



MEEZAN
CAPITAL PROTECTED FUND-II



Quarterly Report September 30, 2011

Al Meezan Investment Management Limited
A subsidiary of Meezan Bank

02	Vision & Mission Statement
03	Fund Information
04	Report of the Directors of the Management Company
08	Condensed Interim Statement of Assets and Liabilities
09	Condensed Interim Income Statement
10	Condensed Interim Distribution Statement
11	Condensed Interim Statement of Movement in Unitholders' Fund
12	Condensed Interim Cash Flow Statement
13	Notes to the Condensed Interim Financial Statements

Our Vision

To set standards of best practices and performance for the industry through efficient asset allocation & security selection on a SHARIAH COMPLIANT basis.

Our Mission

To provide investors, in a shariah compliant manner, capital protection at maturity of the Fund and maximize returns through investments in Pakistani equity markets.

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. Rana Ahmed Humayun	Director
Mr. P. Ahmed	Director
Mr. Salman Sarwar Butt	Director
Mr. Rizwan Ata	Director
Mr. Mazhar Sharif	Director
Mr. Mohammad Shoaib, CFA	Chief Executive

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

Mr. Ariful Islam	Chairman
Mr. P. Ahmed	Member
Mr. Mazhar Sharif	Member

TRUSTEE

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

AUDITORS

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

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

Meezan Bank Limited
Babib Metropoliton Bank Limited - Islamic Banking
Dubai Islamic Bank Pakistan 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

Meezan Bank Limited
SITE Branch
Plot # B/9-C, Estate Avenue, SITE, Karachi.
Phone: 32062891
Fax: 32552771
Web site: www.meezanbank.com

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of Al Meezan Investment Management Limited, the management company of Meezan Capital Protected Fund - II (MCPF-II) is pleased to present the un-audited financial statements of the fund for the three months ended September 30, 2011.

Economic Review

Since the start of fiscal year, the macroeconomic scenario of Pakistan has witnessed mixed trends. On one hand, the torrential rains and floods in Sindh along with withered Pakistan-US ties created an element of uncertainty that gripped the economy during the first quarter. While, on the other hand, the seemingly positive inflation figures and restricted government borrowing from central bank had supported the start of monetary easing cycle, where State Bank reduced the policy rate by 50bps, effective 1st August 2011.

The devastating rains which hit the province of Sindh in the early months of 1QFY12 have caused damage to 1.5mn homes rendering 8.9 mn people shelter less with losses of Rs 270bn. This has raised concerns about achieving the estimated FY12 GDP target of 4.2%. The average inflation figure for Jul-Sept 2011 was recorded on a lower side, at 11.47%, primarily on account of the change in CPI methodology. This can, however, pave way for further ease in monetary policy by State Bank.

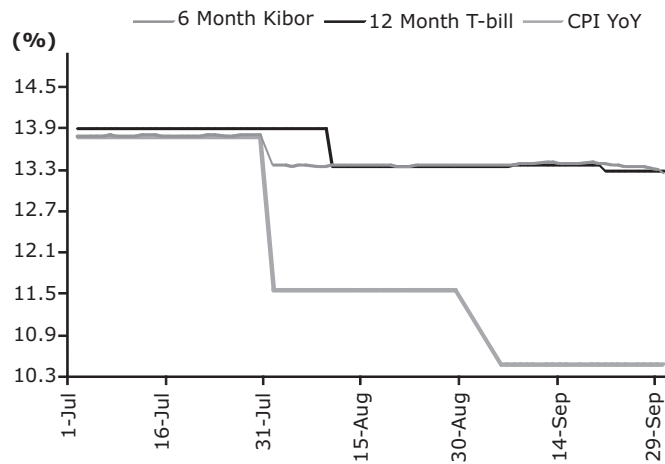
On the external front, despite the widened trade deficit, current account in 2MFY12 remained resilient recording a deficit of USD189mn vs. USD1,016mn deficit in the same period last year. One contributing factor remained the healthy inflow of remittances in the first three months which amounted to USD 3.4bn. However the impact of deferred import payments coupled with faltering relations with US and end of IMF program became visible in the form of sharp currency move as rupee lost 1.7% during 1QFY12 to Rs 87.45 per USD, touching an all time low level of Rs 87.60. On the domestic front, tax collection during the quarter stood at Rs 374bn, higher than the initial target, but that too could not give respite to the fiscal slippages resulting in excessive government borrowing from commercial banks cumulating to Rs 247bn during the quarter.

The IMF Standby Arrangement program expired on September 30, 2011 where the government decided not to seek an extension or a new loan due to comfortable balance of payments position. The economic managers of the country also had discussions with the IMF delegation where they assured that the country will continue to follow the path of economic reforms.

Money Market Review

In the first quarter of fiscal year 2011, money market remained highly volatile and to normalize the liquidity situation, State Bank of Pakistan (SBP) regularly conducted open market operations. However, a potentially achievable FY12 inflation target of 12% and restricted government borrowing from central bank have supported the start of monetary easing cycle, where central bank reduced the policy rate by 50bps, effective 1st August 2011, after a gap of eight months.

As a result, KIBOR rates also decreased, with six month rate decreasing by 53 bps to close at 13.25%. During the quarter, SBP conducted six T-Bill auctions mopping up Rs 852bn against a target of Rs 750bn with a maturity of Rs 595bn. The cut off rate of six month T-Bill decreased by 53 bps to close at 13.23%. Private sector credit growth remains muted, with banking ADR under 65%. The following graph shows the trend of interest rates and inflation during the quarter under review:



Subsequently, in the latest monetary policy announced by the State Bank on October 8, 2011, the discount rate was cut by 150 bps to 12%. Accordingly, the six month KIBOR and six month T-Bill yield were adjusted by 87 and 72 basis points respectively.

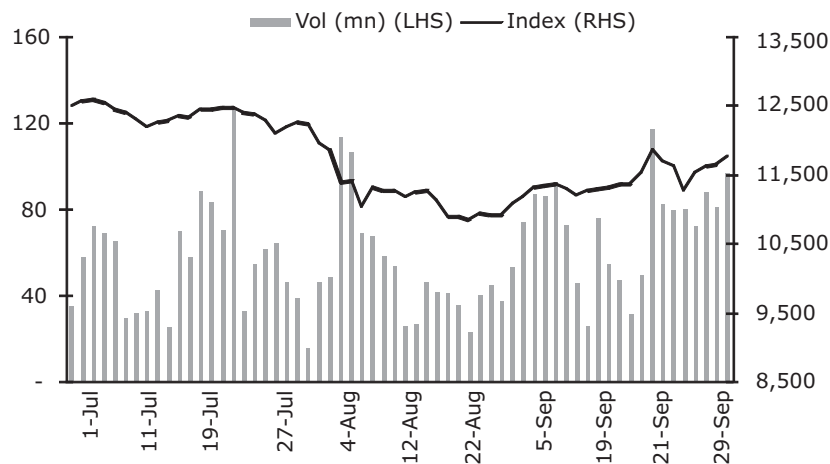
Equity Market Review

KSE -100 index posted a negative return of 5.9% during 1QFY12 and closed at a level of 11,762, marking the highest quarterly decline since December 2008. The index followed a range bound trajectory moving within a band of 12,576 and 10,842. However, during the same period, the bench mark index, Karachi Meezan Index (KMI-30) increased by 1.8% to close at the level of 21,313.

With the start of fiscal year, uncertainty regarding US economic slowdown and debt situation of some Euro zone countries resulted in massive selling in global equity markets, and had it repercussions in the local market as well. This coupled with the strained US-Pak relations and deteriorating political scenario in Karachi dampened the investors' sentiments. To improve the situation, the government launched a targeted operation in troubled areas of the city which helped in restoring the law and order situation.

Foreigners who own more than one-third of market free float remained net sellers of USD46mn worth of shares during 1QFY12. This proved to be the highest quarterly selling by foreigners in last nine quarters. Volumes also declined 30% QoQ as average daily volumes were recorded at 59 million shares during 1QFY12 as compared to 74 million shares in 4QFY11.

In addition to currency volatility, the news on the macro front also remained mixed during the quarter. The gradual build up in expectations of monetary easing towards the end of the quarter and improved FY 11 financial results, however, helped in countering the market pressures of international and domestic politics and index closed at the level of 11,762, up 920 points from the lowest level 10,842, it touched in August, 2011.



Performance Review

Meezan Capital Protected Fund (MCPF-II) was launched on July 5, 2011. During the first three months of fiscal year 2012, Meezan Capital Protected Fund - II (MCPF-II) provided a return of 3.18% to its investors.

The Fund earned a total income of Rs. 14 million for the period commencing from July 5, 2011 to September 30, 2011. The earnings were primarily driven by profit from investments in GoP Ijarah Sukuks amounting to Rs. 6 million and profit on bank deposits of Rs. 4 million. Cumulative gains on investments, both realised and unrealised amounted to Rs. 3 million. After deducting expenses worth Rs. 2.2 million, the fund recorded a net profit of around Rs. 13 million.

The net assets of the fund as at the end of the period under review were Rs. 408 million and the net asset value (NAV) was Rs. 51.59 per unit.

Outlook

Going forward, the key challenge for the government under the current political environment would be to implement the reforms and fiscal discipline. In line with the government's commitment to keep SBP borrowing within limits, and as inflation has tapered off from its peak, we are of the view that that this decline in inflation will ease the pressure on interest rates and improve liquidity position. Hence, we expect the interest rates to ease off further in future.

Despite the implementation of capital gain tax which has negatively impacted the volumes, we believe the recent corporate results have shown decent growth, which will act as a trigger for investors to further increase their participation in stock market. On the basis of earnings multiples and dividend yields, Pakistan remains one of the cheapest markets, trading at a P/E multiple of 6.5x, which is almost at a 38% discount to regional markets. This makes KSE an attractive option for both the domestic and international investors.

Acknowledgement

We take this opportunity to thank our valued investors for reposing faith in Al Meezan Investments making it the largest asset management company in the private sector in Pakistan. We also thank the regulator, Securities and Exchange Commission of Pakistan, Trustee, Central Depository Company of Pakistan 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: October 24, 2011
Karachi.

Mohammad Shoaib, CFA
Chief Executive

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT SEPTEMBER 30, 2011 (UNAUDITED)

		September 30, 2011
Assets	Note	--- (Rupees in '000) ---
Capital protection segment		
Investments - 'available for sale'	5	282,415
Profit receivable from GOP Ijara Sukuk		14,260
		<u>296,675</u>
Investment segment		
Balances in savings accounts with banks		70,145
Investments 'at fair value through profit or loss'	5	41,204
Profit receivable on savings accounts		3,476
		<u>114,825</u>
Dividend receivable		1,632
Preliminary expenses and floatation costs		2,078
Advances and Deposits		145
Total assets		<u>415,355</u>
Liabilities		
Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund	6	6,827
Payable to Central Depository Company Of Pakistan Limited (CDC) - trustee of the Fund		58
Payable to Securities and Exchange Commission of Pakistan (SECP)		64
Payable against purchase of investments		21
Accrued expenses and other liabilities		778
Total liabilities		<u>7,748</u>
Net assets		<u>407,607</u>
Contingency	7	
Unitholders' funds (as per statement attached)		<u>407,607</u>
		Number of units
Number of units in issue		<u>7,900,199</u>
		Rupees
Net assets value per unit		<u>51.59</u>

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE PERIOD JULY 05, 2011 TO SEPTEMBER 30, 2011

September 30,
2011

--- (Rupees in '000) ---

Income

Net realised gain on sale of investments	1,466
Dividend income	1,773
Profit on savings accounts with banks	4,164
Profit Income - GOP Ijara Sukuk	5,703
	<u>13,106</u>
Unrealised gain on re-measurement of investments at fair value through profit or loss	1,059
Total income	<u>14,165</u>

Expenses

Remuneration to Al Meezan - management company of the Fund	1,268
Remuneration to CDC - trustee of the Fund	169
Annual fee to SECP	64
Auditors' remuneration	74
Fees and subscription	15
Amortisation of preliminary expenses and floatation costs	174
Amortization of Premium -GOP Ijara Sukuks	170
Sales tax on management fee	203
Brokerage	236
Bank and settlement charges	52
Printing charges	36
Total expenses	<u>2,461</u>
Net income from operating activities	<u>11,704</u>
Element of gain and capital gains included in prices of units issued less those in units redeemed	893
Net Income	<u><u>12,597</u></u>

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE PERIOD JULY 05, 2011 TO SEPTEMBER 30, 2011

September 30,
2011

--- (Rupees in '000) ---

Undistributed income brought forward	-
Net income for the period	12,597
Undistributed income carried forward	<u>12,597</u>

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT
IN UNITHOLDERS' FUND (UNAUDITED)
FOR THE PERIOD JULY 05, 2011 TO SEPTEMBER 30, 2011**

	September 30, 2011
	--- (Rupees in '000) ---
Net assets at the beginning of the period	-
Issue of 7,900,199 units	395,903
Net income at the end of the period	12,597
Element of income and capital gains included in prices of units issued less those in units redeemed	(893)
Net assets at the end of the period	<u><u>407,607</u></u>
Net asset value per unit at the end of the period - Rupees	<u><u>51.59</u></u>

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011

September 30,
2011

--- (Rupees in '000) ---

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income for the period	12,597
Adjustments for:	
Dividend income	(1,773)
Profit on savings accounts with banks	(4,164)
Profit Income - GOP Ijara Sukuk	(5,703)
Unrealised gain on re-measurement of investments at fair value through profit or loss	(1,059)
Amortisation of preliminary expenses and floatation costs	174
Amortisation of GOP Premium	170
Element of loss and capital losses included in prices of units issued less those in units redeemed	(893)
	(651)
(Increase)/Decrease in assets	
Investments	(322,730)
Advances and Deposits	(145)
Preliminary expenses and floatation costs	(2,252)
	(325,127)
(Decrease)/Increase in liabilities	
Payable to Al Meezan- management company of the Fund	6,827
Payable to CDC- trustee of the Fund	58
Payable to SECP	64
Payable against purchase of investments	21
Accrued expenses and other liabilities	778
	7,748
Profit received on savings accounts with banks	688
Profit paid on purchase of GoP Ijara Sukuk	(8,557)
Dividend received	141
Net cash inflow / (outflow) from operating activities	(325,758)

CASH FLOWS FROM FINANCING ACTIVITIES

Receipts from sale of units	395,903
Net cash inflow during the period	70,145
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	70,145

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE PERIOD JULY 05, 2011 TO SEPTEMBER 30, 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Capital Protected Fund-II (the Fund) was established under a trust deed executed between Al Meezan as the management company and CDC as the trustee. The trust deed was executed on May 12, 2011 and was approved by the SECP under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations, 2008). The registered office of the management company of the Fund, is situated at Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan.
- 1.2 The Fund consists of two segments, a capital protection segment and an investment segment. The capital protection segment aims at protecting investors' capital by placing the assets of the segment in Shariah Compliant GOP Ijarah Sukuk. Alternatively, the assets of the Fund may be placed with a Scheduled Islamic Bank or Islamic windows having at least minimum rating A- (A minus) at the time of placement as directed by the Commission. The remaining assets of the Fund will be allocated to the Investment Segment and may be invested in assets with minimum investment grade wherever applicable that have the potential to give a high return to investors.
- 1.3 The Fund is an open-end fund with maturity of three years and six weeks and is listed on the Islamabad Stock Exchange. The Fund has ceased to operate on maturity. The units are transferable and can be redeemed by surrendering them to the Fund. The issuance of units has been discontinued since August 15, 2011. The management company of the Fund has been given quality rating of AM2 by JCR - VIS.
- 1.4 Title to the assets of the Fund are held in the name of CDC as a trustee of the Fund.

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 aforementioned 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 2003, 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.

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

- (a) Classification and valuation of financial instruments (notes 4.3, 4.7 and 5)
- (b) Impairment (note 4.3.5)
- (c) Recognition of provision for current taxation (current and prior year) and deferred taxation (note 4.10)
- (d) Amortisation of preliminary expenses and flotation costs (notes 4.8)

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

4.3 Financial instruments

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

- a) Investments 'at fair value through profit or loss'
 - Financial instruments categorised as 'held for trading'

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

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

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

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as fair value through profit or loss or available for sale.

c) Available for sale

These are non-derivatives financial assets that are either designated in this category or are not classified in any of the other categories mentioned in (a) to (c) above.

4.3.2 Recognition

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

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

4.3.3 Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial asset or 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 asset or financial liability at 'fair value through profit or loss' are charged to the income statement immediately.

Subsequent to initial recognition, instruments classified as 'financial assets at fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising from changes in the fair value of the financial assets at 'fair value through profit or loss' are recognised in the income statement. The changes in the fair value of instruments classified as 'available for sale' are recognised in other comprehensive income until derecognised or impaired when the accumulated fair value adjustments recognised in other comprehensive income are transferred to the income statement.

Financial assets classified as 'loans and receivables' and 'held-to-maturity' are carried at 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 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 reporting 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 investments 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 previously decreases, such a decrease 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 expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

The Fund uses 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 Unitholders' fund

Unitholders' fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

4.5 Issue and redemption of units

Units issued are recorded at the offer price, determined by the management company for the applications received by the distributors during business hours of the day when the application is received. The offer price represents the net assets value of the units as of the close of that business day plus the allowable sales load, provision of duties and charges and provision for transaction costs, if applicable.

Units redeemed are recorded at the redemption price prevalent on the date on which the distributors receive redemption application during business hours on that date. The redeemed price represents the net assets value per unit less back end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

4.6 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed.

An equalisation account called 'element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed' is set up in order to prevent the dilution of income per unit and distribution of income already paid out on redemption.

The net element of accrued income / (loss) and realised capital gains / (losses) relating to units issued and redeemed during an accounting period is recognized in the income statement except to the extent represented by unrealized appreciation / (diminution) arising on available for sale securities which is included in distribution statement.

4.7 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.

4.8 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 three years and six weeks commencing from July 5, 2011 in accordance with the requirements of the trust deed of the Fund.

4.9 Net assets value per unit

The net assets value (NAV) per unit is calculated by dividing the net assets of the Fund by the number of units in issue at period end.

4.10 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 amongst the unit holders. Accordingly, the Fund has not recorded a tax liability in respect of income relating to the current period 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 of the Second Schedule to 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 period as reduced by capital gains, whether realised or unrealised to its unit holders every year.

4.11 Revenue recognition

- (i) Gains / (losses) arising on sale of investments are included in income currently and are recognised on the date at which 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) Profit on savings accounts with banks and debt securities is recorded on an accrual basis.
- (v) Dividend income is recognised when the Fund's right to receive the dividend is established.

4.12 Expenses

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

4.13 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.

4.14 Zakat

Units held by resident Pakistani unitholders are subject to Zakat at 2.5% of the face value or redemption value, whichever is lower, of units, under the Zakat and Ushr Ordinance, 1980 (XVII of 1980), except those exempted. Zakat is deducted at source from the dividend amount or from the redemption payment, if units are redeemed during the zakat year before payment of dividend after it becomes leviable.

4.15 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of assets and liabilities at cost. Cash comprises current and savings accounts with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

4.16 Dividend and bonus units

Dividends declared (including distribution in the form of bonus units) subsequent to the reporting date are considered as a non-adjusting event and are recognised in the period in which they are authorised or approved.

September 30,
2011

5. INVESTMENTS

Note --- (Rupees in '000) ---

Investments - 'available for sale'	5.1	282,415
Investments' at fair value through profit or loss	5.2	41,204
		<u>323,619</u>

INVESTMENTS - 'AVAILABLE-FOR-SALE'

5.1. Investment - 'available-for-sale'

Name of the issuer	Maturity date	Profit rate	As at July 05, 2011	Purchase during the period	Sales during the period	Sale / redemptions during the period	As at September 30, 2011	Carrying value as at September 30, 2011	Market value as at September 30, 2011 value	Unrealised loss	Percentage of total market value of investments
				Number of shares		Rupees in '000					

GoP Ijarah Sukuks Certificates - VIII May 15, 2014 13.45% - 2,800 - - 2,800 282,415 282,415 -

Total

282,415 282,415 -

5.1.1 The nominal value of the sukuk certificates is Rs 100,000 each.

5.2 Investments' at fair value through profit or loss'

5.2.1 Held for trading

Name of the investee company	As at July 05, 2011	Purchases during the period	Bonus / rights issue	Sales during the period	As at September 30, 2011	Carrying value as at September 30, 2011	Market value as at September 30, 2011	Unrealised gain (loss) as at September 30, 2011	Percentage in relation to		
									Net assets of the Fund on the basis of market value	Paid-up capital of investee company (with face value of investment)	Total market value of investments
				Number of shares		Rupees in '000					
Construction and Materials											
Lucky Cement Limited	-	238,848	-	125,000	113,848	8,354	8,598	244	2.11	0.04	0.01
Fixed Line											
Pakistan Telecommunication Company Limited 'A'	-	100,000	-	70,810	29,190	320	339	19	0.08	-	0.01
Electricity											
Hub Power Co. Ltd	-	50,000	-	-	50,000	1,915	2,075	160	0.51	-	0.01
Oil and Gas											
Attock Petroleum	-	15,700	-	13,700	2,000	688	796	108	0.20	-	0.01
National Refinery Limited.	-	30,600	-	20,000	10,600	3,872	3,892	20	0.95	0.01	0.02
Oil and Gas Development Company Limited	-	42,800	-	26,000	16,800	2,290	2,220	(70)	0.54	-	5.39
Pak Oil Fields Limited	-	55,900	-	29,900	26,000	9,337	9,577	240	2.35	0.02	5.42
Pakistan Petroleum	-	40,000	2,500	30,000	12,500	2,378	2,369	(9)	0.58	0.03	10.82
Pakistan State Oil Company Limited	-	22,507	-	22,400	107	24	27	3	0.01	0.06	16.25
								4.63	0.12	37.91	
Chemicals											
Fauji Fertilizer Bin Qasim Company Limited	-	305,280	-	305,200	80	4	5	1	-	0.13	37.92
Fauji Fertilizer Company Limited	-	156,834	-	87,000	69,834	10,963	11,306	343	4.64	0.31	92.08
									4.64	0.44	130.00
Total						<u>40,145</u>	<u>41,204</u>	<u>1,059</u>			
Total cost of investments						<u>40,145</u>					

5.2.2 All shares have a nominal value of Rs 10 each.

6. PAYABLE TO AL MEEZAN

This includes an amount of Rs.0.079 million against sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

7. CONTINGENCIES

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

The Management Company believes that the aforementioned constitutional petition pending in the Court has strong grounds for decision in favour of the mutual funds. The aggregate unrecognised amount of WWF as at September 30, 2011 amounted to Rs. 0.25 million.

8. TRANSACTIONS WITH CONNECTED PERSONS

The connected persons include AMIML being the management company, CDC being the trustee, MBL being the shariah adviser of the Fund and holding company of the management company, Al Meezan Mutual Fund Limited, Meezan Islamic Fund, Meezan Tahaffuz Pension Fund, Meezan Balanced Fund, Meezan Cash Fund and Meezan Islamic Income 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 and Regulations and the trust deed respectively.

Details of transactions with connected persons and balances with them at period end are as follows:

	September 30, 2011
Al Meezan - management company of the Fund	--- (Rupees in '000) ---
Remuneration payable	<u>6,748</u>
Sales tax payable on management fee	<u>79</u>
Preliminary expenses and floatation cost	<u>2,078</u>
Investment of 2,000,000 Units	<u>103,180</u>
MBL	
Balances with bank	<u>10,547</u>
Investment of 2,000,000 units	<u>103,180</u>
CDC - trustee of the Fund	
Trustee fee payable	<u>58</u>

For the period
July 5, 2011 to
September 30,
2011

--- (Rupees in '000) ---

Al Meezan - management company of the Fund

Remuneration for the period 1,268

MBL

Profit on savings accounts 34

CDC - trustee of the Fund

Trustee fee 169

CDS charges 7

9. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 24, 2011 by the Board of Directors of the management company.

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Director



Pure. Profit.

(AM2 rating by JCR-VIS)

Al Meezan Investment Management Ltd.
A subsidiary of Meezan Bank

Call: 0800-HALAL (42525)

UAN: 111-633-926 (111-MEEZAN)

Website: www.almeezangroup.com

Email: feedback@almeezangroup.com

Follow Al Meezan on:   

Our Value Added Services



Email Service



Call Centre



Customer Services



SMS Alert



Member Services



Internet Banking