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Our Vision

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

Our Mission

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

FUND INFORMATION

BOARD OF DIRECTORS

Mr. Istaqbal Mehdi Chairman
Mr. Irfan Siddiqui
Mr. Ariful Islam
Mr. Farhan Malik
Mr. Muhammad Asad
Syed Owais Wasti
Mr. Mohammad Shoaib, CFA Chief Executive

AUDIT COMMITTEE

Mr. Ariful Islam Chairman
Mr. Farhan Malik
Mr. Muhammad Asad

CFO & COMPANY SECRETARY

Syed Owais Wasti

INVESTMENT ADVISER

Al Meezan Investment Management Limited

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

CUSTODIAN

Central Depository Company of Pakistan Limited

BANKERS

AlBarakah Islamic Bank
Bank AL Habib Limited
Bank Alfalah Limited
BankIslami Pakistan Limited
Habib Metropolitan Bank Limited
Meezan Bank Limited
MCB Bank Limited
National Bank of Pakistan

REGISTERED OFFICE

Ground Floor, Block "B", Finance & Trade Centre,
Shahrah-e-Faisal, Karachi 74400, Pakistan
Phone: (9221) 563 0722-26, 111 MEEZAN
Fax: (9221) 567 6143, 563 0808
Web site: www.almeezangroup.com
E-mail: marketing@almeezangroup.com

SHARE REGISTRAR

THK Associates (Pvt.) Limited
Ground Floor, State Life Building-3,
Dr. Ziauddin Ahmed Road, Karachi 75530
P.O. Box No. 8533
Phone: (9221) 111-000-322
Fax: (9221) 565 5595

NOTICE OF ANNUAL GENERAL MEETING OF AL MEEZAN MUTUAL FUND LIMITED TO BE HELD ON MONDAY, 10 SEPTEMBER 2007

Notice is hereby given that the 12th Annual General Meeting of Al Meezan Mutual Fund Limited will be held at the Registered Office of the Company situated at Ground Floor, Block "B", Finance & Trade Centre, Shahrah-e-Faisal, Karachi, on Monday, 10 September 2007 at 9:30 a.m. to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Accounts of the Company together with the report of Directors and Auditors thereon for the year ended 30 June 2007.
2. To approve the payment of final cash dividend @ 25% i.e. Rs.2.5/- per share of Rs.10/- each for the year ended 30 June 2007 as recommended by the Directors.
3. To consider and approve the issuance of bonus shares @15% i.e 15 shares for every 100 shares held, for the year ended 30 June 2007, as recommended by the Directors.
4. To appoint Auditors and fix their remuneration for the year 2007-2008.
5. To transact any other business with the permission of the Chair.

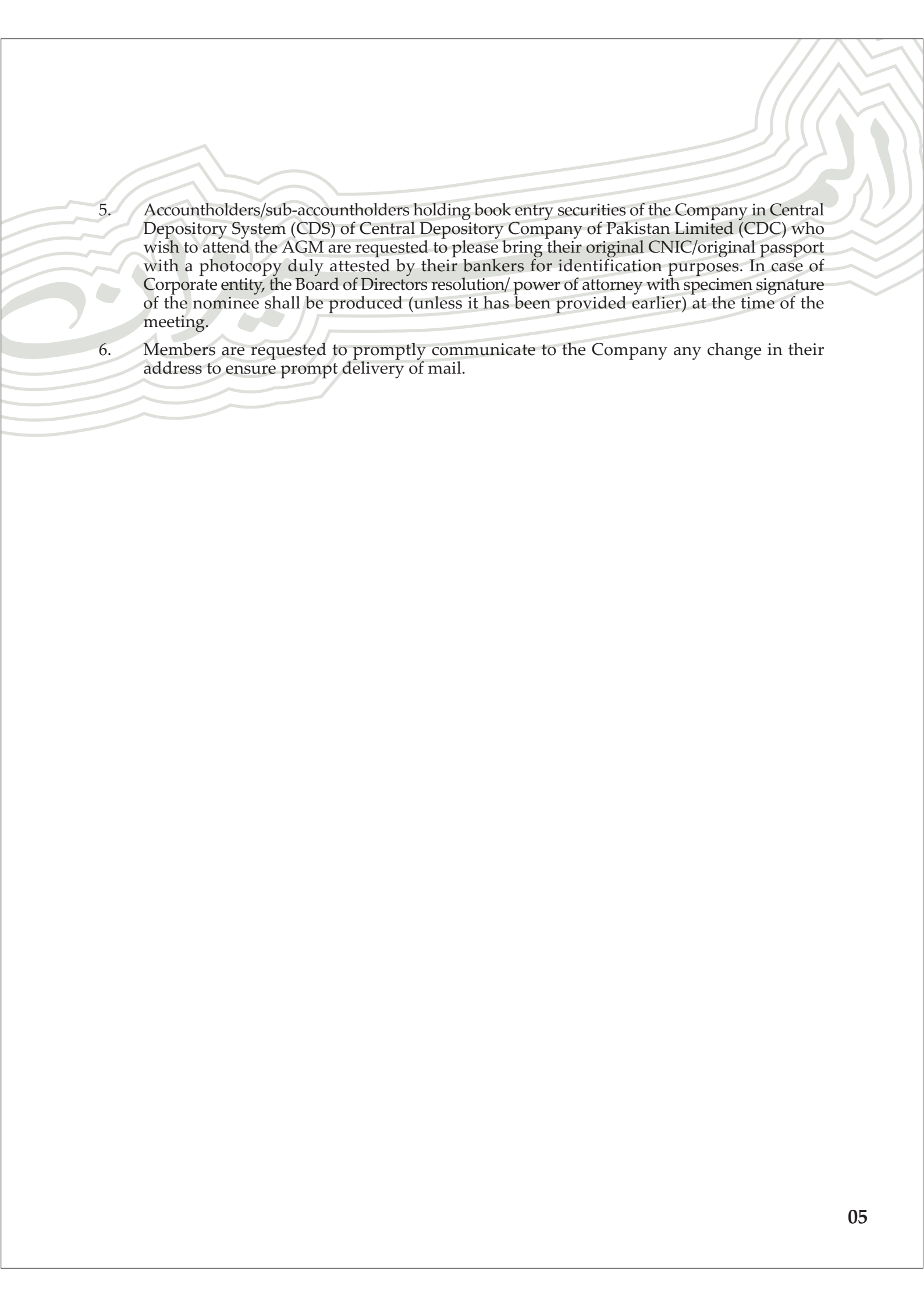
By order of the Board

Karachi
1 August 2007

Syed Owais Wasti
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from Monday, 3 September 2007 to Monday, 10 September 2007 (both days inclusive) to determine the entitlement to cash dividend, as declared by the Board of Directors. Transfers received at THK Associates (Pvt.) Limited, Ground Floor, State Life Building-3, Dr. Ziauddin Ahmed Road, Karachi, 75530 P.O.Box. 8533 at the close of business hours on Saturday, 1 September 2007 will be treated in time for this entitlement.
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. A Corporation may appoint a person, who is not a member, as proxy.
3. Proxy forms in order to be effective must be received at the Company's registered office, situated at Ground Floor, Block "B", Shahrah-e-Faisal, Karachi – 74400, duly stamped and signed not less than 48 hours before the meeting.
4. If a member appoints more than one proxy and/ or deposits more than one instrument of proxy, all such instruments shall be rendered invalid.

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5. Accountholders/sub-accountholders holding book entry securities of the Company in Central Depository System (CDS) of Central Depository Company of Pakistan Limited (CDC) who wish to attend the AGM are requested to please bring their original CNIC/original passport with a photocopy duly attested by their bankers for identification purposes. In case of Corporate entity, the Board of Directors resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
 6. Members are requested to promptly communicate to the Company any change in their address to ensure prompt delivery of mail.

PERFORMANCE TABLE

Year ended	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
	----- (Rupees in thousands) -----									
1 Investment Income	277,596	567,613	380,873	274,149	151,930	51,049	36,104	64,203	(9,389)	28,427
2 Operating Expenses	47,917	56,843	32,395	23,646	9,127	6,683	6,454	8,359	5,632	4,953
3 Surplus / (Deficit) on investments 'at fair value through profit or loss' and 'derivative financial instruments'	317,078	(70,567)	82,015	10,701	52,180	(518)	-	-	-	-
4 Reversal/(provision) for diminution in the value of marketable securities		-	-	-	-	-	(11,376)	33,228	57,730	(90,518)
5 Net Income / (loss)	546,757	440,203	430,493	261,204	194,982	43,746	18,273	89,072	42,709	(67,043)
6 Earnings per share (Rs.)	4.57	3.68	4.33	2.80	4.21	1.75	0.73	3.65	1.62	(2.76)
7 Cash dividend	299,000	358,800	178,825	77,500	50,000	40,000	16,500	52,500	16,000	-
8 Rate of cash dividend (%)	25.00	30.00	17.50	10.00	20.00	16.00	6.60	21.00	6.40	-
9 Rate of stock dividend (%)	15.00	-	10.00	15.00	10.00	-	-	-	-	-
10 Net Assets Value per Share (Rs.)	18.55	16.96	13.97	14.55	18.63	10.68	9.84	10.55	8.22	7.24
11 KSE 100 Index	13,772.46	9,989.00	7,450.12	5,279.18	3,402.48	1,770.12	1,366.44	1,520.74	1,054.67	879.62
12 Total return (%) (A)	26.99	28.37	45.43	34.33	93.16	24.80	(0.47)	53.89	22.38	(27.60)
13 Appreciation/ (depreciation) in KSE 100 Index (%) (B)	37.90	34.08	41.12	55.16	92.22	29.54	(10.15)	44.19	19.90	(43.82)
14 Outperformance / (underperformance) in comparison to KSE 100 Index (%) (A-B)	(10.91)	(5.71)	4.31	(20.83)	0.94	(4.74)	9.68	9.70	2.48	16.22
15 Total Net Assets Value	2,218,592	2,028,970	1,670,878	1,204,812	465,777	267,087	245,978	244,204	205,511	180,923

DIRECTORS' REPORT

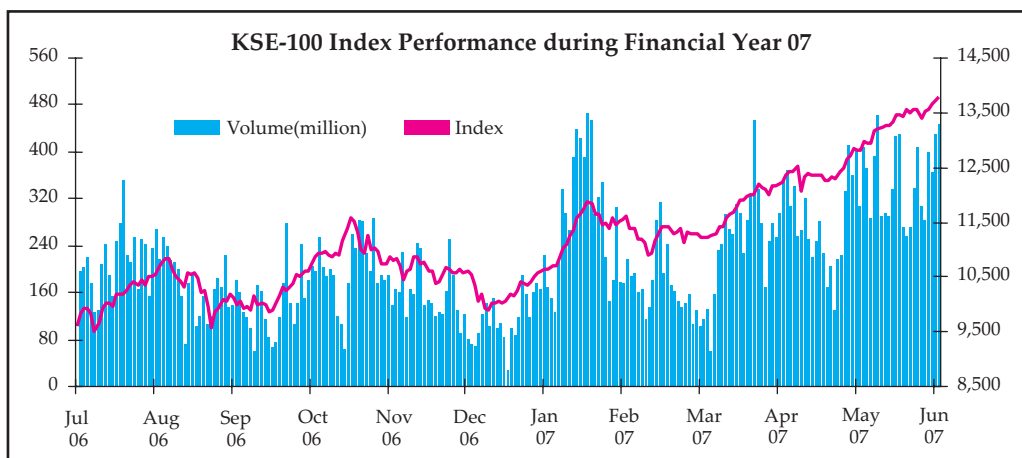
The Board of Directors of Al Meezan Mutual Fund Limited (the Fund) is pleased to present the audited accounts of the Fund for the year ended 30 June 2007.

Market Review

The two halves of financial year 07 portrayed distinctly different trends. While the first half only witnessed 0.51% increase in KSE-100 Index due to rumours relating to foreign selling, enforcement of capital gains tax, investigation of March 2005 crisis and new risk management system, the second half of the year was much more rewarding. During the second half the KSE-100 Index rose 37% resulting in a full year appreciation of 37.8%.

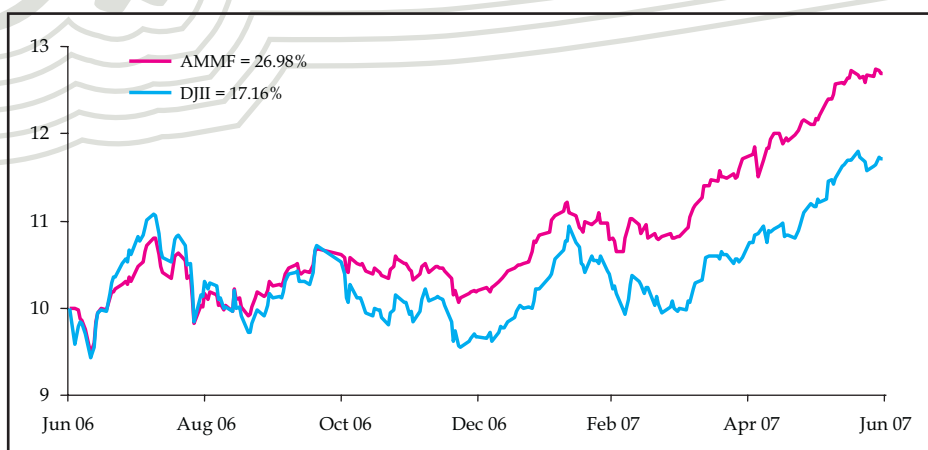
During the first half, the market touched a peak of 11,566 before collapsing towards the end of the first half on rumours of a mandatory 4% minimum deposit rate on all banks, IMF's recommendation on devaluation to the tune of 10%, rumours of substantial foreign sell off in the market, rumours in applicability of capital gains tax from July 2007, investigation into the March 2005 crisis and uncertainty regarding the new risk management system. However none of the threats actually materialized.

The unattractive performance of the Pakistani equity markets during first half of financial year 07 was a blessing in disguise as it stood out amongst the regional peers which had done reasonably well during the same period. This attracted substantial foreign interest which resulted in strong portfolio inflows to the country. In the last six months of the fiscal year under review, foreign portfolio inflows in the country amounted to around US\$750 million which took the number for the whole year to roughly US\$970 million which was around 3 times higher than the amount received in fiscal year 2006. The confidence showed by foreign investors in Pakistan's economy and policies despite a noisy political environment also increased the confidence and optimism of local investors taking the index up by 37% in the last six months of financial year 07.



Operating Results

During the financial year ended 30 June 07, AMMF recorded an NAV based return of 27% versus market return of 17.16% as measured by Dow Jones JS Pakistan Islamic Index.



For the year ended 30 June 2007, the Fund earned gross income of Rs. 595 million, main contributors of which were capital gains of Rs. 176 million and dividend income of Rs. 80 million. After accounting for expenses of Rs. 48 million and revaluation surplus of Rs. 317 million, the Fund recorded a net profit of Rs. 547 million for the financial year 06-07. This translates into earnings per share of Rs. 4.57. The net assets of AMMF as at 30 June 2007 stood at Rs. 2.219 billion which translates into net asset value per share of Rs. 18.55.

Historically, AMMF had been investing in Shariah compliant avenues and provided good returns to its investors. However, since the Fund was incorporated as a conventional Fund, its Memorandum and Articles of Association were altered during the year, so as to bring the same in conformity with the principles of Shariah and to enable AMMF to purify the income and provide riba free returns to the investors. Accordingly, an amount of Rs.1.644 million has been set aside to be disbursed as charity.

The top five holdings of the Fund as on 30 June 2007 based on market value were as follows:

Company	Market Value (Rs. in million)	Percentage of Net Assets
Packages Limited	182.257	8.2%
Oil and Gas Development Company Limited	165.204	7.4%
Engro Chemical Pakistan Limited	160.326	7.2%
Pakistan Petroleum Limited	143.062	6.4%
Fauji Fertilizer Company Limited	141.445	6.4%

Mutual Fund Rating

Pakistan Credit Rating Agency (PACRA) has assigned 4-Star rating to AMMF which denotes good performance of the fund versus its peers. The management of the fund is striving to improve this rating further in the future.

Investment Policy

The Company's Investment Policy is broadly stated in its Memorandum of Association. It is intended to be best able to reflect the objectives of growth as well as stability in the company's return to shareholders. In line with the investment policy stated in the Memorandum, the Company has the following specific guidelines for its investments.

The Company will maintain at least 60%-80% of its net assets in equities. The rest of the 20%-40%, depending upon market conditions and interest rate scenario in the economy, will be utilized for investment in equities or Shariah compliant income investments.

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

Future Outlook

We remain hopeful of the future prospects of the Fund, given the expected continuation of corporate profitability and economic growth. Reduction in operational risk of the Pakistani stock market on account of continuing reforms will also bode well for the market and hence for the Fund, in the coming years. In the medium term, the market may become jittery close to the upcoming general elections. However, this is likely to be a short term phenomenon as eventually fundamentally attractive valuations will retain investor interest.

Compliance with Code of Corporate Governance

Al Meezan Mutual Fund Limited always strives to maintain the highest standards of corporate governance. In compliance with the code of corporate governance, the Board of Directors declares that:

- These financial statements present fairly the state of affairs of the Fund, the result of its operations, cash flows and changes in equity.
- The Fund has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards and International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Fund's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the Karachi Stock Exchange (KSE) listing regulations.
- The Board of Directors and employees of the Investment Advisor have signed "Statement of Ethics and Business Practices".

- Pattern of shareholding along with name wise details for NIT, ICP, Directors, CEO and their spouses and minor children are given on page 41 of the annual report.
- Financial highlights for the last ten years are given on page 6 of the annual report.

Board Meetings

During the year, four board meetings were held. The detail of the attendance by each director in the board meetings is as under:

Name		Dates of BOD Meetings & Directors' presence therein			
		16 Aug 06	18 Oct 06	20 Feb 06	24 Apr 06
Mr. Istaqbal Mehdi	Chairman	✓	✓	✓	✓
Mr. Irfan Siddiqui	Director	✓	✓	✓	✓
Mr. Ariful Islam	Director	✓	–	–	✓
Mr. Farhan Malik	Director	–	✓	✓	✓
Syed Owais Wasti	Director	✓	✓	✓	✓
Mr. Muhammad Asad	Director	✓	✓	✓	✓
Mr. Mohammad Shoaib, CFA	Chief Executive	✓	✓	✓	✓

Appointment of Auditors

The Audit Committee in its meeting held on 1 August 2007 recommended the appointment of M/s A.F. Ferguson & Co. Chartered Accountants as auditors of the Fund for the financial year 2007-2008. The Board subject to approval by the shareholders in the Annual General Meeting have recommended their appointment. The retiring auditors M/s KPMG Taseer Hadi & Co. Chartered Accountants have been recommended for appointment as auditors of the Investment Advisor to comply with the requirement of having the same auditor for the parent and the subsidiary company.

Acknowledgement

We thank all our investors who have placed their confidence in us. We also wish to offer our sincere gratitude to the Securities and Exchange Commission of Pakistan, the Custodian – Central Depository Company of Pakistan Limited and management of the Karachi Stock Exchange. We also wish to place on record our appreciation for the auditors and personnel of the Investment Advisor.

For and on behalf of the Board

Karachi
1 August 2007

Mohammad Shoaib, CFA
Chief Executive

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the provisions of the Code of Corporate Governance (CCG) as contained in Regulation No. 37 of listing regulations of the Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Fund has applied the principles contained in the CCG in the following manner:

1. The Fund encourages representation of independent non-executive directors. At present the Board of Directors (BOD) includes four independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Fund.
3. All the resident directors of the Fund are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC. None of directors is a member of a stock exchange.
4. No casual vacancy occurred during the year.
5. Al Meezan Investment Management Limited (The Investment Advisor of the Fund), has prepared a 'Statement of Ethics and Business Practices', which has been approved and signed by all the directors of the Fund and has been communicated to the employees of the Investment Advisor.
6. The BOD has developed a vision and mission statement and an overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the BOD have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and an executive director have been taken by the BOD. The CEO and the executive director are remunerated for services by the Investment Advisor of the Fund.
8. The meetings of the BOD were presided over by the Chairman. The BOD met once in every quarter during the year ended 30 June 2007. Written notices of the BOD meetings, along with agendas and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The BOD of the Investment Adviser has approved the appointments of the Chief Financial Officer (CFO) / Company Secretary including his remuneration and terms and conditions of the employment as determined by the CEO. The internal audit function has been outsourced to a firm of chartered accountants.
10. The Fund had arranged an orientation course on 15 August 2006 for its directors to apprise them of their duties and responsibilities.

11. The Directors' report for the year ended 30 June 2007 has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the BOD.
13. The directors and CEO do not hold any interest in the shares of the Fund, other than those disclosed in the pattern of shareholding (included in the Directors' Report).
14. The Fund has complied with all the corporate and financial reporting requirements of the CCG.
15. The BOD has formed an Audit Committee. It comprises of three members, two of them are non-executive directors.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Fund as required by the CCG. The terms of reference of the committee have been framed, approved and advised to the committee for compliance by the BOD.
17. The BOD has outsourced the internal audit function of the Fund to a firm of chartered accountants.
18. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the CCG have been complied with.

Mohammad Shoaib, CFA
Chief Executive

Syed Owais Wasti
Chief Financial Officer

Karachi
1 August 2007

REVIEW REPORT TO THE SHAREHOLDERS OF AL MEEZAN MUTUAL FUND LIMITED ON THE STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Al Meezan Mutual Fund Limited** to comply with the Listing Regulations No. 37 of the Karachi Stock Exchange, where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Fund's personnel and review of various documents prepared by the Fund to comply with the Code.

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended 30 June 2007.

Karachi
1 August 2007

KPMG Taseer Hadi & Co.
Chartered Accountants

REPORT OF THE SHARIAH ADVISOR

Alhamdulillah, the period under review was the first year of Al Meezan Mutual Fund Ltd. (the Fund) since its legal conversion to complete Shariah compliant operations. The scope of the report is to express an opinion on the Shariah Compliance of the Fund's activities.

In the capacity of Shariah Advisor, we have prescribed a criteria for Shariah compliance of equity investments which comprises of five factors namely (i) Nature of business, (ii) Interest based Debt to total assets, (iii) Illiquid assets to total assets, (iv) Investment in non-Shariah compliant activities and income from non-compliant investments, and (v) Net liquid assets per share vs. share market price.

It is the responsibility of the Investment Advisor of the Fund to establish and maintain a system of internal controls to ensure Shariah compliance with the Shariah 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 from the Investment Advisor's personnel and review of various documents prepared by the Investment Advisor to comply with the prescribed criteria.

- i. We have reviewed and approved the modes of investments of AMMF in the light of Shariah requirements. The following is a list of equity investments of AMMF as on 30 June 2007 and their evaluation according to the screening criteria established by us. (The latest half yearly or annual accounts of the Investee companies available as on 30 June 2007 have been used for the following calculations):

Company Name	(i) Nature of Business	(ii)* Debt to Assets (<40%)	(iii) Illiquid Assets to Total Assets (>20%)	(iv)		(v) Net Liquid Assets vs. Share Price (B>A)	
				Non-Compliant Income to Gross Revenue (<5%)	% of Non-Shariah Compliant Investments (<33%)	Net Liquid Assets per Share (A)	Share Price (B)
Agriauto Industries Limited	Manufacturers of Automobile Parts and Accessories	1.63%	43.67%	1.16%	17.18%	34.71	40.95
Attock Cement Pakistan Limited	Cement Manufacturer	3.96%	91.75%	0.43%	0.00%	(28.85)	66.10
Engro Chemical Pakistan Limited	Manufacturers of Fertilizers and Chemicals	26.77%	51.12%	0.28%	1.46%	7.14	169.00
Fauji Fertilizer Bin Qasim Limited	Manufacturers of Fertilizers	23.55%	59.71%	3.26%	1.83%	(8.05)	28.50
Fauji Fertilizer Company Limited	Manufacturers of Fertilizers	24.59%	46.53%	1.16%	12.43%	0.39	105.55
Ghani Glass	Manufacturers of glass used in construction	0.00%	62.50%	0.00%	0.00%	1.48	68.00
GlaxoSmithKline Limited	Manufacturers of Pharmaceutical Products	0.00%	42.72%	0.34%	2.07%	25.65	157.85
Pak Suzuki Motor Company Limited	Automobile Assembling	0.47%	58.20%	2.11%	0.59%	(35.39)	(420)
Indus Motors Company Limited	Automobile Assembling	0.06%	42.26%	2.46%	0.19%	17.71	195.00
National Refinery Limited	Refines crude oil to petroleum products	1.42%	37.17%	0.30%	0.00%	(7.85)	259.00

Company Name	(i) Nature of Business	(ii)* Debt to Assets (<40%)	(iii) Illiquid Assets to Total Assets (>20%)	(iv)		(v) Net Liquid Assets vs. Share Price (B>A)	
				Non-Compliant Income to Gross Revenue (<5%)	% of Non-Shariah Compliant Investments (<33%)	Net Liquid Assets per Share (A)	Share Price (B)
Nishat Mills Limited	Manufacturers of Textile Products	27.74%	42.44%	1.60%	3.51%	60.27	87.80
Oil & Gas Development Company Limited	Exploration and Production of Oil & Gas	0.00%	49.75%	3.54%	1.83%	7.11	114.70
Packages Limited	Manufacturers of Paper and Board	32.45%	67.76%	0.76%	4.21%	(24.19)	210.00
Sitara Chemical Industries Limited	Manufacturers of Soda Ash and Chemical	0.24%	53.92%	0.17%	0.00%	(88.05)	107.00
Pakistan Oilfields Limited	Exploration and Production of Oil & Gas	0.00%	44.92%	1.94%	0.32%	32.49	349.75
Pakistan Petroleum Limited	Exploration and Production of Oil & Gas	0.28%	33.56%	4.84%	0.22%	28.42	232.00
Pakistan State Oil Company Limited	Distribution of Oil & Gas	19.44%	45.92%	0.04%	4.63%	(65.52)	294.00
Pakistan Telecommunication Company Limited	Telecom	10.46%	65.50%	3.90%	0.00%	(1.71)	44.30
Thal Limited	Manufacturers of Jute bags and A/Cs and Wire Harness of Cars	9.16%	59.35%	1.98%	2.13%	45.83	164.50
The Hub Power Company Limited	Producer of Power & Energy	24.43%	82.62%	0.54%	0.00%	(5.21)	27.00
Meezan Bank Limited	Islamic Commercial Bank			N/A			

* All interest based debts

** These ratios are for the calculation of Non Shariah Compliant Element in the business and are not relivent for Islamic Banks.

In light of the above, we hereby certify that all the provisions of the Scheme and investments made on account of AMMF by AMIM are Shariah compliant and in accordance with the criteria established by us.

- ii. On the basis of information provided by the management, all operations of AMMF for the year ended 30 June 2007 have been in compliance with the Shariah principles.
- iii. The Investment Advisor has been directed to set aside as charity amount earned where Investee companies have earned a part of their income from non-compliant sources (e.g. interest income). In such cases, the Investment Advisor has been directed to set aside as charity such proportion of the income from Investee companies in order to purify the earnings of the Fund (as mentioned in column iv of the calculations).

During the year a provision of Rupees 1.644 Million was transferred to charity account.

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.

Karachi
1 August 2007

Dr. Muhammad Imran Ashraf Usmani
Shariah Advisor

INDEPENDENT ASSURANCE PROVIDER'S REPORT ON SHARIAH COMPLIANCE TO THE SHARE HOLDERS

We have performed our independent assurance engagement of **Al Meezan Mutual Fund Limited** (the Fund) to assess the Fund's compliance with the Shariah guidelines prescribed by the Shariah Advisor in accordance with para 2 and 3 of the Memorandum and Articles of Association of the Fund during the year ended 30 June 2007.

Investment Advisor's responsibility

Investment Advisor 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 in accordance with para 2 and 3 of the Memorandum and Articles of Association 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 Engagements (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 judgment, 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 the entity's internal control.

Conclusion

In our opinion, the Fund was, in all material respects, in compliance with the Shariah guidelines issued by the Shariah Advisor, in accordance with para 2 and 3 of the Memorandum and Articles of Association of the Fund during the year ended 30 June 2007.

Karachi
1 August 2007

KPMG Taseer Hadi & Co.
Chartered Accountants

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the accompanying financial statements of **Al Meezan Mutual Fund Limited**, which comprise the statement of assets and liabilities as at 30 June 2007 and the income statement, distribution statement, statement of movement in equity and reserves per share, cash flow statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Investment Advisor of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, 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 30 June 2007, and of its financial performance, cash flows and transactions for the year then ended in accordance with 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 NBFC Rules.

The financial statements of the Fund for the year ended 30 June 2006 were audited by another firm of Chartered Accountants who vide their report dated 16 August 2006 issued an unqualified report thereon.

Karachi
1 August 2007

KPMG Taseer Hadi & Co.
Chartered Accountants

STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2007

Assets	Note	2007 (Rupees in '000)	2006
Bank balances	5	590,523	29,382
Receivable against sale of investments		42,978	250,112
Investment in marketable securities - 'available-for-sale'	6	55,179	53,514
Investment in marketable securities - 'at fair value through profit or loss'	7	1,551,853	1,698,267
Dividend receivable		5,999	20,216
Derivative financial instruments	8	17,418	15,314
Deposits and other receivables	9	7,433	354
Advance income tax		5,124	5,124
Total assets		2,276,507	2,072,283
Liabilities			
Payable to Al Meezan Investment Management Limited - Investment Advisor of the Fund	10	38,340	39,928
Payable to the Central Depository Company of Pakistan Limited - Custodian of the Fund	11	113	85
Payable to Meezan Bank Limited - Shariah Advisor		250	-
Payable to Securities and Exchange Commission of Pakistan	12	1,741	1,997
Payable against purchase of investments		14,377	-
Accrued expenses and other liabilities	13	1,975	528
Unclaimed dividend		1,119	775
Total liabilities		57,915	43,313
Net assets		2,218,592	2,028,970
Commitments			
	8		
Shareholders' Equity			
Authorised capital			
150,000,000 ordinary shares of Rs.10 each		1,500,000	1,500,000
119,600,000 ordinary shares of Rs. 10 each issued, subscribed and as fully paid-up in cash		1,196,000	1,196,000
Unappropriated Profit		977,863	789,906
		2,173,863	1,985,906
Surplus on revaluation of 'available-for-sale' financial assets		44,729	43,064
		2,218,592	2,028,970

The annexed notes 1 to 23 form an integral part of these financial statements.

Mohammad Shoaib, CFA
Chief Executive

Farhan Malik
Director

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 (Rupees in '000)	2006
Income			
Gain on sale of investments (net)		176,243	465,534
Dividend income		79,505	89,219
Profit on deposit accounts with banks		21,276	11,718
Profit on term finance certificates		572	947
Other income		-	195
		<u>277,596</u>	<u>567,613</u>
Unrealised gain / (loss) on investments 'at fair value through profit or loss'		<u>314,974</u>	<u>(85,881)</u>
Gain on derivative financial instruments (net)		<u>2,104</u>	<u>15,314</u>
		<u>317,078</u>	<u>(70,567)</u>
Total income		<u>594,674</u>	<u>497,046</u>
Expenses			
Remuneration to Al Meezan Investment Management Limited - Investment Advisor of the Fund	10	38,340	39,928
Remuneration to Central Depository Company of Pakistan Limited - Custodian of the Fund	11	1,308	2,070
Payable to Meezan Bank Limited - Shariah Advisor		250	-
Annual fee - Securities and Exchange Commission of Pakistan	12	1,741	1,997
Auditors' remuneration	14	516	411
Fees and subscription		185	253
Brokerage		5,013	11,499
Legal and professional		110	100
Bank and settlement charges		454	536
Other expenses		-	49
		<u>47,917</u>	<u>56,843</u>
Net income for the year		<u>546,757</u>	<u>440,203</u>
		(Rupees)	
Basic earnings per share	15	<u>4.57</u>	<u>3.68</u>

The annexed notes 1 to 23 form an integral part of these financial statements.

Mohammad Shoaib, CFA
Chief Executive

Farhan Malik
Director

**DISTRIBUTION STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007**

	2007 (Rupees in '000)	2006
Unappropriated income at the beginning of the year	789,906	439,403
Less: Final distribution in the form of cash dividend for the year ended 30 June 2006 (comparative 30 June 2005)	(358,800)	(89,700)
Net income for the year	546,757	440,203
Unappropriated income at the end of the year	<u>977,863</u>	<u>789,906</u>

The annexed notes 1 to 23 form an integral part of these financial statements.

Mohammad Shoaib, CFA
Chief Executive

Farhan Malik
Director

**STATEMENT OF MOVEMENT IN EQUITY AND
RESERVES PER SHARE
FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	(Rupees)	
Net asset value per share at the beginning of the year	16.96	13.97
Gain on sale of investments (net)	1.47	3.89
Dividend income	0.68	0.75
Profit on deposit accounts with banks	0.18	0.10
Profit on term finance certificates	-	0.01
Unrealised gain / (loss) on investments 'at fair value through profit or loss'	2.63	(0.72)
Gain on derivative financial instruments (net)	0.02	0.13
Operating expenses	(0.40)	(0.48)
Net profit for the year (based on weighted average number of shares outstanding)	4.58	3.68
Net changes in surplus on revaluation of 'available-for-sale' financial assets	0.01	0.06
Dividend distribution	(3.00)	(0.75)
	(2.99)	(0.69)
Net asset value per share at the end of the year	18.55	16.96

The annexed notes 1 to 23 form an integral part of these financial statements.

Mohammad Shoaib, CFA
Chief Executive

Farhan Malik
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	546,757	440,203
Adjustments for:		
Dividend income	(79,505)	(89,219)
Profit on deposit accounts with banks	(21,276)	(11,718)
Profit on term finance certificates	(572)	(947)
Unrealised (gain) / loss on investments - 'at fair value through profit or loss'	(314,974)	85,881
Other income	-	(195)
Surplus realized on 'available-for-sale' investments (net)	-	(1,259)
Gain on derivative financial instruments (net)	(2,104)	(15,314)
Long term deposit	-	(100)
	(418,431)	(32,871)
	128,326	407,332
(Increase) / decrease in assets		
Receivable against sale of investments	207,134	(241,172)
Investment in marketable securities - 'at fair value through profit or loss'	461,388	(591,143)
	668,522	(832,315)
Increase / (decrease) in liabilities		
Payable to Al Meezan Investment Management Limited - Investment Advisor of the Fund	(1,588)	13,546
Payable to Central Depository Company of Pakistan Limited - Custodian of the Fund	28	85
Payable to Meezan Bank Limited - Shariah Advisor	250	-
Payable to Securities and Exchange Commission of Pakistan	(256)	(218)
Accrued expenses and other liabilities	1,447	(88)
Payable against purchase of investments	14,377	(40,797)
	14,258	(27,472)
Cash generated from / (used in) operations	811,106	(452,455)
Dividend received	93,722	75,859
Profit received on deposit accounts with banks	14,194	12,063
Profit received on term finance certificates	575	1,406
Net cash inflow / (outflow) from operating activities	919,597	(363,127)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(358,456)	(90,414)
Net cash outflow from financing activities	(358,456)	(90,414)
Net increase / (decrease) in cash and cash equivalents during the year	561,141	(453,541)
Cash and cash equivalents at the beginning of the year	29,382	482,923
Cash and cash equivalents at the end of the year	590,523	29,382

The annexed notes 1 to 23 form an integral part of these financial statements.

Mohammad Shoaib, CFA
Chief Executive

Farhan Malik
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007

	Share capital	Unappropriated profit	Total	Surplus on revaluation of available-for- sale financial assets	Total
	----- (Rupees in '000) -----				
Balance as at 1 July 2005	1,196,000	439,403	1,635,403	35,475	1,670,878
Final dividend for year ended 30 June 2005 at Re. 0.75 per share (7.5%) approved subsequent to the year end	-	(89,700)	(89,700)	-	(89,700)
Surplus realised on revaluation of 'available-for-sale' financial assets taken to capital gains on disposal of investments	-	-	-	(1,259)	(1,259)
Net income for the year ended 30 June 2006	-	440,203	440,203	-	440,203
Surplus on revaluation of 'available-for-sale' financial assets	-	-	-	8,848	8,848
Balance as at 30 June 2006	<u>1,196,000</u>	<u>789,906</u>	<u>1,985,906</u>	<u>43,064</u>	<u>2,028,970</u>
Final dividend for year ended 30 June 2006 at Rs.3.00 per share (30%) approved subsequent to the year end	-	(358,800)	(358,800)	-	(358,800)
Net income for the year ended 30 June 2007	-	546,757	546,757	-	546,757
Surplus on revaluation of 'available-for-sale' financial assets	-	-	-	1,665	1,665
Balance as at 30 June 2007	<u>1,196,000</u>	<u>977,863</u>	<u>2,173,863</u>	<u>44,729</u>	<u>2,218,592</u>

The annexed notes 1 to 23 form an integral part of these financial statements.

Mohammad Shoaib, CFA
Chief Executive

Farhan Malik
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. LEGAL STATUS AND NATURE OF BUSINESS

Al Meezan Mutual Fund Limited (the Fund) was incorporated in Pakistan on 13 July 1995 as a public limited company under the Companies Ordinance, 1984 and is listed on the Karachi Stock Exchange. The Fund is registered as an 'Investment Company' under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) vide License no. NBFC-II\11 AMMFL-IC-04\05 issued by the Securities and Exchange Commission of Pakistan (SECP). The Fund's registered office is at Finance and Trade Centre, Shahrah-e-Faisal, Karachi. The object of the Fund is to carry on the business of a closed-end mutual fund and to invest its assets in securities, which are listed or proposed to be listed on the stock exchanges.

The Fund has an agreement with Al Meezan Investment Management Limited, an associated undertaking, to provide Investment Advisory services.

The purpose of the Fund is to provide a vehicle where the investors can invest their funds in securities under the management of Al Meezan Investment Management Limited (the Investment Advisor) subject to the general control and directions of the Board of Directors and as per the guidelines by the Shariah Advisor. The objective of the Fund is to provide superior results through investment in quality growth stocks, though the funds may be invested in other stocks. It may also take a significant position of investments in other securities listed on a stock exchange e.g. modaraba certificates, sukkuk bonds, murahaba, musharakah etc., from time to time to protect against capital losses when the stock market appears vulnerable. Selection of securities for portfolio will be based, as far as possible on their potential capital appreciation possibilities.

The Fund's investment policy with its emphasis on investing in securities for their potential capital appreciation possibilities which may involve a substantially greater portfolio turnover for capital gains.

2. BASIS OF PRESENTATION

The transactions undertaken by the Fund in accordance with the process prescribed under the Shariah Guidelines issued by the Shariah Advisor 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 requirements of approved accounting standards as applicable in Pakistan, the requirements of the Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the directives issued by the Securities and Exchange Commission of Pakistan. Approved accounting standards comprise of such International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of these standards, the requirements of the Companies Ordinance, 1984, the NBFC Rules and the said directives differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the said directives take precedence.

3.2 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after 1 July 2007 and are not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain increased disclosures in certain cases:

- IAS 1 - Presentation of Financial Statements - Amendments relating to Capital Disclosures
- IAS 23 - Borrowing Costs- Amendments relating to mandatory capitalization of borrowing costs relating to qualifying assets
- IAS 41 - Agriculture
- IFRS 2 - Share-based Payments;
- IFRS 3 - Business Combinations;
- IFRS 5 - Non-current Assets Held for sale and Discontinued Operations;
- IFRS 6 - Exploration for and Evaluation of Mineral Resources;
- IFRS 10 - Interim Financial Reporting and Impairment;
- IFRS 11 - Group and Treasury Share Transactions;
- IFRS 12 - Service Concession Arrangements.
- IFRS 13 - Customer Loyalty Progmmes.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Basis of preparation

These financial statements have been prepared under the historical cost convention, except for investments and derivatives which are carried at fair value.

4.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the Investment Advisor to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgment made by the Investment Advisor in the application of the approved accounting standards that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year is as follows:

Fair values of financial instruments

The fair value of investment in marketable securities is based on the closing market prices ruling at the day-end. The Investment Advisor is of the view that the fair market values of the financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are essentially short-term in nature.

4.3 Financial instruments

(i) Classification

The Fund classifies its debt and equity investments and related derivatives in the following categories:

a) *Financial instruments 'at fair value through profit or loss'*

A financial instrument 'at fair value through profit or loss' is a financial asset or financial liability that meets either of the following conditions;

i) *Financial instruments 'held for trading'*

A financial instrument is classified as 'held for trading' if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in short term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- a derivative.

All derivatives in a net receivable position (positive fair value), are reported as financial assets held for trading. All derivatives in a net payable position (negative fair value), are reported as financial liabilities held for trading.

ii) *Financial instruments designated 'at fair value through profit or loss upon initial recognition'*.

A financial instrument may be designated when initially recognised as a 'financial asset or financial liability at fair value through profit or loss' except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

Financial instruments that do not fall under the aforementioned category are loans and receivables originated by the enterprise and 'available-for-sale' financial assets which are as follows:

b) *Loans and receivables originated by the enterprise*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading', and those that the entity upon initial recognition designates as at fair value through profit or loss;
- those that the entity upon initial recognition designates as 'available-for-sale'; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available-for-sale.

c) *Available-for-sale*

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

(ii) *Recognition*

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

A regular way purchase of financial assets is recognised using trade date accounting. From this date, any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

(iii) *Measurement*

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial instrument not 'at fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial instrument. Transaction costs on financial instrument 'at fair value through profit or loss' are expensed out immediately.

Subsequent to initial recognition, financial instruments classified as '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. Changes in the fair value of financial instruments classified as 'available-for-sale' are recognised in equity until derecognised or impaired, when the accumulated fair value adjustments recognised in equity are included in the Income Statement. Financial instrument that is not quoted on the stock exchange is measured at cost as per NBFC Rules.

Financial assets classified as loans and receivables are carried at amortized 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 amortized cost using the effective yield method.

(iv) *Fair value measurement principles*

The fair value of marketable securities and derivatives 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.

(v) *Impairment*

Financial assets not carried 'at fair value through profit or loss' are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the Income Statement.

If in a subsequent period, the amount of an impairment loss decreases, the reduction in impairment loss on financial asset other than equity securities classified as 'available-for-sale' are recognised in the Income Statement. However, the decrease in impairment loss on equity securities classified as 'available-for-sale' is recognised in equity.

(vi) Derecognizing

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39, 'Financial Instruments: Recognition and Measurement'. The Fund uses the weighted average method to determine realised gains and losses on derecognition.

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

4.4 Provisions

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

4.5 Net assets value per share

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

4.6 Taxation

Current

The income of the Fund is exempt from income tax under clause 99 of part I of the second schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among the shareholders.

Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax assets on unutilised tax losses to the extent that these will be available for set off against future taxable profits.

However the Fund has distributed and intends to continue availing the tax exemption by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised to its shareholders every year. Accordingly, no current and deferred tax has been recognised in these financial statements.

4.7 Revenue recognition

Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.

Unrealised gains / (losses) arising on revaluation of securities classified as at 'fair value through profit or loss' are included in the Income Statement in the period in which they arise.

Gains / (losses) arising on the revaluation of the derivatives to the fair value are taken to the Income Statement.

Dividend income is recognised when the right to receive the payment is established.

Profit on deposit accounts with banks and all investments in debt instruments (irrespective of classification) are recognised on an effective yield rate method.

4.8 Expenses

All expenses, including Investment Advisor fee and Custodian fee are recognised in the Income Statement on an accrual basis.

4.9 Offsetting of financial instruments

A financial asset and financial liability are set off and the net amount is reported in the Statement of Assets and Liabilities if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.10 Zakat

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

4.11 Transactions with connected persons

Transactions between the Fund and its connected persons as defined in the NBFC Rules are carried out on an arm's length basis substantiated in a manner set out in note 16.

4.12 Cash and cash equivalents

Cash comprises current deposits 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.

4.13 Dividend

Dividend declared subsequent to the balance sheet date is considered as a non-adjusting event and is recognised in the period in which it is authorised or approved.

5. BANK BALANCES

In current accounts
In deposit accounts

	2007	2006
	(Rupees in '000)	
	1,150	782
5.1	<u>589,373</u>	<u>28,600</u>
	<u>590,523</u>	<u>29,382</u>

5.1 These represent deposits payable on demand and carry return at approximately 3% to 9.5% per annum (2005: 2.5% to 8.15% per annum).

6. INVESTMENT IN MARKETABLE SECURITIES
- classified as investments 'available-for-sale'

Name of the investee company	As at 1 July 2006	Purchases during the year	Bonus/ rights issue	Sales during the year	As at 30 June 2007	Cost as at 30 June 2007	Market value as at 30 June 2007	Unrealised gain as at 30 June 2007	Percentage in relation to		
									net assets of the Fund on the basis of market value of investments (see note 7.1.2 below)	paid-up capital of investee company (with face value of investments)	total market value (carrying value of investments)
					Number of shares			Rupees in '000			
Refinery											
National Refinery Limited	20,000	-	-	-	20,000	6,326	6,820	494	0.31	0.03	0.44
Oil and gas marketing companies											
Pakistan State Oil Company Limited	1,043	-	-	-	1,043	403	408	5	0.02	0.00	0.03
Fertilizer											
Fauji Fertilizer Company Limited	395,469	-	-	-	395,469	37,937	47,951	10,014	2.16	0.08	3.09
						<u>44,666</u>	<u>55,179</u>	<u>10,513</u>			

7. INVESTMENT IN MARKETABLE SECURITIES
- classified as Investments

2007 **2006**
(Rupees in '000)

'at fair value through profit or loss'

Held for trading	7.1	1,551,853	1,693,982
Investments 'at fair value through profit or loss upon initial recognition'.	7.2	<u>-</u>	<u>4,285</u>
		<u>1,551,853</u>	<u>1,698,267</u>

7.1 'Held for trading'

Name of the investee company	As at 1 July 2006	Purchases during the year	Bonus/ rights issue	Sales during the year	As at 30 June 2007	Carrying Cost as at 30 June 2007	Market value as at 30 June 2007	Unrealised gain/loss as at 30 June 2007	Percentage in relation to		
									Net assets of the Fund on the basis of market value of investments (see note 7.1.2 below)	Paid-up capital of investee company (with face value of investments)	Total market value (carrying value of investments)
					Number of shares			Rupees in '000			
Commercial Banks											
BankIslami Pakistan Limited	529,000	264,400	-	793,400	-	-	-	-	-	-	-
Meezan Bank Limited	77,000	1,227,000	7,700	50,000	1,261,700	25,114	40,374	15,260	1.82	0.33	2.60
Textile composite											
Artistic Denim Mills Limited	50,500	-	86,800	137,300	-	-	-	-	-	-	-
Nishat Mills Limited	777,700	674,500	109,570	863,000	698,770	69,212	91,155	21,943	4.11	0.44	5.87
Synthetic and rayon											
Dewan Salman Fibre Limited	-	100,000	-	100,000	-	-	-	-	-	-	-
Jute											
Thal Limited (note 7.1.1)	165,000	10,000	33,000	48,000	160,000	22,979	44,640	21,661	2.01	0.68	2.88
Cement											
Attock Cement Pakistan Limited	58,400	241,400	-	-	299,800	31,336	36,711	5,375	1.65	0.42	2.37
Cherat Cement Company Limited	218,250	-	13,207	231,457	-	-	-	-	-	-	-
D.G. Khan Cement Company Limited	638,500	1,004,700	107,550	1,750,750	-	-	-	-	-	-	-
Fauji Cement Company Limited	198,000	519,000	-	717,000	-	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	1,631,900	-	-	1,631,900	-	-	-	-	-	-	-
Refinery											
National Refinery Limited	332,000	-	-	160,700	171,300	45,737	58,413	12,676	2.63	0.26	3.76
Power generation and distribution											
The Hub Power Company Limited	1,210,000	1,694,500	-	1,224,500	1,680,000	50,249	61,656	11,407	2.78	0.15	3.97
Kot Addu Power Company Limited	238,500	-	-	238,500	-	-	-	-	-	-	-
Oil and gas marketing companies											
Pakistan State Oil Company Limited	370,500	270,000	-	587,300	53,200	17,266	20,825	3,559	0.94	0.03	1.34
Shell Pakistan Limited	26,200	-	6,550	32,750	-	-	-	-	-	-	-
Sui Southern Gas Company Limited	498,500	-	-	498,500	-	-	-	-	-	-	-

Name of the investee company	As at 1 July 2006	Purchases during the year	Bonus/ rights issue	Sales during the year	As at 30 June 2007	Carrying Cost as at 30 June 2007	Market value as at 30 June 2007	Unrealised gain as at 30 June 2007	Percentage in relation to		
									Net assets of the Fund on the basis of market value of investments (see note 7.1.2 above)	Paid-up capital of investee company (with face value of investments)	Total market value (carrying value of investments)
-----Number of shares-----						Rupees in 000					
Oil and gas exploration companies											
Oil and Gas Development Company Limited	1,508,700	1,549,300	-	1,679,000	1,379,000	171,170	165,204	(5,966)	7.45	0.03	10.65
Pakistan Oilfields Limited	504,100	190,000	-	490,100	204,000	68,842	64,668	(4,174)	2.91	0.10	4.17
Pakistan Petroleum Limited	527,600	734,800	-	717,300	545,100	132,937	143,062	10,125	6.45	0.08	9.22
Automobile assembler											
Indus Motor Company Limited	312,600	500	-	-	313,100	59,853	95,652	35,799	4.31	0.40	6.16
Pak Suzuki Motor Company Limited	86,120	95,000	45,560	-	226,680	64,213	88,859	24,646	4.01	0.28	5.73
Automobile parts and accessories											
Agriauto Industries Limited (note 7.1.1)	598,500	-	-	7,700	590,800	40,647	58,430	17,783	2.63	2.46	3.77
Technology and communication											
Pakistan Telecommunication Company Limited 'A'	3,109,600	825,000	-	3,884,600	50,000	2,703	2,850	147	0.13	0.00	0.18
Fertilizer											
Engro Chemical Pakistan Limited	564,200	353,100	-	283,600	633,700	116,983	160,326	43,343	7.23	0.38	10.33
Fauji Fertilizer Company Limited	927,486	214,000	-	370,400	771,086	91,466	93,494	2,028	4.21	0.16	6.02
Fauji Fertilizer Bin Qasim Limited	2,352,000	1,559,000	-	1,523,000	2,388,000	74,486	93,132	18,646	4.20	0.26	6.00
Pharmaceutical											
GlaxoSmithKline (Pakistan) Limited	66,500	-	16,625	-	83,125	11,704	15,586	3,882	0.70	0.06	1.00
Chemical											
Sitara Chemical Industries Limited	177,100	-	-	-	177,100	20,455	28,203	7,748	1.27	0.95	1.82
Paper and Board											
Century Paper and Board Mills Limited	65,200	-	-	65,200	-	-	-	-	-	-	-
Packages Limited	559,286	10,000	27,964	26,000	571,250	114,113	182,257	68,144	8.21	0.78	11.74
Glass & Ceramics											
Ghani Glass Limited	50,000	16,600	16,650	-	83,250	5,415	6,356	941	0.29	0.10	0.41
Securities sold under deferred sale arrangement											
Textile Composite											
Nishat Mills Limited	-	290,500	-	290,500	-	-	-	-	-	-	-
Cement											
D.G. Khan Cement Company Limited	-	246,500	-	246,500	-	-	-	-	-	-	-
Pioneer Cement Limited	-	2,500,000	-	2,500,000	-	-	-	-	-	-	-
Oil and gas marketing companies											
Pakistan State Oil Company Limited	-	284,100	-	284,100	-	-	-	-	-	-	-
Oil and gas exploration companies											
Oil and Gas Development Company Limited	-	442,500	-	442,500	-	-	-	-	-	-	-
Pakistan Oilfields Limited	-	56,500	-	56,500	-	-	-	-	-	-	-
Pakistan Petroleum Limited	-	297,000	-	297,000	-	-	-	-	-	-	-
Fertilizer											
Engro Chemical Pakistan Limited	-	418,000	-	418,000	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	-	470,500	-	470,500	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	84,500	-	84,500	-	-	-	-	-	-	-
Total						1,236,880	1,551,853	314,973			

- 7.1.1 All shares have a face value of Rs. 10 each except for the shares of Agriauto Industries Limited and Thal Limited which have a face value of Rs. 5 each.
- 7.1.2 Net assets are as defined in Rule. 2(xxxiv) of NBFC Rules.
- 7.1.3 SECP through its letter NO. NBFC-II/ AD/ AMIML/ 406 dated 12 June 2007 has increased the investment limits prescribed in Rule 49(3) and (4) of the NBFC Rules to fifteen percent and thirty percent respectively.

7.2 Investments 'at fair value through profit or loss upon initial recognition'

Name of the investee company	As at 1 July 2006	Purchases during the year	Sales during the year	Redemptions during the year	As at 30 June 2007	Cost as at 30 June 2007	Percentage in relation to			
							Net assets of the Fund (with market value of investments)	Paid-up capital of investee company (with face value of investments)	Total market value (carrying value of investments)	
	-----Number of certificates-----						Rs. in 000			

Al-Zamin Leasing Modaraba	516	-	516	-	-	-	-	-	-
Sitara Chemical Industries Limited	880	-	-	880	-	-	-	-	-

8. DERIVATIVE FINANCIAL INSTRUMENTS

Type of contract	Settlement	Underlying	National amount	2007	
				Fair value (Assets)	(Liabilities)
Letter of right	August 2007	Equity indices	-	17,418	-

* Derivative financial instruments outstanding as at 30 June 2006 amounted to Rs.15.314 million (asset).

9. DEPOSITS AND OTHER RECEIVABLES

	2007	2006
	(Rupees in '000)	
Security deposits with CDC	138	138
Profit receivable on deposit accounts with banks	7,295	213
Profit receivable on term finance certificates	-	3
	7,433	354

10. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - INVESTMENT ADVISOR OF THE FUND

Under the provisions of the NBFC Rules, the Investment Advisor is entitled to a remuneration of an amount not exceeding three percent of the average annual net assets of the Fund during the first five years of the Fund's existence and thereafter an amount equal to two percent of such assets of the Fund. The remuneration of the Investment Advisor has been charged at the rate of 2% per annum of the average net assets of the Fund for the year ended 30 June 2007.

11. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - CUSTODIAN OF THE FUND

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

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

This represents proportionate annual fee at the rate of one tenth of one percent of the average annual net assets of the Fund, payable to SECP under Rule 54 of the NBFC Rules.

13. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2007 (Rupees in '000)	2006
Auditors' remuneration		250	200
Legal and professional fee		-	328
Charity expense	13.1	1,644	-
Others		81	-
		<u>1,975</u>	<u>528</u>

- 13.1 According to the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of such investees has been made in non-shariah compliant avenues, such proportion of income of the Fund from that investee should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs. 1.644 million has been recognised as charity payable. No charity has been paid to any charitable institution during the year.

14. AUDITORS' REMUNERATION

	Note	2007 (Rupees in '000)	2006
Audit fee		350	200
Other services		95	161
Out of pocket expenses		71	50
		<u>516</u>	<u>411</u>

15. BASIC EARNINGS PER SHARE *

Net income for the year		<u>546,757</u>	<u>440,203</u>
		(In numbers)	
Paid-up share capital		<u>119,599,988</u>	<u>119,599,988</u>
		(Rupees)	
Basic earnings per share		<u>4.57</u>	<u>3.68</u>

* There is no effect of dilution during the year.

16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include Al Meezan Investment Management Limited being the Investment Advisor, Central Depository Company of Pakistan Limited being the Custodian, Meezan Bank Limited being the holding company of the Investment Advisor, Pakistan Kuwait Investment Company (Private) Limited and Meezan Islamic Fund, Meezan Islamic Income Fund, Meezan Tahaffuz Pension Fund and Meezan Balanced Fund being the Funds under the common management of the Investment Advisor.

Transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with the NBFC Rules, Companies Ordinance, 1984.

Remuneration payable to the Investment Advisor and the Custodian is determined in accordance with the provisions of the NBFC Rules and the Custodial Services Agreement respectively.

Transactions And Balances With Connected Persons Unsecured

	2007	2006
Al Meezan Investment Management Limited		
- Investment Advisor of the Fund	(Rupees in '000)	
Balance at the beginning of the year	39,928	26,382
Remuneration for the year	38,340	39,928
	78,268	66,310
Amount paid during the year	(39,928)	(26,382)
Balance at the end of the year	38,340	39,928
Investment in 19,787,559 shares (2006: 19,787,559 shares)	300,771	294,835
Dividend for the year ended 30 June 2006 (comparative 30 June 2005)	58,671	14,841
Meezan Islamic Fund		
Investment in 17,018,000 shares (2006: 17,018,000 shares)	258,674	253,568
Meezan Bank Limited		
Bank balance at the end of the year	2,735	13,003
Profit on deposit accounts with the bank	3,993	5,942
Investment in 4,836,180 shares (2006 : 4,162,680 shares)	73,510	62,024
Investment of 1,261,700 shares (2006 : 77,000 shares)	40,374	1,998
Dividend for the year ended 30 June 2006 (comparative 30 June 2005)	12,342	2,371
Shariah advisory fee for the year	250	-
Sitara Chemical Industries Limited		
Investment of 177,100 shares (2006 : 177,100 shares)	28,203	20,455
Pakistan Kuwait Investment Company (Private) Limited		
Investment in 18,627,122 shares (2006 : 18,627,122 shares)	283,132	277,544
Dividend for the year ended 30 June 2006 (comparative 30 June 2005)	55,229	13,970
Central Depository Company of Pakistan Limited		
Balance at the beginning of the year	85	-
Remuneration for the year	1,308	2,070
	1,393	2,070
Amount paid during the year	(1,280)	(1,985)
Balance at the end of the year	113	85
Directors and officers		
303,862 shares held (2006 : 303,862 shares)	4,619	4,330
Dividend for the year ended 30 June 2006 (comparative 30 June 2005)	890	3

17. MARKET RATE OF RETURN (MROR) SENSITIVITY POSITION

17.1 The Fund's MROR sensitivity related to financial assets and financial liabilities as at 30 June 2007 can be determined from the following:

		2007 Exposed to MROR risk									
Effective rate of profit / return	Total	Upto one months	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years	Not exposed to MROR risk
(%)	(Rupees in 000)										
Financial assets											
Bank balances	3 to 9.5	590,523	589,373	-	-	-	-	-	-	-	1,150
Receivable against sale of investments		42,978	-	-	-	-	-	-	-	-	42,978
Investment in marketable securities - 'available-for-sale'		55,179	-	-	-	-	-	-	-	-	55,179
Investment in marketable securities - 'at fair value through profit or loss'		1,551,853	-	-	-	-	-	-	-	-	1,551,853
Dividend receivable		5,999	-	-	-	-	-	-	-	-	5,999
Derivative financial instruments		17,418	-	-	-	-	-	-	-	-	17,418
Deposits and other receivables		7,433	-	-	-	-	-	-	-	-	7,433
Advance income tax		5,124	-	-	-	-	-	-	-	-	5,124
Total financial assets		2,276,507	589,373	-	-	-	-	-	-	-	1,687,134
Financial liabilities											
Payable to Al Meezan Investment Management Limited- Investment Advisor of the Fund		38,340	-	-	-	-	-	-	-	-	38,340
Payable to Central Depository Company of Pakistan Limited- Custodian of the Fund		113	-	-	-	-	-	-	-	-	113
Payable to Meezan Bank Limited- Shariah Advisor		250	-	-	-	-	-	-	-	-	250
Payable to Securities and Exchange Commission of Pakistan		1,741	-	-	-	-	-	-	-	-	1,741
Payable against purchase of investments		14,377	-	-	-	-	-	-	-	-	14,377
Accrued expenses and other liabilities		1,975	-	-	-	-	-	-	-	-	1,975
Unclaimed dividend		1,119	-	-	-	-	-	-	-	-	1,119
Total financial liabilities		57,915	-	-	-	-	-	-	-	-	57,915
Total MROR sensitivity gap		2,218,592	589,373	589,373	589,373	589,373	589,373	589,373	589,373	589,373	1,629,219
Cumulative MROR		589,373	589,373	589,373	589,373	589,373	589,373	589,373	589,373	589,373	2,218,592

		2006 Exposed to MROR risk									
Effective rate of profit / return	Total	Upto one months	Over one month to three months	Over three months to six months	Over six months to one year	Over one year to two years	Over two years to three years	Over three years to five years	Over five years to ten years	Over ten years	Not exposed to MROR risk
(%)	(Rupees in 000)										
Financial assets											
Bank balances	2.5% to 8.15%	29,382	28,600	-	-	-	-	-	-	-	782
Receivable against sale of investments		250,112	-	-	-	-	-	-	-	-	250,112
Investment in marketable securities - 'available for sale'		53,514	-	-	-	-	-	-	-	-	53,514
Investment in marketable securities - 'at fair value through profit or loss'	8.0 to 12 *	1,698,267	-	-	-	4,285	-	-	-	-	1,693,982
Dividend receivable		20,216	-	-	-	-	-	-	-	-	20,216
Derivative financial instruments		15,314	-	-	-	-	-	-	-	-	15,314
Deposits and other receivables		354	-	-	-	-	-	-	-	-	354
Advance income tax		5,124	-	-	-	-	-	-	-	-	5,124
Total financial assets		2,072,283	28,600	-	-	4,285	-	-	-	-	2,039,398
Financial liabilities											
Payable to Al-Meezan Investment Management Limited- Investment Advisor of the Fund		39,928	-	-	-	-	-	-	-	-	39,928
Payable to Central Depository Company of Pakistan Limited- Custodian of the Fund		85	-	-	-	-	-	-	-	-	85
Payable to Securities and Exchange Commission of Pakistan		1,997	-	-	-	-	-	-	-	-	1,997
Accrued expenses and other liabilities		528	-	-	-	-	-	-	-	-	528
Unclaimed dividend		775	-	-	-	-	-	-	-	-	775
Total financial liabilities		43,313	-	-	-	-	-	-	-	-	43,313
Total MROR sensitivity gap		2,028,970	28,600	28,600	32,885	32,885	32,885	32,885	32,885	32,885	1,996,085
Cumulative MROR		28,600	28,600	28,600	32,885	32,885	32,885	32,885	32,885	2,028,970	1,996,085

* This represents the effective rate of return on TFCs of Al Zamin Leasing Modarba-II and Sitara Chemical Industries Limited.

18. RISK MANAGEMENT

The Fund is primarily an equity fund which invests both in high quality equity securities and in Islamic income instruments. Investment in equity securities carries a risk that is considered higher than that of investment in debt securities. The risk emanates from various factors that include, but are not limited to market, credit, liquidity and market rate of return.

18.1 Market risk

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

The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The primary objective of the Fund is to provide the maximum return to the shareholders by maintaining a balance between equity securities and Shariah Compliant income instruments. The Fund, in addition to equities, deferred sale transactions and riba-free bank deposits, is also permitted to place funds in Islamic TFC's, Islamic Sukuk certificates, other Islamic investments and other asset backed securities allowed by SECP and confirmed by the Fund's Shariah Advisor. Fund is allocated among various asset classes based on the attractiveness of the particular asset class.

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

18.2 Credit risk and concentration of credit risk

Credit risk is the risk that a counterparty of financial instruments will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund's Investment Manager has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

At 30 June 2007, the financial assets that are exposed to credit risk are investments in debt instruments, amounts receivable from brokers against sale of investments, derivative financial assets and other receivables. The total carrying amount of financial assets exposed to credit risk amounted to Rs. 78.814 million (2006: Rs. 290.982 million).

Credit risk arising on debt instruments is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of at least "A". The Fund receives a monthly rating update, against which investments are reviewed. Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and others.

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.

18.3 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Fund manages the 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.

18.4 Market rate of return (MROR) risk

MROR risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Fund exposed to an insignificant MROR risk as it makes investments in equity securities.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

As the assets and liabilities are essentially short term in nature the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

20. PERFORMANCE TABLE

	2007	2006	2005	2004	2003
Net assets (Rupees in '000)	2,218,592	2,028,970	1,670,878	1,204,812	465,777
Net income (Rupees in '000)	546,757	440,203	430,493	261,204	194,982
Net assets value (NAV) per certificate (Rs.)	18.55	16.96	13.97	14.55	18.63
Basic earnings per certificate (Rs.)	4.57	3.68	4.33	2.80	4.21
Dividend distribution (%)	-	30.0%	17.5%	10.0%	20.0%

21. NON ADJUSTING EVENTS

The Board of Directors in its meeting held on 1 August 2007 has recommended a cash dividend of 25% (2006: 30%) amounting to Rs. 299 million (2006: Rs. 358.8 million) and the issuance of bonus shares @ 15% i.e. 15 shares for every 100 shares held. The financial statements for the period ended 30 June 2007 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending 30 June 2008.

22. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements have been authorised for issue on 1 August 2007 by the board of directors of the Fund.

23. GENERAL

23.1 Comparative figures have been rearranged and reclassified for the purpose of comparison and better presentation. The significant reclassifications are as follows:

Particulars	From	To	Amount (Rupees. in '000)
Investments - available-for-sale	Short-term investments	Investment in marketable securities - available-for-sale	53,514
Investments - held for trading	Short-term investments	Investment in marketable securities - at fair value through profit or loss	1,693,982
Investments - Term Finance Certificates	Short-term investments	Investment in marketable securities - at fair value through profit or loss	4,285
Accounts receivable against sale of investments	Accounts receivable	Receivable against sale of investments	250,112
Dividend receivable	Dividends, prepayments and other receivables	Dividend receivable	20,216
Profit on PLS saving accounts	Dividends, prepayments and other receivables	Deposits and other receivables	213
Profit on term finance certificates	Dividend, prepayments and other receivables	Deposits and other receivables	3
Remuneration of the Investment Advisor	Remuneration payable to the Investment Advisor	Payable to Al Meezan Investment Management Limited - Investment Advisor of the Fund	39,928
Custodian charges	Trade and other payables	Payable to the Central Depository Company of Pakistan Limited - Custodian of the Fund	85
Annual fee payable to SECP	Trade and other payables	Payable to the Securities and Exchange Commission of Pakistan	1,997

Particulars	From	To	Amount (Rupees. in '000)
Accrued expenses	Trade and other payables	Accrued expenses and other liabilities	528
Unclaimed dividend	Dividend payable	Unclaimed dividend	1,119
Unrealised gain / (loss) on investments at fair value through profit or loss	Unrealised (loss) / gain on held for trading investments for the year - net	Unrealised gain / (loss) on investments at fair value through profit or loss	(85,881)

In addition to above, some changes were made to the narrations of expenses and income disclosed in the Income Statement.

23.2 Figures have been rounded off to the nearest thousand rupees.

Mohammad Shoaib, CFA
Chief Executive

Farhan Malik
Director

PATTERN OF SHAREHOLDING AS ON 30 JUNE 2007

No. of Shareholders	Having Shares		Share held	Percentage
	From	To		
205	1	100	12,527	0.0104
384	101	500	118,674	0.0992
225	501	1000	199,519	0.1668
606	1001	5000	1,644,836	1.3752
289	5001	10000	2,241,231	1.8739
116	10001	15000	1,446,936	1.2098
60	15001	20000	1,070,600	0.8951
40	20001	25000	914,908	0.7649
27	25001	30000	745,305	0.6231
27	30001	35000	881,721	0.7372
17	35001	40000	658,105	0.5502
8	40001	45000	330,100	0.2760
15	45001	50000	734,840	0.6144
9	50001	55000	470,797	0.3936
10	55001	60000	583,817	0.4881
7	60001	65000	433,232	0.3622
6	65001	70000	407,990	0.3411
6	70001	75000	434,518	0.3633
3	75001	80000	228,964	0.1914
2	80001	85000	165,993	0.1387
4	90001	95000	367,685	0.3074
8	95001	100000	787,113	0.6581
2	100001	105000	205,362	0.1717
4	105001	110000	432,480	0.3616
3	110001	115000	335,850	0.2808
1	115001	120000	117,645	0.0983
1	120001	125000	125,000	0.1045
2	125001	130000	257,760	0.2155
1	135001	140000	139,222	0.1164
1	150001	155000	151,755	0.1268
1	155001	160000	155,060	0.1296
1	160001	165000	161,920	0.1353
3	185001	190000	565,695	0.4729
2	195001	200000	396,075	0.3311
1	200001	205000	203,000	0.1697
1	205001	210000	207,839	0.1737
1	215001	220000	216,590	0.1810
1	265001	270000	265,100	0.2216
1	275001	280000	276,000	0.2307
2	295001	300000	600,000	0.5016
1	310001	315000	313,350	0.2619
1	390001	395000	390,400	0.3264
1	395001	400000	395,600	0.3307
1	445001	450000	449,794	0.3760
2	495001	500000	1,000,000	0.8361
2	525001	530000	1,056,000	0.8829
1	545001	550000	550,000	0.4598
1	570001	575000	570,400	0.4769
1	710001	715000	711,466	0.5948
1	750001	755000	750,739	0.6277
1	755001	760000	757,500	0.6333
1	825001	830000	828,180	0.6924
1	995001	1000000	1,000,000	0.8361
1	1325001	1330000	1,330,000	1.1120
1	1525001	1530000	1,525,500	1.2755
1	2490001	2495000	2,492,509	2.0840
1	2565001	2570000	2,567,491	2.1467
1	3610001	3615000	3,612,440	3.0204
1	3780001	3785000	3,780,279	3.1607
1	3990001	3995000	3,994,715	3.3400
1	4120001	4125000	4,120,500	3.4452
1	4835001	4840000	4,836,180	4.0436
1	5495001	5500000	5,500,000	4.5986
1	7440001	7445000	7,442,500	6.2228
1	14285001	14290000	14,287,559	11.9461
1	17015001	17020000	17,018,000	14.2290
1	18625001	18630000	18,627,122	15.5745
2132			119,599,988	100

CATEGORIES OF SHARE HOLDERS

AS AT 30 JUNE 2007

Particulars	Certificateholders	Certificateholdings	Percentage
Individuals	2,039	28,733,558	24.02
Insurance companies	1	3,780,279	3.16
Joint stock companies	2	19,787,559	16.54
Financial institutions	8	51,249,517	42.85
Modarabas	-	-	-
Others	54	10,810,603	9
Leasing companies	-	-	-
Non residents	28	5,238,472	4.38
Total	2,132	119,599,988	100

DETAILS OF PATTERN OF SHARE HOLDINGS AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE

Particulars	No. of Certificates held
Individuals	28,731,472
Non-resident	5,238,472
Associated companies	
- Al Meezan Investment Management Limited	19,787,559
- Meezan Bank Limited	4,836,180
- Pakistan Kuwait Investment Company (Private) Limited	18,627,122
- Meezan Islamic Fund	17,018,000
National Investment Trust	-
Investment Corporation of Pakistan	-
Chief Executive & his spouse	
- Mr. Mohammad Shoaib, CFA	302,851
- Ms. Shabana Shoaib	2,086
Directors and their spouses	
- Mr. Irfan Siddiqui	1,011
Executives	-
Public sector companies and corporations	10,506,741
Banks	9,242,715
Development financial institutions	-
Non-banking finance companies	-
Non-banking finance institutions	-
Insurance companies	3,780,279
Modarabas	-
Mutual funds	1,525,500
Shareholders holding ten percent or more other than associated companies and directors	-
Total	119,599,988

**STATEMENT OF INCOME & EXPENDITURE OF INVESTMENT
ADVISOR IN RELATION TO THE FUND
FOR THE YEAR 30 JUNE 2007**

	2007	2006
	(Rupees in '000)	
INCOME		
Remuneration receivable from Al Meezan Mutual Fund Limited	38,340	39,928
Dividend income	58,671	14,841
	97,011	54,769
OPERATING EXPENSES		
Salaries and other benefits	10,174	8,420
Motor vehicle running expenses	267	280
Fees and subscription	212	149
Insurance expense	91	107
Printing and stationery	380	459
Audit fee	37	52
Financial charges	27	64
Telephone, fax, postage & stamps	451	424
Depreciation	1,070	1,336
Amortisation	61	80
Travelling and conveyance	190	169
Entertainment	51	73
Legal and professional charges	364	425
Repairs and maintenance	48	67
Office supplies	62	175
CDC charges	17	12
Rent, rates and taxes	990	1,313
Utilities	251	220
Miscellaneous expenses	29	64
	14,772	13,889
PROFIT FOR THE PERIOD	82,239	40,880

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

FORM OF PROXY TWELFTH ANNUAL GENERAL MEETING

I/We _____ of _____

_____ being a member(s) of Al Meezan Mutual Fund Limited and holders of _____

Ordinary Shares as per Share Register Folio No. _____

(For beneficial owners as per CDC List)

CDC Participant I.D. No. _____ Sub-Account No. _____

CNIC NO. or Passport No. _____

hereby appoint _____ of _____

or failing him / her _____ of _____

as my / our proxy to vote and act for me / our behalf at the Twelfth Annual General Meeting of the Company to be held on 10 September 2007 or at any adjournment thereof.

Signed on Rs. 5/- Revenue Stamp

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

Signature of Shareholder _____

Dated this _____ day of _____ 2007

Signature of Proxy _____

For beneficial owners as per CDC list

1. WITNESS

Signature: _____

Name: _____

Address: _____

CNIC No.

or Passport No. _____

2. WITNESS

Signature: _____

Name: _____

Address: _____

CNIC No.

or Passport No. _____

Note:

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