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### **Our Vision**

To set standards of best practices and performance for the industry through efficient asset allocation & security selection.

### **Our Mission**

To be the leading mutual fund in the industry, outperforming the bench mark on a consistent basis, and providing shareholders with the best combination of current income and future growth on a risk adjusted basis.

## FUND INFORMATION

### BOARD OF DIRECTORS

Mr. Irfan Siddiqui	Chairman
Mr. Ariful Islam	
Mr. Nabil Daudur Rahman	
Mr. Muhammad Abdul Faisal Khan	
Mr. Muhammad Asad	
Syed Owais Wasti	
Mr. Mohammad Shoab, CFA	Chief Executive

### AUDIT COMMITTEE

Mr. Ariful Islam	Chairman
Mr. Nabil Daudur Rahman	Member
Mr. Muhammad Abdul Faisal Khan	Member

### CFO & COMPANY SECRETARY

Syed Owais Wasti

### MANAGEMENT COMPANY

Al Meezan Investment Management Limited

### AUDITORS

A.F.Ferguson & Co. Chartered Accountants  
Statelife Building No.1-C., I.I.Chundrigar Road,  
P.O.Box 4716, Karachi:74000, Pakistan.

### SHARIAH ADVISOR

Meezan Bank Limited

### CUSTODIAN

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

### BANKERS

AlBaraka Islamic Bank  
Bank Alfalah Limited  
BankIslami Pakistan Limited  
Habib Metropolitan Bank Limited  
Meezan Bank Limited  
MCB Bank Limited

### REGISTERED OFFICE

Ground Floor, Block "B", Finance & Trade Centre,  
Shahrah-e-Faisal, Karachi 74400, Pakistan  
Phone: (9221) 3563 0722-26, 111 MEEZAN  
Fax: (9221) 3567 6143, 3563 0808  
Web site: [www.almeezangroup.com](http://www.almeezangroup.com)  
E-mail: [marketing@almeezangroup.com](mailto:marketing@almeezangroup.com)

### SHARE REGISTRAR

THK Associates (Pvt.) Limited  
Ground Floor, State Life Building-3,  
Dr. Ziauddin Ahmed Road, Karachi 75530  
P.O. Box No. 8533  
Phone: (9221) 111-000-322  
Fax: (9221) 3565 5595



## AL MEEZAN MUTUAL FUND LIMITED NOTICE OF 15th ANNUAL GENERAL MEETING

Notice is hereby given that the 15th Annual General Meeting ("AGM") of Al Meezan Mutual Fund Limited ("the Company") will be held at 10:00 am on Tuesday October 19, 2010 at the training department of Meezan Bank Limited, 3rd Floor, PNSC Building near Beach Luxury Hotel, M.T. Khan Road, Karachi, to transact the following business:

### Ordinary Business

- 1- To receive, consider and adopt the Audited Accounts of the Company together with the report of Directors and Auditors for the year ended June 30, 2010.
- 2- To approve the payment of Final Cash Dividend for the year ended June 30, 2010 at Rs. 0.85 per share i.e. @ 8.50% as recommended by the Board of Directors of the Company.
- 3- To appoint Auditors and fix their remuneration for the year ending June 30, 2011. The present Auditors Messrs. A.F. Ferguson & Co., Chartered Accountants retire and being eligible, offer themselves for re-appointment.
- 4- To transact any other business with the permission of the Chair.

By order of the Board

**Syed Owais Wasti**  
Company Secretary

Karachi: September 15, 2010

### NOTES:

- 1- The Share Transfer Books of the Company will remain closed from Monday October 11, 2010 to Tuesday October 19, 2010 (both days inclusive) to determine entitlement to cash dividend. Transfers received at THK Associates (Pvt) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi 75530 at the close of business on Friday October 8, 2010 will be treated in time for these entitlements.
- 2- A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. A Corporation may appoint a person, who is not a member, as proxy.
- 3- Proxy forms in order to be effective must be received at the Company's registered office, situated at Ground Floor, Block "B", Finance & Trade Centre, Shahrah-e-Faisal, Karachi - 74400, duly stamped and signed not less than 48 hours before the meeting.
- 4- If a member appoints more than one proxy and/ or deposits more than one instrument of proxy, all such instruments shall be rendered invalid.
- 5- Accountholders/sub-accountholders holding book entry securities of the Company in Central Depository System (CDS) of Central Depository Company of Pakistan Limited (CDC) who wish to attend the AGM are requested to please bring their original ID Card/original passport with a photocopy duly attested by their bankers for identification purposes. In case of Corporate entity, the Board of Directors resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
- 6- Members are requested to promptly communicate to the Company of any change in their address to ensure prompt delivery of mail.

## DIRECTORS' REPORT

The Board of Directors of Al Meezan Mutual Fund (AMMF) is pleased to present the audited financial statements of the fund for the year ended June 30, 2010.

### Brief Overview

During the fiscal year 2010, the benchmark index, Karachi Meezan Index (KMI 30) increased by 36.87% to 14,574 whereas KSE 100 index closed at 9,722 posting a 35.74% increase year on year. AMMF provided a return of 31% to its investors during the fiscal year 2010.

### Economic and Equity Market Review

Pakistan economy remained in consolidation phase during fiscal year 2010 with gradual and steady improvement on the macroeconomic front. GDP grew by 4.10% in fiscal year 2010 driven by 4.9% growth in the manufacturing sector (as compared to 8% decline in fiscal year 2009) and 4.6% expansion in services. However, growth in agriculture was rather disappointing at 2% against a target of 3.8% and in comparison to 4% in fiscal year 2009.

A major macroeconomic achievement of this year has been the sharp reduction of 62% in current account deficit - from US\$ 9.3 billion (5.6% of GDP) in fiscal year 2009 to US\$ 3.5 billion (2.0% of GDP) this year. Release of funds from international donor agencies namely IMF and improved balance of trade figures provided a strong support to the external account of the country. Moreover, remittance inflows made new records, with the annual figure totaling US\$ 8.91 billion. As a result, foreign exchange reserves reached an all-time high of US\$ 16.6 billion. On domestic front, the provisional tax collection for the year was approximately Rs. 1,328 billion, representing an impressive 15.7% growth year on year.

Likewise, the stock market continued to perform well in the fiscal year ended June 30, 2010 as KSE-100 Index appreciated by 35.74% as compared to 42% decline in fiscal year 2009. Cheap valuations and improving macroeconomic situation attracted investors, particularly foreign institutions, to the market. In the fiscal year 2010, average traded volume expanded to 161 million shares as compared to 105 million shares in fiscal year 2009. The stock market also embraced a handful of new listings in chemical, textile, and telecom sectors, most of which were fully subscribed.

The much-anticipated capital gain tax (CGT) was announced in the budget on June 5, 2010 being effective from July 1, 2010. Since there was lack of clarity regarding the modalities of CGT, the investors initially remained cautious and hence the volumes temporarily dried up from the market. However, towards the close of the year, trading volumes gradually improved in anticipation of introduction of leveraged product.

### Rating

JCR VIS Credit Rating Company Limited has upgraded management quality rating of Al Meezan Investment Management Limited, the management company of the Fund from AM 2- (AM Two minus) to AM 2 (AM Two). The rating denotes a high management quality with a stable outlook.



## Outlook

Pakistan's economy has seen a steady turnaround in the year 2010 and most major economic indicators are pointing to greater stability ahead. The S&P rating upgrade has accelerated a pickup in foreign investment in Pakistan's equity market. Since June 2009, when Pakistan market entered the MSCI Frontier Index, nearly US\$ 570 million has flowed into the stock market, as compared to a net outflow of US\$ 445 million in the previous year. The significant build up of foreign exchange reserves has also improved confidence in country's ability in meeting its financial commitments.

The implementation of capital gain tax from July 1, 2010 has negatively impacted volumes but we believe, the introduction of the leverage product in the market will improve the liquidity position and attract the investors back to the equity market. Moreover, Pakistan's stock market is trading at a P/E multiple of under 7, which is almost at 45% discount to other regional markets. This makes KSE an attractive option for foreign investors, who are expected to continue to make investments at the local bourses.

## Compliance with Code of Corporate Governance

Al Meezan Investment Management Limited, the management company of Al Meezan Mutual Fund 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 except for the changes in accounting policies as stated in note 4.15 to the 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.
- There has been no material departure from the best practices of corporate governance, as detailed in the Karachi Stock Exchange (KSE) listing regulations.
- The Board of Directors and employees of the management company have signed "Statement of Ethics and Business Practices".
- There had been no trading in the shares of the Fund carried out by the Directors, CEO, CFO and Company Secretary of the Company including their spouses and minor children.
- Pattern of holding of shares is given on page no.13 of the financial statements.
- Financial highlights since inception are given under the heading of "Performance Review" in the Fund Manager's Report.

### **Board Meetings**

Please refer to **note no. 24** provided in the financial statements.

### **Appointment of Auditors**

M/s A.F. Ferguson & Co. Chartered Accountants retire and being eligible offers themselves as the auditors of the Fund for fiscal year 2011. The Board of Directors of the management company has approved their re-appointment.

### **Acknowledgement**

We take this opportunity to thank our valued investors for reposing faith in Al Meezan Investment Management Limited and making it the largest Shariah Compliant asset management company in Pakistan. We also thank the regulator, Securities and Exchange Commission of Pakistan, Custodian, 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.

For and on behalf of the Board

**Date: August 17, 2010**  
**Karachi.**

**Muhammad Shoaib, CFA**  
**Chief Executive**



## REPORT OF THE FUND MANAGER

Al Meezan Mutual Fund (AMMF) is a listed closed end equity fund, which is primarily geared towards investing in Shariah compliant securities at the stock exchange.

The objective of AMMF is to provide maximum total return to the shareholders from investment in Shariah compliant investments for the given level of risk, while abiding by the "Non-Banking Finance Companies Rules, 2003" and the "Non-Banking Finance Companies and Notified Entities Regulations, 2008", and any other prevailing rules and regulations. Total return refers to the returns from capital gains (realized and unrealized), and dividend income (from investment in primary and secondary equities), rental income (from operating leases - Ijara), markup (from cost-plus sales - Murabaha), and other Shariah compliant investments.

### Strategy and Investment Policy

Performance of AMMF is directly linked to the performance of equity market. The fund manager, Al Meezan Investment Management Limited, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. To control risk, the exposure in growth stocks is balanced against that of high dividend stocks. Moreover, the fund manager strives to reduce equity exposure in times when the market is trading above valuations while increasing equity exposures near troughs.

### Economic Review

Pakistan economy remained in consolidation phase during fiscal year 2010 with gradual and steady improvement on the macroeconomic front. GDP grew by 4.10% in fiscal year 2010 driven by 4.9% growth in the manufacturing sector (as compared to 8% decline in fiscal year 2009) and 4.6% expansion in services. However, growth in agriculture was rather disappointing at 2% against a target of 3.8% and in comparison to 4% in fiscal year 2009.

A major macroeconomic achievement of this year has been the sharp reduction of 62% in current account deficit - from US\$ 9.3 billion (5.6% of GDP) in fiscal year 2009 to US\$ 3.5 billion (2.0% of GDP) this year. Release of funds from international donor agencies namely IMF and improved balance of trade figures provided a strong support to the external account of the country. Moreover, remittance inflows made new records, with the annual figure totaling to US\$ 8.91 billion. As a result, foreign exchange reserves reached an all-time high of US\$ 16.6 billion which is equivalent to almost 6 months of imports.

On domestic front, the provisional tax collection for the year was approximately Rs. 1,328 billion. Although this is less than the targeted amount of Rs. 1,380 billion, it represents an impressive 15.7% growth from the previous year's figures. However, government's fiscal deficit and its financing via borrowing from the central bank remained a key source of concern for monetary authorities and for donor agencies during fiscal year 2010. Fiscal deficit stood at 5.8% of GDP in fiscal year 2010, against an original target of 4.9% and revised target of 5.2% agreed with the IMF. Consequently, government was also unable to achieve the target of net zero borrowing from the central bank during the year, overshooting it by Rs. 41.9 billion.



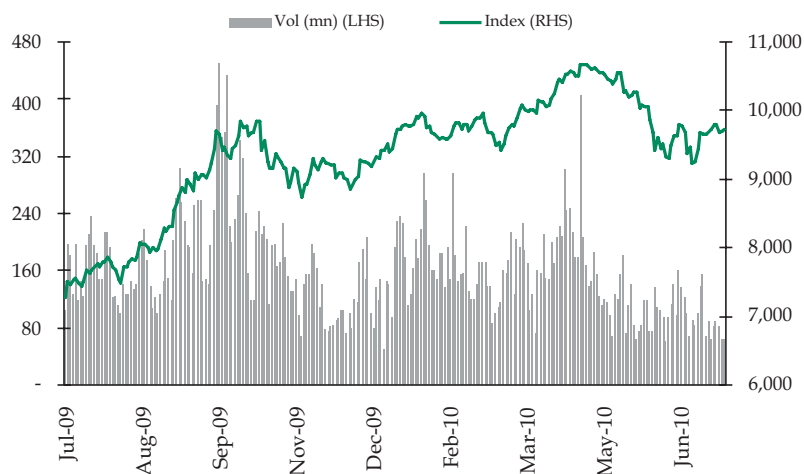
## Equity Market Review

The equity market continued to perform well in the fiscal year ended June 30, 2010 as KSE-100 Index appreciated by 35.74% to close at 9722, following negative returns for two consecutive years (-11% in fiscal year 2008 and -42% in fiscal year 2009). Cheap valuations and improving macroeconomic situation attracted investors, particularly foreign institutional investors, to the market. In the fiscal year 2010, average daily traded value increased to Rs. 7 billion as compared to Rs. 4.4 billion in the previous year, while average traded volume expanded to 161 million shares as compared to 105 million shares in fiscal year 2009. Our benchmark KSE - Meezan Index appreciated by 36.87% during the same period.

At the beginning of the financial year, uncertainty about the discount rate cut by the State Bank and late release of IMF tranche caused some concern in the minds of investors and hence the market moved at slow pace. However, it quickly regained its momentum with the discount rate cut, disbursement of IMF tranche, continuous decline in inflation and foreign inflows.

This momentum was arrested in mid October as uncertain law and order situation led to apprehension amongst investors. Also on the domestic political front, the uproar relating to conditions attached to the Kerry Lugar Bill and controversy regarding National Reconciliation Ordinance (NRO) kept the investors sidelined from the market. The index continued to hover below 10,000 levels with volumes remaining thin. However, this lackluster behavior did not continue for long. Continuous inflow of foreign portfolio investment, improved law and order situation, replacement of Finance Minister, coupled with improvements reported in macroeconomic indicators helped KSE 100 index to cross 10,000, for the first time since August 2008 (after 19 months). The index touched highest level of 10,677 in mid of April 2010.

Subsequently, uncertainty with respect to the impact of budget along with capital gain tax (CGT) made the investors cautious and hence KSE 100 index shed over 1,500 points. The much-anticipated CGT was announced in the budget on June 5, 2010 being effective from July 1, 2010. Since there was lack of clarity regarding the modalities of CGT, the investors continued to maintain a cautious stance and hence the volumes temporarily dried up from the market. However, trading volumes gradually improved in anticipation of introduction of leveraged product with KSE 100 index eventually closing the year at 9,722.





## Foreign Flows

Macroeconomic recovery and inclusion of Pakistan in MSCI Frontier Market Index in June 2009 attracted offshore investors to Pakistan with a net inflow of US\$ 568 million in the fiscal year 2010 as compared to massive outflow of US\$ 445 million the year before. These inflows were concentrated in a few scrips particularly in OGDC. As a result, OGDC made an important contribution of 1,100 points (44%) in the total rise of 2,560 points in KSE-100 Index in fiscal year 2010. With interest rates in most developed countries hitting rock bottom and Pakistan's stock market trading at a significant discount to the regional markets, it seems that foreign investors have realized the growth potential in Pakistani market and foreign portfolio investment will continue to flow.

## New Developments

### *New Sector Classification*

KSE has introduced new sector classifications in line with international standards. As per the new classification, the total number of sectors has been reduced from 35 to 32. Three major sectors of the old classification namely the oil and gas exploration, oil marketing companies and refineries have been merged in one sector called 'oil and gas' sector which has weight of 39% and 52% in KSE-100 index and KMI-30 Index respectively.

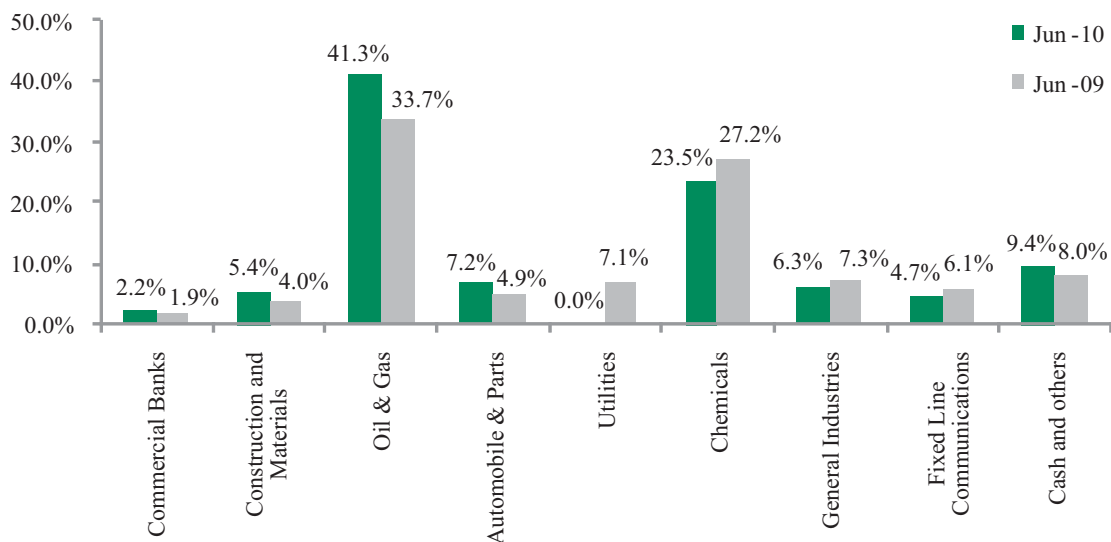
### *New Listings*

In the fiscal year 2010, there was significant improvement in new listings as 8 new Initial Public Offerings (IPOs) were done compared to only 4 IPOs the year before. These 8 IPOs were worth Rs. 4.3 billion compared to last year's IPOs of Rs. 1.4 billion. Out of 8 IPOs, 6 of the issues were oversubscribed (with Fatima Fertilizer being the largest offering) while Nishat Chunian Power and Agritech (Pak American Fertilizer) were undersubscribed.

### *Implementation and Sector Allocation*

The fiscal year 2010, markets underwent a consolidation phase with the frontline equity index, KSE-100, managing to breach the psychological of 10,000. During the year, the fund increased its equity exposure to as high as 98% in line with the market trend. However, it maintained an average exposure of 95% to equities during the year, while closing the year at 91%.

The fund maintained heavy exposure to the oil & gas and chemical sectors taking into consideration the profitability of these sectors.



## Performance Review

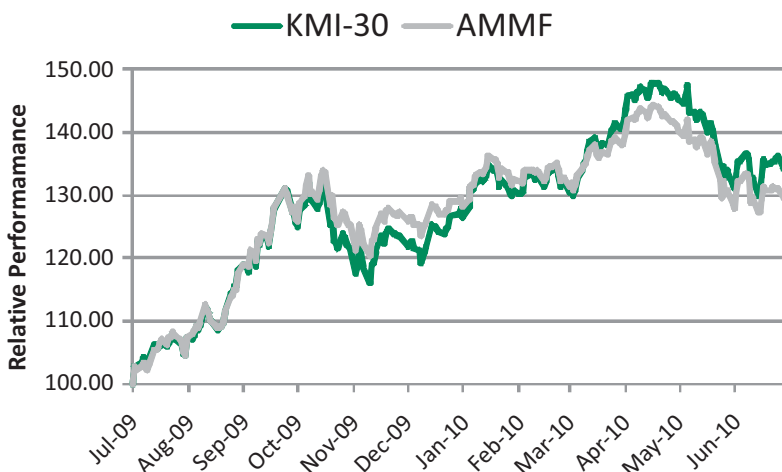
During the fiscal year 2010, Al Meezan Mutual Fund (AMMF) earned a gross income of Rs. 397 million as compared to a loss of Rs. 544 million in the same period last year. The major contributors to the income were realized and unrealized gain on worth Rs. 185 million and Rs. 102 million respectively. Dividend income contributed Rs. 101 million to the figure while profit on savings account at banks added Rs. 9 million. After accounting for expenses worth Rs. 41 million, AMMF posted net profit of Rs. 356 million. This translates into earnings per share of Rs. 2.59 as compared to a loss per shares of Rs. 4.18 the year before. The net assets of the fund stood at Rs. 1,404 million at the end of fiscal year 2010 as compared to Rs. 1,174 million the year before. The net asset value (NAV) per unit appreciated from Rs. 8.54 to Rs. 10.21 (19.6% up) during the fiscal year 2010.

## PERFORMANCE TABLE

Year ended	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	
	(Rupees in thousands)										
1	Investment Income	295,419	(210,996)	250,230	277,596	567,613	380,873	274,149	151,930	51,049	36,104
2	Operating Expenses	41,279	31,614	50,153	47,917	56,843	32,395	23,646	9,127	6,683	6,454
3	Surplus / (Deficit) on investments 'at fair value through profit or loss' and 'derivative financial instruments'	101,974	(332,572)	(211,615)	317,078	(70,567)	82,015	10,701	52,180	(518)	-
4	Reversal/(provision) for diminution in the value of marketable securities	-	-	-	-	-	-	-	-	-	(11,376)
5	Net loss / (income)	356,114	(575,182)	(11,538)	546,757	440,203	430,493	261,204	194,982	43,746	18,273
6	Earnings per share (Rs.)	2.59	(4.18)	(0.08)	3.98	3.68	4.33	2.80	4.21	1.75	0.73
7	Earning per share (Rs.) from capital growth	1.92	(4.75)	(0.59)	3.36	2.83	-	-	-	-	-
8	Earning per share (Rs.) from income distribution	0.67	0.57	0.51	0.62	0.85	-	-	-	-	-
9	Cash dividend	254,449	-	137,540	299,000	358,800	178,825	77,500	50,000	40,000	16,500
10	Rate of cash dividend (%)	18.50	-	10.00	25.00	30.00	17.50	10.00	20.00	16.00	6.60
11	Rate of stock dividend (%)	-	-	-	15.00	-	10.00	15.00	10.00	-	-
12	Net Assets Value per Share (Rs.)	10.21	8.54	13.86	18.55	16.96	13.97	14.55	18.63	10.68	9.84
13	KSE 100 Index	9,721.91	7,162.18	12,289.03	13,772.46	9,989.00	7,450.12	5,279.18	3,402.48	1,770.12	1,366.44
14	DJIMPK	N.A.	11,684.22	18,097.44	17,933.17	15,305.97	12,206.50	10,000.00			
15	KMI-30	14,573.54	10,647.69	15,000.00							
16	Total return (%) (A)	31.23	(31.67)	(0.59)	26.99	28.37	45.43	34.33	93.16	24.80	(0.47)
17	Appreciation/(depreciation) in KSE 100 Index (%) (B)	35.74	(41.72)	(10.77)	37.90	34.08	41.12	55.16	92.22	29.54	(10.15)
18	Appreciation/(depreciation) in Benchmark* (%) (C)	36.87	(35.44)	0.92	17.16	25.39	22.07				
19	Outperformance / (underperformance) in comparison to KSE 100 Index (%) (A-B)	(4.51)	10.05	10.18	(10.91)	(5.71)	4.31	(20.83)	0.94	(4.74)	9.68
20	Outperformance / (underperformance) in comparison to Benchmark (%) (A-C)	(5.64)	3.77	(1.51)	9.83	2.98	23.37				
21	Total Net Assets Value	1,403,921	1,174,174	1,906,416	2,218,592	2,028,970	1,670,878	1,204,812	465,777	267,087	245,978
22	Highest NAV	11.65	13.68	19.37	18.62	20.52	-	-	-	-	-
23	Lowest NAV	8.54	5.38	12.72	11.81	13.52	-	-	-	-	-



	<u>AMMF</u>	<u>KMI - 30</u>
Value as on June 30,2009	8.54	10,647.69
Value as on June 30,2010	10.21	14,573.54
Return Durning the Period -- Gross	33.23%	36.87%
Return Durning the Period -- Net	31.23%	
Underperformance -- Gross	3.64%	
Underperformance -- Net	5.64%	



## Future Outlook

Pakistan's economy has seen a steady turnaround in the year 2010 and most major economic indicators are pointing to greater stability ahead. The S&P rating upgrade has accelerated a pickup in foreign investment in Pakistan's equity market. Since June 2009, when Pakistan market entered the MSCI Frontier Index, nearly US\$ 570 million has flowed into the stock market, as compared to a net outflow of US\$ 445 million in the previous year. The significant build up of foreign exchange reserves has also improved confidence in country's ability in meeting its financial commitments.

The implementation of capital gain tax from July 1, 2010 has negatively impacted volumes but we believe, the introduction of the leverage product in the market will improve the liquidity position and attract the investors back to the equity market. Moreover, Pakistan's stock market is trading at a P/E multiple of under 7, which is almost at a 45% discount to other regional markets. This makes KSE an attractive option for foreign investors, who are expected to continue their investment at the local bourse.

## Charity Statement

As per the Memorandum of Association of AMMF, where some haram income accrues to the Fund, it will be donated to an approved charity that is unconnected with the Fund, management company, its Directors, Officers, Shariah Advisors or Sponsors. This will be done in consultation with the Shariah Adviser. During the year ended June 30, 2010 an amount of 2.145 million was accrued as charity payable.

## Distributions

An interim dividend worth Rs. 1 per share (10% of face value) and a final dividend worth Rs.0.85 per share (8.5% of face value) have been paid to the shareholders of AMMF for the fiscal year ended June 30, 2010.

## Breakdown of unit holdings by size:

Breakdown of shareholding by size as on June 30, 2010 has been given on page no. 51 of the financial statements.

## DETAILS OF PATTERN OF SHAREHOLDING AS PER REQUIREMENT OF THE CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2010

Particulars	No. of Shares held
Individuals	42,348,446
Non-resident	4,268,037
<b>Associated companies</b>	
i) Al Meezan Investment management Limited	23,205,692
ii) Meezan Bank Limited	5,561,607
iii) Pakistan Kuwait Investment Company (Private) Limited	16,895,690
iv) Meezan Islamic Fund	19,570,700
<b>Chief Executive &amp; Spouse</b>	
i) Mohammad Shoaib	348,278
ii) Mrs. Shabana Mohammad Shoaib	7,438
<b>Directors &amp; their Spouses</b>	
i) Mr. Irfan Siddiqui	1,162
ii) Mrs. Shabnam Hasan (w/o Mr. Muhammad Asad)	35,441
<b>Insurance companies</b>	5,021,305
<b>Banks / DFIs</b>	8,522,897
<b>NBFCs</b>	1,669,820
<b>Retirement funds</b>	4,678,030
<b>Public Limited Companies</b>	1,789,558
<b>Others</b>	3,615,885
<b>Total</b>	<b>137,539,986</b>



## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the provisions of the Code of Corporate Governance ("CCG") contained in Regulation No. 35 of Listing Regulations of Karachi Stock Exchange (G) 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.

Al Meezan Mutual Fund Limited ("The Fund") has applied the principles contained in the CCG in the following manner:

1. The Fund encourages representation of independent non-executive directors. At present the Board of Directors (BoD) of the Fund includes four non-executive directors.
2. The existing directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Fund.
3. All the resident directors of the Fund are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the directors, including their spouses, is a member of a stock exchange.
4. During the year a casual vacancy occurred on the BoD which was filled in the meeting held on February 12, 2010 within thirty days of its falling vacant, subject to the approval of Securities & Exchange Commission of Pakistan, which was confirmed on February 26, 2010.
5. The BoD has formulated a Statement of Ethics and Business Practices which has been signed by all the directors of the Fund and employees of the management company.
6. The BoD of the Fund has developed a vision and mission statement. Significant policies have been formalized and maintained by the Fund.
7. All the powers of the BoD have been duly exercised and decisions on material transactions, including appointment and terms and conditions of employment and determination of employment of the CEO and an executive director have been taken by the BoD of the management company. The CEO and the executive director are remunerated for services by the management company of the Fund.
8. The meetings of the BoD were presided over by the Chairman. The BoD met at least once in every quarter. Written notices of the BoD 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. The Directors of the board are aware of their responsibilities, an orientation course was held during previous years. The new Directors as and when appointed are provided with all the relevant statutory laws, rules and regulations to keep themselves acquainted.
10. The Board of Directors of the Management Company had, in earlier years, approved the appointment of the Chief Financial Officer (CFO) and the Company Secretary and has approved the appointment of the Head of Internal Audit during the current year including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The directors' report relating to the Fund for the year ended June 30, 2010 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by the CEO and the CFO of the Fund before approval of the BoD.
13. The directors and CEO do not hold any interest in the shares of the Fund, other than those disclosed in the pattern of shareholding (included in the Directors' Report).
14. The Fund has complied with all the applicable corporate and financial reporting requirements of the CCG.
15. The BoD has formed an audit committee. It comprises of three non-executive directors as its members including chairman of the audit committee. The CFO and the Company Secretary is the Secretary of the audit committee.
16. The meetings of the audit committee were held once in every quarter prior to the approval of interim and final results of the Fund as required by the CCG. The terms of reference of the audit committee have been framed and approved by the BoD of the Fund and advised to the committee for compliance.
17. The BoD has set up an effective internal audit function headed by the Head of Internal Audit and Compliance. The staff of the Fund is considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Fund and is involved in the internal audit function of the Fund on a full time basis.
18. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Fund and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. 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.
20. The related party transactions entered during the year ended June 30, 2010 have been placed before the audit committee and approved by the BoD in its subsequent meetings.
21. We confirm that all other material principles contained in the CCG have been complied with.

**Syed Owais Wasti**  
CFO & Company Secretary

**Mohammad Shoaib, CFA**  
Chief Executive

Karachi  
August 17, 2010



**A.F.FERGUSON & CO.**

A member firm of

**PRICEWATERHOUSECOOPERS** 

A.F.Ferguson & Co  
Chartered Accountants  
State Life Building No. 1-C  
I.I.Chundrigar Road, P.O.Box 4716  
Karachi-74000, Pakistan  
Telephone: (021) 2426682-6 / 2426711-5  
Facsimile: (021) 2415007 / 2427938

**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

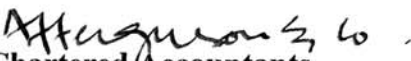
We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2010 prepared by the Board of Directors of Al Meezan Mutual Fund Limited (the Fund) to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors 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 Fund's personnel and review of various documents prepared by the Fund 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.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 of The Karachi Stock Exchange (Guarantee) Limited requires the company to place before the Board of Directors for their consideration and approval 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 the subject requirement to the extent of approval of the 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.

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 status of 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 June 30, 2010.

  
**Chartered Accountants**  
**Karachi, September 17, 2010**

Lahore Office: 505-509, 5<sup>th</sup> Floor, Alfalah Building, P.O.Box 39, Shahrah-e-Quaid-e-Azam, Lahore-54000, Pakistan Tel: (92-42) 6285078-85 Fax: (92-42) 6285088  
Islamabad Office: PIA Building, 3<sup>rd</sup> Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000, Pakistan Tel: (92-51) 2273457-60 Fax: (92-51) 2277924  
Kabul Office: House No. 4, Street No. 3, District 6, Road Karte-3, Kabul, Afghanistan. Tel : (93-799) 315320-203424





## Meezan Bank

The Premier Islamic Bank

### Report of the Shar'iah Advisor – Al Meezan Mutual Fund

Karachi

September 16, 2010/ Shawwal 06, 1431 A.H

In the capacity of *Shar'iah Adviser*, we have prescribed six criteria for Shar'iah compliance of equity investments which relate to (i) Nature of business, (ii) Interest bearing debt to total assets, (iii) Illiquid assets to total assets, (iv) Investment in non-Shar'iah compliant activities to Total assets (v) Shar'iah Non Compliant Income to Gross Revenue 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 Shar'iah compliance with the Shar'iah 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 AMMF in light of Shar'iah requirements. Following is the list of investments of AMMF as on June 30, 2010 and their evaluation according to the screening criteria established by us. (December 31, 2009 accounts of the Investee companies have been used for the following calculations):

Company Name	Nature of Business	(ii)*	(iii)	(iv)	(v)	(vi)	
		Debt to Assets (<40%)	% of Non-Shar'iah Compliant Investments (<33%)	Non-Compliant Income to Gross Revenue (<5%)	Illiquid Assets to Total Assets (>20%)	Net Liquid Assets per Share (A)	Share Price (B)
Agriauto Industries Limited	Manufacturers of Automobile Parts and Accessories	0.35%	21.45%	1.22%	59.00%	16.93	60.25
Attock Cement	Cement Manufacturer	0.12%	15.45%	1.14%	74.00%	(3.39)	52.00
Fauji Fertilizer Bin Qasim Limited	Manufacturer of Fertilizer	23.37%	0.00%	2.51%	70.00%	(15.82)	26.13
Fauji Fertilizer Company Limited	Manufacturer of Fertilizer	30.04%	8.93%	1.92%	58.00%	(31.23)	102.93

#### Meezan Bank Ltd

3rd Floor, P.N.S.C. Building, Moulvi Tamizuddin Khan Road, Karachi, Pakistan.  
Tel: (92-21) 35610582 Fax: (92-21) 35610375, 35611451 www.meezanbank.com



GlaxoSmithKline Limited	Manufacturers of Pharmaceutical Products	0.00%	7.39%	2.29%	62.00%	7.69	109.27
ICI Pakistan Limited	Manufacturers of Paints, Soda Ash, Staple Fibre and Chemicals	0.17%	0.01%	0.51%	65.00%	2.09	168.94
Indus Motors Company Limited	Automobile Assembler	0.05%	0.00%	2.43%	44.00%	17.88	196.52
Lucky Cement	Cement Manufacturer	25.91%	0.00%	0.00%	94.00%	(37.13)	66.24
Meezan Bank Limited	Islamic Commercial Bank	**					
National Refinery Limited	Oil Refinery	0.00%	1.45%	0.66%	39.00%	(9.90)	176.82
Oil & Gas Development Company Limited	Exploration and Production of Oil & Gas	0.00%	6.38%	0.81%	50.00%	7.55	110.61
Packages Limited	Manufacturers of Paper and Board	27.30%	3.04%	1.30%	88.00%	(96.53)	144.00
Pak Suzuki Motor Company Limited	Automobile Assembler	2.96%	0.02%	1.71%	68.00%	28.76	88.96
Pak. Telecommunication. Co. Ltd	Provider of Telecommunication Services	9.76%	11.52%	3.22%	75.00%	(9.37)	17.65
Pakistan Oilfields Limited	Exploration and Production of Oil & Gas	0.00%	0.53%	2.33%	79.00%	(8.36)	230.77
Pakistan Petroleum Limited	Exploration and Production of Oil & Gas	0.17%	22.92%	3.24%	42.00%	30.97	189.59
Pakistan State Oil Company Limited	Distribution of Oil	11.27%	0.00%	0.06%	39.00%	(232.69)	297.44
Thal Limited	Manufacturers of Jute bags and Acs and Wire Harness of Cars	17.88%	0.63%	0.20%	83.00%	32.97	84.87
Tripak Films Ltd	Manufacturer of Biaxially Oriented Polypropylene	32.76%	0.00%	0.32%	73.00%	(56.03)	103.00

\* All interest based debts

\*\* These ratios are for the calculation of non-Shar'iah 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 AMMF for the year ended June 30, 2010 have been in compliance with the Shar'iah principles.

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



During the Year a provision of Rupees 2.145 million was transferred to Charity account and an amount of Rupees 1.655 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.

A handwritten signature in black ink, appearing to be "Dr. Muhammad Imran Ashraf Usmani".

---

**Dr. Muhammad Imran Ashraf Usmani**  
Shar'iah Advisor



**A.F.FERGUSON & CO.**

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**PRICEWATERHOUSECOOPERS** 

A.F.Ferguson & Co  
Chartered Accountants  
State Life Building No. 1-C  
I.I.Chundrigar Road, P.O.Box 4716  
Karachi-74000, Pakistan  
Telephone: (021) 32426682-6 / 32426711-5  
Facsimile: (021) 32415007 / 32427938

## **INDEPENDENT ASSURANCE PROVIDER'S REPORT ON SHARIAH COMPLIANCE TO THE MEMBERS**

We have performed our independent assurance engagement of Al Meezan Mutual Fund Limited (the Fund) to assess the Fund's compliance with the Shariah guidelines prescribed by the Shariah Adviser of the Fund for the year ended June 30, 2010.

### **Management company's responsibility**

Management company of the Fund is responsible for the appointment of Shariah Adviser of the Fund and for compliance with the Shariah guidelines prescribed by the Shariah Adviser. This responsibility includes: designing, implementing and maintaining internal control to ensure compliance with the Shariah guidelines issued by the Shariah Adviser of the Fund.

### **Responsibility of independent assurance providers**

Our responsibility is to express our conclusion on the compliance based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance whether the Fund has complied with the guidelines issued by the Shariah Adviser.

The procedures selected depend on our judgement, including the assessment of the risks of material non-compliances with the Shariah guidelines. In making those risk assessments, we have considered internal controls relevant to the entity's compliance with the guidelines in order to design our procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the guidelines. Our engagement was not for the purpose of expressing an opinion on the effectiveness of entity's internal control.

### **Conclusion**

In our opinion, the Fund was, in all material respect, in compliance with the Shariah guidelines issued by the Shariah Adviser of the Fund for the year ended June 30, 2010.

*A.F. Ferguson & Co.*  
**Chartered Accountants**  
**Karachi, September 17, 2010**

Lahore Office: 23-C Aziz Avenue, Canal Bank, Gulberg V, P. O. Box 39, Lahore, Pakistan Tel: (92-42) 35715864-71 Fax: (92-42) 35715872  
Islamabad Office: PIA Building, 3<sup>rd</sup> Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000, Pakistan Tel: (92-51) 2273457-60 Fax: (92-51) 2277924  
Kabul Office: House No. 1916, Street No. 1, Behind Cinema Bariqot, Nahar-e-Darsan, Karte-4, Kabul, Afghanistan. Tel: +93-779-315320, +93-799-315320

# A.F.FERGUSON & CO.

A member firm of

PRICEWATERHOUSECOOPERS 

A.F.Ferguson & Co  
Chartered Accountants  
State Life Building No. 1-C  
I.I.Chundrigar Road, P.O.Box 4716  
Karachi-74000, Pakistan  
Telephone: (021) 32426682-6 / 32426711-5  
Facsimile: (021) 32415007 / 32427938

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of assets and liabilities of **Al Meezan Mutual Fund Limited** as at June 30, 2010 and the related income statement, distribution statement, statement of movement in equity and reserves per share, 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 management company 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. 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 account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the statement of assets and liabilities and income statement together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes in accounting policies as stated in note 4.15 to the annexed financial statements to 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 statement of assets and liabilities, income statement, distribution statement, statement of movement in equity and reserves per share, 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, 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, 2010 and of the profit, its distributions, movement in equity and reserves per share, 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 17, 2010

**Audit Engagement Partner: Saad Kaliya**

Lahore Office: 23-C Aziz Avenue, Canal Bank, Gulberg V, P. O. Box 39, Lahore, Pakistan Tel: (92-42) 35715864-71 Fax: (92-42) 35715872  
Islamabad Office: PIA Building, 3<sup>rd</sup> Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000, Pakistan Tel: (92-51) 2273457-60 Fax: (92-51) 2277924  
Kabul Office: House No. 1916, Street No. 1, Behind Cinema Bariqot, Nahar-e-Darsan, Karte-4, Kabul, Afghanistan. Tel: +93-779-315320, +93-799-315320

**AL MEEZAN**  
Mutual Fund



## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2010

	Note	2010 (Rupees in '000)	2009
<b>Assets</b>			
Balances with banks	5	131,182	35,681
Investments	6	1,274,965	1,122,298
Receivable against sale of investments		407,206	9,103
Dividend receivable		7,047	10,015
Advances, deposits and other receivables	7	8,793	8,001
<b>Total assets</b>		<u>1,829,193</u>	<u>1,185,098</u>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund	8	2,324	1,029
Payable to Central Depository Company of Pakistan Limited (CDC) - custodian of the Fund	9	53	46
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	1,369	1,243
Payable to Meezan Bank Limited (MBL)	11	-	434
Payable against purchase of investments		406,958	2,539
Accrued expenses and other liabilities	12	10,203	2,084
Unclaimed dividend		4,365	3,549
<b>Total liabilities</b>		<u>425,272</u>	<u>10,924</u>
<b>Net assets</b>		<u>1,403,921</u>	<u>1,174,174</u>
<b>Shareholders' equity</b>			
Authorised share capital			
150,000,000 (June 30, 2009: 150,000,000) ordinary shares of Rs 10 each			
		<u>1,500,000</u>	<u>1,500,000</u>
Issued, subscribed and paid-up share capital	13	1,375,400	1,375,400
Accumulated loss		(6,223)	(224,797)
Surplus on revaluation of investments categorised as 'available for sale investments'		34,744	23,571
		<u>1,403,921</u>	<u>1,174,174</u>
Net assets value per share (rupees)		<u>10.21</u>	<u>8.54</u>

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

**Mohammad Shoaib, CFA**  
Chief Executive

**Nabil Daudur Rahman**  
Director

## INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 (Rupees in '000)	2009
<b>Income</b>			
Net realised gain / (loss) on sale of investments		185,603	(291,658)
Dividend income		100,701	75,148
Profit on savings accounts with banks		9,115	5,514
		<u>295,419</u>	<u>(210,996)</u>
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss (net)	6.2	101,974	(332,572)
<b>Total income / (loss)</b>		<u>397,393</u>	<u>(543,568)</u>
<b>Expenses</b>			
Remuneration to Al Meezan - management company of the Fund	8	28,812	24,446
Remuneration to CDC - custodian of the Fund	9	788	641
Annual fee to SECP	10	1,369	1,243
Remuneration to MBL	11	-	184
Auditors' remuneration	14	512	529
Fees and subscription		168	128
Brokerage		1,399	1,240
Legal and professional charges		225	206
Bank and settlement charges		438	140
Printing expenses		446	294
Stamp duty		-	1,100
Advance tax written off		-	1,463
Workers' welfare fund		7,122	-
<b>Total expenses</b>		<u>41,279</u>	<u>31,614</u>
<b>Net Income / (loss)</b>		<u>356,114</u>	<u>(575,182)</u>
<b>Other comprehensive income / (loss) for the year</b>			
Deficit / (surplus) realised on disposal of 'available for sale investments' transferred to income statement on disposal		234	(3,404)
Surplus / (deficit) on investments categorised as 'available for sale investments'		10,939	(16,116)
<b>Total comprehensive income / (loss) for the year</b>		<u>367,287</u>	<u>(594,702)</u>
<b>(Rupees)</b>			
Earnings / (loss) per share - basic (rupees)	15	<u>2.59</u>	<u>(4.18)</u>

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

**Mohammad Shoaib, CFA**  
Chief Executive

**Nabil Daudur Rahman**  
Director



## DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	2010 (Rupees in '000)	2009
<b>Income</b>		
Unappropriated (loss) / income brought forward	(224,797)	487,925
Less: Final distribution in the form of cash dividend for the year ended June 30, 2009: nil (June 30, 2008 @ 10%)	-	(137,540)
Less: Interim dividend @ 10% for the year ended June 30, 2010 (June 30, 2009: nil)	(137,540)	-
Net income / (loss) for the year	356,114	(575,182)
Accumulated loss carried forward	<u>(6,223)</u>	<u>(224,797)</u>

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

**Mohammad Shoaib, CFA**  
Chief Executive

**Nabil Daudur Rahman**  
Director



## STATEMENT OF MOVEMENT IN EQUITY AND RESERVES PER SHARE FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	(Rupees)	
Net assets value per share at the beginning of the year	8.54	13.86
Net realised gain / (loss) on sale of investments	1.35	(2.12)
Dividend income	0.73	0.55
Profit on savings accounts with banks	0.07	0.04
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss (net)	0.74	(2.42)
Expenses	(0.30)	(0.23)
Net income / (loss) for the year	2.59	(4.18)
Dividend @ 10% (2009: 10%)	(1.00)	(1.00)
Net changes in surplus on revaluation of available for sale investments	0.08	(0.14)
Net assets value per share at the end of the year	10.21	8.54

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

**Mohammad Shoaib, CFA**  
Chief Executive

**Nabil Daudur Rahman**  
Director



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2010

	Share capital	Unappropriat ed income / (accumulated loss)	Surplus/ (deficit) on revaluation of investments	Total
	------(Rupees in '000)-----			
Balance as at July 1, 2008	1,375,400	487,925	43,091	1,906,416
<i>Transactions with owners</i>				
Final dividend for the year ended June 30, 2008 @ 10% (Re 1.00 per share)	-	(137,540)	-	(137,540)
<b>Total transactions with owners</b>	-	(137,540)	-	(137,540)
<b>Comprehensive income for the year</b>				
Net loss for the year ended June 30, 2009	-	(575,182)	-	(575,182)
<i>Other comprehensive income</i>				
Surplus realised on revaluation of 'available for sale investments' transferred to income statement on disposal	-	-	(16,116)	(16,116)
Deficit on revaluation of 'available for sale investments' (net)	-	-	(3,404)	(3,404)
Total other comprehensive income	-	-	(19,520)	(19,520)
<b>Total comprehensive income for the year ended June 30, 2009</b>	-	(575,182)	(19,520)	(594,702)
Balance as at June 30, 2009	1,375,400	(224,797)	23,571	1,174,174
Net income for the year ended June 30, 2010	-	356,114	-	356,114
<i>Other comprehensive income</i>				
Deficit realised on 'available for sale investments' transferred to income statement on disposal	-	-	234	234
Surplus on revaluation of 'available for sale investments' (net)	-	-	10,939	10,939
Total other comprehensive income	-	-	11,173	11,173
<b>Total comprehensive income for the year ended June 30, 2009</b>	-	356,114	11,173	367,287
<i>Transactions with owners</i>				
Interim dividend for the year ended June 30, 2010 @ 10% (Re 1.00 per share)	-	(137,540)	-	(137,540)
<b>Total transactions with owners</b>	-	(137,540)	-	(137,540)
Balance as at June 30, 2010	<u>1,375,400</u>	<u>(6,223)</u>	<u>34,744</u>	<u>1,403,921</u>

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

**Mohammad Shoaib, CFA**  
Chief Executive

**Nabil Daudur Rahman**  
Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 (Rupees in '000)	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income / (loss)		356,114	(575,182)
<b>Adjustments for non-cash items</b>			
Dividend income		(100,701)	(75,148)
Advance tax written off		-	1,463
Profit on savings accounts with banks		(9,115)	(5,514)
Unrealised (income) / loss on re-measurement of investments at fair value through profit or loss (net)		(101,974)	332,572
Deficit / (surplus) realised on sale of available for sale investments		234	(16,116)
		<u>(211,556)</u>	<u>237,257</u>
		144,558	(337,925)
<b>(Increase) / decrease in assets</b>			
Investments		(39,754)	364,825
Receivable against sale of investments		(398,103)	(9,103)
		<u>(437,857)</u>	<u>355,722</u>
<b>Increase / (decrease) in liabilities</b>			
Payable to Al Meezan - management company of the Fund		1,295	(2,192)
Payable to CDC - custodian of the Fund		7	(40)
Payable to SECP		126	(824)
Payable to MBL		(434)	184
Payable against purchase of investments		404,419	2,539
Accrued expenses and other liabilities		8,119	337
		<u>413,532</u>	<u>4</u>
Cash generated from operations		120,233	17,801
Dividend received		103,669	83,531
Profit received on savings accounts with banks		8,323	6,882
<b>Net cash inflow from operating activities</b>		<u>232,225</u>	<u>108,214</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Dividend paid</b>		<u>(136,724)</u>	<u>(135,899)</u>
<b>Net cash outflow from financing activities</b>		<u>(136,724)</u>	<u>(135,899)</u>
Net increase / (decrease) in cash and cash equivalents during the year		95,501	(27,685)
Cash and cash equivalents at the beginning of the year		35,681	63,366
Cash and cash equivalents at the end of the year	5	<u>131,182</u>	<u>35,681</u>

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

**Mohammad Shoaib, CFA**  
Chief Executive

**Nabil Daudur Rahman**  
Director



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

### 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Al Meezan Mutual Fund Limited (the Fund) was incorporated in Pakistan on July 13, 1995 as a public limited company under the Companies Ordinance, 1984 having its registered office at Finance and Trade Centre, Shahrah-e-Faisal, Karachi. The Fund is listed on the Karachi Stock Exchange.
- 1.2 The Fund is registered as an 'investment company' under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) vide License no. NBFC -II\11 AMMFL-IC-04\05 issued by the SECP.
- 1.3 The Fund has an agreement with Al Meezan Investment Management Limited ("Al Meezan"), an associated undertaking, to provide asset management services. Al Meezan has been rated AM2 by JCR-VIS.
- 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.
- 1.5 According to clause 65 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations), a closed end fund or an investment company shall, upon expiry of every five years from November 21, 2007 or the date of launch of the fund whichever is later, hold a meeting of shareholders within one month of such period to seek approval of the shareholders (by special resolution), to convert into an open end scheme or revoke the closed end scheme or wind up the investment company.

### 2. BASIS OF MEASUREMENT

The transactions undertaken by the Fund in accordance with the process prescribed under the shariah guidelines issued by the shariah adviser 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.

### 3. STATEMENT OF COMPLIANCE

- 3.1 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 NBFC Rules, NBFC Regulations and the directives issued by the SECP.

Wherever the requirements of the Trust Deed, the NBFC Rules, NBFC Regulations or the said directives differ with the requirements of IFRSs, NBFC Rules, NBFC Regulations and the said directives take precedence.

### 3.2 Standards, amendments to published approved accounting standards and interpretations becoming effective in the year ended June 30, 2010:

The following standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after July 1, 2009:

- a) IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of other comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period. The Fund has applied IAS 1 (revised) from July 1, 2009, and has elected to present one statement (the income statement) as more fully explained in note 4.15.1 below.
- b) IAS 39 (amendment), 'Financial instruments: Recognition and measurement'. The amendment was part of the IASB's annual improvements project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The adoption of the amendment does not have an impact on the Fund's financial statements.
- c) IFRS 7 'Financial instruments - Disclosures' (amendment) (effective from January 1, 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The amendment has only resulted in additional disclosures in the Fund's financial statements and does not have any impact on the classification and measurement of the Fund's financial statements.

### 3.3 Standards, amendments to published approved accounting standards and interpretations becoming effective in the year ended June 30, 2010 but not relevant:

There are certain new standards, amendments and IFRIC interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2009 but are considered not to be relevant or have any significant effect on the Fund's operations and are therefore not disclosed in these financial statements.



### 3.4 Standards, amendments to published approved accounting standards and interpretations as adopted in Pakistan, that are not yet effective:

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on or after July 1, 2010 or later periods.

IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. This amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Fund will apply IAS 1 (amendment) from July 1, 2010. It is not expected to have a material impact on the Fund's financial statements.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or do not have any significant effect on Fund's operations and are therefore not detailed in these financial statements.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below:

### 4.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments which are carried at fair value in accordance with the criteria laid down in the International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement'.

### 4.2 Critical accounting estimates and judgments

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 judgment in the process of applying its accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the financial statements are as follows:

- a) Classification and valuation of financial instruments (notes 4.3 and 6 )
- b) Impairment (note 4.3.5)
- c) Taxation (note 4.8)

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectation of future events that are believed to be reasonable under the circumstances.



## 4.3 Financial instruments

### 4.3.1 The Fund classifies its financial instruments in the following categories:

#### a) Investments at 'fair value through profit or loss'

- Financial instruments categorised as 'held for trading'.

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

- Financial instruments designated at 'fair value through profit or loss upon initial recognition'.

These include investments that are designated as investments 'at fair value through profit or loss upon initial recognition'.

#### 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.

### 4.3.2 Recognition

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

The Fund follows trade date accounting for purchase and sale of investments. Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

### 4.3.3 Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial asset or a financial liability not 'at fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of that financial asset or a financial liability. Transaction costs on financial assets and financial liabilities 'at fair value through profit or loss' are charged to the income statement immediately.



Subsequent to initial recognition, instruments classified as financial assets at 'fair value through profit or loss' and 'available for sale' are measured at their 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. Effective July 1, 2009 the Fund has changed its policy and now 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 the income statement. Previously these changes were recognised in equity.

Financial assets classified as 'loans and receivables' and 'held to maturity' are carried at their 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 their amortised cost using the effective yield method.

#### 4.3.4 Fair value measurement principles

The fair value of investments, derivatives and financial instruments sold on deferred settlement basis is based on their price quoted on the Karachi Stock Exchange at the balance sheet date without any deduction for estimated future selling costs. Financial assets and financial liabilities are priced at their fair market value.

#### 4.3.5 Impairment

Impairment loss on investment 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 impairment loss recognised previously decreases, such a decrease in 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 as 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 removed 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.

#### 4.3.6 Derecognition

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

The Fund uses the weighted average method to determine realised gains and losses on derecognition.

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



#### 4.4 Transactions involving outright purchase of security in the ready market and sale of that security on deferred settlement basis.

The Fund enters into certain transactions involving purchase of security in the ready market and sale of the same security on deferred settlement basis. Securities purchased by the Fund in the ready market are carried in the statement of assets and liabilities, till eventual disposal, in accordance with the accounting policy specified in note 4.3 above, and sale of those securities in the futures market is accounted for separately as financial instruments sold on deferred settlement basis as explained in note 4.5 below.

#### 4.5 Financial instruments sold on deferred settlement basis

Financial instruments sold on deferred settlement basis are initially recognised at fair value on the date on which a deferred sale contract is entered into and are subsequently remeasured at their fair value. All financial instruments sold on deferred settlement basis are carried as assets when fair value is positive and as liabilities when fair value is negative.

#### 4.6 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.

#### 4.7 Net assets value per share

The net assets value (NAV) per share is calculated by dividing the net assets of the Fund by the number of shares in issue.

#### 4.8 Taxation

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 shareholders. 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.

The Fund provides for deferred taxation using the balance sheet liability method on all major 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 shareholders every year.



#### 4.9 Revenue recognition

- (i) Gains / (losses) arising on sale of investments are included in income currently and are recognised on the date when the transaction takes place.
- (ii) Unrealised gains / (losses) arising on revaluation of securities classified as financial asset '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 other comprehensive income in the period in which they arise.
- (iv) Dividend income is recognised at the time of closure of shares transfer books of the investee company.
- (v) Profit on savings accounts with banks are recorded on an accrual basis.

#### 4.10 Expenses

All expenses, including management fee and custodian fee, are recognised in the income statement on an accrual basis.

#### 4.11 Offsetting of financial instruments

A financial asset and financial liability is 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.

#### 4.12 Zakat

Shares held by resident Pakistani shareholders are subject to zakat at 2.5% of the nominal value or the market value based on the closing rate at the Karachi Stock Exchange, whichever is lower, of share under the Zakat and Ushr Ordinance, 1980 (XVII of 1980), except those exempted. Zakat is deducted at source from the dividend amount.

#### 4.13 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of assets and liabilities at cost. Cash comprises current and savings 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.

#### 4.14 Dividend and bonus shares

Dividend declared (including distribution in the form of bonus shares) subsequent to the balance sheet date is recognised as a liability in the period in which it is approved by the directors / shareholders as appropriate.

#### 4.15 Change in accounting policies

4.15.1 The Fund has applied IAS 1 (Revised) from July 1, 2009, and has elected to present one performance statement (income statement). The change in accounting policy has not affected the assets and liabilities of the Fund for either the current or prior periods and hence a restated statement of assets and liabilities has not been presented.

4.15.2 The Fund has applied IFRS 7 'Financial instruments – Disclosures' from July 1, 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The amendment has only resulted in additional disclosures in the Fund's financial statements and does not have any impact on the classification and measurement of the Fund's financial statements. The change in accounting policy has not affected the assets and liabilities of the Fund for either the current or prior periods and hence restated statement of assets and liabilities has not been presented.

	Note	June 30, 2010 (Rupees in '000)	June 30, 2009
<b>5. BALANCES WITH BANKS</b>			
On current accounts		2,458	1,876
On savings accounts	5.1	<u>128,724</u>	<u>33,805</u>
		<u>131,182</u>	<u>35,681</u>

5.1 The balances in savings accounts bear expected profit which ranges from 5% to 11.25% (2009: 4.97% to 11.75%) per annum.

	Note	June 30, 2010 (Rupees in '000)	June 30, 2009
<b>6. INVESTMENTS</b>			
Investments categorised as 'available for sale'	6.1	852,767	30,113
Investments at 'fair value through profit or loss'	6.2	<u>422,198</u>	<u>1,092,185</u>
		<u>1,274,965</u>	<u>1,122,298</u>



## 6.1 Investments categorised as 'available for sale'

### Shares of listed companies and a bank

Name of the investee company	As at July 1, 2009	Purchases during the year	Bonus / right shares	Sales during the year	As at June 30, 2010	Carrying value as at June 30, 2010	Market value as at June 30, 2010	Unrealised gain / (loss) as at June 30, 2010	Percentage of market value of total investment	
	Number of shares					Rupees in '000			%	
<b>Sector / companies</b>										
<b>Commercial Banks</b>										
Meezan Bank Limited (an associate of the Fund)	-	188,522	9,426	-	197,948	3,171	2,880	(291)	0.23	
<b>Refinery</b>										
National Refinery Limited	-	149,909	-	-	149,909	27,958	27,411	(547)	2.15	
<b>Cement</b>										
Attock Cement Pakistan Limited	-	10,000	-	-	10,000	716	655	(61)	0.05	
Lucky Cement Company Limited	-	1,412,469	-	700,000	712,469	45,644	44,273	(1,371)	3.47	
									3.52	
<b>Power generation &amp; distribution</b>										
The Hub Power Company Limited	-	320,000	-	320,000	-	-	-	-	-	
<b>Oil &amp; gas marketing companies</b>										
Pakistan State Oil Company Limited	1,043	1,228,800	-	652,800	577,043	151,962	150,146	(1,816)	11.78	
<b>Oil &amp; gas exploration companies</b>										
Oil & Gas Development Company Limited (note 6.4)	-	436,976	-	-	436,976	52,865	61,915	9,050	4.85	
Pakistan Oilfields Limited	-	292,900	-	-	292,900	63,879	63,237	(642)	4.96	
Pakistan Petroleum Limited	-	850,315	13,000	430,000	433,315	80,024	79,782	(242)	6.26	
									16.07	
<b>Automobile parts &amp; accessories</b>										
Agriauto Industries Limited (note 6.3)	-	700,000	-	-	700,000	46,690	48,300	1,610	3.79	
<b>Technology &amp; communication</b>										
Pakistan Telecommunication Company Limited "A"	-	2,090,000	-	1,000,000	1,090,000	19,722	19,402	(320)	1.52	
<b>Fertilizer</b>										
Fauji Fertilizer Company Limited	343,769	1,600,000	-	-	1,943,769	195,864	200,344	4,480	15.71	
Fauji Fertilizer Bin Qasim Limited	-	1,604,000	-	-	1,604,000	39,124	41,768	2,644	3.28	
									18.99	
<b>Pharmaceuticals</b>										
GlaxoSmithKline (Pakistan) Limited	-	40,000	-	-	40,000	3,220	3,246	26	0.25	
<b>Chemicals</b>										
ICI Pakistan Limited	-	407,400	-	17,000	390,400	46,716	46,286	(430)	3.63	
<b>Paper &amp; Board</b>										
Packages Limited	-	455,369	-	5,000	450,369	54,563	53,369	(1,194)	4.19	
<b>Miscellaneous</b>										
Tri-Pack Films Limited	-	160,000	-	60,000	100,000	9,710	9,753	43	0.76	
<b>Total</b>						<b>841,828</b>	<b>852,767</b>	<b>10,939</b>		
<b>Total cost of investments - 'available for sale'</b>							<b>846,635</b>			

## 6.2 Investments at 'fair value through profit or loss'

### Shares of listed companies and a bank - held for trading

Name of the investee company	As at July 1, 2009	Purchases during the year	Bonus / right shares	Sales during the year	As at June 30, 2010	Carrying value as at June 30, 2010	Market value as at June 30, 2010	Unrealised gain / (loss) as at June 30, 2010	Percentage of market value of total investment
	Number of shares					Rupees in '000			%
<b>Commercial Banks</b>									
Meezan Bank Limited (an associate of the Fund)	1,978,707	-	90,385	171,000	1,898,092	19,885	27,617	7,732	2.17
<b>Textile composite</b>									
Nishat Mills Limited	264,255	240,000	-	504,255	-	-	-	-	-
<b>Jute</b>									
Thal Limited (note 6.3)	223,300	1,000	44,660	1,000	267,960	17,317	25,440	8,123	2.00
<b>Cement</b>									
Attock Cement Pakistan Limited	191,600	-	38,020	94,315	135,305	7,917	8,863	946	0.70
D.G. Khan Cement Company Limited	720	-	-	720	-	-	-	-	-
Lucky Cement Company Limited	505,700	285,690	-	433,200	358,190	22,379	22,258	(121)	1.74
									2.44
<b>Power generation &amp; distribution</b>									
The Hub Power Company Limited	3,186,000	102,760	-	3,288,760	-	-	-	-	-
<b>Oil &amp; gas marketing companies</b>									
Pakistan State Oil Company Limited	331,300	71,000	-	402,300	-	-	-	-	-
Sui Northern Gas Pipelines Limited	232,200	-	-	232,200	-	-	-	-	-
<b>Oil &amp; gas exploration companies</b>									
Oil & Gas Development Company Limited (note 6.4)	1,687,300	107,000	-	1,673,385	120,915	9,599	17,132	7,533	1.34
Pakistan Oilfields Limited	553,500	188,951	-	280,500	461,951	73,438	99,735	26,297	7.82
Pakistan Petroleum Limited	556,071	49,500	110,954	278,800	437,725	68,482	80,594	12,112	6.32
									15.48
<b>Automobile assembler</b>									
Indus Motor Company Limited	196,092	-	-	38,350	157,742	16,992	41,388	24,396	3.25
Pak Suzuki Motor Company Limited	185,980	-	-	57,000	128,980	8,758	10,224	1,466	0.80
									4.05
<b>Automobile parts &amp; accessories</b>									
Agriauto Industries Limited (note 6.3)	708,960	-	-	700,000	8,960	292	618	326	0.05
<b>Technology &amp; communication</b>									
Pakistan Telecommunication Company Limited "A"	4,126,200	-	-	1,520,000	2,606,200	44,931	46,391	1,460	3.64
<b>Fertilizer</b>									
Engro Chemical Pakistan Limited	526,393	-	-	526,393	-	-	-	-	-
Fauji Fertilizer Company Limited	1,278,227	381,190	-	1,600,000	59,417	5,241	6,124	883	0.48
Fauji Fertilizer Bin Qasim Limited	2,870,500	298,061	-	1,825,000	1,343,561	23,956	34,987	11,031	2.74
									3.22
<b>Pharmaceutical</b>									
GlaxoSmithKline (Pakistan) Limited	43,906	-	-	40,000	3,906	468	317	(151)	0.02
<b>Chemicals</b>									
ICI Pakistan Limited	416,600	-	-	416,000	600	84	71	(13)	0.01
Sitara Chemical Industries Limited	62,460	-	-	62,460	-	-	-	-	-
									0.01
<b>Paper &amp; Board</b>									
Packages Limited	488,987	-	-	488,000	987	155	117	(38)	0.01
<b>Glass &amp; Ceramics</b>									
Ghani Glass Limited	36,922	-	3,692	40,614	-	-	-	-	-
<b>Miscellaneous</b>									
Tri-Pack Films Limited	68,300	-	-	65,000	3,300	330	322	(8)	0.03
<b>Total</b>						320,224	422,198	101,974	
<b>Total cost of investments - 'held for trading'</b>							420,635		



- 6.3 All shares have a nominal value of Rs 10 each except for the shares of Agriauto Industries Limited and Thal Limited which have a face value of Rs. 5 each.
- 6.4 190,000 shares (2009: 190,000 shares) of Oil and Gas Development Company Limited, having market value of Rs 26.921 million (2009: 14.942 million) as at June 30, 2010 have been pledged as collateral in favour of National Clearing Company of Pakistan Limited (NCCPL) against exposure margins and mark to market losses.

	2010	2009
	(Rupees in '000)	
<b>7. ADVANCES, DEPOSITS AND OTHER RECEIVABLES</b>		
Security deposits	2,638	2,638
Profit receivable on savings accounts with banks	2,359	1,567
Advance income tax	3,796	3,796
	<u>8,793</u>	<u>8,001</u>

**8. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED (Al Meezan) - management company of the Fund**

Under the provisions of NBFC Regulations, 2008, 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 years 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 for the year ended June 30, 2010.

**9. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED (CDC)**

The custodian is entitled to a monthly remuneration for services rendered to the Fund under the provisions of a custodial services agreement in accordance with the tariff specified therein.

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

This represents annual fee at the rate of 0.095% of the average annual net assets of the Fund payable to SECP under regulation 62 read with Schedule II of the NBFC Regulations, 2008.

**11. PAYABLE TO MEEZAN BANK LIMITED (MBL)**

This represents payable to MBL for providing technical services relating to shariah matters. During the year ended June 30, 2009, the SECP through its circular 11 of 2009 dated March 26, 2009 has required that the shariah advisory fee shall not be charged to the collective investment scheme. Accordingly, the management of the Fund has ceased to charge such fee to the Fund from March 26, 2009.

	Note	2010	2009
		(Rupees in '000)	
<b>12. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		345	365
Charity payable	12.1	2,059	1,569
Printing charges payable		150	-
Workers' welfare fund	12.2	7,122	-
Others		527	150
		<u>10,203</u>	<u>2,084</u>

- 12.1** According to the instructions of the shariah adviser, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs 2.059 million (2009: Rs 1.569 million) is outstanding in this regard after making charity payments of Rs 1.655 million (2009: Rs 1.000 million) to renowned charitable institutions. None of the directors of the management company of the Fund were interested in any of donees.
- 12.2** The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) whereby it may be construed that all Collective Investment Schemes (CIS) whose income exceeds Rs 0.5 million in a tax year have been brought within the purview and 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. Accordingly, the Management Company has decided to recognise WWF charge in the books of the Fund.

**13. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL**

2010	2009		2010	2009
Number of shares			(Rupees in '000)	
96,562,488	96,562,488	Ordinary shares of Rs 10 each fully paid in cash	965,625	965,625
40,977,498	40,977,498	Ordinary shares of Rs 10 each issued as fully paid bonus shares	409,775	409,775
<u>137,539,986</u>	<u>137,539,986</u>		<u>1,375,400</u>	<u>1,375,400</u>

**14. AUDITORS' REMUNERATION**

2010  
2009  
(Rupees in '000)

Audit fee	250	225
Half yearly review fee	125	105
Other certifications	100	125
Out of pocket expenses	37	74
	<u>512</u>	<u>529</u>

**15. EARNINGS / (LOSS) PER SHARE**

Net income / (loss) for the year	<u>356,114</u>	<u>(575,182)</u>
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(In numbers)

Number of ordinary shares outstanding during the year	<u>137,539,986</u>	<u>137,539,986</u>
---	--------------------	--------------------

(Rupees)

Earnings / (loss) per share - basic	<u>2.59</u>	<u>(4.18)</u>
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A diluted earnings per share has not been presented as the Fund does not have any convertible instruments as at June 30, 2009 and 2010 which would have any effect on the earnings per share if the option to convert is exercised.



## 16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include Al Meezan being the management company, CDC being the custodian, MBL being the shariah adviser and holding company of the management company, Meezan Islamic Fund, Meezan Islamic Income Fund, Meezan Balanced Fund, Meezan Tahaffuz Pension Fund, Meezan Capital Protected Fund - I, Meezan Cash Fund and Meezan Sovereign Fund, being the funds under the common management of the management company, directors and officers of the management company and Pakistan Kuwait Investment Company (Private) Limited.

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 custodian is determined in accordance with the provisions of NBFC Rules and the NBFC Regulations.

	2010	2009
	(Rupees in '000)	
<b>Al Meezan - management company of the Fund</b>		
Remuneration payable	2,324	1,029
Investment of 23,205,692 shares (June 30, 2009: 23,205,692 shares)	<u>154,318</u>	<u>120,670</u>
<b>MBL</b>		
Balance with bank	2,408	1,928
Investment of 5,561,607 shares (June 30, 2009: 5,561,607 shares)	<u>36,985</u>	<u>28,920</u>
Investment in 2,096,040 shares (June 30, 2009 : 1,978,707 shares)	<u>30,497</u>	<u>21,766</u>
Shariah advisory fee payable	<u>-</u>	<u>434</u>
<b>Meezan Islamic Fund</b>		
Investment of 19,570,700 shares (June 30, 2009: 19,570,700 shares)	<u>130,145</u>	<u>101,768</u>
<b>Pakistan Kuwait Investment Company (Private) Limited</b>		
Investment of 16,895,690 shares (June 30, 2009: 16,895,690 shares)	<u>112,356</u>	<u>87,858</u>
<b>CDC - custodian of the Fund</b>		
Remuneration payable	<u>53</u>	<u>46</u>
<b>Directors and officers</b>		
Investment of 372,878 shares (June 30, 2009: 356,878 shares)	<u>2,480</u>	<u>1,817</u>
	<b>For the year ended</b>	
	<b>June 30</b>	
	2010	2009
	(Rupees in '000)	
<b>Al Meezan - management company of the Fund</b>		
Remuneration for the year	28,812	24,446
Dividend for the year	<u>23,206</u>	<u>23,206</u>
<b>MBL</b>		
Profit on savings account with bank	4	63
Shariah advisory fee for the year	-	184
Dividend for the year	<u>5,562</u>	<u>5,562</u>
99,811 bonus shares received (June 30, 2009: 629,067)	-	-
Shares purchased during the period: 188,522 shares (June 30, 2009 Nil)	<u>3,165</u>	-
Shares sold during the period: 171,000 shares (June 30, 2009 Nil)	<u>2,945</u>	-



	For the year ended June 30	
	2010	2009
	(Rupees in '000)	
<b>Meezan Islamic Fund</b>		
Dividend for the year	<u>19,571</u>	<u>19,571</u>
<b>Pakistan Kuwait Investment Company (Private) Limited</b>		
Dividend for the year	<u>16,896</u>	<u>16,896</u>
<b>CDC - custodian of the Fund</b>		
Remuneration for the year	<u>788</u>	<u>641</u>
<b>Directors and officers</b>		
Dividend for the year	<u>373</u>	<u>349</u>
Shares purchased during the period: 16,000 shares (June 30, 2009 Nil)	<u>106</u>	<u>-</u>
<b>Meezan Islamic Income Fund</b>		
Purchase of units nil (June 30, 2009: 1,665,651)	<u>-</u>	<u>83,000</u>
Sale of units nil (June 30, 2009: 1,665,651)	<u>-</u>	<u>82,420</u>

## 17. FINANCIAL INSTRUMENTS BY CATEGORY

	2010				Total
	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	
	----- (Rupees in '000) -----				
<b>On balance sheet - financial assets</b>					
Balances with banks	131,182	-	-	-	131,182
Investments	-	422,198	852,767	-	1,274,965
Dividend receivable	7,047	-	-	-	7,047
Deposits and other receivables	4,997	-	-	-	4,997
Receivable against sale of investment	407,206	-	-	-	407,206
	<u>550,432</u>	<u>422,198</u>	<u>852,767</u>	<u>-</u>	<u>1,825,397</u>
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan					
- management company of the Fund	-	-	-	2,324	2,324
Payable to CDC - custodian of the Fund	-	-	-	53	53
Payable against purchase of investments	-	-	-	406,958	406,958
Accrued expenses and other liabilities	-	-	-	1,022	1,022
	<u>-</u>	<u>-</u>	<u>-</u>	<u>410,357</u>	<u>410,357</u>



	2009				Total
	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	
----- (Rupees in '000) -----					
<b>On balance sheet - financial assets</b>					
Balances with banks	35,681	-	-	-	35,681
Investments	-	1,092,185	30,113	-	1,122,298
Dividend receivable	10,015	-	-	-	10,015
Deposits and other receivables	4,205	-	-	-	4,205
Receivable against sale of investment	9,103	-	-	-	9,103
	<u>59,004</u>	<u>1,092,185</u>	<u>30,113</u>	<u>-</u>	<u>1,181,302</u>
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan - management company of the Fund	-	-	-	1,029	1,029
Payable to CDC - custodian of the Fund	-	-	-	46	46
Payable to MBL	-	-	-	434	434
Payable against purchase of investments	-	-	-	2,539	2,539
Accrued expenses and other liabilities	-	-	-	515	515
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,563</u>	<u>4,563</u>

## 18. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### Financial risk management objectives and policies

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

Risk of the Funds 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 Credit risk

Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. Further, all transactions in securities are settled through approved brokers, thus the risk of default is considered to be minimal. In accordance with the risk management policy of the Fund, the Investment Committee monitors the credit position on a daily basis which is reviewed by the board of directors on a quarterly basis.

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, 2010, along with comparative is tabulated below:

	2010	2009
	(Rupees in '000)	
<b>Financial assets</b>		
Balances with banks	131,182	35,681
Receivable against sale of investments	407,206	9,103
Dividend receivable	7,047	10,015
Other receivables	4,997	4,205
	<u>550,432</u>	<u>59,004</u>

Credit rating wise analysis of 'balances with banks' of the Fund are tabulated below:

	2010	2009
	(Rupees in '000)	
AAA	-	6
AA+	121,559	416
AA-	2,408	-
AA	6,065	32,560
A	1,150	765
A+	-	1,929
A-	-	5
	<u>131,182</u>	<u>35,681</u>

The Fund does not have any collateral against any of the aforementioned assets.

## 18.2 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 the liquidity risk by maintaining maturities of 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 investment 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 liabilities into relevant maturity grouping as at June 30, 2010 and 2009 is tabulated below:



## Financial liabilities

	2010			2009
	Maturity upto			
	Three months	Six months	One year	Total
----- (Rupees in '000) -----				
Payable to Al Meezan				
- management company of the Fund	2,324	-	-	2,324
Payable to CDC - custodian of the Fund	53	-	-	53
Payable to MBL	-	-	-	-
Payable against purchase of investments	406,958	-	-	406,958
Accrued expenses and other liabilities	1,022	-	-	1,022
2010	<u>410,357</u>	<u>-</u>	<u>-</u>	<u>410,357</u>
2009	<u>4,563</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 18.3 Market Risk

#### 18.3.1 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 company in which the investment is made, change in business circumstances of the company, 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 objective. The primary objective of the Fund is to provide the maximum return to the shareholders 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 the NBFC Rules and the NBFC Regulations.

The Fund follows a policy of value investing, in which major emphasis is placed on the investee company's growth prospects and / or dividend yield. The market risk is managed by monitoring exposure to marketable securities, following the internal risk management policies and regulations laid down in the NBFC Regulations. The risk is also mitigated by investing consistently in dividend paying companies having growth prospectus and securities which are actively traded in the stock exchange.

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 6 to these financial statements. 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 Karachi Meezan Index - 30 (KMI). The Fund's policy is to concentrate the investment portfolio in sectors where management believes the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

The net assets of the Fund will increase / decrease by approximately Rs 0.839 million (2009: increase / decrease approximately Rs 0.852 million) had the prices of equity vary due to increase / decrease in the KMI . This is based on the assumption that the fair value of the Fund's portfolio moves according to their historical correlation with the KMI and that the KMI increases / decreases by 10 points with all other factors held constant.

The fund manager uses KMI as 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 the 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.

### 18.3.2 Interest rate risk

The interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates which effects cashflows pertaining to debt instruments and their fair values.

### 18.3.3 Cash flow interest rate risk

During the year ended June 30, 2010, the change in interest rates on profit and loss saving accounts increased / (decreased) by five percent will not have a material effect on the net assets of the Fund.

Fair value interest rate risk

Since the Fund's portfolio comprises of equity instruments only therefore it is not exposed to fair value interest rate risk as at June 30, 2010.

## 19. CAPITAL RISK MANAGEMENT

The Fund's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and to maintain a strong capital based to meet unexpected losses or opportunity. In accordance with the NBFC Regulations 2008, the Fund is required to distribute atleast 90 percent of its income from sources other than capital gain, whether realised or unrealised, as reduced by such expenses as are chargeable to the Fund.

In order to maintain or adjust the capital structure, the Fund may adjust dividends paid to shareholders or issue new shares.



## 20. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the balance sheet date. The fair values of all other financial assets and liabilities are not considered to be significantly different from their carrying values as these financial assets and liabilities are short term in nature.

Effective 1 January 2009, the Fund adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- b) 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 2).
- c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

All the financial assets of the Fund are classified under level 1 as at June 30, 2010.

## 21. PERFORMANCE TABLE

	2010	2009	2008	2007
	------(Rupees in '000)-----			
Investment income	295,419	(210,996)	250,230	277,596
Operating expenses	41,279	31,614	50,153	47,917
Surplus / (deficit) on investments at 'fair value through profit or loss'	101,974	(332,572)	(211,615)	317,078
Net income / (loss)	356,114	(575,182)	(11,538)	546,757
Earnings per share (Rs)	2.59	(4.18)	(0.08)	3.98
Earning per share from capital growth (Rs)	1.92	(4.75)	(0.59)	3.36
Earning per share from income distribution (Rs)	0.67	0.57	0.51	0.62
<b>Distribution</b>				
Bonus Shares issued (Rs)	-	-	179,400	-
Bonus issue per share (Rs)	-	-	1.5	-
Rate of stock dividend (%)	-	-	15	-
Cash dividend Interim / Final (Rs)	-	-	-	-
- Final	-	137,540	299,000	358,800
- Interim	137,540	-	-	-
Dividend per share (Rs.)	1.00	1.00	2.50	3.00
Rate of cash dividend (%)	10	10	25	30
Distribution Dates	16-Dec-09	10-Nov-08	28-Sep-07	10-Oct-06
Net Assets Value (NAV) per share (Rs.)	10.21	8.54	13.86	18.55
KSE 100 Index	9,722	7,162	12,289	13,773
KMI - 30	14,574	10,648	15,000	
Total return (%) (A)	31.23%	-31.67%	-0.59%	26.99%
Appreciation / (depreciation) in KSE 100 Index (%) (B)	35.74	(41.72)	(10.77)	37.88
Outperformance / (underperformance) in comparison to KSE 100 Index (%) (A-B)	(4.51)	10.05	10.18	(10.89)
Total NAV	1,403,921	1,174,174	1,906,416	2,218,592
Highest NAV (Rs)	11.65	13.68	19.37	18.62
Lowest NAV (Rs)	8.54	5.38	12.72	11.81
	<b>One Year</b>	<b>Two Years</b>	<b>Three Years</b>	<b>Four Years</b>
Average annual return as at June 30, 2010	31.23%	-5.31%	-3.76%	3.15%

**Investment portfolio composition of the Fund**

Investment portfolio composition of the Fund is as described in note 6.

Past performance is not necessarily indicative of future performance and share prices and investment returns may fluctuate as described in note 18.



## 22. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

Broker's Name	2010 %
KASB Securities (Private) Limited	18.56
Invest & Finance Securities Limited	11.64
Ample Securities (Private) Limited	10.36
Invisor Securities (Private) Limited	9.56
Foundation Securities (Private) Limited	8.21
JS Global Capital Limited	5.57
BMA Capital Management Limited	5.52
Arif Habib Limited	4.48
Invest Capital Investment Bank Limited	4.12
Ismail Iqbal Securities (Private) Limited	3.75
	<b>2009 %</b>
Invest & Finance Securities Limited	16.34
Ample Securities (Private) Limited	13.85
JS Global Capital Limited	13.84
KASB Securities (Private) Limited	8.85
Invest Capital Investment Bank Limited	7.6
AKD Securities Limited	5.66
Foundation Securities (Private) Limited	5.34
Invisor Securities (Private) Limited	5.2
Cassim Investments (Private) Limited	4.14
Fortune Securities Limited	3.32

## 23. INVESTMENT COMMITTEE MEMBERS

23.1 Details of members of Investment Committee of the Fund are as follow:

2010			
	Designation	Qualification	Experience in years
1	Mr. Mohammad Shoab	Chief Executive Officer	CFA / MBA Twenty years
2	Mr. Muhammad Asad	Chief Investment Officer/ Fund Manager	CFA Level 2 / MBA Fourteen years
3	Ms. Sanam Ali Zaib	Head of Research	CFA Level 2 / MBA Six years
4	Miss Madiha Javed	Manager Research and Product Development Department	CFA / BBA/ FRM Three years

23.2 Other funds being managed by the Fund Manager are as follows:

- Meezan Islamic Fund
- Meezan Islamic Income Fund



## 24. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors' meetings and directors present therein			
		August 20, 2009	October 21, 2009	February 12, 2010	April 28, 2010
Mr. Irfan Siddiqui	Chairman / Director	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib, CFA	Chief Executive	Yes	Yes	Yes	Yes
Mr. Ariful Islam	Director	Yes	Yes	Yes	Yes
Mr. Nabil Daudur Rahman	Director	Yes	Yes	No	Yes
Mr. Muhammad Faisal Khan *	Director	-	-	-	Yes
Mr. Muhammad Asad	Director	Yes	Yes	Yes	Yes
Syed Owais Wasti	Director	Yes	Yes	Yes	Yes
Mr. Imran Iqbal Panjwani *	Director	No	No	No	Resigned

\* Mr. Muhammad Faisal Khan appointed as director to fill in the casual vacancy on February 26, 2010 in place of Mr. Imran Iqbal Panjwani who resigned from the board.

## 25. NON ADJUSTING EVENT

The board of directors have proposed a final cash dividend amounting to Rs 116.909 million at the rate of 8.50% (2009: Rs 137.540 million at the rate of 10%) for the year ended June 30, 2010 at their meeting held on August 17, 2010.

These financial statements do not recognise the appropriations as these have been proposed subsequent to the balance sheet date.

## 26. PATTERN OF SHAREHOLDING

	----- (2010) -----		
	Number of investors	Investment amount	Percentage of total investment
	(Rupees in '000)		
Individuals	2,451	430,360	31.29
Associated companies / directors	8	655,906	47.69
Insurance companies	2	50,213	3.65
Banks / DFIs	6	121,388	8.83
NBFCs	3	16,698	1.21
Retirement funds	21	46,780	3.40
Public limited companies	38	17,896	1.30
Others	5	36,159	2.63
Total	<u>2,534</u>	<u>1,375,400</u>	<u>100</u>



	----- (2009) -----		
	Number of investors	Investment amount	Percentage of total investment
	(Rupees in '000)		
Individuals	2,705	454,255	33.03
Associated companies / directors	6	655,832	47.68
Insurance companies	2	51,068	3.71
Banks / DFIs	6	50,299	3.66
NBFCs	1	28,664	2.08
Retirement funds	18	33,488	2.43
Public limited companies	4	2,459	0.18
Others	48	99,335	7.23
Total	<u>2,790</u>	<u>1,375,400</u>	<u>100</u>

## 27. GENERAL

The bifurcation of unappropriated income brought forward and accumulated loss carried forward into realised and unrealised as required by the NBFC Regulations has not been disclosed as such bifurcation was not practicable.

## 28. CORRESPONDING FIGURES

Investments categorised as 'available for sale' aggregating Rs 30.113 million and investments at 'fair value through profit or loss' aggregating Rs 1,092.185 million previously appearing in the statement of assets and liabilities as separate line items have now been reclassified and presented as a single line item in the statement of assets and liabilities.

## 29. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements have been authorised for issue on August 17, 2010 by the Board of Directors of the company.

**Mohammad Shoaib, CFA**  
Chief Executive

**Nabil Daudur Rahman**  
Director

## PATTERN ON SHARE HOLDING BY SIZE AS AT JUNE 30, 2010

No. of Shareholders	Having Shares		Share held	Percentage
	From	To		
168	1	100	6680	0.0049
317	101	500	98007	0.0713
258	501	1000	217993	0.1585
752	1001	5000	2029693	1.4757
363	5001	10000	2730583	1.9853
165	10001	15000	2026992	1.4737
100	15001	20000	1783068	1.2964
54	20001	25000	1240075	0.9016
55	25001	30000	1538376	1.1185
32	30001	35000	1054211	0.7665
33	35001	40000	1241682	0.9028
19	40001	45000	815323	0.5928
25	45001	50000	1201504	0.8736
15	50001	55000	779330	0.5666
18	55001	60000	1041536	0.7573
8	60001	65000	499750	0.3633
9	65001	70000	613334	0.4459
14	70001	75000	1012882	0.7364
4	75001	80000	306608	0.2229
5	80001	85000	418212	0.3041
4	85001	90000	348516	0.2534
4	90001	95000	362979	0.2639
11	95001	100000	1088597	0.7915
12	100001	105000	1236886	0.8993
2	105001	110000	212904	0.1548
7	110001	115000	787676	0.5727
2	115001	120000	235836	0.1715
1	120001	125000	123018	0.0894
3	125001	130000	385367	0.2802
4	130001	135000	533427	0.3878
2	140001	145000	289700	0.2106
1	145001	150000	146653	0.1066
2	160001	165000	328225	0.2386
1	165001	170000	165780	0.1205
4	180001	185000	731004	0.5315
1	185001	190000	190000	0.1381
2	190001	195000	386000	0.2806
3	195001	200000	596269	0.4335
1	200001	205000	202500	0.1472
1	210001	215000	211740	0.1539
2	215001	220000	434700	0.3161
2	225001	230000	450986	0.3279
1	230001	235000	233450	0.1697
1	235001	240000	239014	0.1738



No. of Shareholders	Having Shares		Share held	Percentage
	From	To		
2	240001	245000	484075	0.3520
1	250001	255000	254239	0.1848
1	265001	270000	265178	0.1928
2	270001	275000	550000	0.3999
2	295001	300000	596000	0.4333
1	300001	305000	304865	0.2217
1	305001	310000	307000	0.2232
2	315001	320000	633250	0.4604
1	335001	340000	337805	0.2456
1	340001	345000	345000	0.2508
1	350001	355000	350025	0.2545
1	450001	455000	454940	0.3308
1	490001	495000	491705	0.3575
2	495001	500000	1000000	0.7271
1	515001	520000	517263	0.3761
1	525001	530000	528273	0.3841
1	535001	540000	537200	0.3906
1	595001	600000	599000	0.4355
1	605001	610000	607200	0.4415
1	610001	615000	613345	0.4459
1	615001	620000	618532	0.4497
1	625001	630000	630000	0.4580
1	670001	675000	673985	0.4900
1	770001	775000	774000	0.5627
1	860001	865000	863349	0.6277
1	1075001	1080000	1080000	0.7852
1	1145001	1150000	1150000	0.8361
1	1180001	1185000	1183354	0.8604
1	1420001	1425000	1421125	1.0332
1	1440001	1445000	1440525	1.0474
1	1730001	1735000	1733555	1.2604
1	1910001	1915000	1914750	1.3921
1	2590001	2595000	2590166	1.8832
1	2865001	2870000	2866385	2.0840
1	4260001	4265000	4261516	3.0984
1	4345001	4350000	4347320	3.1608
1	4400001	4405000	4404306	3.2022
1	5560001	5565000	5561607	4.0436
1	16895001	16900000	16895690	12.2842
1	19570001	19575000	19570700	14.2291
1	23205001	23210000	23205692	16.8720
<b>2534</b>			<b>137539986</b>	<b>100.0000</b>

## CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2010

Particulars	Share holders	Share holding	Percentage
Individuals	2,414	42,740,765	31.08
Insurance companies	2	5,021,305	3.65
Financial Institutions	9	17,929,684	13.04
Joint Stock Companies	1	23,205,692	16.87
Others	60	43,409,503	31.56
Non Residents Companies	7	4,580,885	3.33
Non Residents (Individuals)	41	652,152	0.47
<b>Total</b>	<b>2,534</b>	<b>137,539,986</b>	<b>100.00</b>



**STATEMENT OF THE INCOME & EXPENDITURE OF THE MANAGEMENT COMPANY  
IN RELATION TO THE FUND.  
FOR THE YEAR ENDED JUNE 30, 2010**

	2010	2009
	(Rupees in '000)	
<b>INCOME</b>		
Remuneration from Al Meezan Mutual Fund Limited	28,812	24,446
Dividend income	23,206	23,206
	52,018	47,652
<b>OPERATING EXPENSES</b>		
Salaries and other benefits	7,158	3,622
Motor vehicle running expenses	193	192
Fees and subscription	173	180
Insurance expense	75	48
Printing and stationery	131	190
Communication	582	335
Depreciation	613	787
Travelling and conveyance	63	76
Entertainment	42	16
Legal and professional charges	276	341
Repair and maintenance	38	69
Office supplies	67	69
Training and development	31	21
Rent, rates and taxes	578	663
Utilities	97	121
Shariah advisory fee	187	-
Miscellaneous expenses	14	27
	10,316	6,755
<b>OPERATING PROFIT</b>	<b>41,702</b>	<b>40,897</b>

**Note:** Other revenue and expenditure not related to the Fund has not been included in the above statement.





# FORM OF PROXY

## 15th ANNUAL GENERAL MEETING

I/We \_\_\_\_\_ of \_\_\_\_\_ being a member(s) of Al Meezan Mutual Fund Limited and holders of \_\_\_\_\_ Ordinary Shares as per Share Register Folio No. \_\_\_\_\_

(For beneficial owners as per CDC List)

**CDC Participant I.D. No.** \_\_\_\_\_ **Sub-Account No.** \_\_\_\_\_

CNIC NO.                      or Passport No. \_\_\_\_\_

hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him / her \_\_\_\_\_ of \_\_\_\_\_ as my / our proxy to vote and act for me / our behalf at the Fifteenth Annual General Meeting of the Company to be held on Tuesday October 19, 2010 or at any adjournment thereof.

Signed on  
Rs. 5/-  
Revenue Stamp

(Signatures should agree with the specimen signature registered with the Company)

Signature of Shareholder \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2010

Signature of Proxy \_\_\_\_\_

**For beneficial owners as per CDC list**

**1. WITNESS**

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC No.

or Passport No. \_\_\_\_\_

**2. WITNESS**

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC No.

or Passport No. \_\_\_\_\_

**Note:**

- Proxies, in order to be effective, must be received at the Registered Office of the Company at Ground Floor, Block "B", Finance & Trade Centre, Shahrah-e-Faisal, Karachi-74400 not less than 48 hours before the meeting.
- CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their CNIC or Passport with the proxy form before submission to the Company (Original CNIC / Passport is required to be produced at the time of the meeting).
- In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.