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Al Meezan Investment Management Limited
A subsidiary of Meezan Bank



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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 Shoaib, 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
Dubai Islamic Bank

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
E-mail: 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

DIRECTORS' REPORT

The Board of Directors of Al Meezan Mutual Fund Limited (AMMF) is pleased to present the audited financial statements of the company for the year ended June 30, 2011.

Brief Overview

During the fiscal year 2011, Al Meezan Mutual Fund Limited (AMMF) provided a return of 37.37% to its investors while KSE Meezan Index (KMI-30) appreciated by 43.66% to close at 20,936. The KSE 100 index during the same period closed at the level of 12,496 posting a 28.53% increase.

Economic and Equity Review

Fiscal year 2011 was another challenging year on economic front for Pakistan. Despite persistent pressures from fiscal constraints, energy crisis, vulnerability to commodity price and volatile law and order situation, the country managed to post GDP growth of 2.4% in FY11.

During 1HFY11, the devastating floods posed a significant threat to the country's economic and fiscal position leading to excessive government borrowing from State Bank of Pakistan (SBP) which peaked at Rs. 1,463 billion in November, 2011. The resultant impact was on CPI inflation which touched a high of 15.7% during 1HFY11. Consequently, the State Bank was forced to adopt a tight monetary stance and raised the discount rate by 150bps in first half of FY11. On the other hand, a major highlight of 2HFY11 was the improvement in external account. During FY11, current account posted a surplus of US\$ 542 million as against deficit of US\$ 3.4 billion in the same period last year. The improvement was primarily attributed to the 29% rise in exports and surge in worker remittances to US\$11.2 billion for the full year. These positive developments helped the country's forex reserves to reach all time of US\$ 17.5 billion and thus kept the rupee stable against the US dollar, depreciating by a mere 0.5%.

Pakistan stock market, posted a double digit return for the second consecutive year in FY11 with KSE-100 rising by 28.5% to close at a level of 12,496. The healthy performance of the KSE100 index was reflective of improved corporate earnings as well as the continuation of foreign flows. Trading volumes however, remained extremely low due to imposition of capital gains tax (CGT) in July with average daily trading volume in shares and value declining by 66% and 40% to 97 million shares and Rs. 4 billion respectively.

Rating

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

Conversion into an open end fund

Al Meezan Mutual Fund (AMMF) will be converted from a closed end to an open end scheme with effect from August 05, 2011 INSHA ALLAH. The key objective of this conversion is to protect the interest of investors who will be getting units prices based on net asset value instead of prevailing discounted market price of AMMF shares on the stock exchange. The conversion of AMMF will offer investors the ability to switch freely between Al Meezan's equity, income and money market funds.

Outlook

Going forward, the key challenge for the government under the current political environment is to implement the reforms demanded by IMF. The mounting circular debt affecting the entire energy chain also continues to pose threat to the overall economy. In line with the government's commitment to keep SBP borrowing within limits, and as inflation has tapered off from its peak, we are of the view that the government will continue its 'wait and watch' policy before increasing the discount rate. Although the implementation of capital gain tax has negatively impacted volumes, however, we believe that the introduction of the leverage and derivative products in the market may improve the liquidity position and attract investors back to the equity market. On the basis of earnings multiples and dividend yields, Pakistan remains one of the cheapest markets. Pakistan's stock market is trading at a P/E multiple of 7.2x, which is almost at a 38% discount to other frontier markets. This makes KSE an attractive option for foreign investors.

The management of Al Meezan is fully aware of the challenges that lie ahead and will take all possible measures to proactively deal with them.

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 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 has been no trading in the shares of the Fund carried out by the Directors, CEO, CFO and Company Secretary of the management company including their spouses and their minor children.
- Pattern of holding of shares is given on page no.13 of the financial statements.
- Financial highlights for last ten years 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.

Pattern of shareholding

Pattern of shareholding as at June 30, 2011 has been given in note no. 26 of 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 the fiscal year 2012. 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 Investments making it the largest asset management company in the private sector 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 4, 2011
Karachi.**

**Muhammad Shoaib, CFA
Chief Executive**

REPORT OF THE FUND MANAGER

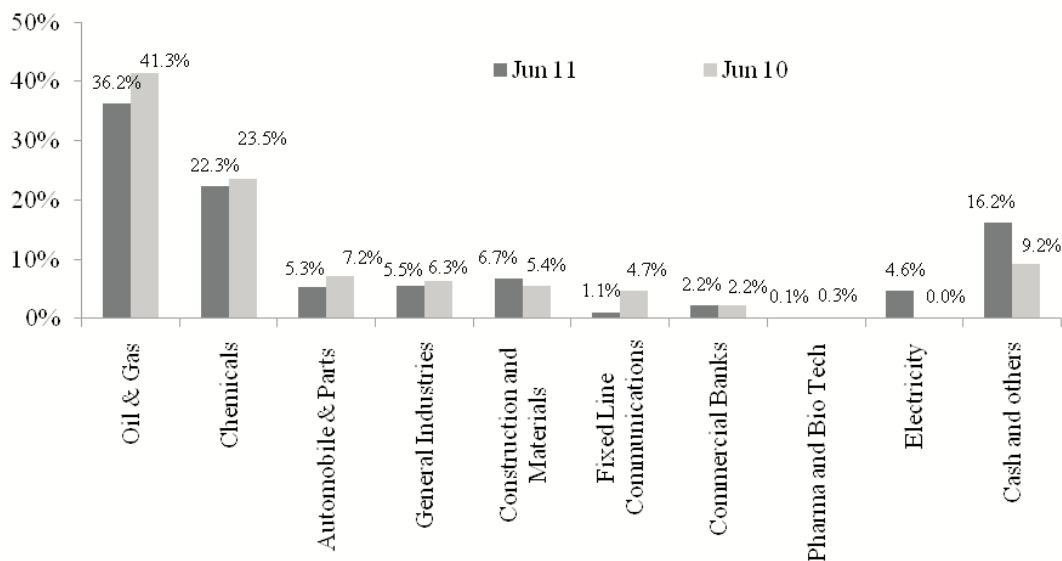
Al Meezan Mutual Fund (AMMF) is a closed end, equity fund, which invests in Shariah compliant securities listed at the stock exchange.

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 all applicable regulations. Total return refers to the returns from capital gains (realized and unrealized), and dividend income, and from other investments.

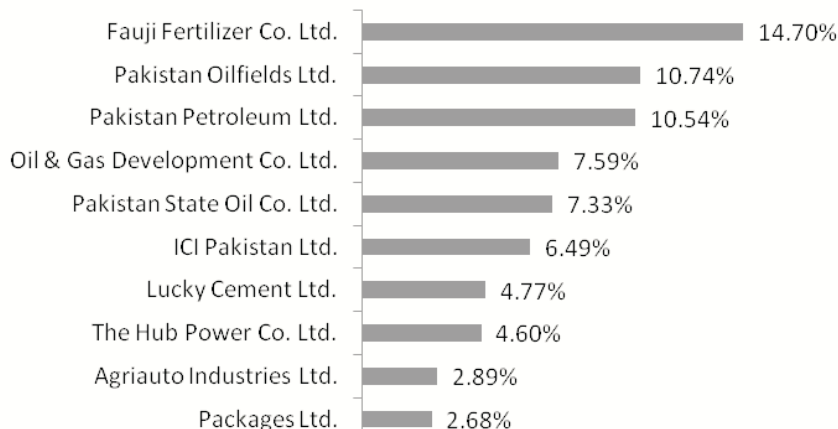
Strategy, Investment Policy and Asset Allocation

The performance of AMMF is linked directly to the performance of the 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 attractive valuations while increasing equity exposure near troughs.

On an average AMMF remained 86% invested in equities. Beginning and ending exposures were 91% and 84% respectively. Although allocation remained diversified across sectors, however, major holdings remain concentrated in Oil & Gas and Chemical sectors.



Top Holding



Performance Review

During the fiscal year 2011, Al Meezan Mutual Fund Limited (AMMF) provided a return of 37.37% to its investors while KSE Meezan Index (KMI-30) increased by 43.66% to close at 20,936. The KSE 100 index during the same period closed at the level of 12,496 posting a 28.53% increase.

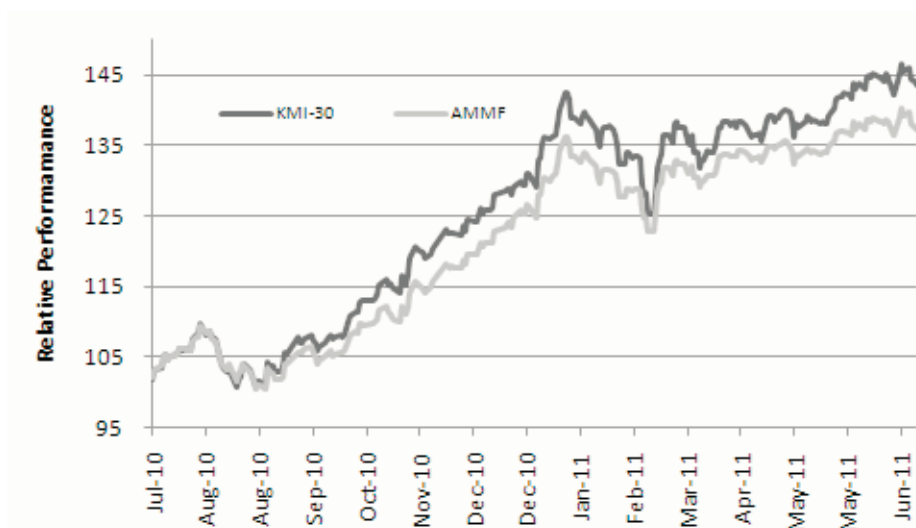
The Fund during the period ended June 30, 2011 earned a total income of Rs.393 million, which mainly comprised of dividend income of Rs.106 million, realized gain on sale of investments of Rs.215 million and profit on bank deposits of Rs.26 million. The unrealized gain on investments for the year was Rs.46 million. After accounting for expenses of Rs.33 million, the net income for the period was Rs. 360 million, which translates into an earning per share of Rs.2.62 as on June 30, 2011.

The net assets of the Fund as at the year end were Rs. 1,707 million as compared to Rs.1,404 million as at June 30, 2010. The net asset value per share as at June 30, 2011 was Rs.12.41 per share as compared to Rs.10.21 per share as on June 30, 2010, after accounting for dividend paid, the NAV of the Fund showed an increase of 37.37% on YoY basis.

PERFORMANCE TABLE

Year ended	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	
	(Rupees in thousands)										
1	Investment Income	347,588	295,419	(210,996)	250,230	277,596	567,613	380,873	274,149	151,930	51,049
2	Operating Expenses	33,561	41,279	31,614	50,153	47,917	56,843	32,395	23,646	9,127	6,683
3	Surplus / (Deficit) on investments 'at fair value through profit or loss' and 'derivative financial instruments'	45,701	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	-	-	-	-	-	-	-	-	-	-
5	Net loss / (income)	359,733	356,114	(575,182)	(11,538)	546,757	440,203	430,493	261,204	194,982	43,746
6	Earnings per share (Rs.)	2.62	2.59	(4.18)	(0.08)	3.98	3.68	4.33	2.80	4.21	1.75
7	Earning per share (Rs.) from capital growth	1.27	1.92	(4.75)	(0.59)	3.36	2.83	-	-	-	-
8	Earning per share (Rs.) from income distribution	1.35	0.67	0.57	0.51	0.62	0.85	-	-	-	-
9	Cash dividend	185,679	254,449	-	137,540	299,000	358,800	178,825	77,500	50,000	40,000
10	Rate of cash dividend (%)	21.00	18.50	-	10.00	25.00	30.00	17.50	10.00	20.00	16.00
11	Rate of stock dividend (%)	-	-	-	-	15.00	-	10.00	15.00	10.00	-
12	Net Assets Value per Share (Rs.)	12.41	10.21	8.54	13.86	18.55	16.96	13.97	14.55	18.63	10.68
13	KSE 100 Index	12,496.00	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
14	DJIMPK	N.A.	N.A.	11,684.22	18,097.44	17,933.17	15,305.97	12,206.50	10,000.00	-	-
15	KMI-30	20,936.20	14,573.54	10,647.69	15,000.00	-	-	-	-	-	-
16	Total return (%) (A)	37.37	31.23	(31.67)	(0.59)	26.99	28.37	45.43	34.33	93.16	24.80
17	Appreciation/(depreciation) in KSE 100 Index (%) (B)	28.53	35.74	(41.72)	(10.77)	37.90	34.08	41.12	55.16	92.22	29.54
18	Appreciation/(depreciation) in Benchmark* (%) (C)	43.66	36.87	(35.44)	0.92	17.16	25.39	22.07	-	-	-
19	Outperformance / (underperformance) in comparison to KSE 100 Index (%) (A-B)	8.84	(4.51)	10.05	10.18	(10.91)	(5.71)	4.31	(20.83)	0.94	(4.74)
20	Outperformance / (underperformance) in comparison to Benchmark (%) (A-C)	(6.29)	(5.64)	3.77	(1.51)	9.83	2.98	23.37	-	-	-
21	Total Net Assets Value	1,707,315	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
22	Highest NAV	12.84	11.65	13.68	19.37	18.62	20.52	-	-	-	-
23	Lowest NAV	10.22	8.54	5.38	12.72	11.81	13.52	-	-	-	-

	<u>AMMF</u>	<u>KMI - 30</u>
Net Asset Value as on June 30,2010	10.21	14,573.54
Net Asset Value as on June 30,2011	10.41	20,936.20
Return Durning the Period -- Gross	39.94%	43.66%
Return Durning the Period -- Net	37.37%	



Economic Review

Fiscal year 2011 was another challenging year for Pakistan on economic front. Despite persistent pressures from fiscal constraints, energy crisis, vulnerability to commodity price and volatile law and order situation, the country managed to post GDP growth of 2.4%.

During 1HFY11, the devastating floods posed a significant threat to the country's economic and fiscal position leading to excessive government borrowing from State Bank of Pakistan (SBP) which peaked at Rs. 1,463 billion in November, 2011. The resultant impact was on CPI inflation which touched a high of 15.7% during 1HFY11. Consequently, the State Bank was forced to adopt a tight monetary stance and raised the discount rate by 150bps in first half of FY11.

On the other hand a major highlight of 2HFY11 was the improvement in external account. During FY11, current account posted a surplus of US\$ 542 million as against deficit of US\$ 3.4 billion in the same period last year. The improvement was primarily attributed to i) 29% rise in exports to US\$25 billion on account of favourable cotton prices, ii) 26% surge in worker remittances to US\$11.2 billion for the full year and iii) US\$743 million inflows under Coalition Support Fund (CSF). These positive developments helped the country's forex reserves to reach all time of US\$ 17.5 billion and thus kept the rupee stable against the US dollar. During the year, rupee depreciated by a mere 0.5% to close the year at Rs 86.2 versus US dollar.

In addition, the rebound in agri commodity prices provided a boost to rural income and hence domestic demand, which saw growth momentum revived in the second half of fiscal year. While inflation stood at 13.9% for FY11, the government was able to retire the excessive borrowing from SBP in earlier part of the year and contain the same to levels agreed with the State Bank. The combination of the above factors provided SBP the comfort to maintain discount rate at 14% during the second half of the fiscal year.

During the period under review, the IMF Standby Arrangement remained virtually suspended due to slow implementation of tax and power sector reforms. With the last two tranches at stake, the government and IMF team are due to meet tentatively towards the end of July, 2011 to review FY11 performance and FY12 budgetary targets. With an impressive performance on the external account and commitment for power sector reforms, the country's economic managers are targeting a continuation of the IMF standby facility.

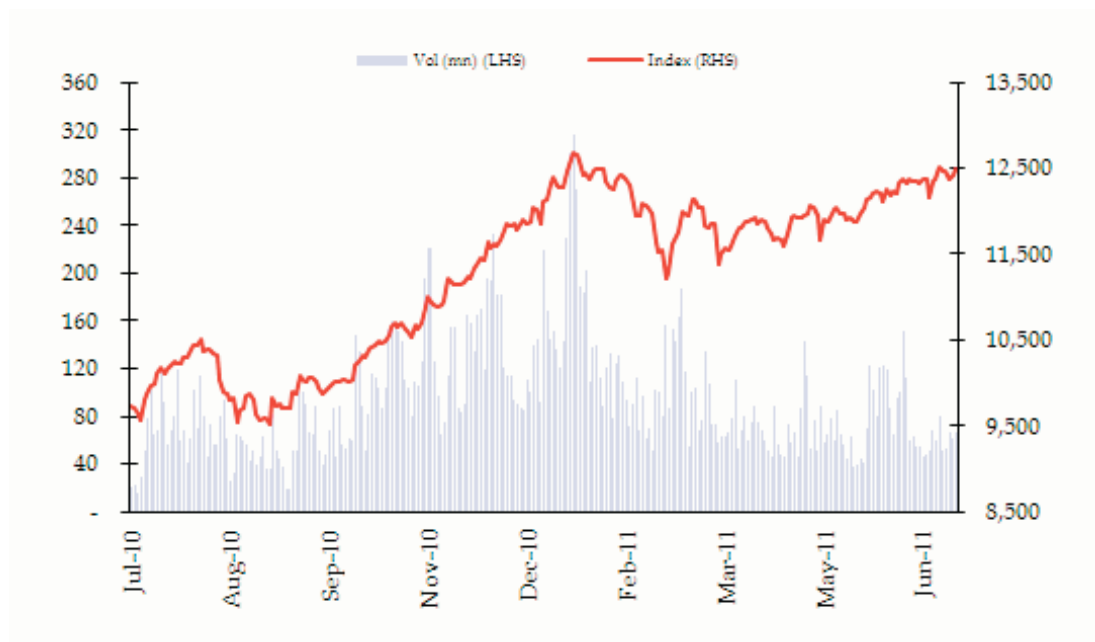
Equity Market Review

Pakistan stock market posted a double digit return for the second consecutive year in FY11 with KSE-100 rising by 28.5% to close at a level of 12,496. The healthy performance of the KSE100 index was reflective of improved corporate earnings as well as the continuation of foreign flows. Trading volumes however, remained extremely low due to imposition of capital gains tax (CGT) in July with average daily trading volume in shares and value declining by 66% and 40% to 97 million shares and Rs. 4 billion respectively.

The year started with a positive sentiment where on the back of introduction of CGT, investors anticipated the introduction of Margin Trading System (MTS). This, coupled with investors' expectations of good corporate results helped the market to post phenomenal return of 8.2% for the month of July. However, the euphoria was short lived, ending with the onslaught of the worst floods of the country threatened key macroeconomic targets including downward revision in GDP estimates by 1-2%. To add to the worries, SBP, in an unexpected move, raised the discount rate by 50bps on inflationary concerns in its monetary policy statement of July end. However, even after another 50 bps increase in discount rate in September, the investors shunned macroeconomic concerns and the sentiments remained bullish due to positive foreign flows. Since then the market witnessed a broad-based rally which was extended in the new calendar year as positive developments inched up investors' hopes of good result and payout expectations. Foreigners' net buying position boosted optimism in the market as the third hike in the discount rate of 50bps in this fiscal year did not break the momentum of the market and KSE-100 rallied to the year's peak of 12,768 in mid of January, an appreciation of 3,046 points from June 30, 2010.

The second half of the fiscal year was a period of high volatility which culminated into consolidation. The market underwent a correction of 12% since then and touched a low of 11,200 as profit taking activity was initiated by institutional investors. This was seen due to heightened political noise, strained foreign relations with USA due to the Raymond Davis case, killing of Osama Bin Laden by US forces, uprising in the MENA region and the disastrous earthquake in Japan. On the domestic side, the rally in international crude prices, lukewarm response to MTS, and cumbersome working of capital gain tax kept retail investors on the sidelines leading to one of the lowest volumes in the decade. Subsequently, foreign investment which was the major impetus of the market remained at USD 30.19 million in second half of FY11, slightly narrowing the fiscal year to date inflows to USD 279million.

Towards the end of the period under review, introduction of Margin Trading System (MTS) coupled with better than expected corporate results gave some support to the market and eventually helped the KSE 100 index to close at 12,496 on June 30, 2011.



Federal Budget 2012

The market staged a brief rally in the immediate run up to the budget as well as post budget. Despite no relief on CGT in the federal budget on June 3, the reaction remained positive due to absence of new tax measures. In addition, discontinuation of flood surcharge, deduction of FED on cement and no change in corporate tax on banks led to a buying spree in the market.

Foreign flows and Behavior of local investors

All the categories of local investors except banks remained net sellers throughout FY11. Individual and mutual funds sold highest worth of shares amounting to US\$144 million and US\$76 million respectively, followed by NBFC and companies which sold shares worth US\$55 million and US\$33 million respectively. Banks during the period bought shares worth US\$28 million during FY11, while foreigners remained net buyers of US\$279 million during the period.

Future Outlook

Going forward, the key challenge for the government under the current political environment is to implement the reforms demanded by IMF. The mounting circular debt affecting the entire energy chain also continues to pose threat to the overall economy. In line with the government's commitment to keep SBP borrowing within limits, and as inflation has tapered off from its peak, we are of the view that the government will continue its 'wait and watch' policy before increasing the discount rate. Although the implementation of capital gain tax has negatively impacted volumes, however, we believe that the introduction of the leverage and derivative products in the market may improve the liquidity position and attract investors back to the equity market. On the basis of earnings multiples and dividend yields, Pakistan remains one of the cheapest markets. Pakistan's stock market is trading at a P/E multiple of 7.2x, which is almost at a 38% discount to other frontier markets. This makes KSE an attractive option for foreign investors.

The management of Al Meezan is fully aware of the challenges that lie ahead and will take all possible measures to proactively deal with them.

Charity Statement

As per the Memorandum of Association of the Fund, where some haram income accrues to the Fund, it will be donated to an approved charity that is not related to the Fund, the 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, 2011 an amount of Rs. 2.072 million has been set aside as charity payable.

Distributions

The Fund has paid an interim dividend @ 5% i.e. Rs. 0.50 per share of face value of Rs. 10/- each and has announced a final dividend of 16% i.e. Rs. 1.60 per share to the share holders of AMMF for the fiscal year ended June 30, 2011. Further, board of directors of AMMF has also announced an interim dividend @ 1.5% i.e. Re. 0.15 per share for the year ending June 30, 2012.

DETAILS OF PATTERN OF SHAREHOLDING AS PER REQUIREMENT OF THE CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2011

Particulars	No. of Shares held
Individuals	39,212,987
Non-resident	363,442
Associated companies / directors	
i) Al Meezan Investment Management Limited	34,019,850
ii) Trustee AMIM Employees Provident Fund	188,211
iii) Trustee AMIM Employees Gratuity Fund	290,239
iv) Meezan Bank Limited	5,561,607
v) Meezan Bank Limited - Staff Provident Fund	247,500
vi) Pakitan Kuwait Investment Company (Private) Limited	16,895,690
vii) CDC-Trustee Meezan Islamic Fund	8,480,190
Chief Executive & Spouse	
i) Mohammad Shoaib	348,278
ii) Mrs. Shabana Mohammad Shoaib	7,438
Director	
Mr. Irfan Siddiqui	1,162
Insurance companies	4,840,817
Banks / DFIs	8,148,458
NBFCs	5,913,695
Retirement funds	2,974,380
Public limited companies	1,978,839
Others	8,067,203
	137,539,986

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. No casual vacancy occurred in the Board during the current year.
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 04, 2011



A. F. FERGUSON & CO.

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, 2011 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 No. 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 to check the 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, 2011.


Chartered Accountants
Karachi, August 4, 2011

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Meezan Bank

The Premier Islamic Bank

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

August 4, 2011/ Ramadan 3, 1432 A.H

In the capacity of *Shar'iah* Advisor, 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) Investment in non-*Shar'iah* compliant activities to Total assets (iv) *Shar'iah* Non Compliant Income to Gross Revenue (v) Illiquid assets to total assets, and (vi) Net liquid assets per share vs. share price.

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure *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, 2011 and their evaluation according to the screening criteria established by us. (December 31, 2010 accounts of the Investee companies have been used for the following calculations):

Company Name	(i) Nature of Business	(ii)* Debt to Assets (<40%)	(iii) % of Non- <i>Shar'iah</i> Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>20%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Attock Cement	Cement Manufacturer	0.00%	00.00%	0.95%	94.00%	(18.5)	63.11
Agriauto Industries Limited	Automobile parts & accessories	0.16%	7.11%	1.45%	48%	30.20	76.2
DG Khan Cement	Cement Manufacturer	36.92%	3.63%	4.77%	55%	(11.57)	29.33
Fauji Fertilizer Bin Qasim Limited	Manufacturer of Fertilizer	17.03%	4.48%	2.21%	57.00%	(8.46)	31.91
Fauji Fertilizer Company Limited	Manufacturer of Fertilizer	20.82%	6.30%	1.69%	68%	(40.29)	95.28

Meezan Bank Ltd.

3rd Floor, P.N.S.C. Building, Moulvi Tamizuddin Khan Road, Karachi, Pakistan.
Tel : (92-21) 5610582 Fax : (92-21) 5610375, 5611451 www.meezanbank.com



GlaxcoSmith (Pak) Limited	Pharmaceuticals	0.00%	6.06%	1.71%	65%	6.06	73.2	
Hub Power Company Limited	Power generation & Distribution	28.95%	0.0%	0.03%	41%	(10.79)	35.06	
ICI Pakistan Limited	Chemicals	1.41%	0.00%	0.71%	65%	7.36	133.88	
Indus Motors Company Limited	Automobile Assembler	0.01%	12.70%	2.08%	58%	6.25	246.88	
Lucky Cement	Cement Manufacturer	22.45	0.00%	0.00%	94%	(7.03)	75.79	
Meezan Bank Limited	Islamic Commercial Bank	**						13.95
Oil & Gas Development Company Limited	Exploration and Production of Oil & Gas	0.00%	5.43%	0.52%	48%	11	169.19	
Pak. Telecommunication. Co. Ltd	Provider of Telecommunication Services	10.70%	7.95%	3.77%	79%	(9.29)	17.46	
Pakistan Oilfields Limited	Exploration and Production of Oil & Gas	0.00%	5.83%	2.41%	68%	7.56	286.61	
Pakistan Petroleum Limited	Exploration and Production of Oil & Gas	0.95	27.28	3.59	38%	38.24	207.08	
Pakistan State Oil Company Limited	Distribution of Oil & Gas	6.92%	0.00%	0.41%	30%	(76.26)	286.91	
Packages Limited	Paper & Board	24.67%	24.06%	1.11%	65%	10.42	125.09	
Pak Suzuki motor company Ltd.	Automobile parts & accessories	1.96%	0.03%	1.07%	70%	11.58	69.36	
Tri-Pack Films Limited	Miscellaneous	21.19	0.00	0.06	72%	(45.67)	113.70	

*

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, 2011 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 1.430 million was created for Charity and an amount of Rupees 0.714 million was provided for available for disbursement.

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 "M. Imran Ashraf Usmani", written over a horizontal line.

Dr. Muhammad Imran Ashraf Usmani
For and on behalf of Meezan Bank Limited
Shar'iah Advisor



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, 2011 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 the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the 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 and the Non-Banking Finance companies and Notified Entities Regulations, 2008, 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, 2011 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

AF

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- (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.

We draw attention to the following:

- note 12 to the annexed financial statements which refers to an uncertainty relating to the future outcome of the litigation regarding contribution to the Workers Welfare Fund which is currently pending adjudication at the Honorable High Court of Sindh.
- note 1.5 to the annexed financial statements which interalia states that as per the scheme of arrangement for the conversion of the company into an open ended scheme, all the assets and liabilities of the company will be transferred to the open ended scheme. Accordingly, the annexed financial statements are not prepared on the going concern basis. However, no adjustments are required as the assets and liabilities are stated at values at which these are expected to be realised or settled.

Our opinion is not qualified in respect of the aforementioned matters.



Chartered Accountants
Karachi, August 4, 2011

Audit Engagement Partner: Saad Kaliya

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2011

	Note	2011 (Rupees in '000)	2010
Assets			
Balances with banks	5	275,093	131,182
Investments	6	1,430,267	1,274,965
Receivable against sale of investments		-	407,206
Dividend receivable		7,826	7,047
Advances, deposits and other receivables	7	20,469	8,793
Total assets		1,733,655	1,829,193
Liabilities			
Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund	8	2,827	2,324
Payable to Central Depository Company of Pakistan Limited (CDC) - custodian of the Fund	9	58	53
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	1,519	1,369
Payable against purchase of investments		8,658	406,958
Accrued expenses and other liabilities	11	9,232	10,203
Unclaimed dividend		4,046	4,365
Total liabilities		26,340	425,272
Net assets		1,707,315	1,403,921
Contingency	12		
Shareholders' equity			
Authorised share capital			
150,000,000 (June 30, 2010: 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
Unappropriated profit / (accumulated loss)		167,831	(6,223)
Surplus on revaluation of investments categorised as 'available for sale investments'		164,084	34,744
		<u>1,707,315</u>	<u>1,403,921</u>
Net assets value per share (rupees)		<u>12.41</u>	<u>10.21</u>

The annexed notes 1 to 28 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, 2011

	Note	2011 (Rupees in '000)	2010
Income			
Net realised gain on sale of investments		215,313	185,603
Dividend income		106,606	100,701
Profit on savings accounts with banks		25,669	9,115
		<u>347,588</u>	<u>295,419</u>
Unrealised gain on re-measurement of investments at fair value through profit or loss (net)	6.2	45,706	101,974
Total income		<u>393,294</u>	<u>397,393</u>
Expenses			
Remuneration to Al Meezan - management company of the Fund	8	31,854	28,812
Remuneration to CDC - custodian of the Fund	9	783	788
Annual fee to SECP	10	1,519	1,369
Auditors' remuneration	14	618	512
Fees and subscription		220	168
Brokerage		838	1,399
Legal and professional charges		125	225
Bank and settlement charges		392	438
Printing expenses		538	446
Advance tax written off		3,796	-
(Reversal) / provision for workers' welfare fund	12	(7,122)	7,122
Total expenses		<u>33,561</u>	<u>41,279</u>
Net Income		<u>359,733</u>	<u>356,114</u>
Other comprehensive income for the year			
(Surplus) / deficit realised on disposal of 'available for sale investments' transferred to income statement on disposal		(32,583)	234
Surplus on investments categorised as 'available for sale investments'		161,923	10,939
Total comprehensive income for the year		<u>489,073</u>	<u>367,287</u>
(Rupees)			
Earnings per share - basic (rupees)	15	<u>2.62</u>	<u>2.59</u>

The annexed notes 1 to 28 form an integral part of these financial statements.


Mohammad Shoaib, CFA
Chief Executive


Nabil Daudur Rahman
Director

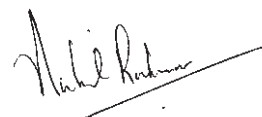
DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

	2011 (Rupees in '000)	2010
Income		
Accumulated loss brought forward	(6,223)	(224,797)
Less: Final distribution in the form of cash dividend for the year ended June 30, 2010: 8.5% (June 30, 2009: nil)	(116,909)	-
Net income for the year	359,733	356,114
Less: Interim dividend @ 5% for the year ended June 30, 2011 (June 30, 2010 @ 10%)	(68,770)	(137,540)
Unappropriated profit / (accumulated loss) carried forward	<u>167,831</u>	<u>(6,223)</u>

The annexed notes 1 to 28 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, 2011

	2011	2010
	(Rupees)	
Net assets value per share at the beginning of the year	10.21	8.54
Net realised gain on sale of investments	1.57	1.35
Dividend income	0.77	0.73
Profit on savings accounts with banks	0.19	0.07
Unrealised gain on re-measurement of investments at fair value through profit or loss (net)	0.33	0.74
Expenses	(0.24)	(0.30)
Net income for the year	2.62	2.59
Final dividend @ 8.5% (2010: nil)	(0.85)	-
Interim dividend @ 5% (2010: 10%)	(0.50)	(1.00)
	(1.35)	(1.00)
Net changes in surplus on revaluation of available for sale investments	0.93	0.08
Net assets value per share at the end of the year	<u>12.41</u>	<u>10.21</u>

The annexed notes 1 to 28 form an integral part of these financial statements.



Mohammad Shoab, CFA
Chief Executive


Nabil Daudur Rahman
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2011

	Share capital	Unappropriated income / (accumulated loss)	Surplus on revaluation of investments	Total
------(Rupees in '000)-----				
Balance as at July 1, 2009	1,375,400	(224,797)	23,571	1,174,174
Comprehensive income for the year				
Net income for the year ended June 30, 2010	-	356,114	-	356,114
Other comprehensive income				
Deficit realised on revaluation of '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
Total comprehensive income for the year ended June 30, 2010	-	356,114	11,173	367,287
Transactions with owners				
Interim dividend for the year ended June 30, 2010 @ 10% (Re 1.00 per share)	-	(137,540)	-	(137,540)
Total transactions with owners	-	(137,540)	-	(137,540)
Balance as at June 30, 2010	1,375,400	(6,223)	34,744	1,403,921
Net income for the year ended June 30, 2011	-	359,733	-	359,733
Other comprehensive income				
Surplus realised on 'available for sale investments' transferred to income statement on disposal	-	-	(32,583)	(32,583)
Surplus on revaluation of 'available for sale investments' (net)	-	-	161,923	161,923
Total other comprehensive income	-	-	129,340	129,340
Total comprehensive income for the year ended June 30, 2011	-	359,733	129,340	489,073
Transactions with owners				
Final dividend for the year ended June 30, 2010 @ 8.5% (Re 0.85 per share)	-	(116,909)	-	(116,909)
Interim dividend for the year ended June 30, 2011 @ 5% (Re 0.5 per share)	-	(68,770)	-	(68,770)
Total transactions with owners	-	(185,679)	-	(185,679)
Balance as at June 30, 2011	<u>1,375,400</u>	<u>167,831</u>	<u>164,084</u>	<u>1,707,315</u>

The annexed notes 1 to 28 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, 2011

	Note	2011 (Rupees in '000)	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		359,733	356,114
Adjustments for non-cash items			
Dividend income		(106,606)	(100,701)
Advance tax written off		3,796	-
Profit on savings accounts with banks		(25,669)	(9,115)
Unrealised income on re-measurement of investments at fair value through profit or loss (net)		(45,706)	(101,974)
Deficit realised on sale of available for sale investments		-	234
Workers' welfare fund		(7,122)	-
		<u>(181,307)</u>	<u>(211,556)</u>
		178,426	144,558
(Increase) / decrease in assets			
Investments		19,744	(39,754)
Receivable against sale of investments		407,206	(398,103)
		426,950	(437,857)
Increase / (decrease) in liabilities			
Payable to Al Meezan - management company of the Fund		503	1,295
Payable to CDC - custodian of the Fund		5	7
Payable to SECP		150	126
Payable to MBL		-	(434)
Payable against purchase of investments		(398,300)	404,419
Accrued expenses and other liabilities		6,151	8,119
		<u>(391,491)</u>	<u>413,532</u>
Cash generated from operations		213,885	120,233
Dividend received		105,827	103,669
Profit received on savings accounts with banks		10,197	8,323
Net cash inflow from operating activities		329,909	232,225
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(185,998)	(136,724)
Net cash outflow from financing activities		(185,998)	(136,724)
Net increase in cash and cash equivalents during the year		143,911	95,501
Cash and cash equivalents at the beginning of the year		131,182	35,681
Cash and cash equivalents at the end of the year	5	<u>275,093</u>	<u>131,182</u>

The annexed notes 1 to 28 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, 2011

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 (Management Company), 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 The shareholders of the Fund in their Extraordinary General Meeting held on April 27, 2011 have approved the scheme of arrangement for conversion of the Fund into an Open End Scheme, subject to fulfillment of all legal and regulatory formalities. The management of the Fund has decided August 5, 2011 as the effective date for conversion of the Company into an Open End Scheme. Hence, the entire undertaking of Al Meezan Mutual Fund Limited will be transferred to Al Meezan Mutual Fund (an Open End Scheme) on effective date. After completion of the conversion process Fund's name shall be struck off by the Registrar of Companies, Company Registration Office from the Register of Companies under Section 439 of the Ordinance and the Fund will be dissolved automatically without the winding up process as and how the SECP may permit or direct.

Since, it is expected that the Fund will not be able to continue as a going concern atleast for the next twelve months, accordingly, these financial statements are not prepared on going concern basis. The management has assessed that, the conversion will not result in any impact on the carrying amount of the assets and liabilities of the Fund as these are already stated at the amounts expected to be realised or settled.

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 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, 2011 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, 2010 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.

3.3 Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the company:

There are certain amendments to the standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the company'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); and
- c) Taxation (note 4.6).

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. The changes in the fair value of instruments classified as 'available for sale' are recognised in other comprehensive income until derecognised or impaired when the accumulated fair value adjustments recognised in other comprehensive income are transferred to the income statement.

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 income statement 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 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.

4.5 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.

4.6 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.

4.7 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.

4.8 Expenses

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

4.9 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.

4.10 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.

4.11 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.

	Note	2011 (Rupees in '000)	2010
5. BALANCES WITH BANKS			
On current accounts		3,907	2,458
On savings accounts	5.1	<u>271,186</u>	<u>128,724</u>
		<u>275,093</u>	<u>131,182</u>
5.1 The balances in savings accounts bear expected profit which ranges from 5.4% to 12.9% (2010: 5% to 11.25%) per annum.			
	Note	June 30, 2011	June 30, 2010
6. INVESTMENTS			
Investments categorised as 'available for sale'	6.1	1,191,727	852,767
Investments at 'fair value through profit or loss'	6.2	<u>238,540</u>	<u>422,198</u>
		<u>1,430,267</u>	<u>1,274,965</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, 2010	Purchases during the year	Bonus shares	Sales during the year	As at June 30, 2011	Carrying value as at June 30, 2011	Market value as at June 30, 2011	Unrealised gain / (loss) as at June 30, 2011	Percentage of market value of total investment
	-----Number of shares-----					-----Rupees in '000-----			%
Sector / companies									
Banks									
Meezan Bank Limited (an associate of the Fund)	197,948	609,376	29,692	-	837,016	13,820	14,623	803	1.03
Construction and Materials									
Attock Cement Pakistan Limited	10,000	-	-	-	10,000	716	485	(231)	0.04
Lucky Cement Company Limited	712,469	239,000	-	-	951,469	62,116	67,402	5,286	4.71
D.G. Khan Cement Company Limited	-	1,300,000	-	125,000	1,175,000	28,696	27,013	(1,683)	1.89
									6.64
Textile Composite									
Nishat Mills Limited	-	443,000	-	443,000	-	-	-	-	-
Power generation & distribution									
The Hub Power Company Limited	-	2,432,500	-	340,000	2,092,500	77,041	78,469	1,428	5.49
KAPCO Limited	-	160,000	-	160,000	-	-	-	-	-
									5.49
Oil & gas									
Pakistan State Oil Company Limited	577,043	10,000	-	114,000	473,043	124,838	125,158	320	8.75
Oil & Gas Development Company Limited (note 6.4)	436,976	894,783	-	484,619	847,140	119,735	129,604	9,869	9.06
Pakistan Oilfields Limited	292,900	78,000	-	49,000	321,900	78,830	115,565	36,735	8.08
Pakistan Petroleum Limited	433,315	93,330	86,663	20,000	593,308	96,975	122,856	25,881	8.59
National Refinery Limited	149,909	7,382	-	157,291	-	-	-	-	-
									34.48
Automobile and parts									
Agriauto Industries Limited (note 6.3)	700,000	-	-	-	700,000	46,690	48,650	1,960	3.40
Indus motor company limited	-	31,200	-	-	31,200	7,629	6,864	(765)	0.48
Pak Suzuki motor company limited	-	20,000	-	-	20,000	1,483	1,251	(232)	0.09
									3.97
Fixed Line and telecommunication									
Pakistan Telecommunication Company Limited "A"	1,090,000	180,000	-	630,000	640,000	11,621	9,101	(2,520)	0.64
Pharma and Bio tech									
GlaxoSmithKline (Pakistan) Limited	40,000	-	2,377	24,153	18,224	1,276	1,400	124	0.10
Chemicals									
Fauji Fertilizer Company Limited	1,943,769	925,000	375,796	1,575,583	1,668,982	194,346	250,931	56,585	17.54
Fauji Fertilizer Bin Qasim Limited	1,604,000	-	-	1,161,439	442,561	10,795	18,654	7,859	1.30
ICI Pakistan Limited	390,400	339,115	-	-	729,515	91,012	110,777	19,765	7.75
Lotte Pakistan PTA Limited	-	1,551,571	-	1,551,571	-	-	-	-	-
									26.59
General Industrials									
Packages Limited	450,369	10,000	-	44,013	416,356	50,314	45,799	(4,515)	3.20
Tri-Pack Films Limited	100,000	-	-	-	100,000	9,710	17,125	7,415	1.20
									4.40
Total						1,027,643	1,191,727	164,084	
Total cost of investments - 'available for sale'							1,027,643		

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, 2010	Purchases during the year	Bonus shares	Sales during the year	As at June 30, 2011	Carrying value as at June 30, 2011	Market value as at June 30, 2011	Unrealised gain / (loss) as at June 30, 2011	Percentage of market value of total investment
	-----Number of shares-----					-----Rupees in '000-----			%
Banks									
Meezan Bank Limited (an associate of the Fund)	1,898,092	-	164,713	800,000	1,262,805	15,977	22,061	6,084	1.54
Construction and Materials									
Attock Cement Pakistan Limited	135,305	-	-	20,000	115,305	7,552	5,596	(1,956)	0.39
Lucky Cement Company Limited	358,190	-	-	160,000	198,190	12,316	14,040	1,724	0.97
									1.36
Oil & gas									
Oil & Gas Development Company Limited (note 6.4)	120,915	-	-	120,915	-	-	-	-	-
Pakistan Oilfields Limited	461,951	-	-	273,000	188,951	40,795	67,835	27,040	4.74
Pakistan Petroleum Limited	437,725	-	87,545	249,500	275,770	42,312	57,104	14,792	3.99
									8.73
Automobile and Parts									
Indus Motor Company Limited	157,742	-	-	32,278	125,464	32,919	27,602	(5,317)	1.93
Pak Suzuki Motor Company Limited	128,980	-	-	70,000	58,980	4,675	3,689	(986)	0.26
Agriauto Industries Limited (note 6.3)	8,960	-	-	-	8,960	618	623	5	0.04
									2.23
Fixed Line and telecommunication									
Pakistan Telecommunication Company Limited "A"	2,606,200	-	-	1,934,450	671,750	11,957	9,552	(2,405)	0.67
Chemicals									
Fauji Fertilizer Company Limited	59,417	-	-	59,417	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	1,343,561	-	-	1,343,561	-	-	-	-	-
ICI Pakistan Limited	600	-	-	-	600	71	91	20	0.01
									0.01
Pharma and Bio tech									
GlaxoSmithKline (Pakistan) Limited	3,906	-	-	3,906	-	-	-	-	-
General Industrials									
Packages Limited	987	-	-	987	-	-	-	-	-
Thal Limited (note 6.3)	267,960	-	53,592	26,801	294,751	23,320	29,782	6,462	2.08
Tri-Pack Films Limited	3,300	-	-	-	3,300	322	565	243	0.04
									2.12
Total						192,834	238,540	45,706	
Total cost of investments - 'held for trading'							184,028		

- 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 (2010: 190,000 shares) of Oil and Gas Development Company Limited, having market value of Rs 29.068 million (2010: 26.921 million) as at June 30, 2011 have been pledged as collateral in favour of National Clearing Company of Pakistan Limited (NCCPL) against exposure margins and mark to market losses.

	2011	2010
	(Rupees in '000)	
7. ADVANCES, DEPOSITS AND OTHER RECEIVABLES		
Security deposits	2,638	2,638
Profit receivable on savings accounts with banks	17,831	2,359
Advance income tax	-	3,796
	<u>20,469</u>	<u>8,793</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, 2011.

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.

	Note	2011	2010
		(Rupees in '000)	
11. ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		380	345
Charity payable	11.1	2,131	2,059
Printing charges payable		213	150
Workers' welfare fund	12	-	7,122
Withholding tax payable		5,907	-
Others		601	527
		<u>9,232</u>	<u>10,203</u>

- 11.1 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 2.131 million (2010: Rs 2.059 million) is outstanding in this regard after making charity payments of Rs 2.000 million (2010: Rs 1.655 million) to renowned charitable institutions. None of the directors of the management company of the Fund were interested in any of donees.

12. CONTINGENCY

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the mutual fund industry with the FBR for their withdrawal.

On December 14, 2010, the Ministry has filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the Court.

However, the Management Company believes that the aforementioned constitutional petition pending in the Court has strong grounds for decision in favour of the mutual funds. Accordingly, the management has reversed the liability recognised as at June 30, 2010 amounting to Rs 7.122 million, during the current year. The aggregate unrecognised amount of WWF as at June 30, 2011 amounted to Rs 14.036 million.

There were no other contingencies and commitments outstanding as at June 30, 2011.

13. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2011	2010		2011	2010
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

Audit fee	335	250
Half yearly review fee	125	125
Other certifications	100	100
Out of pocket expenses	58	37
	<u>618</u>	<u>512</u>

15. EARNINGS PER SHARE

Net income for the year	<u>359,733</u>	<u>356,114</u>
	(In numbers)	
Number of ordinary shares outstanding during the year	<u>137,539,986</u>	<u>137,539,986</u>
	(Rupees)	
Earnings per share - basic	<u>2.62</u>	<u>2.59</u>

A diluted earnings per share has not been presented as the Fund does not have any convertible instruments as at June 30, 2010 and 2011 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, Meezan Sovereign Fund and Meezan Capital Protected Fund - II 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.

	2011	2010
	(Rupees in '000)	
Al Meezan - management company of the Fund		
Remuneration payable	2,827	2,324
Investment of 34,019,850 shares (June 30, 2010: 23,205,692 shares)	<u>377,620</u>	<u>154,318</u>
MBL		
Balance with bank	2,936	2,408
Investment of 5,561,607 shares (June 30, 2010: 5,561,607 shares)	<u>61,734</u>	<u>36,985</u>
Investment in 2,099,821 shares (June 30, 2010 : 2,096,040 shares)	<u>36,684</u>	<u>30,497</u>
Meezan Islamic Fund		
Investment of 8,480,190 shares (June 30, 2010: 19,570,700 shares)	<u>94,130</u>	<u>130,145</u>
Pakistan Kuwait Investment Company (Private) Limited		
Investment of 16,895,690 shares (June 30, 2010: 16,895,690 shares)	<u>187,542</u>	<u>112,356</u>
CDC - custodian of the Fund		
Remuneration payable	<u>58</u>	<u>53</u>
Directors and officers		
Investment of 356,878 shares (June 30, 2010: 372,878 shares)	<u>3,961</u>	<u>2,480</u>
	For the year ended	
	June 30	
	2011	2010
	(Rupees in '000)	
Al Meezan - management company of the Fund		
Shares purchased during the year: 27,213,158 shares (June 30, 2010 nil)	252,293	-
Shares sold during the year: 16,399,000 shares (June 30, 2010: nil)	<u>176,323</u>	<u>-</u>
Remuneration for the year	<u>31,854</u>	<u>28,812</u>
Dividend for the year	<u>45,838</u>	<u>23,206</u>
MBL		
Profit on savings account with bank	3	4
Dividend for the year	<u>7,508</u>	<u>5,562</u>
194,405 bonus shares received (June 30, 2010: 99,811)	<u>-</u>	<u>-</u>
Shares purchased during the year: 609,376 shares (June 30, 2010: 188,522)	<u>10,628</u>	<u>3,165</u>
Shares sold during the year: 800,000 shares (June 30, 2010: 171,000)	<u>12,345</u>	<u>2,945</u>
Meezan Islamic Fund		
Shares sold during the year: 11,090,510 shares (June 30, 2010: nil)	<u>77,663</u>	<u>-</u>
Dividend for the year	<u>11,465</u>	<u>19,571</u>
Pakistan Kuwait Investment Company (Private) Limited		
Dividend for the year	<u>22,809</u>	<u>16,896</u>
CDC - custodian of the Fund		
Remuneration for the year	<u>783</u>	<u>788</u>
Directors and officers		
Dividend for the year	<u>495</u>	<u>373</u>
Shares purchased during the year: nil (June 30, 2010: 16,000 shares)	<u>-</u>	<u>106</u>
Shares sold during the year: 16,000 shares (June 30, 2010: nil)	<u>106</u>	<u>-</u>

17. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables	Financial assets at 'fair value through profit or loss'	2011		Total
			Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	
----- (Rupees in '000) -----					
On balance sheet - financial assets					
Balances with banks	275,093	-	-	-	275,093
Investments	-	238,540	1,191,727	-	1,430,267
Dividend receivable	7,826	-	-	-	7,826
Deposits and other receivables	20,469	-	-	-	20,469
	<u>303,388</u>	<u>238,540</u>	<u>1,191,727</u>	<u>-</u>	<u>1,733,655</u>
On balance sheet - financial liabilities					
Payable to Al Meezan - management company of the Fund	-	-	-	2,827	2,827
Payable to CDC - custodian of the Fund	-	-	-	58	58
Payable against purchase of investments	-	-	-	8,658	8,658
Accrued expenses and other liabilities	-	-	-	1,194	1,194
	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,737</u>	<u>12,737</u>
----- (Rupees in '000) -----					
On balance sheet - financial assets					
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>
On balance sheet - financial liabilities					
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>

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.

Risks 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, 2011, along with comparative is tabulated below:

	2011	2010
	(Rupees in '000)	
Financial assets		
Balances with banks	275,093	131,182
Receivable against sale of investments	-	407,206
Dividend receivable	7,826	7,047
Other receivables	20,469	4,997
	<u>303,388</u>	<u>550,432</u>

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

	2011	2010
	(Rupees in '000)	
AA+	258,188	121,559
AA-	2,936	2,408
AA	13,334	6,065
A	635	1,150
	<u>275,093</u>	<u>131,182</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, 2011 and 2010 is tabulated below:

Financial liabilities

	2011			2010
	Maturity upto			
	Three months	Six months	One year	Total
----- (Rupees in '000) -----				
Payable to Al Meezan				
- management company of the Fund	2,827	-	-	2,827
Payable to CDC - custodian of the Fund	58	-	-	58
Payable against purchase of investments	8,658	-	-	8,658
Accrued expenses and other liabilities	1,194	-	-	1,194
2011	<u>12,737</u>	<u>-</u>	<u>-</u>	<u>12,737</u>
2010	<u>410,357</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. Further, 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 1.199 million (2010: increase / decrease approximately Rs 0.839 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, 2011, 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.

18.3.4 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, 2011.

19. CAPITAL RISK MANAGEMENT

The Fund's objective when managing capital is to safeguard its ability to 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 at least 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.

The Fund classifies the financial statements measured in the balance sheet at fair value in accordance with 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, 2011.

21. PERFORMANCE TABLE

	2011	2010	2009	2008
	------(Rupees in '000)-----			
Investment income	347,588	295,419	(210,996)	250,230
Operating expenses	33,561	41,279	31,614	50,153
Surplus / (deficit) on investments at 'fair value through profit or loss'	45,706	101,974	(332,572)	(211,615)
Net income / (loss)	359,733	356,114	(575,182)	(11,538)
Earnings per share (Rs)	2.62	2.59	(4.18)	(0.08)
Earning per share from capital growth (Rs)	1.27	1.92	(4.75)	(0.59)
Earning per share from income distribution (Rs)	1.35	0.67	0.57	0.51
Distribution				
Bonus Shares issued (Rs)	-	-	-	179,400
Bonus issue per share (Rs)	-	-	-	1.5
Rate of stock dividend (%)	-	-	-	15
Cash dividend Interim / Final (Rs)	-	-	-	-
- Final	116,909	-	137,540	299,000
- Interim	68,770	137,540	-	-
Dividend per share (Rs.)	1.35	1.00	1.00	2.50
Rate of cash dividend (%)	13.5	10	10	25
Distribution Dates				
-Final	5-Nov-10	16-Dec-09	10-Nov-08	28-Sep-07
- Interim	14-Apr-11			
Net Assets Value (NAV) per share (Rs.)	12.41	10.21	8.54	13.86
KSE 100 Index	12,496	9,722	7,162	12,289
KMI - 30	20,936	14,574	10,648	15,000
Total return (%) (A)	37.37	31.23	(31.67)	(0.59)
Appreciation / (depreciation) in KSE 100 Index (%) (B)	28.53	35.74	(41.72)	(10.77)
Outperformance / (underperformance) in comparison to KSE 100 Index (%) (A-B)	8.84	(4.51)	10.05	10.18
Total NAV	1,707,315	1,403,921	1,174,174	1,906,416
Highest NAV (Rs)	12.84	11.65	13.68	19.37
Lowest NAV (Rs)	10.22	8.54	5.38	12.72
	One Year	Two Years	Three Years	Four Years
Average annual return as at June 30, 2011 (%)	37.37	34.17	7.20	5.19

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	2011 %
Invisor Securities (Private) Limited	16.86
KASB Securities (Private) Limited	13.85
BMA Capital Management Limited	9.00
Foundation Securities (Private) Limited	8.23
Invest Capital Investment Bank Limited	7.23
Invest & Finance Securities Limited	6.32
Arif Habib Limited	6.25
Ample Securities (Private) Limited	5.28
Topline Securities (Private) Limited	5.23
JS Global Capital Limited	3.77
	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

23. INVESTMENT COMMITTEE MEMBERS

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

2011			
	<u>Designation</u>	<u>Qualification</u>	<u>Experience in years</u>
1	Mr. Mohammad Shoaib, CFA	Chief Executive Officer	CFA / MBA Twenty one years
2	Mr. Muhammad Asad	Chief Investment Officer/ Fund Manager	CFA Level 2 / MBA Fifteen years
3	Ms. Sanam Ali Zaib	Head of Research	CFA Level 2 / MBA Seven years
4	Ms. Madiha Javed	Manager Research and Product Development	CFA / BBA/ FRM Three years

23.2 Other funds being managed by the Fund Manager are as follows:
 - Meezan Islamic Fund
 - Meezan Tahaffuz Pension Fund

24. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors' meetings and directors present therein				
		August 17, 2010	October 20, 2010	February 17, 2011	March 30, 2011	April 20, 2011
Mr. Irfan Siddiqui	Chairman / Director	Yes	-	Yes	-	-
Mr. Mohammad Shoaib, CFA	Chief Executive	Yes	Yes	Yes	Yes	Yes
Mr. Ariful Islam	Director	Yes	Yes	-	Yes	Yes
Mr. Nabil Daudur Rahman	Director	Yes	Yes	Yes	Yes	Yes
Mr. Muhammad Faisal Khan	Director	Yes	-	Yes	-	Yes
Mr. Muhammad Asad	Director	Yes	Yes	Yes	Yes	Yes
Syed Owais Wasti	Director	Yes	Yes	Yes	Yes	Yes

25. NON ADJUSTING EVENT

The board of directors have announced and approved a final cash dividend amounting to Rs. 220.064 million for the year ended June 30, 2011 and an interim cash dividend of Rs. 20.631 million for the period from July 1, 2011 to August 4, 2011 in their meeting held on August 4, 2011.

The Company will be converted into an open end scheme on August 5, 2011 as more fully explained in note 1.5 and accordingly will become a defunct company with no shareholders subsequent to that date; accordingly, the final dividend has been approved by the directors.

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

26. PATTERN OF SHAREHOLDING

	----- (2011) -----		
	Number of investors	Investment amount	Percentage of total investment
	(Rupees in '000)		
Individuals	1,977	395,764	28.77
Associated companies / directors	11	660,402	48.02
Insurance companies	3	48,408	3.52
Banks / DFIs	4	81,485	5.92
NBFCs	5	59,137	4.30
Retirement funds	10	29,744	2.16
Public limited companies	32	19,788	1.44
Others	5	80,672	5.87
Total	<u>2,047</u>	<u>1,375,400</u>	<u>100</u>

	----- (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>

27. GENERAL

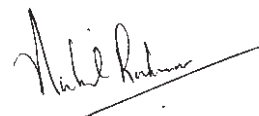
The bifurcation of unappropriated income brought forward and accumulated loss carried forward into realised and unrealised as required by the NBFC Regulations has not been disclosed as such bifurcation was not practicable.

28. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements have been authorised for issue on August 4, 2011 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, 2011

Folio No.	Name	Code	Balance Held	Percentage
170	1	100	6978	0.0051
273	101	500	84590	0.0615
197	501	1000	162153	0.1179
588	1001	5000	1545640	1.1238
273	5001	10000	2064266	1.5008
135	10001	15000	1671912	1.2156
80	15001	20000	1436119	1.0441
46	20001	25000	1047048	0.7613
45	25001	30000	1264031	0.9190
23	30001	35000	745714	0.5422
22	35001	40000	833959	0.6063
15	40001	45000	649550	0.4723
16	45001	50000	777150	0.5650
8	50001	55000	420699	0.3059
20	55001	60000	1159340	0.8429
5	60001	65000	316499	0.2301
10	65001	70000	682485	0.4962
10	70001	75000	720528	0.5239
4	75001	80000	306778	0.2230
6	80001	85000	495892	0.3605
3	85001	90000	259934	0.1890
4	90001	95000	362678	0.2637
8	95001	100000	786339	0.5717
7	100001	105000	716066	0.5206
1	105001	110000	107237	0.0780
5	110001	115000	565867	0.4114
1	115001	120000	115850	0.0842
1	120001	125000	125000	0.0909
1	125001	130000	130000	0.0945
5	130001	135000	666677	0.4847
1	135001	140000	137567	0.1000
1	165001	170000	165780	0.1205
1	175001	180000	175500	0.1276
2	185001	190000	378211	0.2750
4	195001	200000	796269	0.5789
1	200001	205000	205000	0.1490
2	210001	215000	425040	0.3090
3	215001	220000	652685	0.4745
1	225001	230000	225486	0.1639
1	230001	235000	233450	0.1697
1	235001	240000	239014	0.1738
1	240001	245000	240075	0.1745
1	245001	250000	247500	0.1799

No. of Shareholders	Having Shares		Share held	Percentage
	From	To		
2	265001	270000	535178	0.3891
1	270001	275000	272861	0.1984
1	275001	280000	275512	0.2003
1	290001	295000	290239	0.2110
1	295001	300000	296000	0.2152
1	300001	305000	304865	0.2217
1	305001	310000	307000	0.2232
1	310001	315000	312188	0.2270
3	315001	320000	949350	0.6902
1	340001	345000	345000	0.2508
1	350001	355000	350025	0.2545
1	380001	385000	384960	0.2799
2	400001	405000	804677	0.5850
1	450001	455000	454940	0.3308
1	495001	500000	500000	0.3635
1	515001	520000	517263	0.3761
2	525001	530000	1056816	0.7684
1	540001	545000	542200	0.3942
1	605001	610000	607200	0.4415
1	625001	630000	630000	0.4580
1	665001	670000	670000	0.4871
1	680001	685000	680840	0.4950
1	1070001	1075000	1074324	0.7811
1	1145001	1150000	1150000	0.8361
1	1330001	1335000	1330882	0.9676
1	1420001	1425000	1421125	1.0332
1	1760001	1765000	1762762	1.2816
1	1910001	1915000	1914750	1.3921
1	2545001	2550000	2550000	1.8540
1	2625001	2630000	2629184	1.9116
1	2865001	2870000	2866385	2.0840
1	2945001	2950000	2948995	2.1441
1	3990001	3995000	3994715	2.9044
1	4125001	4130000	4125211	2.9993
1	4345001	4350000	4347320	3.1608
1	5030001	5035000	5031326	3.6581
1	5560001	5565000	5561607	4.0436
1	8480001	8485000	8480190	6.1656
1	16895001	16900000	16895690	12.2842
1	34015001	34020000	34019850	24.7345
2047	Company Total		137539986	100.00

CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2011

Particulars	No. of Folio	Balance Share	Percentage
Individuals	1,956	39,569,865	28.7697
Insurance Companies	3	4,840,817	3.5196
Financial Institutions	12	70,539,300	51.2863
Joint Stock Companies	7	214,551	0.156
Others	39	13,944,808	10.1386
Non Residents Companies	5	8,067,203	5.8654
Non Residents (Individuals)	25	363,442	0.2642
Company Total	2,047	137,539,986	100.00

**STATEMENT OF THE INCOME & EXPENDITURE OF THE MANAGEMENT COMPANY
IN RELATION TO THE FUND.
FOR THE YEAR ENDED JUNE 30, 2011**

	2011	2010
	(Rupees in '000)	
INCOME		
Remuneration from Al Meezan Mutual Fund Limited	31,854	28,812
Dividend income	45,838	23,206
	77,692	52,018
OPERATING EXPENSES		
Salaries and other benefits	8,132	7,158
Motor vehicle running expenses	212	193
Fees and subscription	158	173
Insurance expense	62	75
Printing and stationery	79	131
Communication	321	582
Depreciation	523	613
Travelling and conveyance	22	63
Entertainment	41	42
Legal and professional charges	181	276
Repair and maintenance	165	38
Office supplies	85	67
Training and development	21	31
Rent, rates and taxes	481	578
Utilities	97	97
Shariah advisory fee	205	187
Miscellaneous expenses	12	14
	10,795	10,316
OPERATING PROFIT	<u>66,897</u>	<u>41,702</u>

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



Pure. Profit.

(AM2 rating by JCR-VIS)

Al Meezan Investment Management Ltd.
A subsidiary of Meezan Bank

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