

Al Meezan Mutual Fund Limited

Annual Reports 2002

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Irfan Siddiq Chairman
Mr. Mohammad Chief Executive
Mr. Arif-ul-Islam
Mr. Ather Medina
Ms. Hina Akhlaq
Mr. Manzoor Ahmed
Mr. Mazhar Sharif
Mr. Shafiq A. Khan

AUDIT COMMITTEE

Mr. Arif-ul-Islam Chairman
Mr. Ather Medina
Mr. Manzoor Ahmed

CFO & COMPANY SECRETARY

Mr. Mazhar Sharif

INVESTMENT ADVISOR

Al Meezan Investment Management Limited

AUDITORS

A. F. Ferguson & Co.
Chartered Accountants

CUSTODIAN

Central Depository Company of Pakistan Limited

BANKERS

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

REGISTERED OFFICE

4th Floor, Block "C", Finance & Trade Centre,
Shahrah-e-Faisal, Karachi 74400, Pakistan
Phone:(9221)5672997
Fax:(9221)5676143
E-mail: meezan@cyber.net.pk

REGISTRAR & SHARES DEPARTMENT

THK Associates (Pvt.) Limited
Ground Floor, Sheikh Sultan Trust Building No. 2,
Beaumont Road, Karachi 75530

Phone: (9221) 568 9021, 568 5681

Fax:(9221)5655595

NOTICE OF MEETING

Notice is hereby given that the 7th Annual General Meeting of Al Meezan Mutual Fund Limited will be held on Friday, November 1, 2002 at 9:00 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, 2002.
2. To consider and approve Final Cash Dividend of 16% for the year ended June 30, 2002, as recommended by the directors.
3. To appoint Auditors of the Company and fix their remuneration for the year ending June 30, 2003. The present Auditors M/s A.F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.
4. To elect Eight (08) Directors for a period of three years commencing from December 30, 2002 in accordance with the provisions of Section 178 of the Companies Ordinance, 1984. The names of retiring directors are as follows:

- | | |
|----------------------------|------------------------------|
| i) Mr. Irfan Siddiqui | ii) Mr. Mohammad Shoaib |
| iii) Mr. Mazhar Sharif | iv) Ms. Hina Akhlaq |
| v) Mr. Arif-ul-Islam | vi) Mr. Manzoor Ahmed Shaikh |
| vii) Mr. Shafiq Ahmed Khan | viii) Mr. Ather Medina |

The Board of Directors has fixed the number of directors to be elected as Eight (08). All retiring directors shall be eligible to offer themselves for re-election.

5. Any other business with the permission of the Chair.
By order of the Board.

Mazhar Sharif Karachi
Company Secretary September 27, 2002

Notes:

1. Any person who seeks to contest an election to the office of director shall, whether he is a retiring director or otherwise, file with the Company at its Registered Office not later than fourteen days before the day of meeting at which elections are to be held, a notice of his intention to offer himself for election as a director along with written consent to act as a director on the prescribed Form-28.
2. The Share Transfer Books of the Company will remain closed from October 22, 2002 to November 1, 2002 (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 21, 2002 will be in time for the purpose of payment of final dividend to the transferees.
3. 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.
4. 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 appointer.
5. Shareholders whose shares are deposited with Central Depository Company (CDC), or their Proxies are requested to bring their original National Identity Card (NIC) 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.
6. Shareholders are requested to promptly notify any change in the mailing address to our Share Registrar M/s. THK Associates (Private) Limited.

FINANCIAL HIGHLIGHTS

Year ended	2002	2001	2000	1999	1998	1997	1996*
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(Rupees in thousands from 1 to 6)

1 Investment Income	51049	36104	64203	9389	28427	32322	10663
2 Operating Expenses	6683	6454	8359	5632	4953	6851	5130
3 Gain / (Deficit) on revaluation of trading investments	518	-	-	-	-	-	-
4 Reversal / (provision) for diminution in the value of marketable securities	11376	33228	57730	90518	4766	5207	
5 Profit / (loss)	43746	18273	89072	42709	67043	30237	326
6 Dividend	40000	16500	52500	16000	-	29500	-
7 Rate of dividend (%)	16	6.6	21	6.4	-	11.8	-
8 Net Asset Value (Rs.)	10.68	9.84	10.55	8.22	7.24	10	9.95
9 Appreciation / (depreciation) in NAV (%)	8.54	6.73	28.35	13.54	27.6	0.5	-
10 Total return (%)	24.8	0.47	53.9	22.38	27.6	13.36	
11 KSE 100 Index	1770.12	1366.44	1520.74	1054.67	879.62	1565.73	1703.28
12 Appreciation/(depreciation) in KSE 100 Index (%)	29.54	10.15	44.19	19.9	43.82	8.08	-
13 Outperformance / (underperform comparison to KSE 100 Index (%))	4.74	9.68	9.71	2.48	16.22	20.44	-

First year of operations from July 13,1995 to June 30,1996.

DIRECTORS' REPORT

The Board of Directors of Al Meezan Mutual Fund Limited is pleased to present the Seventh Annual Report together with the audited accounts for the year ended June 30, 2002.

STOCK MARKET REVIEW

The financial year ended June 30, 2002 was marred with a number of crises in the stock market, which was the result of global and domestic events. The September 11 terrorist attacks in the USA had a devastating impact on the stock markets across the globe and our market was no exception. The sharp decline of 9.8% in KSE-100 index during the month of September almost resulted in a financial collapse in the stock market before the five major commercial banks picked up stocks worth Rs.2 billion to bail out the market. One must compliment the role played by Ministry of Finance, State Bank of Pakistan and Securities and Exchange Commission of Pakistan to bring the market out of the crisis.

However, Pakistan's role as a coalition partner supporting USA and its allies in the drive against terrorism was applauded widely and economic support was provided in the form of loans, grants and debt rescheduling by Pakistan's creditors. This resulted in considerable improvement in the economic fundamentals of the country.

During December 2001, the military tension at the border between Pakistan and India led to another mini crisis in the market, which resulted in 9.3% decline in the KSE-100 index over a period of 10 days.

The third quarter of the fiscal year was the most robust period for the market whereby the improvement in economic fundamentals trickled down to improvement in stock prices and the KSE-100 index turned out to be the best performing index in the world, recording an appreciation of 46.7% over its December closing.

The market mostly remained subdued during early fourth quarter before the terrorist violence in Karachi and other parts of the country in May 2002 led to another sharp decline in the market. The foreign institutional investors remained net sellers during this period. During the month of June the market gradually recovered but the market activity was at its lowest ebb during the year. The average daily volume fell from the high of 195 million in March 2002 to the low of 99 million in June 2002.

The declining interest rates and improving domestic liquidity improved the inflow of funds in the equities. The KSE-100 index, which was 1366.4 as on June 30, 2001 appreciated to 1770.12 as on June 30, 2002, depicting an increase of 29.5%.

On the initiative taken by SECP, the Karachi Stock Exchange introduced the T+3 trading system and futures markets. In a bid to introduce financial discipline, SECP directed listed companies to submit quarterly accounts to the shareholders.

Operating Results

The company posted a growth of 135% in net profit to Rs.43.75 million for the year from Rs. 18.27 million for the previous year. The operating results for the year are as follows:

(Rupees)

Investment Income	51,049,143
Operating Expenses	6,683,199
Profit / (Deficit) on revaluation of	518,656
Profit Before Taxation	43,847,288
Provision for Taxation	100,378
Net Profit for the Year	<u>437,746,910</u>
Proposed Dividend	<u>40,000,000</u>

During the year, the company realized capital gains of Rs.8.9 million, dividend income of Rs.38.6 million and other income of Rs.3.6 million.

Portfolio Performance Relative to KSE-100 Index

The portfolio of the company had out-performed its benchmark KSE-100 index every year since the launch of the Fund on a year to year basis. Although the portfolio has performed very well during this year as well, there has been an under-performance relative to the KSE-100 index.

The KSE-100 Index appreciated by 29.5% during the year whereas total return on Fund portfolio was 24.8%. Thus the portfolio under-performed the benchmark index by 4.74%. It may be noted here that the company's exposure to the stocks during the year has ranged between 50% to 80% of the net assets, signifying a low risk strategy compared to the index.

It would however, be pertinent to mention here that despite the under-performance during the year, the Fund has maintained its out-performance over the index on an overall basis, as depicted on Pg.06. Since the launch of the Fund in 1995, the average total return on Fund portfolio has been 14.3% per annum as compared to the annualized index return of 5.3% per annum during the corresponding period. Hence, on the whole, the return on the Fund's portfolio is 2.69 times the return on a passively managed portfolio of KSE-100 companies. A summary of relative portfolio performance is as follows:

(Year ended)

	June 30, 1997	June 30, 1998	June 30, 1999	June 30, 2000	June 30, 2001	June 30, 2002
Net Asset Value Per Share	10	7.24	8.22	10.55	9.84	10.68
Dividend Paid	1.18	-	0.64	2.1	0.66	1.6
Total Return on Fund Portfolio (%)	12.36	-27.6	22.38	53.9	-0.47	24.8
KSE-100 Index	1565.73	879.62	1054.67	1520.74	1366.44	1770.12
Return on Index (%)	-8.08	-43.82	19.9	44.19	-10.15	29.54
Portfolio out-performance / (under-performance) (%)	20.44	16.22	2.48	9.71	9.68 (4.74)	

Composition of Net Assets

On June 30, 2002 the composition of net assets of your company at market value was as under:

COMPOSITION OF NET ASSETS

AS AT JLTME 30, 2002

Marketable Securities	Cash & Receivables
88.68%	11.32%

The top five holdings of the Company as on June 30, 2002 based on market value were as follows:

Company	Market Value	Percentage of net
	Rs. In Millions	Assets
Pakistan State Oil Ltd.	30.7	11.49%
Hub Power Company Ltd.	29.5	11.05%
Lever Brothers Pakistan Ltd.	27.7	10.37%
Pakistan Telecommunication Co.	26.2	9.81%
Fauji Fertilizer Ltd.	22.3	8.35%

Code of Corporate Governance

An important development during the year was the enforcement of the Code of Corporate Governance. On the initiative of SECP, the stock exchanges inserted the clauses of the Code in their Listing Regulations.

The Board of Directors welcomes these measures, which are aimed at bringing transparency in the working of listed companies and in the long run, improvement of the capital market.

Compliance

The Board of Directors states that:

- These financial statements present fairly the state of affairs of the company, the result of its operations, cash flow and changes in equity.
- The company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements except for an accounting policy which was changed due to implementation of IAS 39, details of which are given in Note 3. Accounting estimates are based on reasonable and prudent judgement.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as I detailed in the listing regulations applicable at June 30, 2002. ;
- There has been no trading during the year in the shares of the company carried out by the directors, CEO, Company Secretary and their spouses and minor children.
- Details of outstanding statutory payment on account of taxes is given in Note 10.
- Pattern of shareholding along with name wise details for NIT, ICP, Directors, CEO and their spouses and minor children are given on page 31 of the annual report.
- Financial highlights for the last six years are given on page 05 of the annual report.

Investment Policy

The investment policy of the company is intended to be best able to reflect the objectives of growth and stability in the company's return to shareholders. Al-Meezan Mutual Fund will maintain 60%-80% of its net assets in equities. The rest of the 20%-40%, depending upon market conditions and interest rate scenario in the economy, will be utilized for short term trading or investment in the debt and money market. Most of the investments of the Fund are Shariah-compliant. However, we will endeavour to make the remaining investments Shariah-compliant as well in due course of time.

Within equities, the sector allocation and stock selection strategy will be based on 'growth at a reasonable price' philosophy. The focus will be on relatively defensive plays that have strong fundamentals and the ability to weather near term macro level uncertainties. Investments will be selected based on one or more of the following criteria:

- The stock has significant growth potential
- The stock forms a significant weightage of the total market capitalization and hence provides liquidity as well as return
- The stock has a stable dividend paying history

Besides the above stated criteria, the following rules for diversification will be followed:

- Exposure to a single security will not exceed 10% of Company's paid-up capital
- The Company's portfolio of equities at any point in time will comprise 25-30 different stocks with relatively low correlation among each other.

Our aim will be to provide the Fund investors with current income as well as long term growth potential.

Board of Directors & Board Meetings

During the year, three board meetings were held. The detail of the attendance by each Director in the board meetings is given below:

Name	No. of Meetings attended
Mr. Irfan Siddiqui - Chairman	2
Mr. Mohammad Shoaib - Chief Executive	3
Mr. Mazhar Sharif- Company Secretary	3
Mr. Arif-ul-Islam	2

Mr. Ather Medina	3
Ms. Hina Akhlaq	3
Mr. Shafiq Ahmed Khan	0
Mr. Istaqbal Mehdi	0 Replaced on the Board on 20th Feb 2002
Mr. Manzoor Ahmed	0 Co-opted on the Board on 20th Feb 200,"

Appointment of Auditors

The Directors recommend the reappointment of retiring auditors A.F. Ferguson & Co. as statutory auditors for the year ending June 30, 2003.

Future Prospects

The outlook is positive in the wake of new reforms and improving economic conditions, which are likely to have a positive impact on the stock market. As the portfolio of the company comprises investments in listed securities, the profitability of the company is directly linked to the performance of the market.

Acknowledgement

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

Statement of Compliance with Best Practices of Code of Corporate Governance

The Company is in the process of implementing the requirements of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan and adopted by the Stock Exchanges. The provisions of the Code, relevant for the year ended June 30, 2002 have been duly complied with by the company.

Mohammad Shoaib, CFA **Mazhar Sharif**
Chief Executive CFO & Company Secretary

Karachi: September 25, 2002.

Review Report to the Members 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 Mutual Fund Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. 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 company'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 company personnel and review of various documents prepared by the 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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 company's status of compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2002.

A. F. Ferguson & Co.
Chartered Accountants

Karachi: September 25, 2002

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Al-Meezan Mutual Fund Limited as at June 30, 2002 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 except for the change as stated in note 3 to the accounts with which we concur;

(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, 2002 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 : September 25, 2002

BALANCE SHEET AS AT JUNE 30, 2002

ASSETS	Note	2001 (Rupees)	
Long Term Deposit		<u>300,000</u>	<u>300,000</u>
Current Assets			
Investments		251,639,531	233,607,251
Accounts receivable - unsecured and considered goo		9,757,641	734,758
Other receivables		13,209,725	7,194,619
Bank balances		37,709,930	25,733,435
		312,346,827	267,270,063
TOTAL ASSETS		<u>312,346,827</u>	<u>267,270,063</u>
LIABILITIES			
Current Liabilities			
Due to the Investment Adviser - an associated under		5,341,742	4,919,553
Accrued expenses and other liabilities		187,979	172,867
Proposed dividend		40,000,000	16,500,000
TOTAL LIABILITIES		45,529,721	21,592,420
NET ASSETS		<u>267,087,106</u>	<u>245,977,643</u>

SHAREHOLDERS' EQUITY

Authorised and issued, subscribed and paid up share capital			
25,000,000 (2001: 25,000,000) ordinary shares ofRs. 10			
each fully paid in cash	250,000,000	250,000,000	
Accumulated loss	275,447	4,022,657	
	249,724,533	245,977,643	
Surplus on revaluation of investments	9	17,362,553	
	267,087,106	245,977,643	

CONTINGENCY 10

The annexed notes form an integral part of these accounts.

Mohammad Shoaib **Ather Medina**
Chief Executive Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2002**

INVESTMENT INCOME	2002	2001
	Rupees	Rupees
Capital gain	8,869,835	11,298,420
Dividend income	38,556,744	20,240,990
Other income	3,622,564	4,565,135
	51,049,143	36,104,545
OPERATING EXPENSES		
Administrative expenses	1,341,457	1,534,874
Remuneration to the Investment Adviser	5,341,742	4,919,553
	6,683,199	6,454,427
	44,365,944	29,650,118
Less: Deficit on revaluation of trading investments	518,656	-
Provision for diminution in the value of investments	-	11,376,600
PROFIT BEFORE TAXATION	43,847,288	18,273,518
PROVISION FOR TAXATION		
Current - for a prior year	100,378	-
PROFIT AFTER TAXATION FOR THE YEAR	43,746,910	18,273,518
Basic earnings per share	2	1
Dividend per share	1.6	0.66

The annexed notes form an integral part of these accounts.

Mohammad Shoaib **Ather Medina**
Chief Executive Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2002**

	Issued, subscribed and fully paid-up share capital	Accumulated Loss	Surplus on revaluation of investments	Total
	Rupees			
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
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
Net profit for the year ended June 30, 2002	-	43,746,910	-	43,746,910
Surplus on revaluation of investments	-	-	17,362,553	17,362,553
Proposed dividend (Rs. 1.60 per share)	-	40,000,000	-	40,000,000

Balance as at June 30, 2002	250,000,000	275,447	17,362.55	267,087,106
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The annexed notes form an integral part of these accounts

Mohammad Shoaib Chief Executive	Ather Medina Director
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**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2002**

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2002 Rupees	2001 Rupees
Profit before taxation		43847288	18273518
Adjustments for:			
Deficit on revaluation of trading investments		518656	
Provision for diminution in the value of investments			
Dividend income		38556744	20240990
Financial income		3610183	4565135
Dividends received		38063231	21157631
Financial income received		3557949	4933692
Profit before changes in working capital		43820197	30935316
(Increase) / decrease in current assets			
Investments			
Accounts receivable		1188383	32371649
Other receivables		9022883	2368545
		5575000	75000
Increase / (decrease) in current liabilities		15786266	30078104
Due to the Investment Adviser - an associated undertaking		422189	1606746
Accrued expenses and other liabilities		12638	1188863
		409551	2795609
Cash generated / (used in) from operations		28443482	1938397
Taxation refunded / (paid)		5263	79097
Net cash inflow / (outflow) from operating activities		28448745	2017494
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of a long term liability		-	939301
Dividend paid		16472250	56897943
Net cash outflow from financing activities		16472250	57837244
Net increase / (decrease) in cash and cash equivalents		11976495	59854738
Bank balances at the beginning of the year		25733435	85588173
Bank balances at the end of the year		37709930	25733462

The annexed notes form an integral part of these accounts.

Mohammad Shoaib Chief Executive	Ather Medina Director
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Al Meezan Mutual Fund Limited

**NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2002**

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 close-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 Al Meezan Investment Management 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 close-end mutual fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention, however,

financial assets have been stated at fair values in accordance with the recognition criteria mentioned in the relevant international accounting standard applicable to these assets.

2.2 Basis of preparation

These accounts have been prepared in accordance with the accounting standards issued by the International Accounting Standards Committee (IASC), interpretations issued by the Standing Interpretations Committee of IASC, the requirements of the Investment Companies and Investment Advisers Rules, 1971, the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP).

2.3 Investments

Effective July 1, 2001 investments are being categorised as follows:

Held for trading:

These are investments acquired principally for the purpose of generating profit from short-term fluctuations in prices or dealers' margins, or arc securities included in & portfolio in which a pattern of short-term profit taking exists.

Any unrealised deficit on securities 'held for trading' is included in the net profit / loss for the period in which it arises. However, according to the relaxation provided by SECP to mutual funds through its letter no. SC/MF/ED/241/2002, dated June 19, 2002, addressed to the Chairman, Mutual Funds Association of Pakistan any unrealised surplus on securities held for trading is being recognised directly in equity.

Held to maturity:

These are investments with fixed or determinable payments and fixed maturity and the company has the positive intent and ability to hold such investments to maturity.

Available/or sale:

These are investments that do not fall under the 'trading' or 'held to maturity' categories.

Investments are initially stated at cost inclusive of transaction costs and subsequently marked to market value determined on an individual basis. Cost of investment portfolio is determined on a moving average basis. The market value refers to the closing quotations of stock exchanges on the last working day of the accounting year, which are considered as their fair values. Any unrealised gain / loss on available for sale investments for the period is included directly in equity.

The company follows trade date accounting for purchase and sale of investments.

Previously the accounting policy of the company was to record investments on the lower of cost and market value determined on an aggregate portfolio basis.

The reason and effect of this change in accounting policy are stated in note 3 below.

2.4 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, 2002 and no asset existed as at that date.

2.5 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 share transfer books of the investee company.

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

(iii) Profit on bank deposits is recognised on accrual basis

3. REASON AND EFFECT OF CHANGE IN AN ACCOUNTING POLICY

Effective July 1, 2001 IAS 39 has become applicable to the company. Consequently the company has classified its investments as 'held for trading' and 'available for sale' which are stated at their fair values. Deficit on revaluation of 'held for trading' investments is taken to profit and loss account whereas in accordance with the relaxation given by the SECP through its letter dated June 19, 2002 surplus on revaluation of 'held for trading' investments is directly taken to equity. Surplus or deficit arising on revaluation of 'available for sale' investments is taken directly to equity.

Previously the marketable securities were stated at the lower of cost and market value determined on an aggregate portfolio basis. Provision for diminution in value of investments was taken to profit and loss account.

Had this accounting policy not been changed the investments would have been stated at a value lower by Rs. 20.337 million, capital gains would have been lower by Rs. 14.870 million, there would have been no surplus on revaluation of investments and there would have been a reversal for diminution in the value of investments by Rs. 11.377 million. The resultant effect would have been a decrease in profit by Rs. 3.493 million.

4. INVESTMENTS

	2002 (Rupees)	2001 (Rupees)
Held for trading - note 4.1	146946846	-
Available-for-sale - note 4.2	104692685	-
Marketable securities		
Cost	-	244983851
Less: Provision for diminution in the value	-	11376600
	251639531	233607251

4.1 HELD FOR TRADING INVESTMENTS

The following is a statement of 'held for trading' investments. The securities represent (i) ordinary shares of a nominal value of Rs. 10 each unless stated otherwise and (ii) term finance certificate under serial number 24 below.

S.No.	Name Of Company	Name Of Shares				Balance As At June 30 2002				Percentage In Relation To				
		Balance As at July 2001	Purchase	Sales	Number Of Shares	At Cost Rupees Note 4.7	At Carrying Value (Rupees)	At market Value (Rupees)	Unrealised Gain/Loss (Rupees)	Own Net Assets note 4.3 & 4.4 At Cost	Market	Number Of Shares Of Inverse Company (4.5)	Total Investment At Cost	At Market Value
Mutual Funds														
1	ICP SEMF	-	1,576,000	1,576,000	-	-	-	-	-	-	-	-	-	-
Inv. Co's & Banks														
2	Faysal Bank Ltd.	-	936,500	936,500	-	-	-	-	-	-	-	-	-	-
3	Muslim Commercial Bank Limited	25,000	24,280,000	24,255,000	50,000	1,442,859	1,442,868	1,455,000	12,132	0.54%	0.54%	0.02%	1.00%	1.00%
4	National Bank of Pakistan Limited	-	31,051,000	30,751,000	30,000	6,093,667	6,093,667	6,165,000	71,333	2.28%	2.31%	8.00%	4.27%	4.20%
Insurance Companies														
5	Adamjee Insurance Co. Ltd.	-	11,717,424	11,683,424	34,000	1,249,600	1,249,600	1,246,100	3,500	0.47%	0.47%	0.01%	0.88%	0.85%
Textile Composite														
6	Nishat Mills Ltd.	25,000	15,578,500	15,456,500	147,000	2,291,515	2,291,540	2,285,850	5,690	0.86%	0.86%	0.13%	1.60%	1.56%
Synthetics & Rayon														
7	Dewan Salman Fibres Co. Limited	-	11,779,500	11,779,500	-	-	-	-	-	-	-	-	-	-
8	Ibrahim Fibres Co. Limited	-	10,980	10,980	-	-	-	-	-	-	-	-	-	-
Cement														
9	D G Khan Cement Co. Limited	-	3,216,000	3,216,000	-	-	-	-	-	-	-	-	-	-
Fuel & Energy														
10	The Hub Power Company Ltd. (see note 4.8 below)	50,000	5,787,500	57,325,000	600,000	13,977,035	13,976,927	13,920,000	56,927	5.23%	5.21%	0.05%	9.80%	9.47%
11	National Refinery Co. Limited	-	185,000	180,000	5,000	278,750	278,750	280,000	1,250	0.10%	0.10%	0.01%	0.20%	0.19%
12	Pakistan State Oil Co. Limited (see note 4.8 below)	25,000	6,900,300	6,823,300	102,000	14,353,877	14,533,877	14,280,000	73,877	5.37%	5.35%	0.07%	10.07%	9.72%
13	Shell Pakistan Limited	5,000	257,300	180,300	82,000	18,013,500	18,013,500	18,060,500	47,000	6.74%	6.76%	0.23%	12.63%	12.29%
14	Sui Northern Gas Pipeline Ltd.	212,000	18,660,000	18,472,000	400,000	5,657,163	5,657,154	5,520,000	1371,54	2.12%	2.07%	0.08%	3.97%	3.76
15	Sui Southern Gas Company Limited	100,000	3,533,000	3,258,000	375,000	4,565,310	4,565,370	4,518,750	46,620	1.71%	1.69%	0.06%	3.20%	3.07%
Transport & Communication														
16	Pakistan Telecommunication Company Ltd. "A" (note 4.8)	-	38,170,000	37,270,000	900,000	15,556,459	15,556,459	15,435,000	121,459	5.82%	5.78%	0.02%	10.91%	10.49%
17	World Call Communication Limited	-	15,476,000	15,254,000	222,000	2,819,400	2,819,400	2,819,400	-	1.06%	1.06%	0.37%	1.98%	1.92%

Chemical & Pharmaceutical

18 Engro Chemicals Pakistan Limited	-	21,858,900	21,758,900	100,000	5,959,720	5,959,720	5,990,000	30,280	2.23%	2.24%	0.07%	4.18%	4.08%
19 Fauji Fertilizer Company Limited	195,000	17,097,500	17,042,500	250,000	11,423,439	11,423,429	11,350,500	73,429	4.28%	4.25	0.1	8.01	7.72
20 FFC Jordan Fertilizer Company Limited	-	14,229,500	13,709,500	520,000	3,276,000	3,276,000	3,276,000		1.23%	1.23%	0.16%	2.30%	2.23%
21 ICI Pakistan Limited	-	660,000	660,000										

Paper & Board

22 Packages Limited	56,017	81,500	31,500	106,017	6,532,470	6,746,651	8,269,326	1,522,675	2.45%	3.10%	0.22%	4.58%	5.63%
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Food & Allied

23 Lever Brothers Pakistan Limited	26,280	4,000	-	30,280	24,708,082	22,551,200	27,675,920	5,124,720	9.25%	10.36%	0.23%	17.33%	18.83%
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Term Finance Certificates

24 Sitara Chemical Industries Ltd. (Rs. 5,000 each)	-	880	-	880	4,400,000	4,400,000	4,400,000	-	1.65%	1.65%	-	3.09%	2.99%
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142,598,846 140,656,112 146,946,746 6,290,734

Less: Surplus On Revaluation 6,809,390 note 9

Deficit On Revaluation 518,656

S.No.	Name Of Company	Name Of Shares				Balance As At June 30 2002				Unrealised Gain/Loss (Rupees)	Percentage In Relation To			Total Investment		
		Balance As at July 2001	Purchase	Bonus Shares	Sales	Number Of Shares	At Cost Rupees	At Carrying Value (Rupees)	At market Value (Rupees)		Own Net Assets (note 4.3 & 4.4) At Cost	At Market Value	Number Of Shares Of Inverse Company	At Cost	At Market Value	
Mutual Funds																
1	25th ICP Mutual Fund	-	19,000	-	1,900	-	-	-	-	-	-	-	-	-	-	-
2	ICP SEMF 125,000	125,000	438,500	-	388,500	175,000	33,343,713	3,294,194	3,298,750	4,556	1.25%	1.24%	0.21%	3.50%	3.15%	
Investment Companies & Banks																
3	Bank Al Habib Limited	109,296	-	21,859	-	131,155	1,585,000	1,694,088	2,255,866	561,778	0.59%	0.84%	0.15%	1.66%	2.15%	
4	Faysal Bank Limited	300,000	169,500	-	469,500	-	-	-	-	-	-	-	-	-	-	-
5	Meezan Bank Limited [Formerly Al-Meezan Investment Bank Limited]	53,500	-	-	53,500	-	-	-	-	-	-	-	-	-	-	-
6	Muslim Commercial Bank Limited	394,435	280,000	-	580,000	94,435	2,329,533	2,356,813	2,748,059	391,246	0.87%	1.03%	0.04%	2.44%	2.63%	
7	National Bank of Pakistan Limited	-	1,030,757	1,030,757	-	-	-	-	-	-	-	-	-	-	-	-
Insurance Companies																
8	Adamjee Insurance Company Limited	155,424	322,000	-	477,424	-	-	-	-	-	-	-	-	-	-	-
Textile Composite																
9	Nishat Mills Limited	315,000	432,500	-	643,000	104,500	1,748,475	1,627,353	1,624,975	2,378	0.65%	0.61%	0.09%	1.84%	1.55%	
Synthetics & Rayon																
10	Dewan Salman Fibres Limited	375,000	110,000	18,750	503,750	-	-	-	-	-	-	-	-	-	-	-
11	Ibrahim Fibres Limited	343,750	182,000	-	525,750	-	-	-	-	-	-	-	-	-	-	-
Cement																
12	Cherat Cement Co. Limited	49,000	-	49,000	-	-	-	-	-	-	-	-	-	-	-	-
13	D G Khan Cement Co. Limited	250,000	154,500	404,500	-	-	-	-	-	-	-	-	-	-	-	-
Fuel & Energy																
14	The Hub Power Company Ltd.	1,372,000	550,000	-	1,250,000	672,000	12,010,769	12,244,000	15,590,400	3,346,400	0.045	5.84%	0.06%	12.62%	14.89%	
15	Kohinoor Energy Co. Limited	49,500	-	-	49,500	-	-	-	-	-	-	-	-	-	-	-
16	National Refinery Co. Limited	63,000	-	-	18,000	15,000	2,721,643	1,748,250	2,520,000	771,750	1.02%	0.94%	0.07%	2.86%	2.41%	
17	Pakistan State Oil Co. Limited	220,036	84,000	-	186,500	117,536	13,959,616	15,430,951	16,455,040	1,024,089	5.23%	6.16%	0.08%	14.67%	15.72%	
18	Shell Pakistan Limited	50,000	52,100	-	102,000	100	24,761	22,965	22,025	940	0.01%	0.01%	0.00%	0.30%	0.02%	
19	Sui Northern Gas Pipeline Limited	975,299	632,500	-	915,000	692,799	8,059,552	7,421,617	9,560,625	2,139,008	3.02%	3.58%	0.14%	8.47%	9.13%	
20	Sui Southern Gas Company Limited	395,450	1,045,500	-	1,021,500	419,450	4,993,388	4,798,992	5,054,373	255,381	1.87%	1.89%	0.06%	5.25%	4.83%	
Auto & Allied																
21	Dewan Farooque Motors	446,000	-	-	307,000	139,000	1,362,803	827,050	875,700	48,650	0.51%	0.33%	0.19%	1.43%	0.84%	
22	The General Tyre & Rubber Company Limited	96,000	116,000	-	121,000	91,000	3,689,912	366,129	3,640,000	22,129	1.38%	1.36%	0.53%	3.88%	3.48%	
23	Indus Motors Company Limited	31,000	-	-	11,000	20,000	366,908	224,000	360,000	136,000	0.14%	0.13%	0.03%	0.39%	0.34%	
Transport & Communication																
24	Pakistan International Airlines Corporation "A"	-	105,000	-	105,000	-	-	-	-	-	-	-	-	-	-	-
25	Pakistan Telecommunication Company Limited "A"	1,210,500	1,285,000	-	1,870,000	625,500	10,103,916	10,103,551	10,727,325	623,774	3.78%	4.02%	0.02%	10.62%	10.25%	
26	World Call Communication Limited	-	1,017,000	-	20,001,019,000	-	-	-	-	-	-	-	-	-	-	-
Chemical & Pharmaceutical																
27	Engro Chemicals Pakistan Limited	227,934	252,600	-	385,200	95,334	4,905,777	4,947,318	5,710,507	763,189	1.84%	2.14%	0.07%	5.15%	5.45%	

28 Fauji Fertilizer Company Limited	391,700	410,800	-	559,900	242,600	11,035,466	10,794,184	11,014,040	219,856	4.13%	4.12%	0.09%	11.60%	10.52%
29 FFC Jordan Fertilizer Company Limited	-	3,340,000	-	2,890,000	450,000	2,952,067	2,952,067	2,835,000	117,067	1.11%	1.06%	0.13%	3.10%	2.71%
30 ICI Pakistan Limited	-	250,000	-	250,000	-	-	-	-	-	-	-	-	-	-
Term Finance Certificates														
31 ICI Pakistan Limited (Rs. 5,000 each)	-	2,000	-	2,000	-	-	-	-	-	-	-	-	-	-
32 National Development Leasing Corporation	2,000	-	-	-	2,000	9,990,000	9,990,000	10,400,000	410,000	3.74%	3.89%	3.03%	10.50%	9.93%
33 Security Leasing Corporation Limited (Rs. 5,000 each)	-	200	-	200	-	-	-	-	-	-	-	-	-	-
						95,174,299	94,139,522	104,692,685	10,553,163				100%	100%

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

4.4 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.

4.5 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.

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

4.7 For the purposes of calculating cost the opening balances of the cost of each investment in the 'held for trading' and 'available for sale' portfolios have been considered before their fair value adjustments as at July 1, 2001.

4.8 The company's investment in these investee companies exceeded ten percent of its (the company's) paid-up capital as at June 30, 2002. Had the company continued with its previous accounting policy its investment in the aforementioned investee companies would not have exceeded ten percent of the company's paid-up capital as at June 30, 2002.

OTHER RECEIVABLES

	2002 (Rupees)	2001 (Rupees)
Dividends receivable	2,225,592	1,732,079
Profit on bank deposits	122,794	69,933
Profit on term finance certificates (TFCs)	130,055	130,682
Advance against TFC subscription	5,600,000	-
Prepaid expenses	50,000	75,000
Advance tax recoverable	5,081,284	5,186,925
	13,209,725	7,194,619

BANK BALANCES

PLS accounts	37,652,120	25,733,206
Current accounts	57,810	229
	37,709,930	25,733,435

DUE TO THE INVESTMENT ADVISER - AN ASSOCIATED UNDERTAKING

Remuneration for the year	note 7	5,341,742	4,919,553
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7.1 The Investment Adviser is entitled to a remuneration at the rate of 2% of the 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. 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:

	2002 (Rupees)	2001 (Rupees)
Assets:		
Long term deposit	300,000	300,000
Investments	251,639,531	233,607,251
Accounts receivable	9,757,641	734,758
Other receivables	13,209,725	7,194,619
Bank balances	37,709,930	25,733,435
	312,616,827	267,570,063

Liabilities:

Due to the Investment Adviser		
- an associated undertaking	5,341,742	4,919,553
Accrued expenses and other liabilities	187,979	172,867
Proposed dividend	40,000,000	16,500,000
	45,529,721	21,592,420
	267,087,106	245,977,643

Net assets

Remuneration for the year at 2% of net assets	5,341,742	4,919,553
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8. ACCRUED EXPENSES AND OTHER LIABILITIES

	2002 (Rupees)	2001 (Rupees)
Custodian charges	-	38,789
Settlement charges	-	18,849
Dividend payable	27,976	229
Accrued expenses	160,000	115,000
	187,979	172,867

9. SURPLUS ON REVALUATION OF INVESTMENTS

	2002 (Rupees)	2001 (Rupees)
Held for trading - note 4.1	6,809,390	-
Available-for-sale - note 4.2	10,553,163	-
	17,362,553	-

10. CONTINGENCY

While finalising the assessment of the assessment year 2001-2002, the Deputy Commissioner of Income Tax (DCIT) has levied minimum tax on turnover basis under section SOD of the Income Tax Ordinance, 1979, (the Ordinance) amounting to Rs 130,232. The company has filed an appeal against the orders of DCIT to the Commissioner of Income Tax (CIT Appeals) for the levy of tax under section SOD of the Ordinance. No provision for minimum tax on turnover basis has been made for the accounting years ended June 30, 2001 and 2002 as the management is of the opinion that the company is exempt from section SOD of the Ordinance.

11. CAPITAL GAIN

	2002 (Rupees)	2001 (Rupees)
On available-for-sale investments		
Sales	314,062,238	278,126,747
Cost of sales - note 11.1	322,660,967	275,542,995
	8,598,729	2,583,752
On held for trading investments		
Sales		
Cost of sales - note 11.2	7,924,924,548	2,396,419,831
	7,907,455,984	2,387,705,163
	17,468,564	8,714,668
Capital gain	8,869,835	11,298,420

11.1 Cost of sales

	2002 (Rupees)	2001 (Rupees)
Cost of marketable securities held as at July 1,2001/2000	244,983,851	212,612,202
Less: Provision for diminution in the value of marketable securities	11,376,600	-
Carrying value / cost of investments held as at July 1,2001/2000	233,607,251	212,612,202
Less: Transferred to trading portfolio - note 11.2	39,294,419	-
Carrying value of investments held as at July 1, 2001/2000	194,312,832	212,612,202
Purchases	222,487,651	307,912,129
Stamp duties	-	2,515
	416,800,489	520,526,846

Less: Carrying value of available for sale

investments before adjustment of fair value / cost of investments held as at June 30	94,139,522	244,983,851
Cost of sales	<u>322,660,967</u>	<u>275,542,995</u>

11.2 Cost of sales

	2002 (Rupees)	2001 (Rupees)
Cost of marketable securities held as at July 1,2001/2000	-	-
Add: Transferred from available for sale investments - note 11.1	39,294,419	-
Carrying value of investments held as at July 1, 2001/2000	39,294,419	-
Purchases	8,008,817,677	2,387,705,163
	8,048,112,096	2,387,705,163
Less: Carrying value of trading investments before adjustment of fair value / cost of investments held as at June 30	140,656,112 -	
Cost of sales	<u>7,907,455,984</u>	<u>2,387,705,163</u>

OTHER INCOME

	2002 (Rupees)	2001 (Rupees)
Profit on bank deposits - note 12.1	1,039,861	2,865,698
Profit on TFCs	2,570,322	1,699,437
Miscellaneous income	12,381	-
	<u>3,622,564</u>	<u>4,565,135</u>

12.1 Profit on bank deposits is stated inclusive of withholding tax deducted aggregating
Rs. 1,142 (2001:Rs 79,097).

ADMINISTRATIVE EXPENSES

	2002 (Rupees)	2001 (Rupees)
Custodian charges	234,309	515,810
Settlement charges	262,555	412,450
CDC eligibility fee	75,000	83,333
CDC charges - 2002 (Rupees)	130,513	-
Annual listing fee	100,000	100,000
Auditors' remuneration - note 13.1	525,690	413,015
Bank charges	11,340	9,266
Miscellaneous expenses	2,050	1,000
	<u>1,341,457</u>	<u>1,534,874</u>

13.1 Auditors' remuneration

Audit fee	160,000	115,000
Tax consultancy services	344,324	209,490
Other services	-	70,000
Out of pocket expenses	21,366	18,525
	<u>525,690</u>	<u>413,015</u>

14. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	2002 (Rupees)	2001 (Rupees)
Purchase of securities (inclusive of commission Rs Nil ; 2001:Rs 53,751)	-	82,129,073
Sale of securities (net of commission Rs Nil; 2001 :Rs 129,072)	-	76,545,421
Remuneration to the Investment Adviser	5,341,742	4,919,553

15. FINANCIAL ASSETS AND LIABILITIES

Interest Markup Bearing			Non Interest Bearing			Total 2002	Total 2001
Maturity Up To One Year	Maturity After One Year	Sub-Total	Maturity Up To One Year	Maturity After One Year	Sub-Total		
Rupees							

Financial assets

Long term deposit	-	-	-	-	300,000	300,000	300,000	300,000
Investments	14,800,000	-	14,800,000	236,839,531	-	236,839,531	251,639,531	233,607,251
Accounts receivable	-	-	-	9,757,641	-	9,757,641	9,757,641	734,758
Other receivables	122,794	-	122,794	7,955,647	-	7,955,647	8,078,441	1,932,694
Bank Balances	37,652,120	-	37,652,120	57,810	-	57,810	37,709,930	25,733,435

2002	52,574,914	-	52,574,914	254,610,629	300,000	254,910,629	307,485,543	262,308,138
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2001	35,797,139	-	35,797,139	226,210,999	300,000	226,510,999	262,308,138	-
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Due to the Investment Adviser	-	-	-	5,341,742	-	5,341,742	5,341,742	4,919,553
Accrued expenses and other liabilities	-	-	-	160,000	-	160,000	160,000	172,638
Dividend payable	-	-	-	27,979	-	27,979	27,979	229
Proposed Divident	-	-	-	40,000,000	-	40,000,000	40,000,000	16,500,000

2002	-	-	-	45,529,721	-	45,529,721	45,529,721	21,592,420
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2001	-	-	-	21,592,420	-	21,592,420	21,592,420	-
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16. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk represents the accounting loss relating to financial assets that would be recognised 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 settlement of its transactions on a delivery versus payment (DVP) basis.

17. PRICE RISK

Market risk is the price risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The company manages its exposure to price risk through diversifying its investments (note 4.1 and 4.2).

18. FOREIGN EXCHANGE RISK MANAGEMENT

The company did not enter into any transaction involving foreign exchange during the year ended June 30, 2002 (June 30, 2001: None).

19. 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. .

20. BASIC EARNINGS PER SHARE

	2002 (Rupees)	2001 (Rupees)
Net profit after taxation for the year	43,746,910	18,273,518
Number of shares		
Average number of ordinary shares Outstanding during the year	25,000,000	25,000.00
	2002 (Rupees)	2001 (Rupees)
Basic earnings per share	1.75	0.73

21. STATEMENT OF MOVEMENTS IN RESERVES PER SHARE

Net Asset Per Value Per Share As At July 1, 2001 / 2000	9.84	10.55
Surplus On revaluation of investments	0.69	-
Unrealised Loss On Marketable Securities	-	-
Capital Gain	0.35	0.45

JOINT STOCK COMPANIES

AL-MEEZAN INVESTMENT MANAGEMENT LIMITED	2520000	10.0800
ASIAN SECURITIES LIMITED	5000	0.0200
JAVED OMER VOHRA & COMPANY LIMITED	35000	0.1400
AL-MAL CORPORATION LTD.	50000	0.2000
PRUDENTIAL SECURITIES LIMITED	500	0.0020
ARIF HABIB SECURITIES LIMITED	91500	0.3660

FINANCIAL INSTITUTIONS

PAKISTAN KUWAIT INVESTMENT CO.(PVT) LIMITED	4750000	19.9999
PRIME COMMERCIAL BANK LIMITED	4040000	1.1660
INVESTMENT CORPORATION OF PAKISTAN	500	0.0020
UNION BANK LIMITED	661500	2.6460
NATIONAL BANK OF PAKISTAN,TRUSTEE DEPTT	2500000	10.0000
FAYSAL BANK LIMITED	2469500	9.8780
PAK LIBYA HOLDING COMPANY (PVT.) LTD.	1736500	6.9460
MEEZAN BANK LIMITED	1250000	5.0000
MUSLIM COMMERCIAL BANK LTD., TREASURY	2019500	8.0780

MODARABA COMPANIES

MODARABA AL-MALI	52500	0.2100
FIRST ALLIED BANK MODARBA	200000	0.8000

FOREIGN COMPANIES

THE NORTHERN TRUST COMPANY	5000000	20.0000
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CEO, DIRECTORS & THEIR SPOUSES &

MINOR CHILDREN

MR. IRFAN SIDDIQUI	500	0.0020
MR. MOHAMMAD SHOAB	500	0.0020
MRS. SHABANA SIDDIQ	500	0.0020

**STATEMENT OF INCOME & EXPENDITURE
IN RELATION TO THE INVESTMENT COMPANY
For the Year Ended June 30, 2002**

	2002 (Rupees)	2001 (Rupees)
INCOME		
Remuneration receivable from Al Meezan Mutual Fund Limited	5,341,742	4,919,553
Dividend income	1,663,200	5,292,000
	7,004,942	10,211,553
OPERATING EXPENSES		
Salaries And Other Benefits	8,822,264	3,643,861
Fees and subscription	168,948	184,017
Audit fee	61,707	54,936
Financial charges	20,000	20,000
Bank charges	163,437	143,155
Insurance expense ;;	19,000	4,090
Printing and stationery I	94,057	61,899
Telephone, fax, postage and stamps	111,128	65,356
Depreciation	150,007	174,706
Traveling and conveyance	763,307	569,828
Entertainment	96,665	261,323
Legal and professional charges v	32,114	90,097
Repair and maintenance	468,510	779,783
Sen-ice charges	23,300	22,854
Advertisement	1,181,781	1,000,000
Registration fees	28,800	50,300
Other Office Supplies 5	-	112,500
CDC charges	101,443	46,392
Central Excise Duty	11,700	26,350
Professional development	17,419	20,944
Others	124,123	141,798
	86,325	86,602
(Loss)/Profit for the year	12,546,035	7,560,791

Note: Other revenue not relating to the investment company has not been included in the above statement.