

Al Meezan Mutual Fund Limited Annual Report 2001

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Irfan Siddiqui	Chairman
Mr. Mohammad Shoaib	Chief Executive
Mr. Istaqbal Mehdi	
Mr. Arif-ul-Islam	
Mr. Ather Medina	
Mr. Shafiq A. Khan	
Ms. Hina Akhlaq	
Mr. Mazhar Sharif	

COMPANY SECRETARY

Mr. Mazhar Sharif

INVESTMENT ADVISOR

A1 Meezan Investment Management Limited
Formerly A1-Meezan Investment & Financial Services (Pvt.) Limited

AUDITORS

A. F. Ferguson & Co.
Chartered Accountants

CUSTODIAN

Muslim Commercial Bank Limited

BANKERS

Bank AL Habib Limited
Credit Agricole Indosuez
Faysal Bank Limited
Muslim Commercial Bank Limited
National Bank of Pakistan

REGISTERED OFFICE

4th Floor, Block "C",
Finance & Trade Centre,
Shahrah-e-Faisal,
Karachi 74400,
Pakistan.

REGISTRAR & SHARES DEPARTMENT

THK Associates (Pvt.) Limited,
Ground Floor, Sheikh Sultan Trust Building No.2,
Beaumont Road, Karachi 75530
Phone: (9221) 5689021, 568.6658
Fax: (9221) 568 5681

NOTICE OF MEETING

Notice is hereby given that the Sixth Annual General Meeting of Meezan Mutual Fund Limited will be held on Wednesday, November 14, 2001 at 9:30 a.m., at 4th Floor, Block "C", Finance & Trade Centre, Shahrah-e-Faisal, Karachi to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider, and adopt Audited Accounts of the Company together with the Directors' and Auditors' Report thereon for the year ended June 30, 2001.
2. To consider and approve final cash dividend of 6.6% for the year ended June 30, 2001, as recommended by the directors.
3. To appoint Auditors of the Company and fix their remuneration for the year ending June 30, 2002. The present Auditors M/s. A.F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.
4. Any other business with the permission of the Chair.

By order of the Board.

Karachi
October 3, 2001

MAZHAR SHARIF
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed from October 17, 2001 to October 23, 2001 (both days inclusive). Transfers received in order at the office of our Share Registrar M/s. THK Associates (Private) Limited, Ground Floor, Sheikh Sultan Trust Building No. 2, Beaumont Road, Karachi - 75530 by the close of business on October 16, 2001 will be in time for the purpose of payment of final dividend to the transferees.

2. No person shall be appointed a proxy who is not a member of the Company and qualified to vote, save that a Corporation or a Company being a member of the Company may appoint as proxy or as its representative under Section 162 of the Ordinance any person though not a member of the Company, and the person so appointed shall be entitled to exercise the same powers on behalf of the Corporation which he represents, as that Corporation could exercise if it was an individual member of the Company. Any such appointment shall be authorized by a resolution of Directors of that Company or Corporation. Proxies in order to be effective, must be received at the registered office of the Company not later than 48 hours before the meeting.

3. Every proxy shall be appointed in writing under the hand of the appointer or by an agent duly authorized under a Power of Attorney or if such appointer is a Company or Corporation under the common seal of the Company or Corporation or the hand of its Attorney who may be the appointer.

4. Shareholders, whose shares are deposited with Central Depository Company (CDC), or their Proxies are requested to bring with them their Original National Identity Card or Passport along with the Participant's I.D. number and their account number at the time of attending the Annual General Meeting for verification.

5. Shareholders are requested to promptly notify any change in the mailing address to our Share Registrar M/s. THK Associates (Private) Limited.

FINANCIAL HIGHLIGHTS

<i>Year ended</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
<i>(Rupees in thousands from 1 to 5)</i>					
1. Investment Income	36,104	64,203	(9,389)	28,427	32,322
2. Operating Expenses	6,454	8,359	5,632	4,953	6,851
3. Reversal/(provision) for diminution in the value of marketable securities	(11,376)	33,228	57,730	(90,518)	4,766
4. Profit / (loss)	18,273	89,072	42,709	(67,043)	30,237
5. Dividend	16,500	52,500	16,000	--	29,500
6. Rate of dividend (%)	6.60	21.00	6.40	--	11.80
7. Net Asset Value (Rs.)	9.84	10.55	8.22	7.24	10.00
8. Appreciation/(depreciation) in	(6.73)	28.35	13.54	(27.60)	0.50
9. Total return (%)	(0.47)	53.90	22.38	(27.60)	12.36
10. KSE 100 Index	1366.44	1520.74	1054.67	879.62	1565.73
11. Appreciation/(depreciation) in KSE 100 Index (%)	(10.15)	44.19	19.90	(43.82)	(8.08)
12. Outperformance / (underperformance) in comparison to KSE 100 Index (%)	9.68	9.71	2.48	16.22	20.44

DIRECTORS' REPORT

On behalf of the Board of Directors, we present the Sixth Annual Report together with the audited accounts for the year ended June 30, 2001.

Operations Review

The financial year ended June 30, 2001 turned out to be an eventful but depressed year for the stock market in which KSE Index eroded by 10% i.e. from 1520.74 to 1366.44. KSE-100 Index peaked at 1637.47 on July 24. The first half of the FY00-01 was fairly stable with a nominal decline of 1%. Resumption of IMF funding and resolution of Hubco tussle supported the Karachi market that performed well during the first six months of the FY 00-01 against its regional peers.

The positive to neutral mood of the market was not repeated in the second half of FY 00-01 and Index lost ground during the period by 9%. Aggressive foreign selling by Morgan Stanley's Pakistan Investment Fund (PIF) and other investors severely affected market trends. Increasing interest rates also kept institutions away from equities. SECP implemented measures like Capital Adequacy, T+3, restricting blank selling, reconstitution of KSE Board of Directors and an independent Managing Director of KSE. These measures will have a long-term positive impact on the working of local equities. The water crisis had its toll on the country's economy and thus on market sentiments as overall GDP initially targeted to grow at 4.5% posted a growth of only 2.6% during FY 01.

Operating Results

The company reported a profit of Rs. 18.27 million for the year ended June 30, 2001. The operating results for the year are as follows:

	<i>(Rupees)</i>
Investment Income	36,104,545
Operating Expenses	(6,454,427)

Subtotal	29,650,118
Provision for diminution in the value of marketable securities	(11,376,600)
Net Profit for the Year	18,273,518
	=====
Proposed Dividend Per Share (Rs.)	0.66
	=====
Total Dividend	16,500,000
	=====

During the year, the company realized capital gains of Rs. 11.30 million, dividend income of Rs.20.24 million and other income of Rs.4.56 million. The provision for diminution in the value of marketable securities was Rs. 11.38 million.

Portfolio Performance Relative to KSE-100 Index

Alhamdulillah, the portfolio of the company once again managed to outperform the KSE-100 Index. It was by all means a very significant achievement as it was the fifth consecutive year that our portfolio outperformed the benchmark index.

The KSE-100 Index declined by 10.15% during the year ended June 30, 2001. On the other hand, total return on fund portfolio was (0.47)%. Thus the portfolio outperformed the benchmark index by a substantial 968 basis points. The out performance has been an outcome of prudent security selection and market timing. The company has so far completed five full years of operations and a summary of relative portfolio performance is as follows:

	<i>June 30, 1997</i>	<i>June 30, 1998</i>	<i>June 30, 1999</i>	<i>June 30, 2000</i>	<i>June 30, 2001</i>
Net Asset Value Per Share	10.00	7.24	8.22	10.55	9.84
Dividend Paid	1.18	--	0.64	2.10	0.66
Total Return on Fund Portfolio (12.36	(27.60)	22.38	53.90	(0.47)
KSE-100 Index	1565.73	879.62	1054.67	1520.74	1366.44
Return on Index (%)	(8.08)	(43.82)	19.90	44.19	(10.15)
Portfolio outperformance (%)	20.44	16.22	2.48	9.71	9.68

Composition of Assets

On June 30, 2001 the composition of net assets of your company at market value was as under:

The top five holdings of the Company as on June 30, 2001 based on market values were as follows:

<i>Company</i>	<i>Market Value (Rs. in million)</i>	<i>Percentage of Net Assets</i>
Pakistan State Oil Limited	32.5	13.2
Hub Power Company Limited	27.2	11.1
Pakistan Telecommunication Co. Limited	21.7	8.8
Fauji Fertilizer Company Limited	20.9	8.5
Lever Brothers Pakistan Limited	19.4	7.9

Board of Directors

Dr. Amjad Waheed representing NIT resigned and was replaced by Mr. Ather Medina. The Directors wish to place on record valuable services rendered to the Company by Dr. Amjad Waheed and welcome the new Director.

Acknowledgement

We offer our sincere gratitude to the Board of Directors for their continued guidance and support. We also wish to place on record our appreciation for the auditors, shareholders, Securities & Exchange Commission of Pakistan and investment adviser of the Company.

Mohammad Shoaib, CFA
Chief Executive

Ather Medina
Director

Karachi: October 1, 2001

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Meezan Mutual Fund Limited as at June 30, 2001 and the related profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984 and Investment Companies and Investment Advisers Rules, 1971. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that-

(a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984 and rule 16 of the Investment Companies and Investment Advisers Rules, 1971;

(b) in our opinion-

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and in accordance with the provisions of the second schedule to the Investment Companies and Investment Advisers Rules, 1971 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 and the Investment Companies and Investment Advisers Rules, 1971 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2001 and of the profit, its changes in equity and cash flows for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

A. F. FERGUSON & CO.
Chartered Accountants

Karachi: October 2, 2001

BALANCE SHEET AS AT JUNE 30, 2001

	<i>Note</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
ASSETS			
Long Term Deposit		300,000	300,000
Current Assets			
Marketable securities	3	233,607,251	212,612,202
Accounts receivable - unsecured and considered good		734,758	3,103,303
Other receivables	4	7,194,619	8,325,720
Bank balances	5	25,733,435	85,588,173
		-----	-----

		267,270,063	309,629,398
TOTAL ASSETS		267,570,063	309,929,398
LIABILITIES			
Current Liabilities			
Current maturity of a long term liability		--	939,301
Due to the Investment Adviser-an associated unde	6	4,919,553	6,526,299
Creditors, accrued expenses and other liabilities	7	172,867	5,759,673
Proposed dividend		16,500,000	52,500,000
TOTAL LIABILITIES		21,592,420	65,725,273
NET ASSETS		245,977,643	244,204,125

SHAREHOLDERS' EQUITY

Authorised and issued, subscribed and paid-up share capital 25,000,000 (2000: 25,000,000)		250,000,000	250,000,000
ordinary shares of Rs. 10 each fully paid in cash		(4,022,357)	(5,795,875)
Accumulated loss			
		245,977,643	244,204,125

The annexed notes form an integral part of these accounts.

Mohammad Shoaib
Chief Executive

Ather Medina
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
INVESTMENT INCOME			
Capital gain	8	11,298,420	45,083,895
Dividend income		20,240,990	11,999,440
Other income	9	4,565,135	7,120,154
		36,104,545	64,203,489
OPERATING EXPENSES			
Administrative expenses	10	1,534,874	18,331,551
Remuneration to the Investment Adviser	6	4,919,553	6,526,299
		6,454,427	8,359,454
		29,650,118	55,844,035
Less: Provision for diminution in the value of marketable securities		11,376,600	--
Add: Reversal of provision for diminution in the value of marketable securities		--	33,228,224
PROFIT BEFORE TAXATION		18,273,518	89,072,259
PROVISION FOR TAXATION			
Current - for a prior year		--	(2,120,590)

PROFIT AFTER TAXATION FOR THE YEAR		18,273,518	91,192,849
		=====	=====
Basic earnings per share	16	0.73	3.65
		=====	=====
Dividend per share		0.66	2.10
		=====	=====

The annexed notes form an integral part of these accounts.

Mohammad Shoaib
Chief Executive

Ather Medina
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>Issued, Subscribed and fully paid-up share capital</i>	<i>Accumulated loss</i>	<i>Total</i>
		<i>(Rupees)</i>	
Balance as at June 30, 1999	250,000,000	(44,488,724)	205,511,276
Net loss for the year ended June 30, 2000	--	91,192,849	91,192,849
Proposed dividend (Rs.2.10 per share)	--	(52,500,000)	(52,500,000)
	-----	-----	-----
Balance as at June 30, 2000	250,000,000	(5,795,875)	244,204,125
Net profit for the year ended June 30, 2001	--	18,273,518	18,273,518
Proposed dividend (Rs.0.66 per share)	--	(16,500,000)	(16,500,000)
	-----	-----	-----
Balance as at June 30, 2001	250,000,000	(4,022,357)	245,977,643
	=====	=====	=====

The annexed notes form an integral part of these accounts.

Mohammad Shoaib
Chief Executive

Ather Medina
Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		18,273,518	89,072,259
Adjustments for:			
Provision for diminution in the value of marketable securities		11,376,600	--
Reversal of diminution in the value of marketable securities		--	(33,228,224)
Dividend income		(20,240,990)	(11,999,440)
Financial income		(4,565,135)	(7,045,154)
Dividends received		21,157,631	12,329,948
Financial income received		4,933,692	8,157,808
		-----	-----
Profit before changes in working capital		30,935,316	57,287,197

(Increase) / decrease in current assets		
Marketable securities	(32,371,649)	(11,471,196)
Accounts receivable	2,368,545	24,788,510
Other receivables	(75,000)	--
	-----	-----
	(30,078,104)	13,317,314
Increase / (decrease) in current liabilities		
Due to the Investment Adviser - an associated undertaking	(1,606,746)	2,416,073
Creditors, accrued expenses and other liabilities	(1,188,863)	(24,371,652)
	-----	-----
	(2,795,609)	(21,955,579)
Cash (used in) / generated from operations	(1,938,397)	48,648,932
Taxation paid	(79,097)	(2,639,708)
	-----	-----
Net cash (outflow) / inflow from operating activities	(2,017,494)	46,009,224
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Long term liability	(939,301)	(939,301)
Dividend paid	(56,897,943)	(14,551,828)
	-----	-----
Net cash outflow from financing activities	(57,837,244)	(15,491,129)
Net (decrease)/increase in cash and cash equivalents	(59,854,738)	30,518,095
Bank balances at the beginning of the year	85,588,173	55,070,078
	-----	-----
Bank balances at the end of the year	25,733,435	85,588,173
	=====	=====

The annexed notes form an integral part of these accounts.

Mohammad Shoaib
Chief Executive

Ather Medina
Director

**NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2001**

1. STATUS AND NATURE OF BUSINESS

1.1 The company was incorporated on July 13, 1995 as a public limited company under the Companies Ordinance, 1984 and has been registered as an 'Investment Company' under the Investment Companies and Investment Advisers Rules, 1971. The company's registered office is in Karachi. The 'Certificate of Commencement of Business' was obtained by the company on January 1, 1996. The object of the company is to carry on the business of a closed-end mutual fund and to invest its assets in securities, which are listed or proposed to be listed on the stock exchanges.

1.2 The company has an agreement with A1 Meezan Investment Management Limited [formerly A1 Meezan Investment and Financial Services (Pvt.) Limited], an associated undertaking, to provide investment advisory services.

1.3 The company was formally listed on the Karachi Stock Exchange on September 16, 1996 as a closed-end mutual fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Marketable securities

Marketable securities are stated at the lower of cost and market value determined on an aggregate portfolio basis. Cost of marketable securities portfolio is determined on a moving average basis. The cost of acquisition of 'dealing securities' (i.e. securities held for trading) is not considered for calculating the 'moving average cost' of marketable securities. The market value refers to the closing quotations of the Stock Exchanges on the last working day of the accounting year.

2.3 Taxation

Current

The charge for current taxation, if any, in the accounts is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any.

No charge for current taxation is made in the accounts if the company intends to distribute 90 percent or more of its current profit amongst its shareholders in accordance with the exemption available under clause 102D of the Second Schedule to the Income Tax Ordinance, 1979.

Deferred

The company accounts for deferred taxation arising on major timing differences, if any, by using the liability method. However, no provision was required as at June 30, 2001 and no asset existed as at that date.

2.4 Revenue recognition

(i) Dividend income is stated net of zakat deduction thereon at source where leviable and is recognised at the time of closure of the share transfer books of the investee company.

(ii) Sale and purchase of marketable securities are recorded on the date of contract. Gains or losses on sale of marketable securities are also recorded on the date of contract.

(iii) Profit on bank deposits is recognized on accrual basis.

3. MARKETABLE SECURITIES

3.1 The following is a statement of marketable securities. The securities represent (i) ordinary shares of a nominal value of Rs 10 each unless stated otherwise and (ii) term finance certificates under serial number 36 below.

Name of the Company	Number of Shares				Balance as at June 30, 2001			Percentage in Relation to				
	Balance as at July 1, 2000	Purchases	Bonus shares	Sales	Number of Shares	At Cost (Rupees)	At Market (Rupees)	Own net assets (notes 3.3 and 3.4) At Cost	At Market	No. of shares of Investee Company (note 3.5)	Total investment At Cost	At Market
Mutual Funds												
1. ICP SEMF	147,000	75,000	--	97,000	125,000	2,153,229	1,643,750	0.88%	0.67%	0.15%	0.88%	0.70%
Inv. Co's & Banks												
2. Al Meezan Investment Bank Li	19,000	49,500	--	15,000	53,500	616,684	615,250	0.25%	0.25%	0.06%	0.25%	0.26%
3. Bank Al Habib Limited	91,080	--	18,216	--	109,296	1,585,000	1,694,088	0.64%	0.69%	0.15%	0.65%	0.73%
4. Faysal Bank Limited	--	1,410,000	--	1,110,000	300,000	2,560,200	2,265,000	1.04%	0.92%	0.20%	1.05%	0.97%
5. Muslim Commercial Bank Limite	281,500	239,000	100,435	201,500	419,435	9,965,638	10,213,242	4.05%	4.15%	0.17%	4.07%	4.37%
--do-- ('D' see note 3.2 below)	--	2,988,500	--	2,988,500	--	--	--	--	--	--	--	--
Insurance Companies												
6. Adamjee Insurance Limited	152	300,000	20,272	165,000	155,424	9,610,766	8,688,202	3.91%	3.53%	0.29%	3.92%	3.72%
--do-- ('D' see note 3.2 below)	--	3,931,000	--	3,931,000	--	--	--	--	--	--	--	--

Textile Spinning

7. Gadoon Textile Mills Limited	26,000	--	--	26,000	--	--	--	--	--	--	--	--
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Textile Composite

8. Nishat Mills Limited	15,500	474,500	--	150,000	340,000	8,551,754	5,882,000	3.48%	2.39%	0.31%	3.49%	2.52%
--do-- ('D' see note 3.2 below)	--	150,000	--	150,000	--	--	--	--	--	--	--	--

Synthetics & Rayon

9. Dewan Salman Fibres Limited	360,000	1,200,000	--	1,185,000	375,000	7,485,508	6,712,500	3.04%	2.73%	0.12%	3.06%	2.87%
--do-- ('D' see note 3.2 below)	--	12,100,000	--	12,100,000	--	--	--	--	--	--	--	--
10. Dhan Fibres Limited	150,000	--	--	150,000	--	--	--	--	--	--	--	--
11. Ibrahim Fibres Limited	749,500	270,000	68,750	744,500	343,750	5,056,182	4,984,375	2.06%	2.03%	0.14%	2.06%	2.13%
--do-- ('D' see note 3.2 below)	--	7,327,500	--	7,327,500	--	--	--	--	--	--	--	--

Cement

12. Cherat Cement Limited	--	69,000	--	20,000	49,000	812,027	808,500	0.33%	0.33%	0.10%	0.33%	0.35%
--do-- ('D' see note 3.2 below)	--	6,000	--	6,000	--	--	--	--	--	--	--	--
13. D.G. Khan Cement Limited	--	350,000	--	100,000	250,000	1,888,820	1,425,000	0.77%	0.58%	0.16%	0.77%	0.61%
14. Lucky Cement Limited	--	125,000	--	125,000	--	--	--	--	--	--	--	--
--do-- ('D' see note 3.2 below)	--	25,000	--	25,000	--	--	--	--	--	--	--	--

Balance Carried forward

50,285,808

44,931,907

Fuel & Energy

15. Hub Power Company Limited	1,642,000	870,000	--	1,090,000	1,422,000	24,553,928	27,231,300	9.98%	11.07%	0.12%	10.02%	11.66%
--do-- ('D' see note 3.2 below)	--	14,330,000	--	14,330,000	--	--	--	--	--	--	--	--
16. Kohinoor Energy Limited	--	754,500	--	754,500	--	--	--	--	--	--	--	--
17. National Refinery Limited	73,000	--	--	10,000	63,000	3,810,300	2,447,550	1.55%	1.00%	0.09%	1.55%	1.05%
18. Pakistan State Oil	245,036	--	--	--	245,036	24,939,500	32,467,270	10.14%	13.20%	0.17%	10.18%	13.90%
--do-- ('D' see note 3.2 below)	--	2,190,100	--	2,910,100	--	--	--	--	--	--	--	--
19. Shell Pakistan Limited	69,300	49,500	--	63,800	55,000	15,743,368	13,695,000	6.40%	5.57%	0.16%	6.43%	5.86%
--do-- ('D' see note 3.2 below)	--	166,500	--	166,500	--	--	--	--	--	--	--	--
20. Sui Northern Gas Pipeline Limi	575,913	710,000	161,386	260,000	1,187,299	13,812,207	11,872,990	5.62%	4.83%	0.24%	5.64%	5.08%
--do-- ('D' see note 3.2 below)	--	950,000	--	950,000	--	--	--	--	--	--	--	--
21. Sui Southern Gas Company Li	243,870	200,000	51,580	--	495,450	6,463,516	5,103,135	2.63%	2.07%	0.07%	2.64%	2.18%

Auto & Allied

22. Dewan Farooque Motors Limit	560,000	12,500	--	126,500	446,000	4,372,735	2,653,700	1.78%	1.08%	0.61%	1.78%	1.14%
23. The General Tyre and Rubber	96,000	93,500	--	93,500	96,000	5,031,804	4,598,400	2.05%	1.87%	0.56%	2.05%	1.97%
--do-- ('D' see note 3.2 below)	--	72,000	--	72,000	--	--	--	--	--	--	--	--
24. Indus Motors Company Limite	31,000	--	--	--	31,000	568,707	347,200	0.23%	0.14%	0.04%	0.23%	0.15%
25. Pak Suzuki Motors Company	--	50,000	--	50,000	--	--	--	--	--	--	--	--
--do-- ('D' see note 3.2 below)	--	500	--	500	--	--	--	--	--	--	--	--

Transport & Communication

26. Pakistan International Airlines	--	866,500	--	866,500	--	--	--	--	--	--	--	--
27. Pakistan Telecommunication C	960,500	1,400,000	--	1,150,000	1,210,500	24,324,084	21,728,475	9.89%	8.83%	0.03%	9.93%	9.30%
--do-- ('D' see note 3.2 below)	--	7,402,500	--	7,402,500	--	--	--	--	--	--	--	--

Chemical & Pharmaceutical

28. Engro Chemical Limited	89,878	751,200	27,056	640,200	227,934	12,732,402	13,003,635	5.18%	5.29%	0.16%	5.20%	5.57%
--do-- ('D' see note 3.2 below)	--	7,526,600	--	7,526,600	--	--	--	--	--	--	--	--
29. Fauji Fertilizer Company Limite	404,200	919,400	--	736,900	586,700	23,811,861	20,886,520	9.68%	8.49%	0.23%	9.72%	8.94
--do-- ('D' see note 3.2 below)	--	7,058,100	--	7,058,100	--	--	--	--	--	--	--	--
30. FFC Jordan Fertilizer Company	--	500,000	--	500,000	--	--	--	--	--	--	--	--
--do-- ('D' see note 3.2 below)	--	100,000	--	100,000	--	--	--	--	--	--	--	--
31. ICI Pakistan Limited	350,000	1,160,000	--	1,510,000	--	--	--	--	--	--	--	--
--do-- ('D' see note 3.2 below)	--	4,767,500	--	4,767,500	--	--	--	--	--	--	--	--
32. Reckitt Benckiser Pak Limited	--	2,000	--	2,000	--	--	--	--	--	--	--	--

Paper & Board

33. Packages Limited	48,500	--	7,517	--	56,017	2,935,549	3,192,969	1.19%	1.30%	0.12%	1.20%	1.37%
Food & Allied												
34. Lever Brothers Pakistan Limite	22,520	17,780	--	14,020	26,280	21,604,082	19,447,200	8.78%	7.91%	0.20%	8.82%	8.32%
--do-- ('D' see note 3.2 below)	--	5,080	--	5,080	--	--	--	--	--	--	--	--
Miscellaneous												
35. Tripack Films Limited	--	218,500	--	218,500	--	--	--	--	--	--	--	--
--do-- ('D' see note 3.2 below)	--	249,500	--	249,500	--	--	--	--	--	--	--	--
TFC's												
36. National Development Leasin	2,000	--	--	--	2,000	9,994,000	10,000,000	4.06%	4.07%	0.40%	4.08%	4.28%
						244,983,851	233,607,251				100.000%	100.000%
Provision for diminution in market value						11,376,600	--					
						233,607,251	233,607,251					
						212,612,202	232,223,042					

3.2 'D' represents 'dealing securities' as referred to in note 2.2 above.

3.3 Net assets are as defined in rule 2 (e) of the Investment Companies and Investment Advisers Rules, 1971.

3.4 The percentage in relation to own net assets (of the company) has been calculated in relation to the cost and market value of the respective investments.

3.5 The percentage in relation to the investee company's paid up capital has been calculated with reference to the number of shares held in that investee company.

3.6 The nominal value of these shares is Rs. 50 each.

4. OTHER RECEIVABLES

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
Dividends receivable	1,732,079	2,648,720
Profit on bank deposits	69,933	438,427
Profit on term finance certificates (TFCs)	130,682	130,745
Prepaid expenses	75,000	--
Advance tax recoverable	5,186,925	5,107,828
	7,194,619	8,325,720

5. BANK BALANCES

PLS accounts	25,733,206	84,140,012
Current Account	229	1,448,161
	25,733,435	85,588,173

6. DUE TO THE INVESTMENT ADVISER

- AN ASSOCIATED UNDERTAKING

Remuneration for the year - note 6.1	4,919,553	6,526,299
--------------------------------------	-----------	-----------

6.1 The Investment Adviser was entitled to a remuneration at the rate of 2% during the first five years of the company's existence and thereafter 1% of net assets of the

company as at the end of the investment company's year of accounts in terms of rule 11 (a) of the Investment Companies and Investment Advisers Rules, 1971. However, the Securities and Exchange Commission of Pakistan through SRO 46(1)/2001 dated January 25, 2001 has revised these rates to 3% during the first five years of the company's existence and thereafter 2% of net assets of the company as at the end of the investment company's year of accounts. In addition the Investment Adviser will also be entitled to remuneration of an amount not exceeding one half of the amount by which the dividend distributed by the company exceeds 20% in terms of rule 11 (b) of the Investment Companies and Investment Advisers Rules, 1971. The remuneration of the Investment Adviser has been determined as follows:

	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
Assets:		
Long term deposit	300,000	300,000
Marketable securities - at market value	233,607,251	232,223,042
Accounts receivable	734,758	3,103,303
Other receivables	7,194,619	8,325,720
Bank balances	25,733,435	85,588,173
	-----	-----
	267,570,063	329,540,238
Liabilities:		
Current maturity of a long term liability	--	939,301
Due to the Investment Adviser		
- an associated undertaking	4,919,553	6,526,299
Creditors, accrued expenses and other liabilities	172,867	5,759,673
Proposed dividend	16,500,000	52,500,000
	-----	-----
	21,592,420	65,725,273
Net assets		
	245,977,643	263,814,965
Remuneration for the year at 2% of net assets	4,919,553	5,276,299
Additional remuneration on dividend declared in excess of 20%	--	1,250,000
	-----	-----
	4,919,553	6,526,299
	=====	=====

7. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Creditors	--	1,132,085
Custodian charges	38,789	34,823
Settlement charges	18,849	79,593
Dividend payable	229	4,398,172
Accrued expenses	115,000	115,000
	-----	-----
	172,867	5,759,673
	=====	=====

8. CAPITAL GAIN

Sales	278,126,747	624,550,531
Cost of sales - note 8.1	275,542,995	606,481,842
	-----	-----
	2,583,752	18,068,689
On dealing securities		
Sales	2,396,419,831	2,330,350,710
Cost of sales	2,387,705,163	2,303,335,504
	-----	-----
	8,714,668	27,015,206
	-----	-----

Capital gain	11,298,420	45,083,895
	=====	=====
8.1 Cost of sales		
Cost of marketable securities held as at July 1, 2000/1999	212,612,202	201,141,006
Purchases	307,912,129	617,951,495
Stamp duties	2,515	1,543
	-----	-----
	520,526,846	819,094,044
Less: Cost of marketable securities held as at June 30	244,983,851	212,612,202
	-----	-----
Cost of sales	275,542,995	606,481,842
	=====	=====
9. OTHER INCOME		
Profit on bank deposits - note 9.1	2,865,698	5,983,524
Profit on TFCs	1,699,437	1,061,630
Underwriting commission - note 9.1	--	75,000
	-----	-----
	4,565,135	7,120,154
	=====	=====

9.1 Profit on bank deposits and underwriting commissions is stated inclusive of withholding tax deducted aggregating Rs. 79,097 and Rs. Nil respectively (2000: Rs.253,606 and Rs.7,500 respectively).

10. ADMINISTRATIVE EXPENSES

Custodian charges	515,810	515,688
Settlement charges	412,450	900,901
CDC eligibility fee	83,333	16,667
Annual listing fee	100,000	100,000
Auditors' remuneration - note 10.1	413,015	291,433
Bank charges	9,266	3,234
Miscellaneous expenses	1,000	5,232
	-----	-----
	1,534,874	1,833,155
	=====	=====

10.1 Auditors' remuneration

Audit fee	115,000	115,000
Tax consultancy services	209,490	134,842
Other services	70,000	20,000
Out of pocket expenses	18,525	21,591
	-----	-----
	413,015	291,433
	=====	=====

11. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Purchase of securities (inclusive of commission Rs. 53,751; 2000: Rs. 583,789)	82,129,073	261,537,729
Sale of securities (net of commission Rs. 129,072; 2000: Rs.293,033)	76,545,421	228,163,721
Remuneration to the Investment Adviser	4,919,553	6,526,299

12. FINANCIAL ASSETS AND LIABILITIES

	<i>Interest/mark-up bearing</i>			<i>Non-interest bearing</i>				
	<i>Maturity upto one year</i>	<i>Maturity upto one year</i>	<i>Sub-total</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	<i>Total 2001</i>	<i>Total 2000</i>

Rupees

Financial assets

Long term deposit	--	--	--	--	300,000	300,000	300,000	300,000
Marketable securities	9,994,000	--	9,994,000	223,613,251	--	223,613,251	233,607,251	212,612,202
Accounts receivable	--	--	--	734,758	--	734,758	734,758	3,103,303
Other receivables	69,933	--	69,933	1,862,761	--	1,862,761	1,932,694	3,217,892
Bank balances	25,733,206	--	25,733,206	229	--	229	25,733,435	85,588,173
2001	35,797,139	--	35,797,139	226,210,999	300,000	226,510,999	262,308,138	304,821,570
2000	94,576,439	--	94,576,439	209,945,131	300,000	210,245,131	304,821,570	

Financial Liabilities

Long term liability	--	--	--	--	--	--	--	939,301
Due to the Investment Adviser	--	--	--	4,919,553	--	4,919,553	4,919,553	6,526,299
Creditors, accrued expenses and other liabilities	--	--	--	172,638	--	172,638	172,638	1,361,501
Dividend payable	--	--	--	229	--	229	229	4,398,172
Proposed dividend	--	--	--	16,500,000	--	16,500,000	16,500,000	52,500,000
2001	--	--	--	21,592,420	--	21,592,420	21,592,420	65,725,273
2000	--	--	--	65,725,273	--	65,725,273	65,725,273	

31. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk represents the accounting loss relating to financial assets that would be recognized at the reporting date if counter parties failed completely to perform as contracted. However, the company does not believe that it is exposed to major concentration of credit risk. The company manages its exposure to credit risk through diversifying its investments in marketable securities (note 3.1).

14. FOREIGN EXCHANGE RISK MANAGEMENT

The company did not enter into any transaction involving foreign exchange during the year ended June 30, 2001 (June 30, 2000: None).

15. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

16. BASIC EARNINGS PER SHARE

	2001	2000
	Rupees	Rupees
Net profit after taxation for the year	18,273,518	91,192,849
	=====	=====
	Number of shares	
Average number of ordinary shares outstanding during the year	25,000,000	25,000,000
	=====	=====
Basic earnings per share	0.73	3.65
	=====	=====

17. STATEMENT OF MOVEMENTS IN RESERVES PER SHARE

Net assets value per share as at July 1, 2000 / 1999	10.55	8.22
Unrealised gain on marketable securities	(0.78)	0.78

Capital gain	0.45	1.80
Profit after taxation excluding capital gain	0.28	1.85
Profit after taxation for the year	0.73	3.65
Proposed dividend	(0.66)	(2.10)
Net assets value per share	9.84	10.55

17.1 Net assets are as defined in rule 2(e) of the Investment Companies and Investment Advisers Rules, 1971.

18. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on September 25, 2001 by the board of directors of the company.

19. CORRESPONDING FIGURES

Prior year's figures have been reclassified, wherever necessary, for the purpose of comparison.

Mohammad Shoaib
Chief Executive

Ather Medina
Director

PATTERN OF SHAREHOLDING (FORM 34) AS AT JUNE 30, 2001

<i>No. of Shareholders</i>	<i>Shareholding</i>		<i>Total Shares Held</i>	<i>Percentage</i>
	<i>From</i>	<i>To</i>		
1	100	100	100	.0004
26	500	12900	12900	.0516
6	1000	6000	6000	.0240
14	1001	5000	42000	0.1680
5	5001	10000	41000	0.1640
2	10001	15000	30000	0.1200
1	15001	20000	20000	0.0800
4	25001	30000	120000	0.4800
1	30001	35000	35000	0.1400
2	45001	50000	100000	0.4000
1	50001	55000	52500	0.2100
1	80001	85000	82000	0.3280
1	95001	100000	100000	0.4000
1	165001	170000	167500	0.6700
1	195001	200000	200000	0.8000
2	245001	250000	500000	2.0000
1	400001	405000	404000	1.6160
1	445001	450000	450000	1.8000
1	660001	665000	661500	2.6460
1	1245001	1250000	1250000	5.0000
1	1485001	1490000	1486500	5.9460
1	2015001	2020000	2019500	8.0780
1	2250001	2255000	2250003	9.0000
1	2465001	2470000	2469500	9.8780
3	2495001	2500000	7499997	29.9999
1	4995001	5000000	5000000	20.0000
81			25000000	100.0000

CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2001

<i>Particulars</i>	<i>No. of Shareholders</i>	<i>Shareholding</i>	<i>Percentage</i>
Individual	56	439000	1.7560
Insurance Companies	1	250000	1.0000
Joint Stock Companies	9	2849500	11.3980
Financial Institutions	11	15991500	63.9660
Modaraba Companies	1	52500	0.2100
Foreign Companies	1	5000000	20.0000
Leasing Companies	1	250000	1.0000
Non-Resident	1	167500	0.6700
Company Total	81	25000000	100.0000

**STATEMENT OF INCOME & EXPENDITURE
IN RELATION TO THE INVESTMENT COMPANY
For the Year Ended June 30, 2001**

	<i>2001 Rupees</i>	<i>2000 Rupees</i>
INCOME		
Remuneration receivable from A1 Meezan Mutual Fund Limited	4,919,553	6,526,299
Dividend income	5,292,000	1,600,000
	10,211,553	8,126,299
OPERATING EXPENSES		
Salaries and other benefits	3,643,861	5,966,532
Motor vehicle running expenses	184,017	187,430
Fees and subscription	54,936	55,330
Audit fee	20,000	20,000
Financial charges	143,155	223,568
Bank charges	4,090	1,580
Insurance expense	61,899	114,504
Printing and stationery	65,356	82,914
Telephone, fax, postage and stamps	174,706	255,931
Amortization of preliminary expenses	--	33,791
Depreciation	569,828	678,066
Traveling and conveyance	261,323	27,943
Entertainment	90,097	87,184
Legal and professional charges	779,783	151,600
Repair and maintenance	22,854	22,450
Service charges	1,000,000	1,000,000
Advertisement	50,300	33,600
Registration fees	112,500	--
Other Office Supplies	46,392	9,293
Custodian charges	--	107,486
CDC charges	26,350	8,588
Central Excise Duty	20,944	18,456
Professional development	141,798	36,510
Others	86,602	45,377
	7,560,791	9,168,133
Profit/(Loss) for the year	2,650,762	(1,041,834)