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**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 be the leading mutual fund in the industry, providing unitholders, in a truly SHARIAH COMPLIANT way, the best combination of current income and future growth on risk adjusted basis.

FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

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

TRUSTEE

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

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

LEGAL ADVISER

Bawaney & Partners
404, 4th Floor, Beaumont Plaza, 6-CL-10
Beaumont Road, Civil Lines
Karachi - 75530
Phone: (9221) 565 7658-59
Fax: (9221) 565 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 Islamic Fund (MIF) is pleased to present the audited annual financial statements of the fund for the year ended June 30, 2010.

Brief Overview

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

Economic and Equity Market Review

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

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

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

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

Outlook

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

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

However, the recent floods along with law & order situation and energy crisis have derailed the macro economic stability of the country, with estimated losses being quoted in billions of dollars. As a result, GDP growth forecast has been revised down by 1-2% from earlier target of 4.5%. The exact losses and the materialization of foreign pledges in this regard will take time to firm up.

Despite these challenging factors, outlook for the coming year is cautiously optimistic. The management of Al Meezan is fully aware of the challenges that lie ahead and is taking all possible measures to face them.

Fund Rating

We are pleased to inform our investors that JCR-VIS Credit Rating Company has assigned the highest possible rating for mutual funds to Meezan Islamic Fund. MIF has been rated 5-Star which denotes superior performance of MIF versus its peers.

Compliance with Code of Corporate Governance

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

- ▶ These financial statements, prepared by the management company of the Fund, present fairly the state of affairs of the Fund, the result of its operations, cash flows and movement in unit holder's fund.
- ▶ The Fund has maintained proper books of accounts.
- ▶ Appropriate accounting policies have been consistently applied in preparation of the financial statements except for the changes in accounting policies stated in note 4.19 to the financial statements, and accounting estimates are based on reasonable and prudent judgment
- ▶ International Accounting Standards and International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements.
- ▶ The system of internal control is sound in design and has been effectively implemented and monitored.
- ▶ There are no significant doubts upon the Fund's ability to continue as a going concern.
- ▶ There has been no material departure from the best practices of corporate governance, as detailed in the Karachi Stock Exchange (KSE) listing regulations.
- ▶ The Board of Directors and employees of the management company have signed "Statement of Ethics and Business Practices".
- ▶ The sale and repurchase of units of the Fund carried out by the Directors, CEO, CFO and Company Secretary of the management company including their spouses and their minor children are as under:



Trades by		No. of units invested	No. of units redeemed
Mr. Ariful Islam	Director	5,988.59	-
Mr. Rizwan Ata	Director	-	34,380.72
Syed Owais Wasti	CFO & Company Secretary	2,092.16	5,476.26

- ▶ Pattern of holding of units is given on page no. 07 of the financial statements.
- ▶ Financial highlights are given in note no. 20 of the financial statements.

Board Meetings

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

Acknowledgement

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

For and on behalf of the Board

Mohammad Shoaib, CFA
Chief Executive

Date: September 28, 2010
Karachi.

PATTERN OF HOLDINGS (UNITS) AS PER THE REQUIREMENT OF CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2010

Units held by	Units Held	%
Associated Companies		
Al Meezan Investment Management Limited	3,674,477	4.28
Meezan Bank Limited	7,242,403	8.43
Directors		
Mr. Ariful Islam	206,068	0.24
Chief Executive		
Mr. Mohammad Shoaib, CFA	1,411,659	1.64
Executives	61,265	0.07
Public Limited Companies	755,457	0.88
Banks and financial institutions	337,824	0.39
Individuals	41,897,840	48.79
Retirement funds	24,598,359	28.64
Other corporate sector entities	4,346,599	5.06
Non-Profit Organization	1,359,089	1.58
Total	85,891,040	100



REPORT OF THE FUND MANAGER

Meezan Islamic Fund (MIF) is an open end equity fund investing in Shariah compliant listed equity securities.

MIF invests only in Shariah Compliant instruments with the objective of maximizing total return for the given level of risk, while abiding by the "Non-Banking Finance Companies Rules, 2003", "Non Banking and Finance Companies and Notified Entities Regulations 2007" and the "Non-Banking Finance Companies and Notified Entities Regulations, 2008", and other prevailing rules and regulations. Total return refers capital gains (realized and unrealized), dividend income (from investment in secondary and primary equities - Musharika), rental income (from operating leases - Ijara), mark-up (from cost-plus sales - Murabaha), and other Shariah Compliant investments.

Strategy and Investment Policy

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

Economic Review

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

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

On domestic front, the tax collection for the year was approximately Rs. 1,328 billion. Although this is less than the targeted amount of Rs. 1,380 billion, it represents an impressive 15.7% growth from the previous year's figures. However, government's fiscal deficit and its financing via borrowing from the central bank remained a key source of concern for monetary authorities and for donor agencies during fiscal year 2010. Fiscal deficit stood at 6.2% of GDP in fiscal year 2010, against an original target of 4.9% and revised target of 5.2% agreed with the IMF. Consequently, government was also unable to achieve the target of net zero borrowing from the central bank during the year, overshooting it by Rs. 41.9 billion.

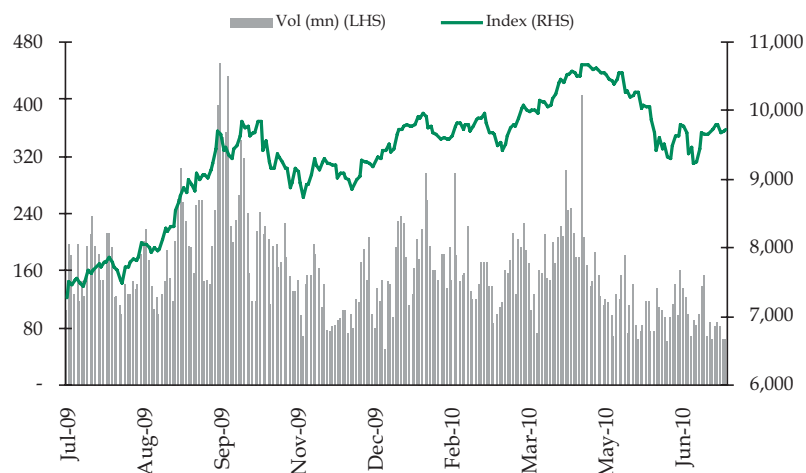
Equity Market Review

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

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

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

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





Foreign Flows

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

New Developments

New Sector Classification

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

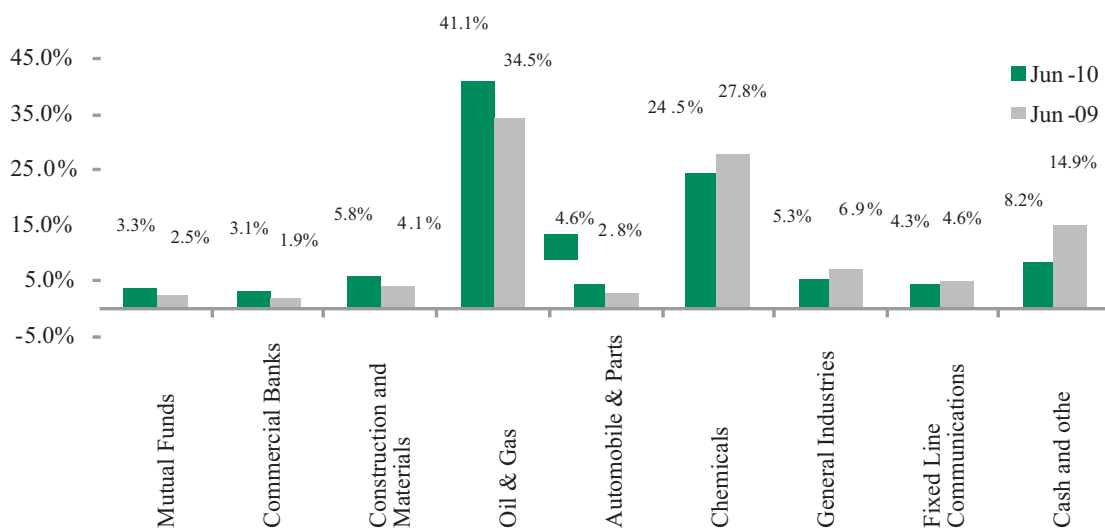
New Listings

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

Implementation and Sector Allocation

During the fiscal year 2010, markets underwent a consolidation phase with the frontline equity index, KSE-100, managing to breach the psychological barrier of 10,000. During the year, the fund increased its equity exposure to as high as 99% in line with the market trend. However, it maintained an average exposure of 95% to equities during the year, while closing the year at 92%.

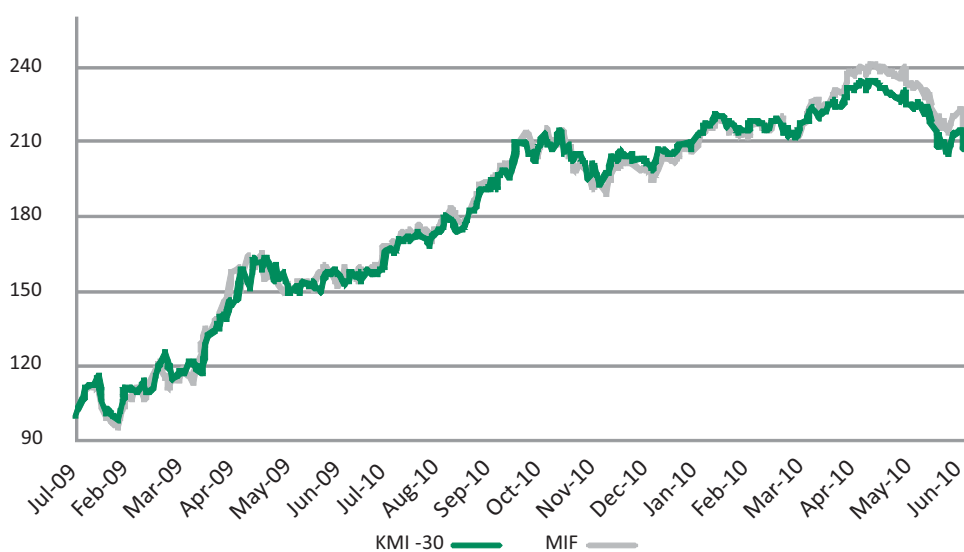
The fund maintained heavy exposure to the oil & gas and chemical sectors taking into consideration the profitability of these sectors.



Performance Review

MIF posted a total income of Rs. 1,243 million in the fiscal year 2010 as compared to a loss of Rs. 1,675 million in last year. Total Income comprise mainly of realized gains and unrealized gain on investments of Rs. 466 million and Rs. 431 million respectively. Dividends income contributed 320 million to the income, while profit on savings account at banks amounted to Rs. 24 million. After accounting for expenses of Rs. 128 million and element of income and capital gain included in prices of units issued and less those in units redeemed of Rs. 97 million, MIF posted net profit of Rs. 1,212 million. A provision of Rs. 24 million was also created for Workers Welfare Fund. MIF possessed net assets of Rs. 3,966 million at the end of the year as compared to 3,737 million the year before. The net asset value (NAV) per unit appreciated from Rs. 35.28 to Rs. 46.17 (31% up) during the fiscal year 2010.

	MIF	KMI - 30 Index
Value as on June 30, 2009	Rs. 35.28	10,647.69
Value as on June 30, 2010	Rs. 46.17	14,573.54
Return During the Period	30.87%	36.87%
Underperformance During the Period	6.00%	





Meezan Islamic Fund

	FY 10	FY09	FY 08
Net Assets (Rs. Mn)	3,966	3,737	6,034
NAV per unit (Rs.)	46.17	35.28	60.05
Highest Redemption Price (Rs.)	52.38	48.19	71.10
Lowest Redemption Price (Rs.)	36.81	21.89	54.77
Highest Offer Price (Rs.)	53.59	49.30	72.73
Lowest Offer Price (Rs.)	37.66	22.39	56.03
Total Return (%)	30.87	(29.51)	0.27

Charity Statement

According to the Trust Deed of MIF, charity refers to the amount paid by Management Company out of the income of the Trust to a charitable / welfare organization, in consultation with Shariah Advisor, representing income that is Haram. During the year ended June 30, 2010 an amount of Rs. 6.88 million was accrued as charity payable.

Distributions

A final dividend of Rs.9.0 per unit (18% on par value of Rs.50) has been declared for the fiscal year ended June 30, 2010.

Breakdown of unit holdings by size:

(As on June 30, 2010)

Range of units	Number of investors
1 - 9,999	7,056
10,000 - 49,999	737
50,000 - 99,999	101
100,000 - 499,999	87
500,000 and above	20
	8,001

Future Outlook

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

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

However, the recent floods along with law & order situation and energy crisis have derailed the macro economic stability of the country, with estimated losses being quoted in billions of dollars. As a result, GDP growth forecast has been revised down by 1-2% from earlier target of 4.5%. The exact losses and the materialization of foreign pledges in this regard will take time to firm up.



Meezan Bank

The Premier Islamic Bank

Report of the Shar'iah Advisor –Meezan Islamic Fund

Karachi

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

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

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

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

Company Name	(i) Nature of Business	(ii)* Debt to Assets (<40%)	(iii) % of Non-Shar'iah Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>20%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	Share Price (B)
Agriauto Industries Limited	Manufacturers of Automobile Parts and Accessories	0.35%	21.45%	1.22%	59.00%	16.93	60.25
Al Meezan Mutual Fund Limited	Islamic Financial Institution	**					
Attock Cement	Cement Manufacturer	0.12%	15.45%	1.14%	74.00%	(3.39)	52.00

Page 1 of 3

Meezan Bank Ltd

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Tel: (92-21) 35610582 Fax: (92-21) 35610375, 35611451 www.meezanbank.com



Fauji Fertilizer Bin Qasim Limited	Manufacturer of Fertilizer	23.37%	0.00%	2.51%	70.00%	(15.82)	26.13
Fauji Fertilizer Company Limited	Manufacturer of Fertilizer	30.04%	8.93%	1.92%	58.00%	(31.23)	102.93
GlaxoSmithKline Limited	Manufacturers of Pharmaceutical Products	0.00%	7.39%	2.29%	62.00%	7.69	109.27
ICI Pakistan Limited	Manufacturers of Paints, Soda Ash, Staple Fibre and Chemicals	0.17%	0.01%	0.51%	65.00%	2.09	168.9
Indus Motors Company Limited	Automobile Assembler	0.05%	0.00%	2.43%	44.00%	17.88	196.52
Lucky Cement	Cement Manufacturer	25.91%	0.00%	0.00%	94.00%	(37.13)	66.24
Meezan Bank Limited	Islamic Commercial Bank	**					
National Refinery Limited	Oil Refinery	0.00%	1.45%	0.66%	39.00%	(9.90)	176.82
Oil & Gas Development Company Limited	Exploration and Production of Oil & Gas	0.00%	6.38%	0.81%	50.00%	7.55	110.61
Packages Limited	Manufacturers of Paper and Board	27.30%	3.04%	1.30%	88.00%	(96.53)	144.00
Pak Suzuki Motor Company Limited	Automobile Assembler	2.96%	0.02%	1.71%	68.00%	28.76	88.96
Pak. Telecommunication. Co. Ltd	Provider of Telecommunication Services	9.76%	11.52%	3.22%	75.00%	(9.37)	17.65
Pakistan Oilfields Limited	Exploration and Production of Oil & Gas	0.00%	0.53%	2.33%	79.00%	(8.36)	230.77
Pakistan Petroleum Limited	Exploration and Production of Oil & Gas	0.17%	22.92%	3.24%	42.00%	30.97	189.59
Pakistan State Oil Company Limited	Distribution of Oil	11.27%	0.00%	0.06%	39.00%	(232.69)	297.44
Thal Limited	Manufacturers of Jute bags and Acs and Wire Harness of Cars	17.88%	0.63%	0.20%	83.00%	(32.97)	84.87
Tripak Films Ltd	Manufacturer of Biaxially Oriented Polypropylene	32.76%	0.00%	0.32%	73.00%	(56.03)	103.00

*

All interest based debts.

**

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

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



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

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

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

Dr. Muhammad Imran Ashraf Usmani
Shar'iah Advisor



A.F.FERGUSON & CO.

A member firm of

PRICEWATERHOUSECOOPERS 

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

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

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

Management company's responsibility

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


Responsibility of independent assurance providers

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

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

Conclusion

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


Chartered Accountants
Karachi, October 8, 2010

Lahore Office: 23-C Aziz Avenue, Canal Bank, Gulberg V, P. O. Box 39, Lahore, Pakistan Tel: (92-42) 35715864-71 Fax: (92-42) 35715872
Islamabad Office: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000, Pakistan Tel: (92-51) 2273457-60 Fax: (92-51) 2277924
Kabul Office: House No. 4, Street No. 3, District 6, Road Karte-3, Kabul, Afghanistan. Tel: (93-799) 315320-203424

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

CDC House, 99-B, Block 'B'
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TRUSTEE REPORT TO THE UNIT HOLDERS**MEEZAN ISLAMIC FUND****Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the
Non-Banking Finance Companies and Notified Entities Regulations, 2008**

Meezan Islamic Fund (the Fund), an open-end scheme was established under a trust deed dated June 16, 2003, executed between Al Meezan Investment Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

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

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.


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

Karachi, October 07, 2010



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

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

1. The management company encourages representation of independent non-executive directors. At present the board consists of seven directors, including two independent directors, all other directors except the Chief Executive Officer (CEO) are non-executive directors. The management company of the Fund is not listed at any stock exchange and therefore, does not have any minority interest.
2. The existing directors have confirmed that none of them is serving as a director in more than ten listed companies, including the management company.
3. All the existing resident directors of the management company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs. None of the Directors of the management company of the Fund is a member of a stock exchange.
4. During the year two casual vacancies occurred on the BoD. Mr. P. Ahmed was appointed as independent director in place of Syed Owais Wasti in the board meeting held on September 01, 2009 and Mr. Rana Ahmed Humayun was appointed in place of retiring director Mr. Tasnimul Haq Farooqui in the board meeting held on February 15, 2010 for the remaining term of the board.
5. The board has formulated a Statement of Ethics and Business Practices for the management company, which has been signed by the existing directors and employees of the management company.
6. The board of the management company has developed a vision and mission statement. The investment policy of the Fund has been disclosed in the offering document, while other significant policies have also been formalized and have been adopted by the board.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and terms and conditions of employment of the CEO of the management company, have been taken by the board.
8. The meetings of the board were presided over by the Chairman. The board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings, except for the emergent meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors of the board are aware of their responsibilities, an orientation course was held during previous years. The new Directors as and when appointed are provided with all the relevant statutory laws, rules and regulations to keep themselves acquainted.

10. The Board of Directors of the Management Company had, in earlier years, approved the appointment of the Chief Financial Officer (CFO) and the Company Secretary and has approved the appointment of the Head of Internal Audit during the current year including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The directors' report relating to the Fund, for the year ended June 30, 2010 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by the CEO and the CFO of the management company before approval by the Board.
13. The interest of the CEO, Directors and the Executives in the units of the Fund is disclosed in the pattern of unit holdings.
14. The management company has complied with all the applicable corporate and financial reporting requirements of the code.
15. The board has formed an audit committee. It comprises of three non-executive directors of the management company as its members including chairman of the audit committee. The CFO and the Company Secretary is the Secretary of the audit committee.
16. The meetings of the audit committee were held once in every quarter prior to the approval of interim and final results of the Fund and as required by the Code. The terms of reference of the audit committee have been framed and approved by the Board of the management company and advised to the committee for compliance.
17. The board has set up an effective internal audit function headed by the Head of Internal Audit & Compliance. The staff of the Fund is considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Fund and is involved in the internal audit function of the Fund on a full time basis.
18. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the management company or units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The related party transactions entered during the year ended June 30, 2010 have been placed before the audit committee and approved by the board in its subsequent meetings.
21. We confirm that all other material principles contained in the Code have been complied with.

Syed Owais Wasti
Chief Financial Officer

Mohammad Shoaib, CFA
Chief Executive

Karachi.
September 28, 2010



A.F.FERGUSON & CO.

A member firm of

PRICEWATERHOUSECOOPERS 

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

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

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

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

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

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

A.F. Ferguson & Co.
Chartered Accountants
Karachi, October 8, 2010

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INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **Meezan Islamic Fund**, which comprise the statement of assets and liabilities as at June 30, 2010, and the related income statement, distribution statement, statement of movement in unit holder's fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

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

Auditor's responsibility

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

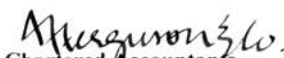
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

Opinion

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

Other matters

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


Chartered Accountants
Karachi, October 8, 2010

Audit Engagement Partner: Saad Kaliya

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STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2010

	Note	2010 (Rupees in '000)	2009
Assets			
Balances with banks	5	352,749	142,537
Investments	6	3,644,759	3,568,703
Receivable against sale of investments		15	6,076
Dividend receivable		18,049	36,020
Advances, deposits and other receivables	7	10,724	9,588
Total assets		4,026,296	3,762,924
Liabilities			
Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund	8	7,404	6,666
Payable to Central Depository Company of Pakistan Limited (CDC) - trustee of the Fund	9	427	397
Payable to Meezan Bank Limited (MBL)	10	79	1,223
Payable to Securities and Exchange Commission of Pakistan (SECP)	11	4,121	3,867
Payable on redemption of units		13,748	5,609
Payable against purchase of investments		1,468	5
Accrued expenses and other liabilities	12	33,139	7,864
Total liabilities		60,386	25,631
Net assets		3,965,910	3,737,293
		Number of units	
Unit holders' fund (as per statement attached)		3,965,910	3,737,293
		Rupees	
Number of units in issue	13	85,891,040	105,920,317
Net assets value per unit		46.17	35.28

The annexed notes 1 to 27 form an integral part of these financial statements.

For Al Meezan Investment Management Limited
(Management Company)

Mohammad Shoaib, CFA
Chief Executive

Mazhar Sharif
Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 (Rupees in '000)	2009
Income			
Net realised gain / (loss) on sale of investments		465,660	(1,050,669)
Dividend income		320,011	282,896
Profit on savings accounts with banks		23,866	21,758
Other income		1,988	2,303
		<u>811,525</u>	<u>(743,712)</u>
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss (net)	6.1	431,336	(931,370)
Total income / (loss)		<u>1,242,861</u>	<u>(1,675,082)</u>
Expenses			
Remuneration to Al Meezan	8.1	86,748	85,062
Remuneration to CDC	9	5,337	4,973
Remuneration to MBL	10	-	444
Annual fee to SECP	11	4,121	3,867
Auditors' remuneration	14	602	513
Fees and subscription		40	35
Legal and professional charges		775	150
Brokerage		4,143	5,058
Bank and settlement charges		1,042	659
Printing charges		633	590
Workers' Welfare Fund	12.2	24,242	-
Total expenses		<u>127,683</u>	<u>101,351</u>
Net income / (loss) from operating activities		<u>1,115,178</u>	<u>(1,776,433)</u>
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		96,912	212,565
Net income / (loss) for the year		<u>1,212,090</u>	<u>(1,563,868)</u>
Other comprehensive income for the year			
Unrealised gain on available for sale investments		21,754	-
Element of loss and capital losses included in prices of units sold less those in units redeemed pertaining to 'available for sale' investment (net)		(3,763)	-
Total comprehensive income / (loss) for the year		<u>1,230,081</u>	<u>(1,563,868)</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

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

Mohammad Shoaib, CFA
Chief Executive

Mazhar Sharif
Director



DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	2010 (Rupees in '000)	2009
(Accumulated loss) / unappropriated income brought forward	(1,558,724)	1,010,031
Less : Final distribution in the form of bonus units @ nil for the year ended June 30, 2009 (June 30, 2008 @ 20%)	-	(1,004,058)
Less : Final distribution in the form of cash dividend for the year ended June 30, 2009@ nil (June 30, 2008 @ 20%)	-	(829)
Net income / (loss) for the year	1,212,090	(1,563,868)
Element of loss and capital losses included in prices of units sold less those in units redeemed pertaining to 'available for sale' investment (net)	(3,763)	-
Undistributed loss carried forward	<u>(350,397)</u>	<u>(1,558,724)</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

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

Mohammad Shoaib, CFA
Chief Executive

Mazhar Sharif
Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2010

	2010 (Rupees in '000)	2009
Net assets at the beginning of the year	3,737,293	6,034,468
Issue of 13,308,998 (2009 : 23,788,808) units	<u>618,532</u>	<u>891,081</u>
Redemption of 33,338,275 (2009: 38,418,307) units	<u>(1,526,847)</u>	<u>(1,410,994)</u>
	(908,315)	(519,913)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed (net):		
- transferred to income statement	<u>(96,912)</u>	<u>(212,565)</u>
- transferred to other comprehensive income	<u>3,763</u>	<u>-</u>
	(93,149)	(212,565)
Total comprehensive income / (loss) for the year less distribution	1,230,081	(2,568,755)
Issue of nil bonus units for the year ended June 30, 2009 (June 30, 2008: 20,061,109 bonus units)	-	1,004,058
Net assets at the end of the year	<u><u>3,965,910</u></u>	<u><u>3,737,293</u></u>
Net asset value per unit at the beginning of the year - Rupees	<u><u>35.28</u></u>	<u><u>60.05</u></u>
Net asset value per unit at the end of the year - Rupees	<u><u>46.17</u></u>	<u><u>35.28</u></u>

The annexed notes 1 to 27 form an integral part of these financial statements.

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

Mohammad Shoaib, CFA
Chief Executive

Mazhar Sharif
Director



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 (Rupees in '000)	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income / (loss) for the year		1,212,090	(1,563,868)
Adjustments for:			
Dividend income		(320,011)	(282,896)
Profit on savings accounts with banks		(23,866)	(21,758)
Unrealised (gain) / loss on re-measurement of investments at fair value through profit or loss (net)		(431,336)	931,370
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		(96,912)	(212,565)
		<u>339,965</u>	<u>(1,149,717)</u>
Decrease / (increase) in assets			
Investments		377,034	1,275,641
Receivable against sale of investments		6,061	(6,076)
		<u>383,095</u>	<u>1,269,565</u>
(Decrease) / increase in liabilities			
Payable to Al Meezan - management company of the Fund		738	(8,870)
Payable to CDC - trustee of the Fund		30	(184)
Payable to MBL		(1,144)	(358)
Payable to SECP		254	(1,173)
Payable against purchase of investments		1,463	(11,526)
Accrued expenses and other liabilities		25,275	805
Cash generated / (utilised) from operations		<u>26,616</u>	<u>(21,306)</u>
Dividend received		337,982	299,736
Profit received on savings accounts with banks		22,730	27,073
Dividend paid		-	(829)
Net cash inflow from operating activities		<u>1,110,388</u>	<u>424,522</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from sale of units		618,532	891,081
Payments against redemption of units		(1,518,708)	(1,437,298)
Net cash outflow from financing activities		<u>(900,176)</u>	<u>(546,217)</u>
Net cash inflow / (outflow) during the year		<u>210,212</u>	<u>(121,695)</u>
Cash and cash equivalents at the beginning of the year		142,537	264,232
Cash and cash equivalents at the end of the year	5	<u>352,749</u>	<u>142,537</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

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

**Mohammad Shoaib, CFA
Chief Executive**

**Mazhar Sharif
Director**

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

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Islamic Fund (the Fund) was established under a Trust Deed executed between Al Meezan as management company and CDC as trustee. The Trust Deed was executed on June 16, 2003 and was approved by the SECP on June 4, 2003 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the management company of the Fund, is situated at Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan.
- 1.2 The Fund has been formed to enable the unit holders to participate in a diversified portfolio of securities, which are shariah compliant. Under the Trust Deed, all the conducts and acts of the Fund are based on shariah. The management company has appointed MBL as its shariah adviser to ensure that the activities of the Fund are in compliance with the principles of shariah. The management company of the Fund is registered with SECP as a Non-Banking Finance Company under the NBFC Rules.
- 1.3 The Fund is an open-end fund listed on the Karachi Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4 The management company of the Fund has been given quality rating of AM2 by JCR-VIS. The Fund is ranked at 'MFR 5-Star' for one year, two years and three years performance rankings by JCR-VIS Credit Rating Company Limited.
- 1.5 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 earlier referred guidelines. This practice is being followed to comply with the requirements of approved accounting standards as applicable in Pakistan.

3. STATEMENT OF COMPLIANCE

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

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



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

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

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

IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of other comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period. The Fund has applied IAS 1 (revised) from July 1, 2009, and has elected to present one statement (the income statement) as more fully explained in 4.19.1.

(b) IAS 39 (amendment), 'Financial instruments: Recognition and measurement'. The amendment was part of the IASB's annual improvements project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The adoption of the amendment did not have an impact on the Fund's financial statements.

(c) IFRS 7 'Financial instruments - Disclosures' (amendment) (effective from January 1, 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The amendment has only resulted in additional disclosures in the Fund's financial statements and does not have any impact on the classification and measurement of the Fund's financial statements as more fully explained in note 4.19.2.

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

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

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

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

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

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 investments which are carried at fair value in accordance with the criteria laid down in the International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement'.

4.2 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires the use of critical accounting estimates. It also requires the management company to exercise its judgement in the process of applying its accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Classification and valuation of financial instruments (notes 4.3, 4.4, 4.5 and 6)
- b) Impairment of financial instruments (note 4.3.5)
- c) Taxation (note 4.12)

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



4.3 Financial instruments

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

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

- Financial instruments 'held for trading'

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

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

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

(b) Held to maturity

These are securities acquired by the Fund with the intention and ability to hold them upto maturity.

(c) Loans and receivables

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

(d) Available for sale

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

4.3.2 Recognition

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

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

4.3.3 Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a 'financial asset or financial liability not at fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on 'financial assets and financial liabilities at fair value through profit or loss' are 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. Effective July 1, 2009 the Fund has changed its policy and now changes in the fair value of instruments classified as 'available for sale' are recognised in other comprehensive income until derecognised or impaired when the accumulated fair value adjustments recognised in other comprehensive income are included in the income statement. Previously these changes were recognised in the statement of unit holders' fund.

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 decreases the impairment is reversed through the income statement.

In case of investment classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement is removed from other comprehensive income and recognised in the income statement. However, any decrease in impairment loss on equity securities classified as 'available for sale' is reversed through the income statement but 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 the weighted average method to determine realised gains and losses on derecognition.

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

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

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



4.5 Financial instruments sold on deferred settlement basis

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

4.6 Unit holders' fund

Unit holders' 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.

4.7 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. The sales load is payable to the distributor and the management company.

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 redemption price represents the net assets value per unit less any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

4.8 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 issued 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 taken to the income statement.

4.9 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.

4.10 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs were amortised over a period of five years commencing from August 8, 2003 in accordance with the Trust Deed of the Fund.

4.11 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.

4.12 Taxation

Current

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

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

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

The deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on enacted tax rates. However, the Fund intends to avail 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 unit holders every year. Accordingly, no tax liability and deferred tax has been recognised in these financial statements.

4.13 Revenue recognition

- (i) Gains / (losses) arising on sale of investments are included in the income statement currently on the date when the transaction takes place.
- (ii) Unrealised gains / (losses) arising on revaluation of securities classified as financial assets at 'fair value through profit or loss' are included in the income statement in the period in which they arise.
- (iii) Unrealised gains / (losses) arising on revaluation of securities classified as 'available for sale' are included in the statement of movement in unit holders' fund in the period in which they arise.
- (iv) Dividend income is recognised when the Fund's right to receive the dividend is established.
- (v) Profit on savings accounts with banks and investments in debt instruments are recorded on an accrual basis.
- (vi) Transaction costs are recognised as income as and when the units are issued.



4.14 Expenses

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

4.15 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.

4.16 Zakat

Units held by resident Pakistani unitholders are subject to Zakat at 2.5% of the face value or redemption value of the units, 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.

4.17 Cash and cash equivalents

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

4.18 Dividend and bonus units

Dividend declared (including distribution in the form of bonus units) are recognised in the period in which they are authorised or approved.

4.19 Changes in accounting policies

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

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

	Note	2010 (Rupees in '000)	2009
5. BALANCES WITH BANKS			
On current accounts		1,648	127
On savings accounts	5.1	351,101	142,410
		<u>352,749</u>	<u>142,537</u>

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

2010
2009
Note (Rupees in '000)

6. INVESTMENTS

Investments at fair value through profit and loss	6.1	1,987,091	3,568,703
Investments- 'available for sale'	6.2	1,657,668	-
		<u>3,644,759</u>	<u>3,568,703</u>

6.1 Investments at fair value through profit or loss

Held for trading	6.1.1	1,763,080	3,194,878
Investments at 'fair value through profit or loss upon initial recognition'	6.1.4	224,011	373,825
		<u>1,987,091</u>	<u>3,568,703</u>

6.1.1 Held for trading - shares of listed companies

Name of the investee company	As at July 1, 2009	Purchases during the year	Bonus / rights issue	Sales during the year	As at June 30, 2010	Carrying value as at June 30, 2010	Market value as at June 30, 2010	Unrealised gain / (loss) as at June 30, 2010	Percentage of total market value of investments
	Number of Shares					Rupees in '000		%	
Textile composite									
Nishat Mills Limited	1,213,750	677,000	-	1,890,750	-	-	-	-	-
Jute									
Thal Limited (note 6.1.2)	301,047	20,000	60,209	50,000	331,256	21,848	31,449	9,601	0.86
Cement									
Attock Cement Pakistan Limited	414,400	25,000	87,880	307,760	219,520	13,025	14,379	1,354	0.39
D. G. Khan Cement Company Limited	62,880	-	-	62,880	-	-	-	-	-
Fauji Cement Company Limited	790,510	-	-	790,510	-	-	-	-	-
Lucky Cement Limited	2,021,900	106,600	-	992,700	1,135,800	66,863	70,579	3,716	1.94
									2.33
Refinery									
Pakistan Refinery Limited	238,300	-	-	238,300	-	-	-	-	-
Power generation and distribution									
The Hub Power Company Limited	11,933,000	279,889	-	12,212,889	-	-	-	-	-
Oil and gas marketing companies									
Pakistan State Oil Company Limited	1,113,300	258,700	-	420,700	951,300	211,264	247,528	36,264	6.79
Sui Northern Gas Pipelines Limited	788,400	70,000	-	858,400	-	-	-	-	-
									6.79
Oil and gas exploration companies									
Oil and Gas Development Company Limited (note 6.1.3)	5,875,766	250,000	-	5,968,689	157,077	12,420	22,256	9,836	0.61
Pakistan Oilfields Limited	1,519,080	450,000	-	613,340	1,355,740	212,125	292,703	80,578	8.03
Pakistan Petroleum Limited	1,701,062	306,200	323,452	1,268,500	1,062,214	168,370	195,575	27,205	5.38
									14.02
Automobile assembler									
Indus Motor Company Limited	532,577	-	-	81,442	451,135	48,596	118,369	69,773	3.25
Pak Suzuki Motor Company Limited	370,910	-	-	189,747	181,163	12,301	14,361	2,060	0.39
									3.64
Automobiles parts and accessories									
Agriauto Industries Limited (note 6.1.2)	679,200	-	-	-	679,200	22,169	46,865	24,696	1.29
Technology and communication									
Pakistan Telecommunication Company Limited "A"	10,065,900	-	-	9,999,919	65,981	1,138	1,174	36	0.03
Fertilizer									
Engro Corporation Limited	795,873	-	-	795,873	-	-	-	-	-
Fauji Fertilizer Company Limited	6,044,529	250,000	-	457,383	5,837,146	508,873	601,635	92,762	16.51
Fauji Fertilizer Bin Qasim Limited	8,823,500	875,000	-	7,196,438	2,502,062	44,780	65,154	20,374	1.80
									18.31
Chemical									
ICI Pakistan Limited	1,715,600	20,000	-	1,709,583	26,017	3,650	3,085	(565)	0.08
Sitara Chemical Industries Limited	87,690	-	-	87,690	-	-	-	-	-
									0.08
Miscellaneous									
Tri-Pack Films Limited	409,300	-	-	20,000	389,300	38,887	37,968	(919)	1.04
Grand total						<u>1,386,309</u>	<u>1,763,080</u>	<u>376,771</u>	
Total cost of investments							<u>1,611,671</u>		



6.1.2 All shares have a nominal value of Rs 10 each except for the shares of Agriauto Industries Limited and Thal Limited which have a face value of Rs 5 each.

6.1.3 210,000 (2009: 400,000) shares of Oil and Gas Development Company Limited, having market value of Rs 29.755 million (2009: 31.456 million) as at June 30, 2010, have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

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

Shares of listed companies, a bank and a fund.

Name of the investee company	As at July 1, 2009	Purchases during the year	Bonus / rights issue	Sales during the year	As at June 30, 2010	Carrying value as at June 30, 2010	Market value as at June 30, 2010	Unrealised gain / (loss) as at June 30, 2010	Percentage of total market value of investments
	Number of Shares					Rupees in '000			%
Closed-end mutual Fund									
Al Meezan Mutual Fund Limited (an associate of the Fund)	19,570,700	-	-	-	19,570,700	101,768	130,145	28,377	3.57
Commercial bank									
Meezan Bank Limited (an associate of the Fund)	6,507,016	-	306,812	371,710	6,442,118	67,488	93,733	26,245	2.57
Pharmaceutical									
GlaxoSmithKline Pakistan Limited	41,093	-	-	40,000	1,093	131	89	(42)	-
Paper and board									
Packages Limited	1,245,269	43,850	-	1,288,745	374	59	44	(15)	-
Grand total						169,446	224,011	54,565	
Total cost of Investments							344,469		

6.2 Investments - 'available for sale'
6.2.1 Shares of listed companies

Name of the investee company	As at July 1, 2009	Purchases during the year	Bonus / rights issue	Sales during the year	As at June 30, 2010	Carrying value as at June 30, 2010	Market value as at June 30, 2010	Unrealised gain / (loss) as at June 30, 2010	Percentage of total market value of investments
	Number of Shares					Rupees in '000			%
Textile Composite									
Nishat Mills Limited	-	177,905	-	177,905	-	-	-	-	-
Jute									
Thal limited (note 6.1.2)	-	20	-	-	20	2	2	-	-
Cement									
Attock Cement Pakistan Limited	-	562,631	-	280,000	282,631	18,411	18,512	101	0.51
Lucky Cement Limited	-	4,007,720	-	2,000,000	2,007,720	128,554	124,760	(3,794)	3.42
									3.93
Commercial Bank									
Meezan Bank limited (an associate of the Fund)	-	1,828,017	78,900	-	1,906,917	29,671	27,746	(1,925)	0.76
Refinery									
National Refinery Limited	-	404,351	-	-	404,351	75,123	73,936	(1,187)	2.03
Paper and Board									
Packages Limited	-	1,623,745	-	422,000	1,201,745	145,512	142,407	(3,105)	3.91
Pharmaceutical									
GlaxoSmithKline Pakistan Limited	-	40,000	-	-	40,000	3,212	3,246	34	0.09
Power Generation and Distribution									
The Hub Power Company Limited	-	635,000	-	635,000	-	-	-	-	-
Oil and Gas Marketing Companies									
Pakistan State Oil Company Limited	-	1,447,646	-	720,000	727,646	191,773	189,333	(2,440)	5.19
Oil and Gas Exploration Companies									
Oil and Gas Development Company Limited (note 6.1.2)	-	1,379,000	-	-	1,379,000	167,080	195,391	28,311	5.36
Pakistan Oil fields Limited	-	1,511,800	-	750,000	761,800	165,294	164,473	(821)	4.51
Pakistan Petroleum Limited	-	2,608,400	38,600	1,300,000	1,347,000	248,800	248,009	(791)	6.80
									16.67
Automobile Assembler									
Indus Motor Company Limited	-	5,000	-	-	5,000	1,301	1,312	11	0.04
Technology and Communication									
Pakistan Telecommunication Company Limited "A"	-	13,600,672	-	4,160,000	9,440,672	166,779	168,044	1,265	4.61
Fertilizer									
Fauji Fertilizer Company Limited	-	105,000	-	-	105,000	10,707	10,822	115	0.30
Fauji Fertilizer Bin Qasim Limited	-	4,750,000	-	-	4,750,000	116,246	123,690	7,444	3.39
									3.69
Chemical									
ICI Pakistan Limited	-	1,460,000	-	60,000	1,400,000	167,448	165,984	(1,464)	4.55
Miscellaneous									
Tri - Pack Films Limited	-	10	-	-	10	1	1	-	-
Grand total						1,635,914	1,657,668	21,754	
Total cost of Investments						1,635,914			



	Note	2010	2009
		(Rupees in '000)	
7. ADVANCES, DEPOSITS AND OTHER RECEIVABLES			
Advance tax recoverable		76	76
Security deposits		2,600	2,600
Profit receivable on savings accounts with banks		8,048	6,912
		<u>10,724</u>	<u>9,588</u>

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

Management fee	8.1	6,607	6,084
Sales load payable		792	578
Certificate charges payable		5	4
		<u>7,404</u>	<u>6,666</u>

8.1 Under the provisions of NBFC Regulations, 2008, the management company is entitled to a remuneration of an amount not exceeding three percent of the average annual net assets of the Fund during the first five years of the Fund's existence, and thereafter, of an amount equal to two percent of such assets of the Fund. The remuneration of the management company has been charged at the rate of two percent per annum for the year ended June 30, 2010.

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

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

	Note	2010	2009
		(Rupees in '000)	
10. PAYABLE TO MEEZAN BANK LIMITED (MBL)			
Shariah advisory fee	10.1	-	1,044
Sales load		79	179
		<u>79</u>	<u>1,223</u>

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

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

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

12. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2010 (Rupees in '000)	2009
Auditors' remuneration		380	350
Withholding tax payable		291	263
Charity payable	12.1	7,197	6,615
Performance rating fee		-	224
Printing charges payable		594	331
Workers' Welfare Fund	12.2	24,242	-
Zakat payable		435	81
		<u>33,139</u>	<u>7,864</u>

12.1 According to the instructions of the shariah adviser, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs 7.197 million (2009: Rs 6.615 million) is outstanding in this regard after making charity payments of Rs 6.200 million (2009: Rs 3.849 million) to renowned charitable institutions. None of the directors of the management company of the Fund were interested in any of donees.

12.2 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes (CIS) whose income exceeds Rs 0.5 million in a tax year have been brought within the purview and scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. Accordingly, the Management Company has recognised WWF charge in the books of the Fund.

13. CLASSES OF UNITS IN ISSUE

13.1 The Fund may issue the following classes of units:

Class	Description
A	Units that shall be charged with no sales load.
B	Units that shall be charged with front-end load.
C	Units that shall be charged with back-end load.
D	Units that shall be charged with contingent load.

13.2 Management company of the Fund may issue the following classes of units:

- Growth units which shall be entitled to bonus units in case of any distribution by the Fund. Bonus units issued to growth unit holders shall also be the growth units.
- Income units which shall be entitled to cash dividend in case of any distribution by the Fund.

13.3 The units in issue as at June 30, 2010 and 2009 in each class and their par values were as follows:

Class	2010		2009	
	Number of units in issue	Rupees in '000	Number of units in issue	Rupees in '000
A				
- Growth units	6,066,004	303,300	6,745,578	337,279
B				
- Growth units	79,687,611	3,984,381	98,981,253	4,949,063
- Income units	137,425	6,871	193,486	9,674
Total	<u>85,891,040</u>	<u>4,294,552</u>	<u>105,920,317</u>	<u>5,296,016</u>



14. AUDITORS' REMUNERATION	2010	2009
	(Rupees in '000)	
Audit fee	280	250
Half yearly review	125	95
Other certifications and services	125	100
Out of pocket expenses	72	68
	<u>602</u>	<u>513</u>

15. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include Al Meezan being the management company, CDC being the trustee, MBL being the holding company of the management company and Al Meezan Mutual Fund Limited, Meezan Islamic Income Fund, Meezan Tahaffuz Pension Fund, Meezan Capital Protected Fund - I, Meezan Sovereign Fund, Meezan Cash Fund and Meezan Balanced Fund being the Funds under the management of the management company and Pakistan Kuwait Investment Company (Private) Limited.

Transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration payable to the management company and the trustee is determined in accordance with the provision of NBFC Rules, NBFC Regulations, 2008 and the trust deed respectively.

Details of transactions with connected persons and balances with them for the year ended June 30, 2010 and as of that date are as follows:

	2010	2009
	(Rupees in '000)	
Al Meezan - management company of the Fund		
Remuneration payable	<u>6,607</u>	<u>6,084</u>
Sale load payable	<u>792</u>	<u>578</u>
Certificate charges payable	<u>5</u>	<u>4</u>
Investment of 3,674,477 units (June 30, 2009: 6,365,442 units)	<u>169,651</u>	<u>224,573</u>
Al Meezan Mutual Fund Limited		
Investment in 19,570,700 shares (June 30, 2009: 19,570,700 shares)	<u>130,145</u>	<u>101,768</u>
MBL		
Bank balance	<u>18,762</u>	<u>14,439</u>
Shariah advisory fee payable	<u>-</u>	<u>1,044</u>
Sales load payable	<u>79</u>	<u>179</u>
Investment in 8,349,035 shares (June 30, 2009: 6,507,016 shares)	<u>121,479</u>	<u>71,577</u>
Investment of 7,242,403 units (June 30, 2009: 7,242,403 units)	<u>334,382</u>	<u>255,512</u>
CDC - trustee of the Fund		
Trustee fee payable	<u>413</u>	<u>386</u>
CDS Charges payable	<u>14</u>	<u>11</u>
Directors and executives of the management company		
Investment of 1,678,992 units (June 30, 2009: 1,753,579 units)	<u>77,519</u>	<u>61,866</u>

	For the year ended June 30,	
	2010	2009
Al Meezan - management company of the Fund	(Rupees in '000)	
Remuneration for the year	<u>86,748</u>	<u>85,062</u>
Bonus units issued: nil units (2009: 1,057,976 units)	<u>-</u>	<u>52,952</u>
Units issued: nil units (2009: 1,627,058 units)	<u>-</u>	<u>64,000</u>
Redemptions: 2,690,965 units (2009: 1,614,764 units)	<u>127,000</u>	<u>57,000</u>
Al Meezan Mutual Fund Limited		
Dividend income	<u>19,571</u>	<u>19,571</u>
MBL		
Profit on savings accounts	<u>379</u>	<u>381</u>
Shariah advisory fee	<u>-</u>	<u>444</u>
Bonus units issued: nil units (2009: 1,206,062 units)	<u>-</u>	<u>60,363</u>
385,712 bonus shares received (June 30, 2009: 2,991,672 shares)	<u>-</u>	<u>-</u>
1,828,017 shares purchased during the year (June 30, 2009: 868,000 shares)	<u>29,608</u>	<u>16,735</u>
371,710 shares sold during the year (June 30, 2009: nil shares)	<u>4,254</u>	<u>-</u>
CDC - trustee of the Fund		
Trustee fee	<u>5,337</u>	<u>4,973</u>
CDS charges	<u>137</u>	<u>154</u>
Directors and executives of the management company		
Bonus units issued: nil units (2009: 109,438 units)	<u>-</u>	<u>5,477</u>
Units issued: 74,994 units (2009: 1,720,691 units)	<u>3,421</u>	<u>55,175</u>
Redemptions: 149,581 units (2009: 624,290 units)	<u>6,799</u>	<u>22,828</u>

16. FINANCIAL INSTRUMENTS BY CATEGORY

	2010				Total
	Loans and receivables	Financial assets at fair value through profit or loss	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	
	----- (Rupees in '000) -----				
On balance sheet - financial assets					
Balances with banks	352,749	-	-	-	352,749
Investments	-	1,987,091	1,657,668	-	3,644,759
Receivable against sale of investments	15	-	-	-	15
Dividend receivable	18,049	-	-	-	18,049
Deposits and other receivables	10,648	-	-	-	10,648
	<u>381,461</u>	<u>1,987,091</u>	<u>1,657,668</u>	<u>-</u>	<u>4,026,220</u>



2010

	Loans and receivables	Financial assets at fair value through profit or loss	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	Total
------(Rupees in '000)-----					
On balance sheet - financial liabilities					
Payable to Al Meezan					
- management company of the Fund	-	-	-	7,404	7,404
Payable to CDC - trustee of the Fund	-	-	-	427	427
Payable to MBL	-	-	-	79	79
Payable on redemption of units	-	-	-	13,748	13,748
Payable against purchase of investments	-	-	-	1,468	1,468
Accrued expenses and other liabilities	-	-	-	974	974
	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,100</u>	<u>24,100</u>

2009

	Loans and receivables	Financial assets at fair value through profit or loss	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	Total
------(Rupees in '000)-----					
On balance sheet - financial assets					
Balances with banks	142,537	-	-	-	142,537
Investments	-	3,568,703	-	-	3,568,703
Receivable against sale of investments	6,076	-	-	-	6,076
Dividend receivable	36,020	-	-	-	36,020
Deposits and other receivables	9,512	-	-	-	9,512
	<u>194,145</u>	<u>3,568,703</u>	<u>-</u>	<u>-</u>	<u>3,762,848</u>

On balance sheet - financial liabilities

Payable to Al Meezan					
- management company of the Fund	-	-	-	6,666	6,666
Payable to CDC - trustee of the Fund	-	-	-	397	397
Payable to MBL	-	-	-	1,223	1,223
Payable on redemption of units	-	-	-	5,609	5,609
Payable against purchase of investments	-	-	-	5	5
Accrued expenses and other liabilities	-	-	-	905	905
	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,805</u>	<u>14,805</u>

17. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies:

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

Risks of the Fund are being managed by the Fund manager in accordance with the approved policies of the Investment Committee which provides broad guidelines for management of risk pertaining to market risks (including price risk and interest rate risk) credit risk and liquidity risk. Further, the overall exposure of the Fund complies with the NBFC Regulations, 2008 and the directives issued by the SECP.

Risks managed and measured by the Fund are explained below:

17.1 Credit risk

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

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

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

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

The maximum exposure to credit risk as at June 30, 2010 and 2009 along with comparative is tabulated below:

	2010	2009
	(Rupees in '000)	
FINANCIAL ASSETS		
Balances with banks	352,749	142,537
Receivable against sale of investments	15	6,076
Dividend receivable	18,049	36,020
Deposits and other receivables	10,648	9,512
	<u>381,461</u>	<u>194,145</u>

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

	2010	2009
	(%)	
AAA	0.09	-
AA+	93.91	37.15
AA	-	0.49
AA-	5.32	0.01
A+	-	10.14
A	0.67	52.20
A-	0.01	0.01
	<u>100.00</u>	<u>100.00</u>

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



17.2. Liquidity risk

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

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

In accordance with regulation 58(1)(k) of the NBFC Regulations 2008, the Fund has the ability to borrow funds for meeting the redemption requests, with the approval of the trustee, for a period not exceeding three months to the extent of fifteen per cent of the net assets which amounts to Rs 594.887 million as on June 30, 2010 (2009: Rs 560.594 million). However, no such borrowing has been obtained during the period.

Further, the Fund is also allowed in accordance with regulation 57 (10) of the NBFC Regulations, 2008, to defer redemption requests to next dealing day, had such requests exceed ten percent of the total number of units in issue.

An analysis of the Fund's liabilities into relevant maturity grouping as at June 30, 2010 and 2009 is tabulated below:

	Maturity upto				Total 2010	Total 2009
	Three months	six months	one year	More than one year		
	----- (Rupees in '000) -----					
Payable to Al Meezan	7,404	-	-	-	7,404	6,666
Payable to CDC	427	-	-	-	427	397
Payable to MBL	79	-	-	-	79	1,223
Payable on redemption of units	13,748	-	-	-	13,748	5,609
Payable against purchase of investments	1,468	-	-	-	1,468	5
Accrued expenses and other liabilities	974	-	-	-	974	905
2010	<u>24,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,100</u>	<u>14,805</u>
2009	<u>14,805</u>	<u>-</u>	<u>-</u>	<u>-</u>		

17.3 Market Risk

17.3.1 Price risk

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

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

Details of the Fund's investment portfolio exposed to price risk, at the reporting date are disclosed in note 6 to these financial statements. At June 30, the Fund's overall exposure to price risk is limited to the fair value of those positions. The Fund manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weighting to that of the Karachi Meezan Index 30 index (KMI). The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

The net assets of the Fund will increase / decrease by Rs 2.353 million (2009: increase / decrease approximately Rs. 3 million) if the prices of equity vary due to increase / decrease in KMI. This is based on the assumption that the fair value of the Fund's portfolio moves according to their historical correlation with KMI and that KMI increases / decreases by 10 points with all other factors held constant.

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

17.3.2 Interest rate risk

The interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates which affect cashflows pertaining to debt instruments and their fair values. The Fund does not hold any debt instruments therefore its net assets are not exposed to these risks.

18. CAPITAL RISK MANAGEMENT

The Fund's capital is represented by redeemable units. They are entitled to dividends and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

The Fund has no restrictions or specific capital requirements on the subscription and redemption of units.



The Fund's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for unit holders.

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

In accordance with risk management policies stated in note 17, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments where necessary.

19. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

20. PERFORMANCE TABLE

	2010	2009	2008	2007
Net assets (Rs. '000) (ex-distribution)*	3,964,673	3,737,293	6,033,639	3,679,298
Net assets value / redemption price per unit as at June 30 (Rs.) (ex-distribution)*	37.17	35.28	50.05	59.89
Offer price per unit as at June 30 (Rs.) (ex-distribution)*	38.03	36.09	51.20	61.27
Highest offer price per unit (Rs.)	53.59	49.30	72.73	77.63
Lowest offer price per unit (Rs.)	37.66	22.39	56.03	57.63
Highest redemption price per unit (Rs.)	52.38	48.19	71.10	75.88
Lowest redemption price per unit (Rs.)	36.81	21.89	54.77	56.33
Distribution (%)	18.00	-	20.00	31.20
Date of distribution	July 7, 2010	-	July 7, 2008	July 10, 2007
Income distribution (Rupees in '000)	1,237	-	829	-
Growth distribution (Rupees in '000)	771,783	-	1,004,058	760,329
Total return (%)	30.87	(29.51)	0.27	28.78

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

	One Year	Two Year	Three Year	Four Year
Average annual return as at June 30, 2010	30.87%	-3.95%	-2.57%	4.47%

Investment portfolio composition of the Fund

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

Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate as described in note 17.

21. INVESTMENT COMMITTEE MEMBERS

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

	Designation	Qualification	Experience in years
1.	Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA Twenty years
2.	Mr. Muhammad Asad	Chief Investment Officer / Fund Manager	CFA level II / MBA Fourteen years
3.	Mrs. Sanam Ali Zaib	Head of Research	CFA level II / MBA Six years
4.	Miss Madiha Jawed	Manager Research and Product Development	CFA / BBA / FRM Three years
5.	Miss Ayesha Irfan *	Manager Investments and Research	MBA Two years
6.	Mr. Muhammad Ali *	AVP Investments	CFA / FRM / MBA / MS Sixteen years

* These members have been appointed in the Investment Committee subsequent to the year end on August 17, 2010.



21.2 Other Funds being managed by the Mr. Muhammad Asad are as follows:

- Al Meezan Mutual Fund Limited
- Meezan Tahaffuz Pension Fund

22. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors Meetings and Directors' present therein									
		July 6, 2009	Aug 20, 2009	Sep 1, 2009	Oct 9, 2009	Oct 20, 2009	Nov 16, 2009	Dec 8, 2009	Feb 15, 2010	April 27, 2010	
Mr. Ariful Islam	Chairman	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Mr. Mohammad Shoaib	Chief Executive	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Mr. Tasnimul Haq Farooqui *	Director	Yes	Yes	Yes	Yes	No	Yes	Yes	No	-	
Mr. Aliuddin Ansari	Director	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Mr. P. Ahmed **	Director	-	-	-	-	-	Yes	Yes	Yes	Yes	
Mr. Rana Ahmed Humayun *	Director	-	-	-	-	-	-	-	-	Yes	
Mr. Rizwan Ata	Director	Yes	Yes	No	No	Yes	No	No	No	Yes	
Mr. Mazhar Sharif	Director	Yes	No	Yes	Yes	No	Yes	No	Yes	Yes	
Syed Owais Wasti **	Director	Yes	Yes	Yes	Yes	Yes	-	-	-	-	

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

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

23. NON ADJUSTING EVENTS

The Board of Directors in its meeting held on July 7, 2010 has announced a payout of 18% of par value (2009: nil) amounting to Rs 771.783 million (2009: Rs. nil) equivalent to 20,763,587 bonus units (2009: nil bonus units) and cash dividend of Rs.1.237 million (2009: Rs. nil). The financial statements for the year ended June 30, 2010 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ended June 30, 2011.

	2010	2009
	Number of units	
The effect of issue of bonus units is as follows:		
Number of units in issue before bonus units	<u>85,891,040</u>	<u>105,920,317</u>
Number of units in issue after bonus units	<u>106,654,627</u>	<u>105,920,317</u>
	Rupees	
Net assets value per unit before distribution	<u>46.17</u>	<u>35.28</u>
Net assets value per unit after distribution	<u>37.17</u>	<u>35.28</u>

24. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

Broker's Name	2010 %
1. KASB Securities Limited	17.38
2. Foundation Securities (Private) Limited	13.06
3. Invest and Finance Securities (Private) Limited	12.34
4. Invisor Securities (Private) Limited	7.33
5. Invest Capital Investment Bank Limited	7.28
6. Ample Securities (Private) Limited	6.41
7. BMA Capital Management Limited	5.64
8. JS Global Capital Limited	5.47
9. Standard Capital Securities Limited	3.33
10. Arif Habib Securities Limited	3.08

Broker's Name	2009 %
1. Invest Capital Investment Bank Limited	15.64
2. Ample Securities (Private) Limited	13.96
3. Invest and Finance Securities Limited	13.88
4. KASB Securities Limited	10.13
5. JS Global Capital Limited	7.07
6. Foundation Securities	6.37
7. AKD Securities Limited	6.01
8. Fortune Securities (Private) Limited	3.78
9. BMA Capital Management Limited	3.13
10. Invisor Securities (Private) Limited	2.77

25. PATTERN OF UNITHOLDING

	----- (2010) -----		Percentage of total %
	Number of investors	Investment amount (Rupees in '000)	
Individuals	7,650	1,937,409	48.85
Associated companies / directors	4	578,769	14.59
Insurance companies	10	191,634	4.83
Banks / DFIs	18	15,599	0.39
NBFCs	9	9,065	0.23
Retirement funds	202	1,135,798	28.64
Public limited companies	64	34,882	0.89
Others	44	62,754	1.58
Total	8,001	3,965,910	100.00



	----- (2009) -----		
	Number of Investment investors	Investment amount	Percentage of total
	(Rupees in '000)		%
Individuals	7,079	1,833,198	49.05
Associated companies / directors	6	538,414	14.41
Insurance companies	8	175,694	4.70
Banks / DFIs	15	6,496	0.17
NBFCs	-	-	-
Retirement funds	196	913,791	24.45
Public limited companies	6	350	0.01
Others	94	269,350	7.21
Total	<u>7,404</u>	<u>3,737,293</u>	<u>100.00</u>

26. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 28, 2010 by the board of directors of the management company.

27. GENERAL

The bifurcation of undistributed income into realised and unrealised income at the beginning and end of the year as required by the NBFC Regulations, 2008 has not been disclosed as such bifurcation was not practicable.

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

Mohammad Shoaib, CFA
Chief Executive

Mazhar Sharif
Director