



Balanced Fund



Annual Report 2010



Al Meezan Investment Management Limited
A subsidiary of Meezan Bank



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Balanced Fund

**Our Mission**

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

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

Our Vision

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

FUND INFORMATION

MANAGEMENT COMPANY

Al Meezan Investment Management Limited
Ground Floor, Block "B", Finance & Trade Centre,
Shahrah-e-Faisal, Karachi 74400, Pakistan.
Phone: (9221) 35630722-6, 111-MEEZAN
Fax: (9221) 35676143, 35630808
Web site: www.almeezangroup.com
E-mail: info@almeezangroup.com

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

| | |
|-------------------------|-----------------|
| Mr. Ariful Islam | Chairman |
| Mr. Aliuddin Ansari | Director |
| Mr. P. Ahmed | Director |
| Mr. Rana Ahmed Humayun | Director |
| Mr. Rizwan Ata | Director |
| Mr. Mazhar Sharif | Director |
| Mr. Mohammad Shoab, CFA | Chief Executive |

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

| | |
|---------------------|----------|
| Mr. Ariful Islam | Chairman |
| Mr. Aliuddin Ansari | Member |
| Mr. Mazhar Sharif | Member |

TRUSTEE

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

AUDITORS

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

BANKERS TO THE FUND

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

SHARIAH ADVISER

Meezan Bank Limited

LEGAL ADVISER

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

TRANSFER AGENT

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



REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2010

The Board of Directors of Al Meezan Investment Management Limited, the management company of Meezan Balanced Fund (MBF) is pleased to present the audited annual financial statements of the fund for the year ended June 30, 2010.

Market Review

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

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

On the monetary front, with the start of new financial year, as inflation started easing off, the State Bank continued with its expansionary monetary policy by reducing the discount rates by another 150 basis points to 12.5% in first half of fiscal year 2010. However, later on the policy rate remained unchanged owing to resurgence and persistence in inflation and weak fiscal position of the government. Average yearly inflation stood at 11.7% in fiscal year 2010 as compared to 20.8% in the preceding year. Moreover, to meet IMF requirements and to stabilize interest rates, the State Bank introduced an interest rate corridor, providing a reverse repo facility at 300 basis points below the repo rate.

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

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

Outlook

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

Moreover, as inflation is expected to remain in double digits, and hence interest rates will likely remain firm in the short term. MBF fixed income portfolio is well placed to benefit from the upturn in the economy and stable interest rates. As economy gradually improves, we expect interest rates to decline marginally in the long term.

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

Management Quality Rating

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

Compliance with Code of Corporate Governance

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

- These financial statements, prepared by the management company of the Fund, present fairly the state of affairs of the Fund, the result of its operations, cash flows and changes in equity.
- The Fund has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements except for the changes in accounting policies as stated in note 3.3 to the financial statements and accounting estimates are based on reasonable and prudent judgement.
- International Accounting Standards and International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Fund's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the Karachi Stock Exchange (KSE) listing regulations.
- The Board of Directors and employees of the management company have signed "Statement of Ethics and Business Practices".
- There had been no trading in the certificates of the Fund carries out by the Directors, CEO, CFO and Company Secretary of the management company including their spouses and their minor children.
- Pattern of holding of certificates is given on page no. 07 of the financial statements.
- Financial highlights are given in note no. 25 of the financial statements.



Board Meetings

Please refer to note no. 22 provided in the financial statements.

Appointment of Auditors

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

Acknowledgement

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

For and on behalf of the Board

Date: August 17, 2010
Karachi.

Mohammad Shoaib, CFA
Chief Executive

**PATTERN OF CERTIFICATE HOLDINGS AS PER REQUIREMENTS
OF THE CODE OF CORPORATE GOVERNANCE
AS AT JUNE 30, 2010**

| Certificates held by | Number of investors | No. of Certificates held | Percentage of total investments |
|--|----------------------------|---------------------------------|--|
| Individuals | 982 | 17,106,541 | 14.26 |
| Chief Executive & their Spouse | | | |
| i) Mohammad Shoaib, CFA | 1 | 11,975 | 0.01 |
| ii) Mrs. Shabana Mohammad Shoaib | 1 | 500 | 0.00 |
| Executives | | | |
| Muhammad Asad | 1 | 10,000 | 0.01 |
| Associated companies | | | |
| i) Meezan Bank Limited | 1 | 16,134,468 | 13.45 |
| ii) Pakistan Kuwait Investment Co.(Pvt) Ltd. | 1 | 11,057,791 | 9.21 |
| iii) Al Meezan Investment Management Ltd. | 1 | 3,821,824 | 3.18 |
| Insurance companies | 1 | 300,000 | 0.25 |
| Banks / DFIs | 8 | 22,280,654 | 18.57 |
| NBFCs | 7 | 5,986,904 | 4.99 |
| Retirement funds | 35 | 16,771,260 | 13.98 |
| Public Limited Companies | 20 | 23,212,932 | 19.34 |
| Others | 4 | 3,305,151 | 2.75 |
| Total | 1,063 | 120,000,000 | 100 |

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2010

Meezan Balanced Fund (MBF) is a closed end balanced fund that invests in Shariah compliant listed equity securities and listed or unlisted Islamic fixed income products.

The objective of MBF is to generate long term capital appreciation as well as current income by creating a balanced portfolio that is invested both in high quality equity securities and Islamic fixed income avenues such as Sukuk (Islamic Bonds), Musharaka and Murabaha instruments, Shariah compliant spread transactions, Certificate of Islamic Investments, Islamic bank deposits, and other Islamic income products.

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

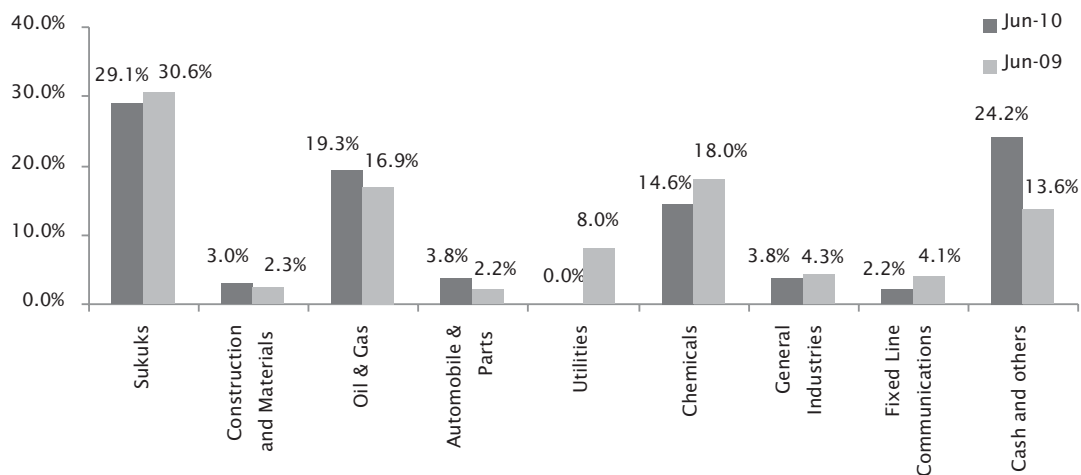
Strategy and Investment Policy

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

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

Implementation

During the period under review, the fund maintained a significant exposure to oil and fertilizer sectors because of better prospects of these sectors. The overall equity exposure in the fund during the period under review was maintained at 57% while the balance was deployed in fixed income avenues. Exposure in sukuk was maintained at around 30% during the period under review.



Economic Review

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

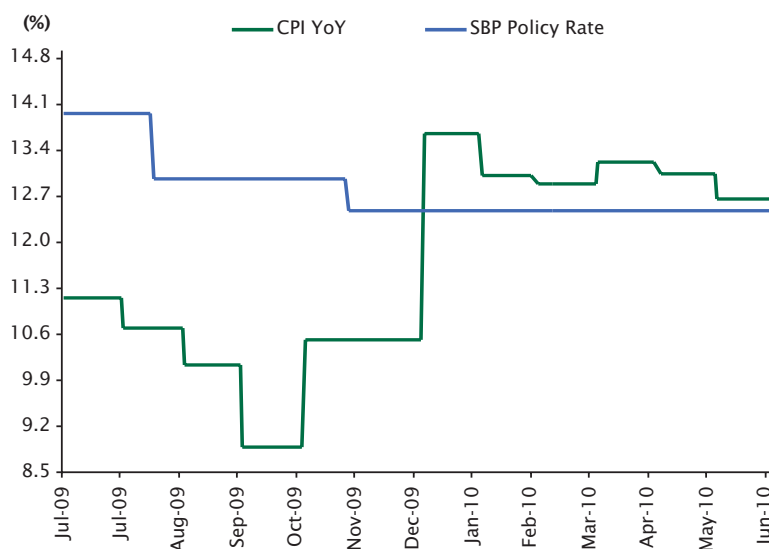
A major macroeconomic achievement of this year has been the sharp reduction of 62% in current account deficit - from US\$ 9.3 billion (5.6% of GDP) in fiscal year 2009 to US\$ 3.5 billion (2.0% of GDP) this year. Release of funds from international donor agencies namely IMF and improved balance of trade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

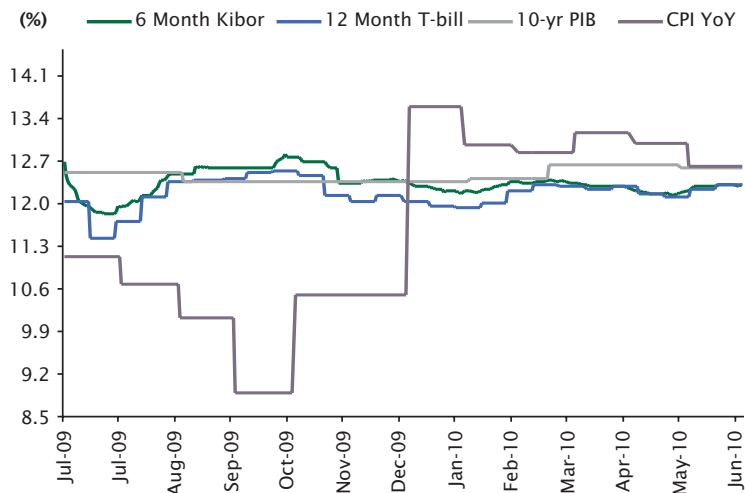
On domestic front, the provisional tax collection for the year was approximately Rs. 1,328 billion. Although this is less than the targeted amount of Rs. 1,380 billion, it represents an impressive 15.7% growth from the previous year's figures. However, government's fiscal deficit and its financing via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

Monetary Review

With the beginning of new financial year, as inflation started easing off, the State Bank continued with its expansionary monetary policy by reducing the discount rates by another 150 basis points to 12.5% in first half of fiscal year 2010. However, later on the policy rate remained unchanged owing to (1) resurgence and persistence in inflation (2) risk to external account from rising international commodity prices and (3) weak fiscal position of the government. Average yearly inflation stood at 11.7% in fiscal year 2010 as compared to 20.8% in the preceding year. Moreover, to meet IMF requirements and to stabilize interest rates, the State Bank introduced an interest rate corridor, providing a reverse repo facility at 300 basis points below the repo rate.

The soft monetary stance resulted in six month KIBOR to decline by 39 basis points to close the year at 12.37%. However, six month T-bill cut off rate increased by 29 basis points to close at 12.3%. Moreover, the introduction of interest rate corridor stabilized the overnight call and repo rates within a narrow band of 11.5% to 12.5%. In the twenty-five T-bill auctions conducted by the State Bank during the current fiscal year, a sum of Rs. 1,416 billion was mopped up from the market, while T-bills worth Rs. 1,083 billion matured in the same period, thus causing a liquidity drain of Rs. 333 billion during the period. Moreover, State Bank conducted fourth Ijarah Sukuk auction in September 2009 and accepted Rs. 14.4 billion at the cut off rate of six month T-bill minus 5 basis points (current coupon of 12.25%). With this auction, the total size of Ijarah sukuks issued increased to Rs. 42 billion.





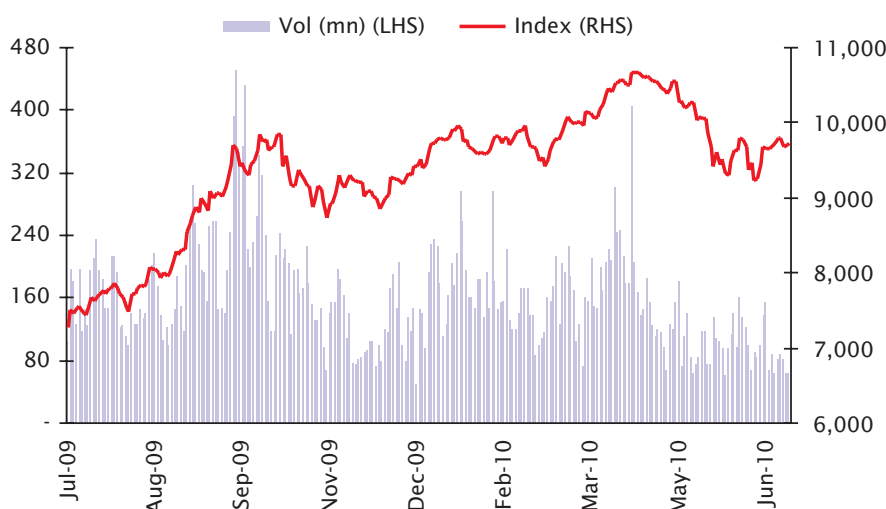
Equity Market Review

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

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

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

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



Foreign Flows

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

New Developments

New Sector Classification

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

New Listings

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

Performance Review

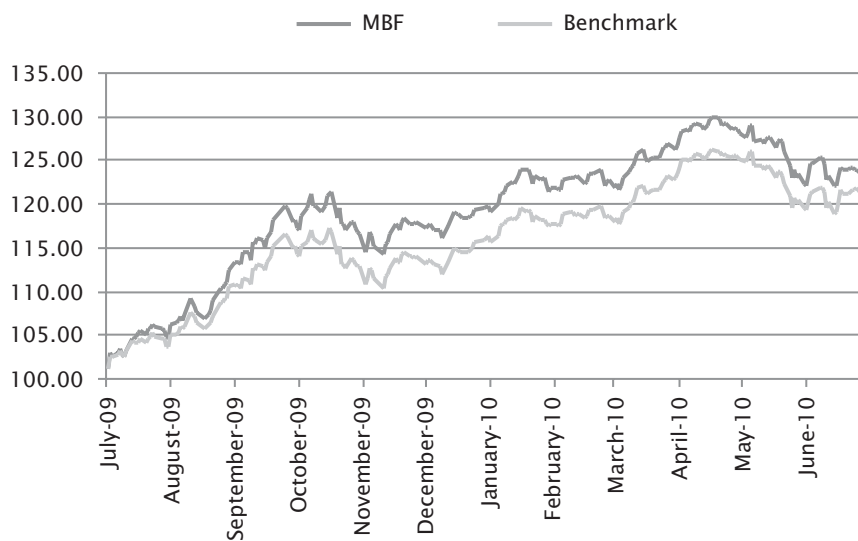
Meezan Balanced Fund (MBF) posted a total income of Rs. 289 million in the fiscal year 2010. Total income comprised mainly of the realized and unrealized gain on investment of Rs. 111 million and Rs. 55 million respectively. Dividend income and profit on sukuk certificates stood at Rs. 60 million and Rs. 60 million respectively, while profits on savings account held with banks amounted to Rs. 13 million. The fund also created provisions against profit on sukuk certificated worth Rs. 2 million. The total expenses for the year summed to Rs. 41 million. Thus, MBF posted net income of Rs. 248 million which translated into earnings of Rs. 2.07 per certificate.



The net assets of the fund stood at Rs. 1,278 million at the end of fiscal year 2010 as compared to Rs. 1,143 million the year before. The net asset value (NAV) per certificate appreciated from Rs. 9.52 to Rs. 10.65 during the fiscal year 2010. The fund posted a net return of 22.73% (including for 10% interim dividend).

The Board has already approved provisioning policy according to which the provisioning has been done in the sukuk of Arzoo Textile Mills. The restructuring process of Security Leasing sukuk has been completed and now the company is making timely payment as per the new agreed schedule. Eden Housing delayed on its principal and profit payment due on March 30, 2010. Subsequently, it has paid the due amounts.

| | June 30, 2010 | June 30, 2009 | Change |
|---|---------------|---------------|---------------|
| NAV | | | |
| Meezan Balanced Fund | 10.65 | 9.52 | 22.73% |
| Benchmark Returns (Inputs) | | | |
| KMI 30 | 14,574 | 10,648 | 36.87% |
| Average Yield on Islamic Bank Deposits (annualised) | | | 5.80% |
| KMI 30 Return | 36.87% | 50% | 18.44% |
| Islamic Bank Deposit Return | 5.80% | 50% | 2.90% |
| Benchmark Return | | | 21.33% |
| Outperformance | | | 1.40% |



Meezan Balanced Fund

| | FY10 | FY09 | FY08 |
|------------------------------------|-------|--------|-------|
| Net Assets (Rs. Mn) | 1,278 | 1,143 | 1,424 |
| NAV per unit (Rs.) | 10.65 | 9.52 | 11.86 |
| Highest NAV (Rs.) | 11.56 | 11.85 | 13.65 |
| Lowest NAV (Rs.) | 9.63 | 6.76 | 11.27 |
| Distribution per certificate (Rs.) | 1.00 | - | 1.00 |
| Distribution per certificate (%) | 10.00 | - | 10.00 |
| Total Return (%) | 22.73 | -10.79 | 1.19 |

Future Outlook

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

Moreover, as inflation is expected to remain in double digits, and hence interest rates will likely remain firm in the short term. MBF fixed income portion is well placed to benefit from the upturn in the economy and stable interest rates. As economy gradually improves, we expect interest rates to decline marginally in the long term.

The implementation of capital gain tax from July 1, 2010 has negatively impacted volumes but we believe, the introduction of the leverage product in the market will improve the liquidity position and attract the investors back to the equity market. Moreover, Pakistan's stock market is trading at a P/E multiple of under 8, which is almost at a 45% discount to other regional markets. This makes KSE an attractive option for foreign investors, who are expected to continue their investment at the local bourse.

Charity Statement

As per the Trust Deed of the Fund, charity refers to the amount paid by the management company out of the income of the Scheme, which is considered as Haram. This Haram income is disbursed to the charitable/ welfare institutions in consultation with the Shariah Advisor of the Fund. During the year ended June 30, 2010 an amount of Rs. 1.19 million was accrued as charity payable.

Breakdown of Certificate holdings by size

Please refer to page no. 50 of the financial statements

Distribution

For the year ended June 30, 2010 the Board of Director of the Fund have approved a final cash dividend of 5.50% i.e. Re. 0.55 per certificate.

An interim dividend of Re. 1 per unit (10% of face value) has been paid to the certificate holders of MBF for the fiscal year ended June 30, 2010.

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED****Head Office**

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

TRUSTEE REPORT TO THE CERTIFICATE HOLDERS**MEEZAN BALANCED FUND****Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

Meezan Balanced Fund (the Fund), a closed-end scheme was established under a trust deed dated June 15, 2004, executed between Al Meezan Investment Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2010 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund; and
- (ii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 09, 2010





Meezan Bank
The Premier Islamic Bank

Report of the Shar'iah Advisor – Meezan Balanced Fund

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

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

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

- i. We have reviewed and approved the modes of investments of MBF in light of Shar'iah requirements. Following is the list of investments of MBF as on June 30, 2010 and their evaluation according to the screening criteria established by us. (December 31, 2009 accounts of the Investee companies have been used for the following calculations):

| Company Name | (i) Nature of Business | (ii)* Debt to Assets (<40%) | (iii) % of Non-Shar'iah 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 | 0.12% | 15.45% | 1.14% | 74.00% | (3.39) | 52.00 |
| ICI Pakistan Limited | Manufacturers of Paints, Soda Ash, Staple Fibre and Chemicals | 0.17% | 0.01% | 0.51% | 65.00% | 2.09 | 168.49 |
| Indus Motors Company Limited | Automobile Assembler | 0.05% | 0.00% | 2.43% | 44.00% | 17.88 | 196.52 |
| Fauji Fertilizer Bin Qasim Limited | Manufacturer of Fertilizer | 23.37% | 0.00% | 2.51% | 70.00% | (15.82) | 26.13 |
| Fauji Fertilizer Company Limited | Manufacturer of Fertilizer | 30.04% | 8.93% | 1.92% | 58.00% | (31.23) | 102.93 |
| Lucky Cement | Cement Manufacturer | 25.91% | 0.00% | 0.00% | 94.00% | (37.13) | 66.24 |

Meezan Bank Ltd

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



| Meezan Bank Limited | Islamic Commercial Bank | ** | | | | | |
|------------------------------------|---|--------|--------|-------|--------|----------|--------|
| National Refinery Limited | Oil Refinery | 0.00% | 1.45% | 0.66% | 39.00% | (9.90) | 176.82 |
| Packages Limited | Manufacturers of Paper and Board | 27.30% | 3.04% | 1.30% | 88.00% | (96.53) | 144.00 |
| Pak Suzuki Motor Company Limited | Automobile Assembler | 2.96% | 0.02% | 1.71% | 68.00% | 28.76 | 88.96 |
| Pak. Telecommunication. Co. Ltd | Provider of Telecommunication Services | 9.76% | 11.52% | 3.22% | 75.00% | (9.37) | 17.65 |
| Pakistan Oilfields Limited | Exploration and Production of Oil & Gas | 0.00% | 0.53% | 2.33% | 79.00% | (8.36) | 230.77 |
| Pakistan Petroleum Limited | Exploration and Production of Oil & Gas | 0.17% | 22.92% | 3.24% | 42.00% | 30.97 | 189.59 |
| Pakistan State Oil Company Limited | Distribution of Oil | 11.27% | 0.00% | 0.06% | 39.00% | (232.69) | 297.44 |
| Thal Limited | Manufacturers of Jute bags and Acs and Wire Harness of Cars | 17.88% | 0.63% | 0.20% | 83.00% | 32.97) | 84.87 |
| Tripak Films Ltd | Manufacturer of Biaxially Oriented Polypropylene | 32.76% | 0.00% | 0.32% | 73.00% | (56.03) | 103.00 |

* All interest based debts.

** These ratios are for the calculation of non-Shar'iah Compliant Element in the business and are not relevant for Islamic Banks & Islamic financial Institutions.

- ii. On the basis of information provided by the management, all operations of MBF for the year ended June 30, 2010 have been in compliance with the Shar'iah principles.

In light of the above, we hereby certify that all the provisions of the Scheme and investments made on account of MBF 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 1.194 million was transferred to Charity account and an amount of Rupees 0.30 million was disbursed.

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

Dr. Muhammad Imran Ashraf Usmani
Shar'iah Advisor

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

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

Management company's responsibility

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


Responsibility of independent assurance providers

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

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

Conclusion

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


Chartered Accountants
Karachi, September 28, 2010

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2010

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance. The board of directors (the Board) of Al-Meezan Investment Management Limited, the management company, which is an unlisted public company, manages the affairs of Meezan Balanced Fund (the Fund). The Fund being a unit trust scheme does not have its own board of directors. The management company has applied the principles contained in the code to the Fund, whose units are listed as a security on the Karachi Stock Exchange, in the following manner:

1. The management company encourages representation of independent non-executive directors. At present the board consists of seven directors, including two independent directors, all other directors except the Chief Executive Officer (CEO) are non-executive directors. The management company of the Fund is not listed at any stock exchange and therefore, does not have any minority interest.
2. The existing directors have confirmed that none of them is serving as a director in more than ten listed companies, including the management company.
3. All the existing resident directors of the management company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs. None of the Directors of the management company of the Fund is a member of a stock exchange.
4. During the year two casual vacancies occurred on the BoD. Mr. P. Ahmed was appointed as independent director in place of Syed Owais Wasti in the board meeting held on September 01, 2009 and Mr. Rana Ahmed Humayun was appointed in place of retiring director Mr. Tasnimul Haq Farooqui in the board meeting held on February 15, 2010 for the remaining term of the board.
5. The board has formulated a Statement of Ethics and Business Practices for the management company, which has been signed by the existing directors and employees of the management company.
6. The board of the management company has developed a vision and mission statement. The investment policy of the Fund has been disclosed in the offering document, while other significant policies have also been formalized and have been adopted by the board.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and terms and conditions of employment of the CEO of the management company, have been taken by the board.
8. The meetings of the board were presided over by the Chairman. The board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings, except for the emergent 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 management company before approval by the Board.
13. The interest of the CEO, Directors and the Executives in the units of the Fund is disclosed in the pattern of unit holdings.
14. The management company has complied with all the applicable corporate and financial reporting requirements of the code.
15. The board has formed an audit committee. It comprises of three non-executive directors of the management company 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 and as required by the Code. The terms of reference of the audit committee have been framed and approved by the Board of the management company and advised to the committee for compliance.
17. The board has set up an effective internal audit function headed by the Head of Internal Audit & 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 (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the management company or units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
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 board in its subsequent meetings.
21. We confirm that all other material principles contained in the Code have been complied with.

Syed Owais Wasti
Chief Financial Officer

Mohammad Shoab, CFA
Chief Executive

Karachi.
August 17, 2010

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2010 prepared by the Board of Directors of Al Meezan Investment Management Limited (the management company) of Meezan Balanced Fund (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 management company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the management company compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the management company personnel and review of various documents prepared by the management company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 of The Karachi Stock Exchange (Guarantee) Limited requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the subject requirement to the extent of approval of the related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the management company compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2010.


Chartered Accountants
Karachi, September 28, 2010

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INDEPENDENT AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the accompanying financial statements of **Meezan Balanced Fund**, which comprise the statement of assets and liabilities as at June 30, 2010, and the related income statement, distribution statement, statement of movement in equity and reserves per certificate and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The management company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2010 and of its financial performance, cash flows and transactions for the year then ended in accordance with the requirements of the approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Company and Notified Entities Regulations, 2008.


Chartered Accountants
Karachi, September 28, 2010

Audit Engagement Partner: Saad Kaliya



STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2010

| | Note | 2010 (Rupees in '000) | 2009 |
|--|------|--------------------------|------------------|
| Assets | | | |
| Balances with banks | 5 | 292,188 | 144,241 |
| Investments | 6 | 985,810 | 992,205 |
| Dividend receivable | | 2,909 | 6,156 |
| Advances, deposits and other receivables | 7 | 20,460 | 18,254 |
| Receivable against sale of investment | | 449 | - |
| Total assets | | <u>1,301,816</u> | <u>1,160,856</u> |
| Liabilities | | | |
| Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund | 9 | 2,112 | 4,488 |
| Payable to Central Depository Company of Pakistan Limited (CDC) - trustee of the Fund | 10 | 126 | 114 |
| Payable to Securities and Exchange Commission of Pakistan (SECP) | 11 | 1,093 | 1,008 |
| Payable to Meezan Bank Limited (MBL) | 12 | - | 434 |
| Payable against purchase of investments | | 658 | 5,702 |
| Accrued expenses and other liabilities | 13 | 6,566 | 614 |
| Unclaimed dividend | | 13,550 | 5,653 |
| Total liabilities | | <u>24,105</u> | <u>18,013</u> |
| Net assets | | <u>1,277,711</u> | <u>1,142,843</u> |
| Certificate holders' equity (as per statement attached) | | | |
| Issued, subscribed and paid-up capital | | | |
| 120,000,000 ordinary certificates of Rs 10 each | | 1,200,000 | 1,200,000 |
| Unappropriated income / (loss) | | 76,119 | (52,208) |
| Surplus / (deficit) on revaluation of available for sale investments | | 1,592 | (4,949) |
| | | <u>1,277,711</u> | <u>1,142,843</u> |
| Net assets value per certificate (Rupees) | | <u>10.65</u> | <u>9.52</u> |

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

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

Mohammad Shoaib, CFA
Chief Executive

Mazhar Sharif
Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

| | Note | 2010 (Rupees in '000) | 2009 |
|--|------|--------------------------|------------------|
| Income | | | |
| Net realised gain / (loss) on sale of investments | | 111,298 | (129,163) |
| Dividend income | | 60,298 | 46,319 |
| Profit on savings accounts with banks | | 12,758 | 7,544 |
| Profit on sukuk certificates | | 59,579 | 42,708 |
| Profit on musharaka certificates | | - | 14,325 |
| Other income | | - | 220 |
| | | 243,933 | (18,047) |
| Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss (net) | | 54,564 | (99,146) |
| Provision for accrued profit on an investment | | (1,943) | - |
| Provision against non-performing debt securities | | (7,250) | - |
| | | 45,371 | (99,146) |
| Total income / (loss) | | 289,304 | (117,193) |
| Expenses | | | |
| Remuneration to Al Meezan - management company of the Fund | 9 | 31,114 | 32,550 |
| Remuneration to CDC - trustee of the Fund | 10 | 1,504 | 1,356 |
| Annual fee to SECP | 11 | 1,093 | 1,008 |
| Remuneration to MBL | 12 | - | 184 |
| Auditors' remuneration | 14 | 432 | 432 |
| Fees and subscription | | 293 | 128 |
| Amortisation of preliminary expenses and floatation costs | 8 | - | 1,662 |
| Brokerage | | 826 | 925 |
| Printing and other charges | | 262 | 146 |
| Legal and professional charges | | 27 | 46 |
| Bank and settlement charges | | 459 | 261 |
| Workers' Welfare Fund | | 4,967 | - |
| Total expenses | | 40,977 | 38,698 |
| Net income / (loss) for the year | | 248,327 | (155,891) |
| Other comprehensive income / (loss) for the year | | | |
| Surplus / (deficit) on revaluation of available for sale investments | | 6,541 | (4,949) |
| Total comprehensive income / (loss) for the year | | 254,868 | (160,840) |
| Earnings / (loss) per certificate (Rupees) | 15 | 2.07 | (1.30) |

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

For Al Meezan Investment Management Limited (Management Company)

Mohammad Shoaib, CFA
Chief Executive

Mazhar Sharif
Director



DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

| | 2010 (Rupees in '000) | 2009 |
|--|--------------------------|-----------------|
| (Accumulated loss) / unappropriated income brought forward | (52,208) | 223,683 |
| Less: Final distribution in the form of cash dividend for the year ended June 30, 2009: nil (June 30, 2008 @ 10%) | - | (120,000) |
| Less: Interim dividend @ 10% for the year ending June 30, 2010 (June 30, 2009: nil) | (120,000) | - |
| Net income / (loss) for the year | 248,327 | (155,891) |
| Unappropriated income / (loss) carried forward | <u>76,119</u> | <u>(52,208)</u> |

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

For Al Meezan Investment Management Limited (Management Company)

Mohammad Shoaib, CFA
Chief Executive

Mazhar Sharif
Director

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

| | 2010 (Rupees in '000) | 2009 |
|--|--------------------------|-------------|
| Net assets per certificate at the beginning of the year | 9.52 | 11.86 |
| Net realised gain / (loss) on sale of investments | 0.93 | (1.08) |
| Dividend income | 0.50 | 0.39 |
| Profit on savings accounts with banks | 0.11 | 0.06 |
| Profit on sukuk certificates | 0.50 | 0.36 |
| Profit on musharaka certificates | - | 0.12 |
| Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss | 0.49 | (0.83) |
| Provision for accrued profit on an investment | (0.02) | - |
| Provision against non-performing debt securities | (0.09) | - |
| Expenses | (0.34) | (0.32) |
| Net income / (loss) for the year | 2.08 | (1.30) |
| Less: Interim dividend for the year ending June 30, 2010 @ Re 1 per certificate (June 30, 2009: nil) | (1.00) | - |
| Less: Final distribution in the form of cash dividend for the year ended June 30, 2009: nil (June 30, 2008 @ Re. 1) | - | (1.00) |
| Surplus / (deficit) on revaluation of 'available for sale' investments | 0.05 | (0.04) |
| Net assets per certificate at the end of the year | <u>10.65</u> | <u>9.52</u> |

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

For Al Meezan Investment Management Limited (Management Company)

Mohammad Shoaib, CFA
Chief Executive

Mazhar Sharif
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

| | 2010 (Rupees in '000) | 2009 |
|--|--------------------------|------------------|
| | <i>Note</i> | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income / (loss) for the year | 248,327 | (155,891) |
| Adjustments for: | | |
| Dividend income | (60,298) | (46,319) |
| Profit on savings accounts with banks | (12,758) | (7,544) |
| Profit on sukuk certificates | (59,579) | (42,708) |
| Profit on musharika certificates | - | (14,325) |
| Unrealised (gain) / loss on re-measurement of investments at fair value through profit or loss | (54,564) | 99,146 |
| Amortisation of preliminary expenses and floatation costs | - | 1,662 |
| Provision for accrued profit on an investment | 1,943 | - |
| Provision against non-performing debt securities | 7,250 | - |
| | <u>70,321</u> | <u>(165,979)</u> |
| (Increase) / decrease in assets | | |
| Investments | 60,250 | 300,930 |
| Receivable against sale of investments | (449) | - |
| | <u>59,801</u> | <u>300,930</u> |
| Increase / (decrease) in liabilities | | |
| Payable to Al Meezan - management company of the Fund | (2,376) | (2,363) |
| Payable to CDC - trustee of the Fund | 12 | (22) |
| Payable to SECP | 85 | (507) |
| Payable to MBL | (434) | 184 |
| Payable against purchase of investments | (5,044) | 5,702 |
| Accrued expenses and other liabilities | 5,952 | (1,004) |
| | <u>(1,805)</u> | <u>1,990</u> |
| Cash generated from operations | 128,317 | 136,941 |
| Dividend income received | 63,545 | 47,470 |
| Profit received on savings accounts with banks | 11,761 | 8,881 |
| Profit received on sukuk certificates | 53,934 | 42,622 |
| Profit received on diminishing musharika certificates | 2,493 | 13,293 |
| Net cash inflow from operating activities | <u>260,050</u> | <u>249,207</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividend paid | (112,103) | (115,428) |
| Net cash outflow from financing activities | <u>(112,103)</u> | <u>(115,428)</u> |
| Net increase in cash and cash equivalents | 147,947 | 133,779 |
| Cash and cash equivalents at the beginning of the year | 144,241 | 10,462 |
| Cash and cash equivalents at the end of the year | 5 <u>292,188</u> | <u>144,241</u> |

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

For Al Meezan Investment Management Limited
(Management Company)

Mohammad Shoaib, CFA
Chief Executive

Mazhar Sharif
Director

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

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Balanced Fund (the Fund) was established as a closed-end scheme under a trust deed executed between Al Meezan as management company and CDC as Trustee. The trust deed was executed on June 15, 2004 and was approved by the SECP on September 8, 2004 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the management company of the Fund is situated in Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan.
- 1.2 The investment objective of the Fund is to generate long-term capital appreciation as well as current income by creating a balanced portfolio that is invested both in high quality equity securities and islamic income instruments such as term finance certificates, certificates of islamic investment, musharaka certificates, islamic sukuk certificates and other shariah compliant instruments. Under the trust deed all the conducts and acts of the Fund are based on shariah. The management company has appointed Meezan Bank Limited (MBL) as shariah adviser to ensure that the activities of the Fund are in compliance with the principles of islamic shariah. The management company of the Fund is registered with the SECP as a Non-Banking Finance Company under NBFC Rules.
- 1.3 The Fund is a closed end scheme (mutual fund) and its certificates are listed on the Karachi Stock Exchange. The management company of the Fund has been given quality rating of 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 or Mutual Funds Association of Pakistan (MUFAP).
- 1.5 Title to the assets of the Fund are held in the name of CDC as a trustee of the Fund.
- 1.6 According to clause 65 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulation 2008), a closed end fund or an investment company shall, upon expiry of every five years from November 21, 2007 or the date of launch of the fund whichever is later, hold a meeting of certificate holders within one month of such period to seek approval of the certificate holders (by special resolution) to convert into an open end scheme or revoke the close-end scheme or wind up the investment company.

2. BASIS OF MEASUREMENT

The transactions undertaken by the Fund in accordance with the process prescribed under the shariah guidelines issued by the shariah adviser are accounted for on substance rather than the form prescribed by the earlier referred guidelines. This practice is being followed to comply with the requirements of approved accounting standards as applicable in Pakistan.

3. STATEMENT OF COMPLIANCE

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

Wherever the requirements of the Trust Deed, the NBFC Rules, NBFC Regulations, 2008 or the said directives differ with the requirements of IFRSs, the requirements of the Trust Deed, NBFC Rules, NBFC Regulations, 2008 and the said directives take precedence.

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

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

- (i) IAS 1 (Revised), 'Presentation of Financial Statements' (effective January 1, 2009)

IAS 1 (Revised) prohibits the presentation of items of income and expenses (i.e., 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a statement of other comprehensive income, but entities can choose whether to present one statement of comprehensive income or two statements (the statement of comprehensive income and statement of other comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning of the earliest comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period. The Fund has applied IAS 1 (revised) from July 1, 2009, and has elected to present one statement (the income statement) as more fully explained in note 3.3.1 below.

- (ii) IAS 39 (amendment), 'Financial instruments: Recognition and measurement'. The amendment was part of the IASB's annual improvements project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The adoption of the amendment did not have an impact on the Fund's financial statements.
- (iii) IFRS 7 'Financial instruments – Disclosures' (amendment) (effective from January 1, 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, the amendment is not expected to have a significant effect on the fund's financial statements as more fully explained in note 3.3.2 below.
- (iv) IFRS 8, 'Operating segments'. This standard replaces IAS 14, 'Segment reporting' and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker (i.e. Investment Committee) of the management company. The Fund has applied IFRS 8 from July 1, 2009 as more fully explained in note 3.3.3 below.

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

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

The following standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after July 1, 2010 or later periods:

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

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

3.3 Changes in accounting policies

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

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

3.3.3 The Fund has applied IFRS 8, 'Operating Segments', from July 1, 2009. The application of the standard has only resulted in additional disclosures in the Fund's financial statements. The change in accounting policy has not affected the assets and liabilities of the Fund for either the current or prior periods and hence restated statement of assets and liabilities has not been presented.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Accounting Convention

These financial statements have been prepared under the historical cost convention except for certain 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 judgements

The preparation of financial statements in conformity with approved accounting standards requires the use of critical accounting estimates. It also requires the management company to exercise its judgement in the process of applying its accounting policies. The areas involving a higher degree of judgement 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, 4.4, 4.5 and 6)
- (b) Impairment of financial instruments (note 4.3.5)
- (c) Taxation (note 4.9)
- (d) Recognition of provision for current and deferred taxation (note 8)

Estimates and judgements 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'

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.

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 originated by the enterprise

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 fair value through profit or loss or available for sale.

(d) Available for sale

These financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

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 financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on 'financial assets and financial liabilities at fair value through profit or loss' are expensed immediately.

Subsequent to initial recognition, instruments classified as 'financial assets at fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' are recognised in the income statement. Effective July 1, 2009 the fund has changed its policy and now changes in the fair value of instruments classified as 'available for sale' are recognised in other comprehensive income until derecognised or impaired when the accumulated fair value adjustments recognised in other comprehensive income are included in the income statement. Previously these changes were recognised in equity.

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

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

4.3.4 Fair value measurement principles

The fair value of debt securities and derivatives were determined as follows:

Effective January 10, 2009 the carrying value of debt securities is based on the value determined and announced by MUFAP in accordance with the criteria laid down in circular No. 1/2009 dated January 6, 2009 issued by the SECP.

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

The fair value of shares of listed companies / units of funds, derivatives and financial instruments sold on deferred settlement basis is based on their price quoted on the Karachi Stock Exchange at the 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 an impairment loss recognised decreases the impairment is reversed through the income statement.

In case of investment classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is 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 expires or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

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

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

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

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

4.5 Financial instruments sold on deferred settlement basis

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



4.6 Provisions

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

4.7 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years commencing from November 30, 2004 in accordance with the requirements of the trust deed of the Fund.

4.8 Net assets value per certificate

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

4.9 Taxation

Current

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

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

Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that these will be available for set off against future taxable profits. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least 90 percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised to its certificate holders every year.

4.10 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 assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- (iii) Unrealised gains / (losses) arising on revaluation of securities classified as 'available for sale' are included in the other comprehensive income in the period in which they arise.
- (iv) Dividend income is recognised when the Fund's right to receive dividend is established.
- (v) Profit on savings accounts with banks and investments in debt instruments are recorded on an accrual basis.

4.11 Expenses

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

4.12 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.

4.13 Zakat

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

4.14 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet 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.

4.15 Dividend and bonus certificates

Dividends declared (including distribution in the form of bonus certificates) and appropriation to reserves are recognised in the period in which they are authorised or approved.

| 5. BALANCES WITH BANKS | <i>Note</i> | 2010 (Rupees in '000) | 2009 |
|------------------------|-------------|--------------------------|----------------|
| On current accounts | | 655 | 688 |
| On saving accounts | 5.1 | <u>291,533</u> | <u>143,553</u> |
| | | <u>292,188</u> | <u>144,241</u> |

5.1 The balances in savings accounts bear expected profit which ranges from 5 % to 11.45 % (2009: 4.97 % to 15 %) per annum.

| 6. INVESTMENTS | <i>Note</i> | 2010 (Rupees in '000) | 2009 |
|--|-------------|--------------------------|----------------|
| Investments at fair value through profit or loss | 6.1 | 604,036 | 897,154 |
| Investments - 'available for sale' | 6.2 | <u>381,774</u> | <u>95,051</u> |
| | | <u>985,810</u> | <u>992,205</u> |

6.1 Investments at fair value through profit or loss

| | | | |
|---|-------|----------------|----------------|
| Held for trading | 6.1.1 | 392,003 | 629,640 |
| Investments at fair value through profit or loss upon initial recognition | 6.1.2 | <u>212,033</u> | <u>267,514</u> |
| | | <u>604,036</u> | <u>897,154</u> |

6.1.1 Held for trading

| | | | |
|----------------------------|---------|----------------|----------------|
| Shares of listed companies | 6.1.1.1 | 174,288 | 604,640 |
| Sukuk certificates | 6.1.1.4 | <u>217,715</u> | <u>25,000</u> |
| | | <u>392,003</u> | <u>629,640</u> |

6.1.1.1 Held for trading - shares of listed companies

| Name of the investee company | As at July 01, 2009 | Purchases during the year | Bonus / rights issue | Sales during the year | As at June 30, 2010 | Carrying value as at June 30, 2010 | Market value as at June 30, 2010 | Unrealised gain/(loss) as at June 30, 2010 | Percentage of market value of total investment |
|--|---------------------|---------------------------|----------------------|-----------------------|---------------------|------------------------------------|----------------------------------|--|--|
| | Number of shares | | | | (Rupees in '000) | | | % | |
| Textile composite Nishat Mills Limited | 174,400 | 70,200 | - | 244,600 | - | - | - | - | - |
| Jute Thal Limited (note 6.1.1.2) | 161,761 | - | 32,352 | - | 194,113 | 12,528 | 18,429 | 5,901 | 1.87 |
| Cement Attock Cement Pakistan Limited | 160,000 | 10,000 | 25,000 | 70,000 | 125,000 | 7,417 | 8,188 | 771 | 0.83 |
| Cherat Cement Company Limited | 3,882 | - | - | 3,882 | - | - | - | - | - |
| Lucky cement | 265,000 | 52,000 | - | 182,000 | 135,000 | 8,042 | 8,389 | 347 | 0.85 |
| | | | | | | | | | 1.68 |
| Automobile Assembler Pak Suzuki Motor Company Limited | 76,800 | - | - | 10,000 | 66,800 | 4,535 | 5,295 | 760 | 0.53 |
| Power generation and distribution The Hub Power Company Limited | 3,420,500 | - | - | 3,420,500 | - | - | - | - | - |
| Oil and gas marketing companies Pakistan State Oil Company Limited | 188,500 | 61,500 | - | 250,000 | - | - | - | - | - |
| Sui Northern Gas Pipeline Ltd | 98,700 | - | - | 98,700 | - | - | - | - | - |
| Oil and gas exploration companies Oil and Gas Development Company Limited (note 6.1.1.3) | 807,166 | 92,000 | - | 899,166 | - | - | - | - | - |
| Pakistan Oilfields Limited | 226,600 | 30,675 | - | 98,000 | 159,275 | 23,951 | 34,387 | 10,436 | 3.48 |
| Pakistan Petroleum Limited | 318,500 | 26,000 | 65,300 | 188,600 | 221,200 | 34,525 | 40,727 | 6,202 | 4.13 |
| | | | | | | | | | 7.61 |
| Technology and communication Pakistan Telecommunication Company Limited | 2,730,500 | - | - | 1,445,000 | 1,285,500 | 22,162 | 22,882 | 720 | 2.32 |
| Chemical ICI Pakistan Limited | 285,300 | 5,000 | - | 287,000 | 3,300 | 463 | 391 | (72) | 0.04 |
| Fertilizer Engro Chemical (Pakistan) Limited | 283,671 | - | - | 283,671 | - | - | - | - | - |
| Fauji Fertilizer Bin Qasim Company Limited | 1,688,500 | 50,000 | - | 1,013,000 | 725,500 | 12,872 | 18,892 | 6,020 | 1.91 |
| Fauji Fertilizer Company Limited | 1,136,187 | 125,000 | - | 1,178,000 | 83,187 | 7,272 | 8,574 | 1,302 | 0.87 |
| | | | | | | | | | 2.78 |
| Miscellaneous Tri-Pack Films Limited | 83,400 | - | - | - | 83,400 | 8,331 | 8,134 | (197) | 0.82 |
| Total | | | | | | 142,098 | 174,288 | 32,190 | |
| Total cost of investments | | | | | | | 193,930 | | |

6.1.1.2 All shares have a face value of Rs 10 each except for the shares of Thal Limited which have a face value of Rs 5 each.

6.1.1.3 100,000 shares (June 30, 2009: 225,000 shares) of Oil and Gas Development Company Limited, having market value of Rs 14.170 million as at June 30, 2010 (2009: 17.694 million), have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

6.1.1.4 Held for trading - Sukuk certificates

| Name of the investee company | Maturity | Profit rate | As at July 01, 2009 | Purchases during the year | Sales during the year | As at June 30, 2010 | Carrying value as at June 30, 2010 | Market value as at June 30, 2010 | Unrealised gain as at June 30, 2010 | Percentage of market value of total investment |
|---|--------------------|-------------|------------------------|---------------------------|-----------------------|---------------------|------------------------------------|----------------------------------|-------------------------------------|--|
| | | | Number of certificates | | | | (Rupees in '000) | | | % |
| Secured GoP Ijarah Sukuk Certificates - III | March 11, 2012 | 12.22% | 250 | - | - | 250 | 25,000 | 25,485 | 485 | 2.59 |
| GoP Ijarah Sukuk Certificates - IV | September 17, 2012 | 12.25% | - | 1,880 | - | 1,880 | 188,000 | 192,230 | 4,230 | 19.50 |
| Wapda First Sukuk Certificates | March 11, 2012 | 13.61% | - | 4,000 | 4,000 | - | - | - | - | - |
| Total | | | | | | | 213,000 | 217,715 | 4,715 | |
| Total cost of investments | | | | | | | 213,000 | | | |

6.1.1.5 The nominal value of the sukuk certificates of GoP Ijarah III & IV is Rs 100,000 each.

6.1.2 Investments at fair value through profit or loss upon initial recognition

| | Note | 2010 | 2009 |
|----------------------------|---------|------------------|----------------|
| | | (Rupees in '000) | |
| Shares of listed companies | 6.1.2.1 | 43,789 | 51,659 |
| Sukuk Certificates | 6.1.2.2 | 168,244 | 215,855 |
| | | <u>212,033</u> | <u>267,514</u> |

6.1.2.1 Shares of listed companies

| Name of the investee company | As at July 01, 2009 | Purchases during the year | Bonus / rights issue | Sales during the year | As at June 30, 2010 | Carrying value as at June 30, 2010 | Market value as at June 30, 2010 | Unrealised gain / (loss) as at June 30, 2010 | Percentage of market value of total investment |
|---|---------------------|---------------------------|----------------------|-----------------------|---------------------|------------------------------------|----------------------------------|--|--|
| | Number of shares | | | | | (Rupees in '000) | | | % |
| Automobile assembler | | | | | | | | | |
| Indus Motor Company Limited | 188,055 | - | - | 33,000 | 155,055 | 16,702 | 40,683 | 23,981 | 4.13 |
| Paper and board | | | | | | | | | |
| Packages Limited | 177,473 | - | - | 175,000 | 2,473 | 389 | 293 | (96) | 0.03 |
| Commercial bank | | | | | | | | | |
| Meezan Bank Limited (an associate of the Fund) | 321,075 | - | 9,204 | 136,977 | 193,302 | 2,025 | 2,813 | 788 | 0.29 |
| Total | | | | | | <u>19,116</u> | <u>43,789</u> | <u>24,673</u> | |
| Total cost of investments | | | | | | | <u>33,190</u> | | |

6.1.2.2 Sukuk certificates

| Name of the investee company | Maturity | Profit rate | As at July 01, 2009 | Purchases during the year | Sales / redemptions during the year | As at June 30, 2010 | Carrying value as at June 30, 2010 | Provision as at June 30, 2010 | Market value as at June 30, 2010 - net of provision | Unrealised gain / (loss) as at June 30, 2010 | Percentage of market value of total investment |
|---|--------------------|--|------------------------|---------------------------|-------------------------------------|---------------------|------------------------------------|-------------------------------|---|--|--|
| | | | Number of certificates | | | | | (Rupees in '000) | | | % |
| Secured | | | | | | | | | | | |
| Sitara Chemical Industries Limited - II | December 17, 2011 | 3 months KIBOR plus base rate of 1.7% | 11,250 | - | 4,500 | 6,750 | 33,300 | - | 33,626 | 326 | 3.41 |
| Engro Chemical Pakistan Limited | September 1, 2015 | 6 months KIBOR plus base rate of 1.5% | 15,000 | - | - | 15,000 | 73,695 | - | 73,500 | (195) | 7.46 |
| Security Leasing Corporation Limited II | March 19, 2014 | 3% on cash basis and 3% on accrual basis | 4,375 | - | 859 | 3,516 | 15,882 | - | 13,184 | (2,698) | 1.34 |
| Century Paper & Board Mills Limited | September 25, 2014 | 6 months KIBOR plus base rate of 1.35% | 5,000 | - | 500 | 4,500 | 21,948 | - | 21,551 | (397) | 2.19 |
| Eden Housing Limited (note 6.1.2.4) | April 2, 2013 | 6 months KIBOR plus base rate of 2.5% | 5,000 | - | - | 5,000 | 18,933 | - | 14,883 | (4,050) | 1.51 |
| Arzoo Textile Mills Limited | April 15, 2014 | 6 months KIBOR plus base rate of 2% | 5,000 | - | - | 5,000 | 18,750 | 7,250 | 11,500 | - | 1.17 |
| Total | | | | | | | <u>182,508</u> | <u>7,250</u> | <u>168,244</u> | <u>(7,014)</u> | |
| Total cost of investments | | | | | | | | | <u>196,094</u> | | |

6.1.2.3 The nominal value of these sukuk certificates is Rs 5,000 each except Eden Housing Limited which has a face value of Rs 3,969.

6.1.2.4 On September 30, 2009 i.e. the scheduled redemption date, principal repayment aggregating Rs 1.094 million was not received by the Fund from Eden Housing Limited. In accordance with the requirements of the Circular No.1, the sukuk certificates had been classified as 'non performing assets' and no further profit has been accrued thereafter. Subsequent to the year end the aforementioned principal redemption of Rs 1.094 million has been received by the Fund.

6.1.2.5 On October 13, 2009 i.e. the first scheduled redemption date, principal repayment alongwith the accrued profit aggregating Rs 2.5 million and Rs 1.943 million respectively were not received by the Fund from Arzoo Textile Mills Limited. In accordance with the requirements of the Circular No.1, the sukuk certificates had been classified as 'non performing assets' and accordingly such amount of Rs 2.5 million and Rs 1.943 million had been provided for and no further profit has been accrued thereafter. On April 13, 2010 i.e. the second schedule redemption date, principal repayment aggregating Rs 2.250 million alongwith interest was not received by the Fund. Accordingly, such amount of Rs 2.250 million had been provided for. Further, in accordance with the provisioning policy of the Fund, an amount of Rs 2.5 million has been provided against the outstanding principal as at June 30, 2010.

6.2 Investments - 'available for sale'

| Note | 2010 (Rupees in '000) | 2009 |
|----------------------------|--------------------------|---------------|
| Shares of listed companies | 6.2.1 381,774 | - |
| Sukuk certificates | 6.2.2 - | 95,051 |
| | <u>381,774</u> | <u>95,051</u> |

6.2.1 Investments - 'available for sale'

| Name of the investee company | As at July 01, 2009 | Purchases during the year | Bonus / rights issue | Sales during the year | As at June 30, 2010 | Carrying value as at June 30, 2010 | Market value as at June 30, 2010 | Unrealised gain / (loss) as at June 30, 2010 | Percentage of market value of |
|--|---------------------|---------------------------|----------------------|-----------------------|---------------------|------------------------------------|----------------------------------|--|-------------------------------|
| | Number of shares | | | | | (Rupees in '000) | | | % |
| Oil and gas exploration companies | | | | | | | | | |
| Oil and Gas Development Company Limited | | | | | | | | | |
| | - | 620,000 | - | 436,834 | 183,166 | 21,164 | 25,953 | 4,789 | 2.63 |
| Pakistan Oilfields Limited | | 145,750 | - | - | 145,750 | 32,078 | 31,467 | (611) | 3.19 |
| Pakistan Petroleum Limited | - | 423,100 | 7,000 | 215,000 | 215,100 | 39,823 | 39,604 | (219) | 4.02 |
| | | | | | | | | | 9.84 |
| Fertilizer | | | | | | | | | |
| Fauji Fertilizer Bin Qasim Company Limited | | | | | | | | | |
| | - | 678,000 | - | - | 678,000 | 16,436 | 17,655 | 1,219 | 1.79 |
| Fauji Fertilizer Company Limited | - | 2,200,000 | - | 1,100,000 | 1,100,000 | 114,443 | 113,377 | (1,066) | 11.50 |
| | | | | | | | | | 13.29 |
| Cement | | | | | | | | | |
| Lucky cement | | | | | | | | | |
| | - | 705,421 | - | 350,000 | 355,421 | 22,766 | 22,086 | (680) | 2.24 |
| Refinery | | | | | | | | | |
| National Refinery Limited | | | | | | | | | |
| | - | 63,000 | - | - | 63,000 | 11,816 | 11,520 | (296) | 1.17 |
| Automobile assembler | | | | | | | | | |
| Indus Motor Company Limited | | | | | | | | | |
| | - | 10,000 | - | - | 10,000 | 1,825 | 2,624 | 799 | 0.27 |
| Paper and board | | | | | | | | | |
| Packages Limited | | | | | | | | | |
| | - | 175,000 | - | - | 175,000 | 21,185 | 20,738 | (447) | 2.10 |
| Power generation and distribution | | | | | | | | | |
| The Hub Power Company Limited | | | | | | | | | |
| | - | 100,000 | - | 100,000 | - | - | - | - | - |
| Technology and communication | | | | | | | | | |
| Pakistan Telecommunication Company Limited | | | | | | | | | |
| | - | 295,000 | - | - | 295,000 | 5,836 | 5,251 | (585) | 0.53 |
| Oil and gas marketing companies | | | | | | | | | |
| Pakistan State Oil Company Limited | | | | | | | | | |
| | - | 503,600 | - | 260,500 | 243,100 | 64,180 | 63,255 | (925) | 6.42 |
| Chemical | | | | | | | | | |
| ICI Pakistan Limited | | | | | | | | | |
| | - | 330,000 | - | 100,000 | 230,000 | 27,498 | 27,269 | (229) | 2.77 |
| Miscellaneous | | | | | | | | | |
| Tri-Pack Films Limited | | | | | | | | | |
| | - | 10,000 | - | - | 10,000 | 1,132 | 975 | (157) | 0.10 |
| Total | | | | | | <u>380,182</u> | <u>381,774</u> | <u>1,592</u> | |
| Total cost of investments | | | | | | | <u>380,182</u> | | |

6.2.2 Sukuk Certificates - 'available for sale'

| Name of the investee company | Maturity | Profit rate | As at July 01, 2009 | Purchases during the year | Sales / redemption during the year | As at June 30, 2010 | Carrying value as at June 30, 2010 | Market value as at June 30, 2010 | Unrealised gain / (loss) as at June 30, 2010 | Percentage of market value of total investment |
|--|-------------|---|------------------------|---------------------------|------------------------------------|---------------------|------------------------------------|----------------------------------|--|--|
| | | | Number of certificates | | | | (Rupees in '000) | | | % |
| Secured D.G Khan Cement - Diminishing Musharaka - (note 6.2.2.1) | May 8, 2010 | 6 months KIBOR plus base rate of 0.5% | 1,000 | - | 1,000 | - | - | - | - | - |
| Total | | | | | | | | | | |
| Total cost of investments | | | | | | | | | | |

6.2.2.1 The nominal value of the diminishing musharika certificates is Rs 100,000 each.

| 7. ADVANCES, DEPOSITS AND OTHER RECEIVABLES | Note | 2010 (Rupees in '000) | 2009 |
|--|------|--------------------------|---------------|
| Advance tax recoverable | | 10 | 10 |
| Security deposits | | 2,800 | 2,800 |
| Profit receivable on savings accounts with banks | | 5,331 | 4,334 |
| Profit receivable on sukuk certificates | | 12,319 | 8,617 |
| Profit receivable on diminishing musharaka certificates | | - | 2,493 |
| | | <u>20,460</u> | <u>18,254</u> |
| 8. PRELIMINARY EXPENSES AND FLOATATION COSTS | | | |
| Preliminary expenses and floatation costs | | - | 1,662 |
| Less: Amortisation during the year | | - | 1,662 |
| | | <u>-</u> | <u>-</u> |
| 9. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED (Al Meezan) - management company of the Fund | | | |
| Management fee | | 2,112 | 2,826 |
| Preliminary expenses and floatation costs | 9.1 | - | 1,662 |
| | | <u>2,112</u> | <u>4,488</u> |

9.1 Under the provisions of NBFC Regulations, the management company is entitled to a remuneration of an amount not exceeding three percent of the average annual net assets of the Fund during the first five year of the Fund's existence, and thereafter, of an amount equal to two percent of such assets of the Fund. The remuneration of the management company has been charged at the rate of three percent per annum of the average annual net assets of the Fund till November 24, 2009 and thereafter, at the rate of two percent per annum of such net assets of the Fund.

10. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED (CDC) - trustee of the Fund

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

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

This represents annual fee payable to SECP. Fee at the rate of 0.085 percent of the average annual net assets of the fund is payable to SECP under regulation 62 read with Schedule II of the NBFC Regulations, 2008.

12. PAYABLE TO MEEZAN BANK LIMITED (MBL)

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

| 13. ACCRUED EXPENSES AND OTHER LIABILITIES | <i>Note</i> | 2010 (Rupees in '000) | 2009 |
|--|-------------|--------------------------|------------|
| Auditors' remuneration | | 300 | 300 |
| Charity payable | 13.1 | 1,235 | 311 |
| Legal and professional charges payable | | 27 | - |
| Workers' welfare fund | 13.2 | 4,967 | - |
| Others | | <u>37</u> | <u>3</u> |
| | | <u>6,566</u> | <u>614</u> |

13.1 According to the instructions of the shariah adviser, any income earned by the Fund from investments whereby portion of the investment of such investees has been made in shariah non-compliant avenues, such proportion of income of the Fund from those investees should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs 1.235 million (2009: Rs 0.311 million) is outstanding in this regard after making charity payments of Rs 0.30 million (2009: 1.5 million) to renowned charitable institutions. None of the directors of the management company were interested in any of the donees.

13.2 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 (CIS) whose income exceeds Rs 0.5 million in a tax year have been brought within the purview and scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. Accordingly, the Management Company has recognised WWF charge in the books of the Fund.

| 14. AUDITORS' REMUNERATION | 2010 (Rupees in '000) | 2009 |
|----------------------------|--------------------------|------------|
| Audit fee | 200 | 175 |
| Half yearly review fee | 100 | 80 |
| Other certifications | 100 | 125 |
| Out of pocket expenses | <u>32</u> | <u>52</u> |
| | <u>432</u> | <u>432</u> |

15. EARNINGS / (LOSS) PER CERTIFICATE

| | | |
|--|--------------------|--------------------|
| Net income / (loss) for the year | <u>248,327</u> | <u>(155,891)</u> |
| Number of certificates in issue | <u>120,000,000</u> | <u>120,000,000</u> |
| Earnings / (loss) per certificate (Rupees) | <u>2.07</u> | <u>(1.30)</u> |

15.1 A diluted earnings per certificate has not been presented as the Fund does not has any convertible instruments as at June 30, 2009 and 2010.

16. OPERATING SEGMENTS

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

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

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

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

| For the year ended June 30, 2010 | | | |
|---|----------------------|--------------------|------------------|
| | Equity sub-portfolio | Debt sub-portfolio | TOTAL |
| ----- (Rupees in '000) ----- | | | |
| Profit on sukuk certificates and musharaka certificates | - | 59,579 | 59,579 |
| Dividend income | 60,298 | - | 60,298 |
| Capital gains | 110,351 | 947 | 111,298 |
| Brokerage and FED expense | (821) | (5) | (826) |
| Total net segment income | <u>169,828</u> | <u>60,521</u> | <u>230,349</u> |
| Total segment assets | <u>603,209</u> | <u>398,278</u> | <u>1,001,487</u> |
| Total segment liabilities | <u>1,907</u> | <u>-</u> | <u>1,907</u> |
| Total segment assets include: | | | |
| Financial assets at fair value through profit or loss | 218,077 | 385,959 | 604,036 |
| Investments - 'available for sale' | 381,774 | - | 381,774 |
| Receivable against sale of investments | 449 | - | 449 |
| Other | 2,909 | 12,319 | 15,228 |
| | <u>603,209</u> | <u>398,278</u> | <u>1,001,487</u> |

| For the year ended June 30, 2009 | | | |
|---|----------------------|--------------------|------------------|
| | Equity sub-portfolio | Debt sub-portfolio | TOTAL |
| ----- (Rupees in '000) ----- | | | |
| Profit on sukuk certificates and musharaka certificates | - | 57,033 | 57,033 |
| Dividend income | 46,319 | - | 46,319 |
| Capital gains | (127,128) | (2,035) | (129,163) |
| Brokerage and FED expense | (925) | - | (925) |
| Total net segment income | <u>(81,734)</u> | <u>54,998</u> | <u>(26,736)</u> |
| Total segment assets | <u>662,455</u> | <u>347,016</u> | <u>1,009,471</u> |
| Total segment liabilities | <u>6,013</u> | <u>-</u> | <u>6,013</u> |

| For the year ended June 30, 2009 | | | |
|---|----------------------|--------------------|------------------|
| | Equity sub-portfolio | Debt sub-portfolio | TOTAL |
| ----- (Rupees in '000) ----- | | | |
| Total segment assets include: | | | |
| Financial assets at fair value through profit or loss | 656,299 | 240,855 | 897,154 |
| Investments - 'available for sale' | - | 95,051 | 95,051 |
| Other | 6,156 | 11,110 | 17,266 |
| | <u>662,455</u> | <u>347,016</u> | <u>1,009,471</u> |



There were no transactions between reportable segments.

The assessment of the performance of the operating segments is based on investments valued at last traded market prices.

A reconciliation of total net segmental income to total income / (loss) is provided as follows.

| | 2010 | 2009 |
|--|------------------|------------------|
| | (Rupees in '000) | |
| Total net segment income / (loss) | 230,349 | (26,736) |
| Other income | - | 220 |
| Other fees and expenses | (40,151) | (37,773) |
| Profit on savings accounts with banks | 12,758 | 7,544 |
| Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss | 58,614 | (99,146) |
| Income / (loss) | <u>261,570</u> | <u>(155,891)</u> |

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

| | | |
|---|------------------|------------------|
| Segment assets for reportable segments | 1,001,487 | 1,009,471 |
| Balances with banks | 292,188 | 144,241 |
| Other advances, deposits, prepayments and receivables | 8,141 | 7,144 |
| Total assets | <u>1,301,816</u> | <u>1,160,856</u> |

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

| | | |
|---|---------------|---------------|
| Segment liabilities for reportable segments | 1,907 | 6,013 |
| Accrued expenses | 5,317 | 303 |
| Other payables | 16,881 | 11,697 |
| Total liabilities | <u>24,105</u> | <u>18,013</u> |

17. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include Al Meezan being the management company, CDC being the trustee, MBL being the shariah adviser of the Fund and holding company of the management company, directors and officers of the management company, Meezan Islamic Fund, Meezan Islamic Income Fund, Al Meezan Mutual Fund, Meezan Tahaffuz Pension Fund, Meezan Capital Protected Fund - I, Meezan Cash Fund and Meezan Sovereign Fund being the funds under the common management 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 trustee is determined in accordance with the provision of NBFC Rules, NBFC Regulations and the trust deed respectively.

Details of balances with connected persons and transactions with them for the year are as follows:

| | 2010 | 2009 |
|--|------------------|---------------|
| | (Rupees in '000) | |
| Al Meezan - management company of the Fund | | |
| Remuneration payable | 2,112 | 2,826 |
| Preliminary expenses and floatation costs payable | - | 1,662 |
| Investment of 3,821,824 certificates (June 30, 2009: 3,821,824) | <u>23,886</u> | <u>22,090</u> |

| | 2010 | 2009 |
|---|------------------|--------|
| | (Rupees in '000) | |
| CDC - trustee of the Fund | | |
| Remuneration payable | 124 | 114 |
| Charges payable | 2 | 1 |
| MBL - shariah adviser of the Fund | | |
| Bank balance | 1,738 | 856 |
| Shariah advisory fee payable | - | 434 |
| Investment in 193,302 shares (June 30, 2009: 321,075 shares) | 2,813 | 3,532 |
| Investment of 16,134,468 certificates (June 30, 2009: 16,134,468 certificates) | 100,840 | 93,257 |
| Pakistan Kuwait Investment Company (Private) Limited | | |
| Investment of 11,057,791 certificates (June 30, 2009: 11,057,791 certificates) | 69,111 | 63,914 |
| Directors and officers of the management company | | |
| Investment of 31,975 certificates (June 30, 2009: 21,975 certificates) | 200 | 127 |
| Al Meezan - management company of the Fund | | |
| Remuneration for the year | 31,114 | 32,550 |
| Preliminary expenses and floatation costs for the year | - | 1,662 |
| Dividend for the year | 3,822 | 4,822 |
| CDC - trustee of the Fund | | |
| Remuneration for the year | 1,504 | 1,356 |
| Charges for the year | 173 | 163 |
| MBL | | |
| Profit on savings account | 17 | 30 |
| Shariah advisory fee for the year | - | 184 |
| Dividend for the year | 16,134 | 16,134 |
| 9,204 bonus shares received (June 30, 2009: 102,075 shares) | - | - |
| Shares sold during the year 136,977 shares (June 30, 2009: Nil shares) | 2,364 | - |
| Pakistan Kuwait Investment Company (Private) Limited | | |
| Dividend for the year | 11,058 | 11,058 |
| Directors and officers of the management company | | |
| Dividend for the year | 32 | 22 |

18. FINANCIAL INSTRUMENTS BY CATEGORY

| | Loans and receivables | Financial assets at fair value through profit or loss | Financial assets categorised as 'available for sale' | Financial liabilities measured at amortised cost | Total |
|---|--------------------------|---|--|--|-----------|
| | 2010 (Rupees in '000) | | | | |
| On balance sheet - financial assets | | | | | |
| Balances with banks | 292,188 | - | - | - | 292,188 |
| Investments | - | 604,036 | 381,774 | - | 985,810 |
| Dividend receivable | 2,909 | - | - | - | 2,909 |
| Deposits and other receivables | 20,450 | - | - | - | 20,450 |
| Receivable against sale of investment | 449 | - | - | - | 449 |
| | 315,996 | 604,036 | 381,774 | - | 1,301,806 |
| On balance sheet - financial liabilities | | | | | |
| Payable to Al Meezan | - | - | - | 2,112 | 2,112 |
| - management company of the Fund | - | - | - | 126 | 126 |
| Payable to CDC - trustee of the fund | - | - | - | - | - |
| Payable to MBL | - | - | - | 658 | 658 |
| Payable against purchase of investments | - | - | - | 364 | 364 |
| Accrued expenses and other liabilities | - | - | - | 3,260 | 3,260 |
| | - | - | - | 3,260 | 3,260 |



| | Loans and receivables | Financial assets at fair value through profit or loss | Financial assets categorised as 'available for sale' | Financial liabilities measured at amortised cost | Total |
|---|-----------------------|---|--|--|------------------|
| 2009 | | | | | |
| (Rupees in '000) | | | | | |
| On balance sheet - financial assets | | | | | |
| Balances with banks | 144,241 | - | - | - | 144,241 |
| Investments | - | 897,154 | 95,051 | - | 992,205 |
| Dividend receivable | 6,156 | - | - | - | 6,156 |
| Deposits and other receivables | 18,244 | - | - | - | 18,244 |
| Receivable against sale of investment | - | - | - | - | - |
| | <u>168,641</u> | <u>897,154</u> | <u>95,051</u> | <u>-</u> | <u>1,160,846</u> |
| On balance sheet - financial liabilities | | | | | |
| Payable to Al Meezan - management company of the Fund | - | - | - | 4,488 | 4,488 |
| Payable to CDC - trustee of the fund | - | - | - | 114 | 114 |
| Payable to MBL | - | - | - | 434 | 434 |
| Payable against purchase of investments | - | - | - | 5,702 | 5,702 |
| Accrued expenses and other liabilities | - | - | - | 303 | 303 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>11,041</u> | <u>11,041</u> |

19. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

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

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

Risks managed and measured by the Fund are explained below:

19.1 Market risk

19.1.1 Price risk

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

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

The Fund's overall market positions are monitored on a quarterly basis by the board of directors of the management company of the Fund.

Details of the Fund's investment portfolio exposed to price risk, at the balance sheet date are disclosed in note 6.1.1.1 and 6.2.2.1 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 (KMI) 30 index. The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

The net assets of the Fund will increase / decrease by approximately Rs 0.390 million (2009: decrease / increase approximately Rs 0.5 million) if the prices of equity vary due to increase / decrease in KMI. This is based on the assumption that the fair value of the Fund's portfolio moves according to their historical correlation with KMI and that KMI 30 index increase / decreases by 10 points with all other factors held constant.

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

19.1.2 Interest rate risk

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

Cash flow interest rate risk

The Fund's interest rate risk arises from the balance in saving accounts and investments in debt securities. The net assets of the Fund will increase / decrease by approximately Rs 3.561 million (2009: approximately Rs 3.377 million) if the market interest rates increase / decrease by five percent.

Fair value interest rate risk

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

19.2 Credit risk

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

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

Credit risk arising on the debt instruments is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of at least investment grade by the recognised rating agencies. The Fund receives a monthly rating update, against which investments are reviewed. The Fund, however, also invests in unrated instruments based on internal ratings assigned by the fund manager using an approach that is consistent with the approach used by the rating agencies. The credit rating wise analysis of investments in debt instruments have been tabulated as follows:

| | 2010 | 2009 |
|-----------------------|--------|--------|
| | | % |
| Government guaranteed | 56.41 | 7.44 |
| AA | 19.04 | 21.94 |
| AA- | 8.71 | 23.78 |
| A | - | 7.10 |
| A+ | 5.58 | - |
| BBB- | - | 5.85 |
| CCC | 3.42 | - |
| Default | 3.86 | - |
| Non-rated | 2.98 | 33.89 |
| | 100.00 | 100.00 |

Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. Credit risk on dividend receivable is minimal due to statutory protection. Further, all transactions in securities are 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 fund manager monitors the credit position on a daily basis which is reviewed by the board of directors on a quarterly basis.

The percentage of bank balances along with credit ratings are tabulated below:

| | 2010 | 2009 |
|-----|---------------|---------------|
| | % | % |
| AAA | - | - |
| AA+ | 56.00 | 32.70 |
| AA | 4.50 | 0.32 |
| AA- | 0.60 | - |
| A+ | - | 0.59 |
| A | 38.90 | 66.38 |
| A- | - | 0.01 |
| | <u>100.00</u> | <u>100.00</u> |

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

The maximum exposure to credit risk as at June 30, 2010, along with comparative is tabulated below:

| Financial assets | 2010 | 2009 |
|--|------------------|----------------|
| | (Rupees in '000) | |
| Balances with banks | 292,188 | 144,241 |
| Investments | 599,851 | 656,299 |
| Dividend receivable | 2,909 | 6,156 |
| Receivable against sale of investment | 449 | - |
| Advances, deposits and other receivables | 20,450 | 18,244 |
| | <u>915,847</u> | <u>824,940</u> |

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

19.3 Liquidity risk

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

In accordance with the regulation 58(1)(k) of the NBFC Regulation, the Fund has the ability to borrow funds for meeting the redemption requests, with the approval of the trustee, for a period not exceeding three months to the extent of fifteen per cent of the net assets which amounts to Rs 191.657 million as on June 30, 2010 (2009: Rs 171.426 million). However, no such borrowing has been obtained during the year.

In accordance with the risk management policy of the Fund, the fund manager monitors the liquidity position on a daily basis, which is reviewed by the board of directors of the management company on a quarterly basis.

An analysis of the Fund's liabilities into relevant maturity grouping as at June 30, 2010 is tabulated below:

| | 2010 | | | | Total | June 30, 2009 |
|---|--------------------------|------------|----------|--------------------|--------------|---------------|
| | Maturity upto | | | | | |
| | Three months | six months | one year | More than one year | | |
| | -----Rupees in '000----- | | | | | |
| Remuneration to Al Meezan - management company of the Fund | 2,112 | - | - | - | 2,112 | 4,488 |
| Remuneration to CDC - trustee of the Fund | 126 | - | - | - | 126 | 114 |
| Remuneration to MBL | - | - | - | - | - | 434 |
| Payable against purchase of investments | 658 | - | - | - | 658 | 5,702 |
| Accrued expenses and other liabilities | 364 | - | - | - | 364 | 303 |
| | <u>3,260</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,260</u> | <u>11,041</u> |
| June 30, 2009 | <u>11,041</u> | <u>-</u> | <u>-</u> | <u>-</u> | | |

20. CAPITAL RISK MANAGEMENT

The Fund is a closed-end fund. Its certificates are not redeemable directly with the Fund instead certificates are traded on the stock exchange.

The Fund's objective when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for certificate holders and to maintain a strong capital base to meet unexpected losses or opportunity.

In accordance with NBFC Regulations, the Fund is required to distribute atleast ninety percent of its income from sources other than unrealised capital gain as reduced by such expenses as are chargeable to the Fund. Further, the Fund is also prohibited to lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person.

In accordance with risk management policies stated in note 19, the Fund endeavors to invest while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments where necessary.

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets (e.g. listed shares) are based on the quoted market prices at the close of trading on the year end date. The quoted market prices used for financial assets held by the Fund is current bid price.

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

The fair value of financial assets (e.g sukuks) that are not traded in an active market is determined with reference to the values quoted by MUFAP. The fair value quoted by MUFAP is calculated in accordance with valuation methodology prescribed by Circular 1 of 2009 dated January 6, 2009.

If a security is not quoted by MUFAP due to it being 'non-investment' grade, its values is determined by applying discount in accordance with the Circular No. 1.

The estimated fair value of other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

The Fund adopted the amendment to IFRS 7, effective July 1, 2009. This requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).



| Assets | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|---------|---------|
| Financial assets held for trading | | | | |
| -Equity securities | 174,288 | - | - | 174,288 |
| -Debt securities | 217,715 | - | - | 217,715 |
| Financial assets designated at fair value through profit or loss at initial recognition | | | | |
| -Equity securities | 43,789 | - | - | 43,789 |
| -Debt securities | - | 128,677 | 39,567 | 168,244 |
| Financial assets available for sale | | | | |
| -Equity securities | 381,774 | - | - | 381,774 |

The following table presents the transfers between levels for the year ended June 30, 2010

| | Level 1 | Level 2 | Level 3 |
|---------------------------------------|---------|----------|---------|
| Transfers between level 2 and level 3 | | | |
| -Debt securities | | (56,481) | 56,481 |

The following table presents the movement in level 3 instruments for the year ended June 30, 2010 by class of financial instruments

| | Debt securities |
|--|-----------------|
| Opening balance | - |
| Transfers into level 3 | 56,481 |
| Sales / redemptions | (2,916) |
| Gains and losses recognised in profit and loss | (13,998) |
| Closing balance | <u>39,567</u> |

22. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

| Name | Designation | Dates of Board of Directors Meetings and Directors' present there in | | | | | | | | | |
|------------------------------|-----------------|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|
| | | Jul 6, 2009 | Aug 20, 2009 | Sep 01, 2009 | Oct 09, 2009 | Oct 20, 2009 | Nov 16, 2009 | Dec 08, 2009 | Feb 15, 2010 | Apr 27, 2010 | |
| Mr. Ariful Islam | Chairman | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | |
| Mr. Mohammad Shoaib | Chief Executive | No | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | |
| Mr. Tasnimul Haq Farooqui ** | Director | Yes | Yes | Yes | Yes | No | Yes | Yes | - | - | |
| Mr. Aliuddin Ansari | Director | Yes | No | Yes | Yes | Yes | Yes | Yes | Yes | Yes | |
| Mr. P. Ahmed * | Director | - | - | - | - | - | Yes | Yes | Yes | Yes | |
| Mr. Rana Ahmed Humayun ** | Director | - | - | - | - | - | - | - | - | Yes | |
| Mr. Rizwan Ata | Director | Yes | Yes | No | No | Yes | - | - | - | Yes | |
| Mr. Mazhar Sharif | Director | Yes | No | Yes | Yes | No | Yes | - | Yes | Yes | |
| Syed Owais Wasti * | Director | Yes | Yes | Yes | Yes | Yes | - | - | - | - | |

** During the year Syed Owais Wasti resigned and his place Mr. P. Ahmed was appointed as Director for the remaining term of the Board.

** During the year Mr. Tasnimul Haq Farooqui resigned and his place Mr. Rana Ahmed Humayun was appointed as Director for the remaining term of the Board.

23. NON ADJUSTING EVENT

The board of directors of the management company of the Fund in its meeting held on August 17, 2010 has announced a final cash dividend of 5.5% (2009: NIL) amounting to Rs 6.6mn (2009: Rs Nil).

An interim dividend of Re. 1 per unit (10% of face value) has been paid to the certificate holders of MBF for the fiscal year ended June 30, 2010.

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

24. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

| Broker's Name | 2010 % |
|---|-----------|
| KASB Securities Limited | 15.70 |
| Invest & Finance Securities Limited | 14.24 |
| Ample Securities (Private) Limited | 12.55 |
| Invest Capital Investment Bank Limited | 9.53 |
| Invisor Securities (Private) Limited | 8.65 |
| JS Global Capital Limited | 6.77 |
| Foundation Securities (Private) Limited | 6.33 |
| Ismail Iqbal (Private) Limited | 5.64 |
| BMA Capital Management Limited | 3.35 |
| Arif Habib Securities Limited | 2.67 |
| Broker's Name | 2009 % |
| Invest & Finance Securities Limited | 15.82 |
| Invisor Securities (Private) Limited | 15.45 |
| Invest Capital Investment Bank Limited | 13.58 |
| Ample Securities (Private) Limited | 10.08 |
| KASB Securities Limited | 7.85 |
| Foundation Securities (Private) Limited | 7.18 |
| JS Global Capital Limited | 5.63 |
| Taurus Securities Limited | 3.26 |
| AKD Securities Limited | 3.20 |
| Al Falah Securities (Private) Limited | 3.16 |

25. PERFORMANCE TABLE

| | 2010 | 2009 | 2008 | 2007 |
|--|---------------------|-----------|-------------------|-------------------|
| Net assets (Rs '000) (ex-distribution) * | 1,277,711 | 1,142,843 | 1,303,683 | 1,406,166 |
| Net assets value per certificate as at June 30 (Rs) (ex-distribution) * | 10.65 | 9.52 | 10.86 | 11.72 |
| Distribution | | | | |
| - Final | - | - | 10.00% | 16.00% |
| - Interim | 10.00% | - | - | - |
| Dates of distribution | October 20, 2009 | - | August 7, 2008 | August 9, 2007 |
| Distribution (Rs '000') | - | - | 120,000 | 192,000 |
| Highest NAV per certificate (Rs) | 11.56 | 11.85 | 13.65 | 13.90 |
| Lowest NAV per certificate (Rs) | 9.52 | 6.76 | 11.27 | 10.92 |
| Total return | 22.73% | -10.79% | 1.19% | 25.54% |
| Earnings / (loss) per certificate (Rs) | 2.07 | (1.30) | 0.15 | 2.71 |

* The distribution is not accounted for in these financial statements as also explained in note 23.

| | One year | Two years | Three years | Four years |
|---|----------|-----------|-------------|------------|
| Average annual return as at June 30, 2010 | 22.73% | 4.64% | 3.47% | 8.60% |

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 certificate prices and investment returns may fluctuate.

26. INVESTMENT COMMITTEE MEMBERS

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

| Name | Designation | Qualification | Experience in years |
|------------------------|--|--------------------|---------------------|
| 1. Mr. Mohammad Shoaib | Chief Executive Officer | CFA / MBA | Twenty years |
| 2. Mr. Muhammad Asad | Chief Investment Officer | CFA level II / MBA | Fourteen years |
| 3. Ms. Sanam Ali Zaib | Head of Research | CFA level II / MBA | Six years |
| 4. Ms. Madiha Javed | Manager Research and Product Development | CFA / FRM / BBA | Three years |

26.2 The Fund Manager of the Fund is Ms. Ayesha Irfan. Other funds being managed by the Fund Manager are as follows:

- Meezan Sovereign Fund
- Meezan Capital Protected Fund-I

27. PATTERN OF CERTIFICATE HOLDING AS AT JUNE 30

| | 2010 | | |
|----------------------------------|------------------------------|-------------------|--------------------------------|
| | Number of investors | Investment amount | Percentage of total investment |
| | ----- (Rupees in '000) ----- | | |
| Individuals | 983 | 171,070 | 14.25 |
| Associated companies / directors | 5 | 310,360 | 25.86 |
| Insurance companies | 1 | 3,000 | 0.25 |
| Banks / DFIs | 8 | 222,807 | 18.57 |
| NBFCs | 7 | 59,869 | 4.99 |
| Retirement funds | 35 | 167,713 | 13.98 |
| Public limited companies | 20 | 232,129 | 19.34 |
| Others | 4 | 33,052 | 2.76 |
| Total | 1,063 | 1,200,000 | 100.00 |

| | 2009 | | |
|----------------------------------|------------------------------|-------------------|--------------------------------|
| | Number of investors | Investment amount | Percentage of total investment |
| | ----- (Rupees in '000) ----- | | |
| Individuals | 1,027 | 167,817 | 13.99 |
| Associated companies / directors | 5 | 310,361 | 25.86 |
| Insurance companies | 1 | 3,000 | 0.25 |
| Banks / DFIs | 8 | 203,144 | 16.93 |
| NBFCs | 8 | 84,280 | 7.02 |
| Retirement funds | 34 | 160,713 | 13.39 |
| Public limited companies | 26 | 245,530 | 20.46 |
| Others | 4 | 25,155 | 2.10 |
| Total | 1,113 | 1,200,000 | 100.00 |

28. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements have been authorised for issue on August 17, 2010 by the board of directors of the management company.

29. GENERAL

The bifurcation of (accumulated loss) / unappropriated income carried forward and brought forward into realised and unrealised as required by the NBFC Regulations, 2008 has not been disclosed as such bifurcation was not practicable.

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

Mohammad Shoaib, CFA
Chief Executive

Mazhar Sharif
Director



PATTERN OF CERTIFICATE HOLDING AS OF JUNE 30, 2010

| NO. OF CERTIFICATE HOLDERS | HAVING CERTIFICATES | | CERTIFICATES HELD | % |
|----------------------------------|---------------------|---------|----------------------|--------|
| | From | To | | |
| 20 | 1 | 100 | 508 | 0.0004 |
| 248 | 101 | 500 | 122,257 | 0.1019 |
| 87 | 501 | 1,000 | 85,700 | 0.0714 |
| 335 | 1,001 | 5,000 | 1,089,848 | 0.9082 |
| 147 | 5,001 | 10,000 | 1,370,166 | 1.1418 |
| 32 | 10,001 | 15,000 | 421,547 | 0.3513 |
| 28 | 15,001 | 20,000 | 515,108 | 0.4293 |
| 14 | 20,001 | 25,000 | 326,790 | 0.2723 |
| 14 | 25,001 | 30,000 | 389,817 | 0.3248 |
| 8 | 30,001 | 35,000 | 265,705 | 0.2214 |
| 5 | 35,001 | 40,000 | 185,000 | 0.1542 |
| 10 | 40,001 | 45,000 | 419,836 | 0.3499 |
| 13 | 45,001 | 50,000 | 644,000 | 0.5367 |
| 1 | 50,001 | 55,000 | 51,300 | 0.0428 |
| 4 | 55,001 | 60,000 | 229,880 | 0.1916 |
| 4 | 65,001 | 70,000 | 267,000 | 0.2225 |
| 3 | 70,001 | 75,000 | 221,504 | 0.1846 |
| 1 | 75,001 | 80,000 | 80,000 | 0.0667 |
| 9 | 80,001 | 85,000 | 740,880 | 0.6174 |
| 1 | 85,001 | 90,000 | 88,000 | 0.0733 |
| 7 | 95,001 | 100,000 | 695,900 | 0.5799 |
| 4 | 100,001 | 105,000 | 410,988 | 0.3425 |
| 1 | 105,001 | 110,000 | 109,000 | 0.0908 |
| 1 | 110,001 | 115,000 | 110,500 | 0.0921 |
| 3 | 120,001 | 125,000 | 364,711 | 0.3039 |
| 1 | 130,001 | 135,000 | 135,000 | 0.1125 |
| 1 | 195,001 | 200,000 | 200,000 | 0.1667 |
| 1 | 225,001 | 230,000 | 226,962 | 0.1891 |
| 1 | 235,001 | 240,000 | 239,145 | 0.1993 |
| 3 | 245,001 | 250,000 | 750,000 | 0.6250 |
| 1 | 255,001 | 260,000 | 256,001 | 0.2133 |
| 2 | 295,001 | 300,000 | 598,500 | 0.4988 |
| 1 | 320,001 | 325,000 | 322,119 | 0.2684 |
| 5 | 395,001 | 400,000 | 1,996,449 | 1.6637 |
| 1 | 445,001 | 450,000 | 450,000 | 0.3750 |
| 1 | 455,001 | 460,000 | 458,323 | 0.3819 |
| 1 | 460,001 | 465,000 | 464,001 | 0.3867 |
| 1 | 465,001 | 470,000 | 468,000 | 0.3900 |
| 5 | 495,001 | 500,000 | 2,500,000 | 2.0833 |



CATEGORIES OF CERTIFICATE HOLDERS AS AT JUNE 30, 2010

| PARTICULARS | CERTIFICATE HOLDERS | CERTIFICATE HOLDING | % |
|---------------------------|---------------------|---------------------|------------|
| DIRECTORS, CEO & CHILDREN | 2 | 12,475 | 0.0104 |
| ASSOCIATED COMPANIES | 3 | 31,014,083 | 25.8451 |
| BANKS, DFIs & NBFIs | 12 | 24,799,883 | 20.6666 |
| INSURANCE COMPANIES | 1 | 300,000 | 0.25 |
| MODARABAS & MUTUAL FUNDS | 2 | 3,070,500 | 2.5588 |
| GENERAL PUBLIC (LOCAL) | 978 | 17,091,541 | 14.243 |
| GENERAL PUBLIC (FOREIGN) | 5 | 25,000 | 0.0208 |
| OTHERS | 56 | 40,381,367 | 33.6511 |
| FOREIGN COMPANIES | 4 | 3,305,151 | 2.7543 |
| Total | 1,063 | 120,000,000 | 100 |

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

| | 2010 | 2009 |
|--|------------------|---------------|
| | (Rupees in '000) | |
| INCOME | | |
| Remuneration from Meezan Balanced Fund | 31,114 | 32,552 |
| Dividend income | 3,822 | 3,822 |
| | <u>34,936</u> | <u>36,374</u> |
| OPERATING EXPENSES | | |
| Salaries and other benefits | 6,515 | 3,526 |
| Motor vehicle running expenses | 175 | 186 |
| Fees and subscription | 157 | 175 |
| Insurance expense | 68 | 46 |
| Printing and stationery | 119 | 185 |
| Communication | 530 | 327 |
| Depreciation | 558 | 766 |
| Travelling and conveyance | 57 | 74 |
| Entertainment | 38 | 15 |
| Legal and professional charges | 251 | 332 |
| Repair and maintenance | 35 | 67 |
| Office supplies | 61 | 67 |
| Training and development | 28 | 20 |
| Rent, rates and taxes | 526 | 645 |
| Utilities | 88 | 118 |
| Shariah advisory fee | 170 | 0 |
| Miscellaneous expenses | 13 | 26 |
| | <u>9,388</u> | <u>6,575</u> |
| OPERATING PROFIT | <u>25,548</u> | <u>29,799</u> |

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



Pure. Profit.

Registered Office

Al Meezan Investment Management Limited

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