt instruments.

The reportable operating segments derive their income by seeking investments to achieve targeted returns that consummate with an acceptable level of risk within each portfolio. These returns consist of profit on sukuk certificates, dividends, gain on disposals of investments and unrealised gain on the appreciation in the value of the investments.

There were no changes in the reportable segments during the year.

The segment information provided to the investment committee and the Fund manager for the reportable segments is as follows:

For the year ended June 30, 2013			
	Equity sub-portfolio	Debt sub-portfolio	Total
------(Rupees in '000)-----			
Profit on sukuk certificates	-	63,473	63,473
Dividend income	67,498	-	67,498
Net realised gain on sale of investments	114,743	1,150	115,893
Securities transaction costs	(1,012)	(21)	(1,033)
Impairment loss on 'available for sale' investments	(4,028)	-	(4,028)
Unrealised gain on re-measurement of investments 'at fair value through profit or loss'	136,041	-	136,041
Provisions against non performing debt securities (net)	-	(607)	(607)
Total net segment income	313,242	63,995	377,237
Total segment assets	977,884	523,893	1,501,777
Total segment liabilities	13,253	-	13,253

As at June 30, 2013			
	Equity sub-portfolio	Debt sub-portfolio	Total
------(Rupees in '000)-----			
Total segment assets include:			
Investments - 'at fair value through profit or loss'	578,582	517,050	1,095,632
Investments - 'available for sale'	398,328	-	398,328
Dividend receivable	974	-	974
Profit receivable on sukuk certificates	-	6,843	6,843
	977,884	523,893	1,501,777
Total segment liabilities include:			
Payable against purchase of investments	8,921	-	8,921
Charity payable	4,003	-	4,003
Brokerage Payable	269	-	269
Others	60	-	60
	13,253	-	13,253

For the year ended June 30, 2012		
Equity sub-portfolio	Debt sub-portfolio	Total
------(Rupees in '000)-----		
Profit on sukuk certificates	-	78,304
Dividend income (net of charity expense)	54,712	-
Net realised gain on sale of investments	156,369	3,820
Provision against non-performing debt securities	-	(2,046)
Securities transaction costs	(1,013)	(5)
Impairment loss on 'available for sale' investments	(20,937)	-
Unrealised gain on re-measurement of investments at fair value through profit or loss	11,640	1,231
Settlement Charges	(138)	-
Total net segment income	200,633	81,304
Total segment assets	859,517	622,007
Total segment liabilities	3,597	-

As at June 30, 2012		
Equity sub-portfolio	Debt sub-portfolio	Total
------(Rupees in '000)-----		
Investments - 'fair value through profit or loss'	373,517	612,351
Investments - 'available for sale'	484,518	-
Dividend receivable	1,482	-
Profit receivable on sukuk certificates	-	9,656
Total segment assets include:	859,517	622,007
Total segment liabilities include:	3,597	-

Total segment assets include:

Investments - 'fair value through profit or loss'	373,517	612,351	985,868
Investments - 'available for sale'	484,518	-	484,518
Dividend receivable	1,482	-	1,482
Profit receivable on sukuk certificates	-	9,656	9,656
Total segment assets include:	859,517	622,007	1,481,524

Total segment liabilities include:

Payable against purchase of investments	44	-	44
Charity payable	3,262	-	3,262
Brokerage Payable	213	-	213
Others	78	-	78
Total segment liabilities include:	3,597	-	3,597

There were no transactions between reportable segments.

The Fund's administration and management fees are not considered to be segment expenses.

A reconciliation of total net segmental income to total income is provided as follows:

	2013	2012
	(Rupees in '000)	
Total net segment income	377,237	281,937
Profit on saving accounts with banks	10,012	9,789
Other Income	-	52
Expenses	(64,391)	(37,924)
Net Income for the year	322,858	253,854

The amounts provided to the investment committee with respect to total assets are measured in a manner consistent with International Accounting Standards as applicable in Pakistan. The Fund's other receivables and prepayments are not considered to be segment assets and are managed by the administration function.

Reportable segments' liabilities are reconciled to total assets as follows:

	2013	2012
	(Rupees in '000)	
Segment assets for reportable segments	1,501,777	1,481,524
Balances with banks	296,693	72,888
Deposits and other receivables	6,266	5,594
Total assets	<u>1,804,736</u>	<u>1,560,006</u>

The amounts provided to the investment committee with respect to liabilities are measured in a manner consistent with International Accounting Standards as applicable in Pakistan. The Fund's payables for management fees, Trustee fee, SECP fee and other administration fees are not considered to be segment liabilities and are managed by the administration function.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2013	2012
	(Rupees in '000)	
Segment liabilities for reportable segments	13,253	3,597
Accrued expenses	21,419	662
Others	22,584	20,704
Total liabilities	<u>57,256</u>	<u>24,963</u>

16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include Al Meezan Investment Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, Meezan Bank Limited being the holding company of the Management Company, directors and officers of the Management Company, Meezan Islamic Fund, Meezan Islamic Income Fund, Al Meezan Mutual Fund, Meezan Tahaffuz Pension Fund, Meezan Cash Fund, Meezan Financial Planning Fund of Funds, Meezan Sovereign Fund, Meezan Capital Protected Fund-II and KSE Meezan Index Fund being the funds under the common management of the Management Company, Pakistan Kuwait Investment Company (Private) Limited being the associated company of the Management Company and Al Meezan Investment Management Limited - Staff Provident Fund and Al Meezan Investment Management Limited - Staff Gratuity Fund.

Transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration payable to the Management Company and the trustee is determined in accordance with the provision of NBFC Rules, NBFC Regulations and the Trust Deed respectively.

Details of transactions with connected persons and balances with them for the year ended June 30, 2013 and as of that date along with the comparative are as follows:

	2013	2012
	(Rupees in '000)	
Al Meezan Investment Management Limited - Management Company		
Remuneration payable	2,911	2,517
Sindh Sales Tax and Federal Excise Duty payable on management fee payable	744	403
Investment of 4,596,824 certificates (June 30, 2012: 3,821,824)	59,667	39,594
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	156	140
CDS Charges payable	-	8
Deposits	300	300
Meezan Bank Limited - Shariah Advisor		
Bank balance	13,736	10,311
Investment in 378,800 shares (June 30, 2012: 601,262 shares)	10,985	17,388
Investment of 16,134,468 certificates (June 30, 2012: 16,134,468 certificates)	209,425	167,153
Pakistan Kuwait Investment Company (Private) Limited		
Investment of 11,057,791 in certificates (June 30, 2012: 11,057,791 certificates)	143,530	114,559
Al Meezan Investment Management Limited - Staff Provident Fund		
Investment of 616,569 in certificates (June 30, 2012: 335,569 certificates)	8,003	3,476
Al Meezan Investment Management Limited - Staff Gratuity Fund		
Investment of 324,075 in certificates (June 30, 2012: 91,575 certificates)	4,206	949
Directors and Executives of the Management Company		
Investment of 184,975 certificates (June 30, 2012: 22,975 certificates)	2,401	238

**For the year ended
June 30**

	2013	2012
	(Rupees in '000)	
Al Meezan Investment Management Limited - Management Company		
Remuneration for the year	31,924	29,108
Sindh Sales Tax and Federal Excise Duty on management fee	5,386	4,657
Purchase 775,000 certificates (2012: Nil certificates)	9,571	-
Cash dividend for the year	8,734	6,688
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the year	1,752	1,641
Charges for the year	144	129
Meezan Bank Limited - Shariah Advisor		
Profit on saving account	28	36
Cash dividend paid during the year	30,655	28,235
Cash dividend income during the year	-	534

	For the year ended June 30	
	2013	2012
	(Rupees in '000)	
Pakistan Kuwait Investment Company (Private) Limited		
Cash dividend for the year	21,010	19,351
Al Meezan Investment Management Limited - Staff Provident Fund		
Purchase 281,000 certificates (2012: Nil certificates)	3,308	-
Cash dividend for the year	1,171	587
Al Meezan Investment Management Limited - Staff Gratuity Fund		
Purchase 232,500 certificates (2012: Nil certificates)	2,760	-
Cash dividend for the year	616	160
Directors and Executives of the Management Company		
Cash dividend for the year	332	58

17. FINANCIAL INSTRUMENTS BY CATEGORY

	2013				
	Loans and receivables	Financial assets at fair value through profit or loss	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	Total
	(Rupees in '000)				
On balance sheet - financial assets					
Balances with banks	296,693	-	-	-	296,693
Investments	-	1,095,632	398,328	-	1,493,960
Dividend receivable	974	-	-	-	974
Deposits and other receivables	13,109	-	-	-	13,109
	<u>310,776</u>	<u>1,095,632</u>	<u>398,328</u>	<u>-</u>	<u>1,804,736</u>
On balance sheet - financial liabilities					
Payable to Al Meezan Investment Management Limited - Management Company	-	-	-	3,655	3,655
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	156	156
Payable against purchase of investments	-	-	-	8,921	8,921
Unclaimed dividend	-	-	-	17,417	17,417
Brokerage payable	-	-	-	269	269
Accrued expenses and other liabilities	-	-	-	4,747	4,747
	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,165</u>	<u>35,165</u>
	2012				
	Loans and receivables	Financial assets at fair value through profit or loss	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	Total
	(Rupees in '000)				
On balance sheet - financial assets					
Balances with banks	72,888	-	-	-	72,888
Investments	-	985,868	484,518	-	1,470,386
Dividend receivable	1,482	-	-	-	1,482
Deposits and other receivables	15,250	-	-	-	15,250
	<u>89,620</u>	<u>985,868</u>	<u>484,518</u>	<u>-</u>	<u>1,560,006</u>
On balance sheet - financial liabilities					
Payable to Al Meezan Investment Management Limited - Management Company	-	-	-	2,920	2,920
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	140	140
Payable against purchase of investments	-	-	-	44	44
Unclaimed dividend	-	-	-	16,407	16,407
Brokerage payable	-	-	-	213	213
Accrued expenses and other liabilities	-	-	-	4,002	4,002
	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,726</u>	<u>23,726</u>

18. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies:

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

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

Risks managed and measured by the Fund are explained below:

18.1 Market risk

18.1.1 Price risk

Price risk is the risk of volatility in prices of financial instruments resulting from their dependence on market sentiments, speculative activities, supply and demand for financial instruments and liquidity in the market. The value of investments may fluctuate due to change in business cycles affecting the business of the Fund in which the investment is made, change in business circumstances of the Fund, industry environment and / or the economy in general.

The Fund's strategy on the management of investment risk is driven by the Fund's investment objectives. The primary objective of the Fund is to provide maximum return to the certificate holders from investment in Shariah compliant investments for the given level of risks. The Fund's market risk is managed on a daily basis by the fund manager in accordance with the policies and procedures laid down by the SECP. The funds are allocated among various asset classes based on the attractiveness of the particular asset class. The allocation among these is dependent on the time horizon for investments and liquidity requirements of the portfolio. The market risk is managed by monitoring exposure to marketable securities and by complying with the internal risk management policies and regulations laid down in NBFC Regulations, 2008.

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

Details of the Fund's investment portfolio exposed to price risk, at the balance sheet date are disclosed in note 5 to these financial statements. As at June 30, the Fund's overall exposure to price risk is limited to the fair value of those positions. The Fund manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weighting to that of the KSE Meezan Index (KMI) 30 index. The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

The Fund's policy also limits individual equity securities to no more than 15% of net assets.

The net assets of the Fund will increase / decrease by approximately Rs 9.769 (2012: decrease / increase approximately Rs. 8.580 million) if the prices of equity instruments vary due to increase / decrease in KMI 30 index by 1% with all other factors held constant.

The Fund manager uses KMI as a reference point in making investment decisions. However, the Fund manager does not manage the Fund's investment strategy to track KMI or any other index or external benchmark. The sensitivity analysis presented is based upon the portfolio composition as at June 30 and the historical correlation of the securities comprising the portfolio to the KMI. The composition of the Fund's investment portfolio and the correlation thereof to KMI, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30 is not necessarily indicative of the effect on the Fund's net assets attributed to units of future movements in the level of KMI.

18.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

Cash flow interest rate risk

The company's interest rate risk arises from the balances in saving accounts and investment in debt securities. At June 30, 2013, if there had been increase / decrease of 100 basis points in interest rates, with all other variables held constant, net assets of the Fund for the year then ended would have been higher / lower by Rs 8.057 million (2012: approximately Rs 6.729 million) mainly as a result of finance income.

Fair value interest rate risk

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

18.1.3 Currency risk

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

18.2 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail to perform as contracted.

Credit risk arises from deposits with banks and financial institutions, credit exposure arising as a result of investment in debt securities, profit receivable on debt securities, profit receivable on saving account, dividend receivable on equity securities and receivable against sale of investments.

Credit risk arising on the debt instruments is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of at least investment grade by the recognised rating agencies. The credit rating wise analysis of investments in debt instruments have been tabulated as follows:

	2013	2012
(%).....	
Government guaranteed	69.05	84.89
AA+	19.34	-
AA-	-	12.34
A+	9.68	-
Non-rated	1.93	2.77
	<u>100.00</u>	<u>100.00</u>

Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. Credit risk on dividend receivable is minimal due to statutory protection. Further, all transactions in securities are executed through approved brokers and in case of equity, transactions settled through National Clearing Company of Pakistan (NCCPL), thus the risk of default is considered to be minimal. For Debt instrument settlement, Delivery versus Payment (DvP) mechanism applied by Trustee of the Fund minimize the credit risk. In accordance with the risk management policy of the Fund, the Fund manager monitors the credit position on a daily basis which is reviewed by the Board of Directors on a quarterly basis.

Credit Rating wise analysis of balances with bank of the Fund are tabulated below:

	2013	2012
(%).....	
AA+	18.99	71.02
AA	8.19	14.62
AA-	-	14.15
A	72.82	0.21
	<u>100.00</u>	<u>100.00</u>

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

The maximum exposure to credit risk as at June 30, 2013, along with comparative is tabulated below:

	2013	2012
	(Rupees in '000)	
Financial assets exposed to credit risk		
Balances with banks	296,693	72,888
Investments	160,050	177,351
Dividend receivable	974	1,482
Deposits and other receivables	6,266	5,594
	<u>463,983</u>	<u>257,315</u>

In accordance with regulation 58(1)(k) of the NBFC Regulations 2008, the Fund has the ability to borrow funds for meeting the redemption requests, with the approval of the Trustee, for a period not exceeding three months to the extent of fifteen per cent of the net assets which amounts to Rs. 262.12 million as on June 30, 2013 (2012: Rs. 230.26 million). However, no such borrowing has been obtained during the year.

The Fund does not have any collateral against any of the aforementioned assets. The issuer of the sukuk, however, pledge security to the investment agent in trust for the benefit of sukuk holders.

Due to the Fund's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, the Fund does not expect non-performance by these counter parties on their obligations to the Fund except for Arzoo Textiles Limited sukuk, Eden Housing Limited sukuks and Security leasing sukuks which has been fully written off as disclosed in note 5.1.2.2 & 5.1.2.8.

18.3 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Fund's investments are considered to be readily realisable as they are all listed on stock exchanges of the country. The Fund manages liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

In accordance with the risk management policy of the Fund, the Fund manager monitors the liquidity position on a daily basis, which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

An analysis of the Fund's financial liabilities into relevant maturity grouping as at June 30, 2013 and 2012 is tabulated below:

	2013				
	Maturity upto				Total
	Three months	six months	one year	More than one year	
	----- (Rupees in '000) -----				
Payable to Al Meezan Investment Management Limited - Management Company	3,655	-	-	-	3,655
Payable to Central Depository Company of Pakistan Limited - Trustee	156	-	-	-	156
Payable against purchase of investments	8,921	-	-	-	8,921
Brokerage payable	269	-	-	-	269
Unclaimed dividend	17,417	-	-	-	17,417
Accrued expenses and other liabilities	4,747	-	-	-	4,747
	35,165	-	-	-	35,165
	----- (Rupees in '000) -----				
	2012				
	Maturity upto				Total
	Three months	six months	one year	More than one year	
	----- (Rupees in '000) -----				
Payable to Al Meezan Investment Management Limited - Management Company	2,920	-	-	-	2,920
Payable to Central Depository Company of Pakistan Limited - Trustee	140	-	-	-	140
Payable against purchase of investments	44	-	-	-	44
Brokerage payable	213	-	-	-	213
Unclaimed dividend	16,407	-	-	-	16,407
Accrued expenses and other liabilities	4,002	-	-	-	4,002
	23,726	-	-	-	23,726
	----- (Rupees in '000) -----				

19. CERTIFICATE HOLDERS' FUND RISK MANAGEMENT

The certificate holders' fund is represented by redeemable units. These certificates are entitled to distribution and payment of a proportionate share, based on the Fund's net asset value per certificate on the redemption date. The relevant movements are shown in the Statement of Movement in Certificate Holders' Fund.

The Fund's objective when managing certificate holders funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to certificate holders and to maintain a strong base of assets under management.

As mentioned in note 1.6 above, effective 1 July 2013, the Fund has been converted into an open-end fund. As per the NBFC Regulations, 2008, the open end fund is required to maintain a minimum net asset of Rs. 100 million. Subsequent to such a conversion, the open end fund had the above minimum net asset value.

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between the carrying value and 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.

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the year end date.

A Financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets that are not traded in an active market is determined with reference to the rates quoted by Financial Market Association of Pakistan and MUFAP. The fair value quoted by MUFAP is calculated in accordance with the valuation methodology prescribed by Circular 1 of 2009 and Circular 33 of 2012 issued by SECP.

Investments on the Statement of Assets and Liabilities are carried at fair value. The Management Company is of the view that the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are essentially short term in nature.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in active markets for an 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 (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the assets that are measured at fair value as at June 30, 2013:

Assets	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
Investments - 'at fair value through profit or loss'				
Financial assets held for trading				
- Equity securities	554,413	-	-	554,413
- Debt securities	-	-	-	-
Financial assets designated as 'at fair value through profit or loss' upon initial recognition				
- Equity securities	24,169	-	-	24,169
- Debt securities	-	150,051	9,999	160,050
Investments - 'available for sale'				
Financial assets available for sale				
- Equity securities	<u>398,328</u>	<u>-</u>	<u>-</u>	<u>398,328</u>
	<u>976,910</u>	<u>150,051</u>	<u>9,999</u>	<u>1,136,960</u>

During the year ended June 30, 2013, no transfers were made between the aforementioned levels.

The following table presents the assets that are measured at fair value as at June 30, 2012:

Assets	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
Investments - 'fair value through profit or loss'				
Financial assets held for trading				
- Equity securities	353,771	-	-	353,771
- Debt securities	-	435,000	-	435,000
Financial assets designated at fair value through profit or loss upon initial recognition				
- Equity securities	19,746	-	-	19,746
- Debt securities	-	163,262	14,089	177,351
Investments - 'available for sale'				
Financial assets available for sale				
- Equity securities	<u>484,518</u>	<u>-</u>	<u>-</u>	<u>484,518</u>
	<u>858,035</u>	<u>598,262</u>	<u>14,089</u>	<u>1,470,386</u>

During the year ended June 30, 2012, no transfers were made between the aforementioned levels.

The following table presents the movement in level 3 instruments.

	Debt Securities	
	2013	2012
	(Rupees in '000)	
Opening balance	14,089	21,127
Transfers into level 3	-	-
Sales / redemptions	(3,483)	(4,992)
Provision / reversal against sukuk certificates (net)	(607)	(2,046)
Gains and losses recognised in income statement	-	-
Closing balance	<u>9,999</u>	<u>14,089</u>

Financial assets not carried at fair value

The following table analysis within the fair value hierarchy the Funds' financial assets not measured at fair value as at 30 June 2013 but for which fair value is disclosed:

Assets	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
Financial assets classified as held for trading				
- Debt securities	-	357,676	-	357,676
	-	357,676	-	357,676

GoP Ijarah Sukuks (debt securities) are presently being valued at their face value (inclusive of any unamortised premium) (note 5.1.1.6). The fair value (market value) of these securities at PKISRV as at June 30, 2013 was Rs 357.676 million. Therefore, these are stated in level 2 accordingly.

21. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the certificate holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the certificate holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company has distributed at least 90 percent of the Fund's accounting income for the year ended June 30, 2013 as reduced by capital gains (whether realised or unrealised) to its certificate holders.

22. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors Meetings and Directors' present there in					
		9 July 2012	21 Sep. 2012	19 Oct. 2012	21 Jan. 2013	19 Apr. 2013	17 June 2013
Mr. Ariful Islam	Chairman	Yes	Yes	No	Yes	Yes	Yes
Mr. Mohammad Shoab	Chief Executive	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Salman Sarwar Butt	Director	Yes	No	Yes	No	Yes	Yes
Mr. P. Ahmed	Director	No	Yes	Yes	No	Yes	Yes
Mr. Mazhar Sharif	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Tasnimul Haq Farooqui	Director	Yes	Yes	Yes	Yes	Yes	Yes
Syed Amir Ali	Director	Yes	Yes	No	Yes	Yes	Yes
Syed Amir Ali Zaidi	Director	Yes	Yes	Yes	Yes	Yes	No

23. NON ADJUSTING EVENT

The Fund was converted into an open end scheme on July 1, 2013 as disclosed in note 1.6 to the financial statements.

The Board of Directors of the Management Company of the Fund in its meeting held on July 08, 2013 has announced a cash dividend of 15% (2012: 19%) amounting to Rs. 180 million (2012: Rs 228 million). This which will be accounted for in the financial statements of the Fund after conversion into an open end fund for the year ended June 30, 2014 (refer note 1.6).

24. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

Broker's Name	2013 %
Optimus Capital Management (Private) Limited (formerly Invisor Securities (Private) Limited)	12.07
Elixir Securities Pakistan (Private) Limited	11.87
Shajar Capital Pakistan (Private) Limited	10.17
KASB Securities Limited	9.16
Ample Securities (Private) Limited	8.92
Foundation Securities (Private) Limited	6.62
Fortune Securities (Private) Limited	5.96
JS Global Capital Limited	5.85
Habib Metro Financial Services Limited	5.67
BMA Capital Management Limited	4.65
	2012 %
Top Line Securities (Private) Limited	12.35
KASB Securities Limited	10.77
Elixir Securities Pakistan (Private) Limited	10.32
Fortune Securities (Private) Limited	7.84
JS Global Capital Limited	7.48
Optimus Capital Management (Private) Limited (formerly Invisor Securities (Private) Limited)	6.77
BMA Capital Management Limited	5.11
Global Securities Limited	4.98
Foundation Securities (Private) Limited	4.94
Arif Habib Securities Limited	4.60

25. PERFORMANCE TABLE

	2013	2012	2011	2010	2009
Net assets (Rs '000) (ex-distribution) *	1,747,480	1,307,043	1,313,432	1,277,711	1,142,843
Net assets value per certificate as at June 30 (Rs) (ex-distribution) *	14.56	10.89	10.95	10.65	9.52
Distribution					
- Final	15.00%	17.50%	5.50%	-	-
- Interim	-	-	-	10.00%	-
Dates of distribution (annual)	July 8, 2013*	September 14, 2011	October 20, 2010	October 20, 2009	-
Distribution (Rs '000')	228,000	210,000	66,000	120,000	-
Highest NAV per certificate (Rs)	15.01	13.12	12.82	11.56	11.85
Lowest NAV per certificate (Rs)	12.06	11.06	10.67	9.52	6.76
Total return	31.84%	16.80%	25.38%	22.73%	(10.79%)
Earnings / (loss) per certificate (Rs)	2.69	2.11	1.88	2.07	(1.30)

* The distribution for the year ended is made subsequent to the year end, therefore, is not accounted for in these financial statements as also explained in note 23.

	One year	Two years	Three years	Four years	Five years
Average annual return as at June 30, 2013	31.84%	24.09%	24.52%	24.07%	16.15%

26. INVESTMENT COMMITTEE MEMBERS

Details of members of investment committee of the Fund are as follows:

Name	Designation	Qualification	Experience in years
1. Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	Twenty three years
2. Mr. Mohammad Asad	Chief Investment Officer	CFA level II / MBA	Seventeen years
3. Ms. Sanam Ali Zaib	Head of Research	CFA / MBA	Nine years
4. Mr. Ahmed Hassan	AVP Investments	CFA / MBA	Six Years
5. Mr. Gohar Rasool	Senior Manager	MBBS	Six Years
6. Mr. Zain Malik	Senior Manager	CFA level II / BBA	Four Years

Mr. Ahmed Hassan is the fund manager of the Fund. The other fund managed by the Fund manager is Meezan Capital Protected Fund II.

27. PATTERN OF CERTIFICATE HOLDING

As at June 30, 2013			
	Number of investors	Investment amount	Percentage of total investment
		(Rupees in '000)	%
Individuals	887	361,104	30.09
Associated companies / directors	10	332,902	27.74
Insurance companies	3	13,898	1.16
Banks / DFIs	7	156,396	13.03
NBFCs	4	47,410	3.95
Retirement funds	22	83,564	6.96
Public limited companies	18	204,726	17.06
Total	951	1,200,000	100.00

As at June 30, 2012			
	Number of investors	Investment amount	Percentage of total investment
		(Rupees in '000)	%
Individuals	907	309,256	25.77
Associated companies / directors	10	319,993	26.67
Insurance companies	2	13,000	1.08
Banks / DFIs	6	180,760	15.06
NBFCs	7	65,541	5.46
Retirement funds	23	100,034	8.34
Public limited companies	16	211,416	17.62
Total	971	1,200,000	100.00


28. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 23 August, 2013 by the Board of Directors of the Management Company.

29. GENERAL

Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure.

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


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali Zaidi
Director

PATTERN OF CERTIFICATE HOLDING

AS AT JUNE 30, 2013

NO. OF CERTIFICATE HOLDERS	HAVING CERTIFICATES		CERTIFICATES HELD	%
	From	To		
48	1	100	776	0.0006
223	101	500	108742	0.0906
81	501	1000	79287	0.0661
265	1001	5000	862990	0.7192
115	5001	10000	1070693	0.8922
21	10001	15000	273572	0.2280
23	15001	20000	429307	0.3578
16	20001	25000	383841	0.3199
15	25001	30000	412241	0.3435
4	30001	35000	136205	0.1135
5	35001	40000	184500	0.1538
11	40001	45000	467030	0.3892
10	45001	50000	498500	0.4154
2	50001	55000	106150	0.0885
2	55001	60000	115050	0.0959
2	60001	65000	124998	0.1042
2	65001	70000	140000	0.1167
2	70001	75000	144100	0.1201
4	75001	80000	313949	0.2616
10	80001	85000	820180	0.6835
3	85001	90000	267795	0.2232
8	95001	100000	800000	0.6667
1	105001	110000	110000	0.0917
1	110001	115000	112002	0.0933
1	130001	135000	133500	0.1112
1	135001	140000	138500	0.1154
4	145001	150000	595834	0.4965
1	150001	155000	152000	0.1267
1	175001	180000	176789	0.1473
2	195001	200000	400000	0.3333
1	215001	220000	220000	0.1833
1	230001	235000	235000	0.1958
1	235001	240000	239145	0.1993
5	245001	250000	1247000	1.0392
2	250001	255000	505000	0.4208
2	260001	265000	525300	0.4378
1	295001	300000	300000	0.2500
1	315001	320000	320000	0.2667
3	320001	325000	968075	0.8067
1	345001	350000	350000	0.2917
1	385001	390000	386000	0.3217
6	395001	400000	2396449	1.9970
1	465001	470000	468000	0.3900

NO. OF CERTIFICATE HOLDERS	HAVING CERTIFICATES		CERTIFICATES HELD	%
	From	To		
1	485001	490000	489525	0.4079
4	495001	500000	2000000	1.6667
1	505001	510000	510000	0.4250
1	530001	535000	534566	0.4455
1	595001	600000	600000	0.5000
1	600001	605000	602000	0.5017
1	615001	620000	616569	0.5138
1	745001	750000	750000	0.6250
1	780001	785000	783500	0.6529
1	795001	800000	800000	0.6667
1	920001	925000	922000	0.7683
1	930001	935000	933101	0.7776
6	995001	1000000	6000000	5.0000
1	1110001	1115000	1114880	0.9291
1	1375001	1380000	1379118	1.1493
1	1415001	1420000	1415500	1.1796
1	1470001	1475000	1471392	1.2262
1	1550001	1555000	1551000	1.2925
1	1820001	1825000	1824940	1.5208
1	1880001	1885000	1882000	1.5683
1	1930001	1935000	1933623	1.6114
2	2495001	2500000	5000000	4.1667
1	2865001	2870000	2870000	2.3917
1	3535001	3540000	3536100	2.9468
1	4165001	4170000	4167903	3.4733
1	4595001	4600000	4596824	3.8307
1	7030001	7035000	7034468	5.8621
1	8345001	8350000	8349034	6.9575
1	8455001	8460000	8455666	7.0464
1	9095001	9100000	9100000	7.5833
1	9995001	10000000	10000000	8.3333
1	11055001	11060000	11057791	9.2148
<u>951</u>		Company Total	<u>120000000</u>	<u>100.00</u>

CATEGORIES OF CERTIFICATE HOLDERS AS AT JUNE 30, 2013

PARTICULARS	CERTIFICATE HOLDERS	CERTIFICATE HOLDING	%
DIRECTORS, CEO & SPOUSE	3	25,975	0.0216
ASSOCIATED COMPANIES	7	33,264,293	27.7202
BANKS, DFI & NBFI	7	15,639,601	13.0330
INSURANCE COMPANIES	3	1,389,795	1.1582
MODARABAS & MUTUAL FUNDS	4	4,740,903	3.9508
GENERAL PUBLIC (LOCAL)	875	33,563,689	27.9697
GENERAL PUBLIC (FOREIGN)	12	2,546,753	2.1223
RETIREMENT FUNDS	22	8,356,373	6.9637
PUBLIC LIMITED COMPANIES	17	18,590,618	15.4922
FOREIGN COMPANIES	1	1,882,000	1.5683
Company Total	951	120,000,000	100.0000

STATEMENT OF THE INCOME & EXPENDITURE OF THE MANAGEMENT COMPANY IN RELATION TO THE FUND. FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	(Rupees in '000)	
INCOME		
Remuneration from Meezan Balanced Fund	31,924	29,108
Dividend income	8,734	6,688
	40,658	35,796
OPERATING EXPENSES		
Salaries and other benefits	8,788	6,165
Motor vehicle running expenses	221	218
Fees and subscription	183	189
Takaful	114	90
Printing and stationery	79	57
Communication	248	265
Depreciation	531	369
Travelling and conveyance	52	36
Entertainment	26	36
Legal and professional charges	110	61
Repair and maintenance	1,185	39
Office supplies	139	84
Training and development	63	20
Rent, rates and taxes	501	442
Utilities	123	86
Shariah advisory fee	172	131
Miscellaneous expenses	12	9
	12,544	8,295
OPERATING PROFIT	28,114	27,501

Note: The above expenses are allocated based on the average net assets of the respective funds managed by the Management Company. Other revenue and expenses not relating to the fund have not been included in the above statement.



Al Meezan Investment Management Ltd.

Find your *solutions* with faith at
0800 - HALAL (42525)

Ground Floor, Block B, Finance and Trade Centre (FTC), Sharah-e-Faisal, Karachi, 74400
UAN: 111-633-926 (Meezan) | info@almeezangroup.com | Fax: (92-21) 35676143

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