



Pure. Profit.



Quarterly Report March 31, 2011



MEEZAN
Islamic Fund

MIF
MEEZAN
Islamic Income Fund


MEEZAN
SOVEREIGN FUND


MEEZAN
CASH FUND

Al Meezan Investment Management Limited
A subsidiary of Meezan Bank



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**Our Vision**

To set standards of best practices and performance for the industry through efficient asset allocation & security selection 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. Rana Ahmed Humayun | Director |
| Mr. P. Ahmed | 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
Standard Chartered Bank (Pakistan) Limited - Islamic Banking
UBL Ameen Islamic Banking

LEGAL ADVISER

Bawaney & Partners
404, 4th Floor, Beaumont Plaza, 6-CL-10
Beaumont Road, Civil Lines
Karachi - 75530

TRANSFER AGENT

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

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 un-audited financial statements of the Fund for the nine months ended March 31, 2011.

Brief Overview

During the first nine months of fiscal year 2011, Meezan Islamic Fund (MIF) provided a return of 34% to its investors while the benchmark index, Karachi Meezan Index (KMI-30) increased by 38% to 20,064 points. The KSE 100 index during the same period closed at 11,810 points posting a 21.5% increase.

Economic Review

The economic performance of the country improved significantly after the devastating floods in the first quarter of the fiscal year as most of the macro economic targets which were expected to slump in the aftermath of the floods showed signs of recovery. The revised GDP target for FY11 now stands at ~2.5-3% as compared to the initial target of 1.5%-2%. Inflation pressure eased off with CPI touching a low of 12.91% in February 2011 after recent respite in food inflation. Moreover, the government's commitment to reduce borrowing from SBP did materialize to some extent, where during the eight months total amount borrowed stood at Rs 76 billion and Rs 204 billion from SBP and commercial banks respectively. On account of these favorable developments, the SBP decided to keep the discount rate unchanged at 14% in the last two monetary policy statements against a total increase of 1.5% in the previous three monetary policy statements.

On the external front, the country's current account position showed a healthy picture with an overall deficit of USD 98 million in the eight months as compared to a massive deficit of USD 3 billion in the same period last year. The overall figure was bolstered by remittances (↑20.3% YoY) and exports which crossed USD2 billion each for four consecutive months. These positive developments helped the country's FX reserves to hit an all time high of USD 17.9 billion as the currency showed a steady trend during the period under review.

On the fiscal side, the government's revenue collection crossed the Rs 1 trillion mark for the nine months of the fiscal year. To ensure the collection of the revised target of Rs 1,588 billion, some new tax measures were introduced for the remaining months of fiscal year including 15% flood surcharge, increase in special excise duty (SED) from 1% to 2.5% and withdrawal of zero rating facility to some key sectors including fertilizers. During the period under review, a single round of talks was held between government of Pakistan (GoP) and International Monetary Fund (IMF), where the parties principally agreed to enhance the fiscal deficit target to 5.3% of GDP for FY11.

Despite the government's effort to increase the tax base, implement RGST from the next fiscal year and limit the fiscal deficit, the talks with IMF regarding the release of last two tranches remained inconclusive with the next meeting likely in May 2011.

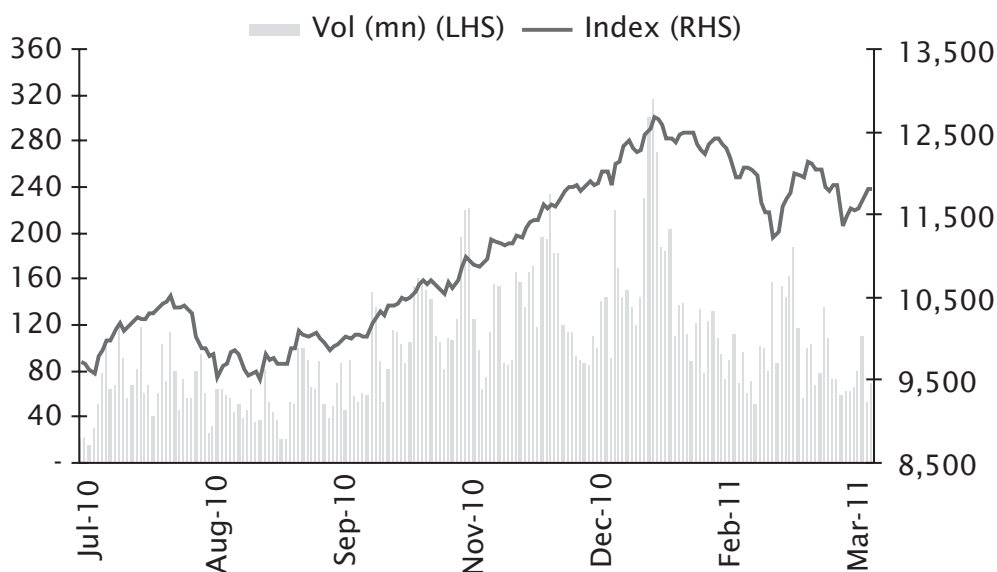
Equity Market Review

The stock market performed well during the first nine months of fiscal year 2011 primarily due to improved corporate earnings and continuing foreign inflows with the KSE-100 index rising by 21.47% to close at 11,810 points despite some correction seen in the last quarter. However, trading volumes remained low due to imposition of capital gains tax (CGT) from July and absence of a leveraged product. Average daily trading volume during the period under review declined by 51% to 85 million shares as compared to 172 million shares in the corresponding period last year.

The start of the fiscal year was initially bullish on the back of expectations of positive corporate results along with foreign interest, which helped the market to post an extraordinary return of 8.2% for the month of July. However, this rally was arrested by the unexpected 50 bps increase in the discount rate by State Bank in its bimonthly monetary policy statement at the end of July. Later, the market performance was further derailed by the devastating floods in the country which adversely affected major sectors of the economy leading to 1-2% cut in the GDP growth target of 4.5%. However, even after another 50 bps increase in discount rate in September, the investors shunned macroeconomic concerns and the sentiments remained bullish due to positive flows and positive corporate results. Since then the market witnessed a broad-based rally which was extended in the new calendar year as positive developments inched up investors' hopes of good result and payout expectations. Foreigners' net buying position boosted optimism in market as the third hike in the discount rate of 50bps in this fiscal year did not break the momentum of the market and KSE-100 rallied to year's peak of 12,768 points in mid of January, 2011.

The market underwent a correction of 12% since then as there was profit taking activity initiated by institutional investors. This was seen due to heightened political noise and strained foreign relations due to the Raymond Davis case in courts along with the uprising in the MENA region and the natural calamity in Japan. Subsequently, foreign investment which was the major trigger of the market rally in last few quarters remained at subdued levels of USD 52.5 million in third quarter of FY11, slightly thinning the fiscal year to date inflow to USD 302 million, while registering first monthly negative number of USD 16.2 million since May 09 in March FY 11.

Towards the end of the period under review, introduction of Margin Trading System (MTS) coupled with better than expected corporate results gave some support to the market and eventually helped the KSE 100 index to close at 11,810.





Performance Review

Meezan Islamic Fund earned a total income of Rs. 1,059 million in the nine months of the fiscal year 2011 as compared to Rs. 1,485 million in the same period last year. Major impetus to this figure was provided by unrealized gains on investments, which was Rs. 386 million. Realized gains and Dividend Income also made noteworthy contributions of Rs. 412 million and Rs. 220 million respectively. During the period under review, the Fund incurred expenses amounting to Rs. 51 million. In all, the MIF posted a net income of Rs. 898 million, as compared to previous period's net profit of Rs. 1,502 million. This translates into a per unit profit of Rs. 12.55 for the nine months. Total comprehensive Income for the period stood at 1,099 million compared to 1,585 in the corresponding period last year.

Net Assets of the Fund grew by more than 10% in the nine months of fiscal year 2011 to Rs. 4.38 billion. The net asset value of the Fund was Rs. 49.97 per unit at the period end. During the period fresh units worth Rs. 406 million were issued while units amounting to Rs. 1,253 million were redeemed, resulting in net outflow of Rs. 847 million.

Outlook

Going forward, the key challenge for the government under the current political environment would be to implement the reforms demanded by IMF. In line with the government's commitment to keep SBP borrowing within limits, and as inflation has tapered off from its peak, we are of the view that the government will continue its 'wait and watch' policy before increasing the discount rate in the last quarter of the fiscal year. Although the implementation of capital gain tax has negatively impacted volumes, we believe that the introduction of the leverage product in the market will improve the liquidity position and attract investors back to the equity market. On the basis of earnings multiples and dividend yields, Pakistan remains one of the cheapest markets. Pakistan's stock market is trading at a P/E multiple of 7.7x, which is almost at a 38% discount to other frontier markets. This makes KSE an attractive option for foreign investors, who are expected to continue to make investments at the local bourses.

Acknowledgement

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

For and on behalf of the Board

**Date: April 21, 2011
Karachi.**

**Mohammad Shoaib, CFA
Chief Executive**

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2011 (UNAUDITED)

| | (Unaudited) March 31, 2011 | (Audited) June 30, 2010 |
|--|----------------------------------|-------------------------------|
| Note | (Rupees in '000) | |
| Assets | | |
| Balances with banks | 864,726 | 352,749 |
| Investments | 5 3,474,560 | 3,644,759 |
| Receivable against sale of investments | 1,553 | 15 |
| Dividend receivable | 35,911 | 18,049 |
| Advances, deposits and other receivables | 25,538 | 10,724 |
| Total assets | <u>4,402,288</u> | <u>4,026,296</u> |
| Liabilities | | |
| Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund | 7,588 | 7,404 |
| Payable to Central Depository Company of Pakistan Limited (CDC) - trustee of the Fund | 469 | 427 |
| Payable to Meezan Bank Limited (MBL) | 42 | 79 |
| Payable to Securities and Exchange Commission of Pakistan (SECP) | 3,019 | 4,121 |
| Payable on redemption of units | 1,862 | 13,748 |
| Payable against purchase of investments | - | 1,468 |
| Accrued expenses and other liabilities | 12,931 | 33,139 |
| Total liabilities | <u>25,911</u> | <u>60,386</u> |
| Net assets | <u>4,376,377</u> | <u>3,965,910</u> |
| Unitholders' fund (as per statement attached) | <u>4,376,377</u> | <u>3,965,910</u> |
| | Number of units | |
| Number of units in issue | <u>87,576,329</u> | <u>85,891,040</u> |
| | (Rupees) | |
| Net assets value per unit | <u>49.97</u> | <u>46.17</u> |

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director



CONDENSED INTERIM INCOME STATEMENT FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011 (UNAUDITED)

| | Nine months ended March 31 | | Quarter ended March 31 | | |
|--|-------------------------------|------------------|---------------------------|----------------|----------------|
| | Note | 2011 | 2010 | 2011 | 2010 |
| | | (Rupees in '000) | | | |
| Income | | | | | |
| Net realised gain on sale of investments | | 411,600 | 400,686 | 278,732 | 132,103 |
| Dividend income | | 220,477 | 271,790 | 68,918 | 101,845 |
| Profit on savings accounts with banks | | 39,884 | 17,151 | 22,328 | 4,648 |
| Other income | | 1,643 | 919 | 669 | 196 |
| | | <u>673,604</u> | <u>690,546</u> | <u>370,647</u> | <u>238,792</u> |
| Unrealised gain on re-measurement of investments at fair value through profit or loss (net) | | 385,771 | 794,894 | 67,394 | 95,414 |
| Total income | | <u>1,059,375</u> | <u>1,485,440</u> | <u>438,041</u> | <u>334,206</u> |
| Expenses | | | | | |
| Remuneration to Al Meezan - management company of the Fund | | 63,551 | 65,446 | 21,601 | 21,871 |
| Remuneration to CDC - trustee of the Fund | | 3,928 | 4,023 | 1,326 | 1,340 |
| Annual fee to SECP | | 3,019 | 3,109 | 1,026 | 1,039 |
| Auditors' remuneration | | 561 | 488 | 159 | 127 |
| Fees and subscription | | 30 | 29 | 10 | 9 |
| Legal and professional charges | | 205 | 719 | 43 | 236 |
| Brokerage | | 2,346 | 3,033 | 1,225 | 609 |
| Bank and settlement charges | | 676 | 695 | 299 | 158 |
| Printing charges | | 454 | 473 | 47 | 157 |
| Reversal of provision for Workers' Welfare Fund | | (24,242) | - | - | - |
| Total expenses | | <u>50,528</u> | <u>78,015</u> | <u>25,736</u> | <u>25,546</u> |
| Net income from operating activities | | <u>1,008,847</u> | <u>1,407,425</u> | <u>412,305</u> | <u>308,660</u> |
| Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed | | (111,039) | 94,942 | 40,252 | 12,733 |
| Net income | | <u>897,808</u> | <u>1,502,367</u> | <u>452,557</u> | <u>321,393</u> |
| Other comprehensive income for the period | | | | | |
| Unrealised gain / (loss) on available for sale investments | | 249,196 | 85,098 | (137,464) | 62,244 |
| Element of loss and capital losses included in prices of units sold less those in units redeemed pertaining to 'available for sale' investment | | (47,782) | (2,928) | (32,725) | (3,634) |
| Total comprehensive income for the period | | <u>1,099,222</u> | <u>1,584,537</u> | <u>282,368</u> | <u>380,003</u> |

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

CONDENSED INTERIM DISTRIBUTION STATEMENT FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011 (UNAUDITED)

| | Nine months ended March 31 | | Quarter ended March 31 | |
|--|-------------------------------|-----------------|---------------------------|-----------------|
| | 2011 | 2010 | 2011 | 2010 |
| | (Rupees in '000) | | | |
| Accumulated loss | (350,397) | (1,558,724) | (693,223) | (377,044) |
| Less : Final distribution in the form of bonus units @ 18% for the year ended June 30, 2010 (June 30, 2009 @ nil) | (771,783) | - | - | - |
| Less : Final distribution in the form of 18% cash dividend for the year ended June 30, 2010 (June 30, 2009 @ nil) | (1,237) | - | - | - |
| Net income for the period | 897,808 | 1,502,367 | 452,557 | 321,393 |
| Element of loss and capital losses included in prices of units sold less those in units redeemed pertaining to 'available for sale' investment | (47,782) | (2,928) | (32,725) | (3,634) |
| Undistributed Loss carried forward | <u>(273,391)</u> | <u>(59,285)</u> | <u>(273,391)</u> | <u>(59,285)</u> |

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director



CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011 (UNAUDITED)

| | Nine months ended March 31 | | Quarter ended March 31 | |
|---|-------------------------------|------------------|---------------------------|------------------|
| | 2011 | 2010 | 2011 | 2010 |
| | (Rupees in '000) | | | |
| Net assets at the beginning of the period | 3,965,910 | 3,737,293 | 4,486,709 | 4,347,146 |
| Issue of 9,258,571 (March 31, 2010: 7,115,696) units for nine months | 406,316 | 316,302 | 151,577 | 68,928 |
| Redemption of 28,336,869 (March 31, 2010: 24,842,188) units for nine months | (1,252,655) | (1,110,613) | (536,750) | (351,473) |
| | (846,339) | (794,311) | (385,173) | (282,545) |
| Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed (net): | | | | |
| - transferred to income statement | 111,039 | (94,942) | (40,252) | (12,733) |
| - transferred to other comprehensive income | 47,782 | 2,928 | 32,725 | 3,634 |
| | 158,821 | (92,014) | (7,527) | (9,099) |
| Total comprehensive income for the period | 1,099,222 | 1,584,537 | 282,368 | 380,003 |
| Cash distribution during the period | (1,237) | - | - | - |
| Issue of bonus units during the period | (771,783) | - | - | - |
| Total comprehensive income / (loss) for the period less distribution | 326,202 | 1,584,537 | 282,368 | 380,003 |
| Issue of 20,763,587 bonus units for the year ended June 30, 2010 (2009: nil bonus units) | 771,783 | - | - | - |
| Net assets at the end of the period | <u>4,376,377</u> | <u>4,435,505</u> | <u>4,376,377</u> | <u>4,435,505</u> |

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011 (UNAUDITED)

| | Nine months ended March 31 | | Quarter ended March 31 | |
|---|-------------------------------|------------------|---------------------------|------------------|
| | 2011 | 2010 | 2011 | 2010 |
| | (Rupees in '000) | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net income for the period | 897,808 | 1,502,367 | 452,557 | 321,393 |
| Adjustments for: | | | | |
| Dividend income | (220,477) | (271,790) | (68,918) | (101,845) |
| Profit on deposit accounts with banks | (39,884) | (17,151) | (22,328) | (4,648) |
| Unrealised gain on re-measurement of investments at fair value through profit or loss (net) | (385,771) | (794,894) | (67,394) | (95,414) |
| Reversal of provision of Workers' Welfare Fund | (24,242) | - | - | - |
| Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed | 111,039 | (94,942) | (40,252) | (12,733) |
| | <u>338,473</u> | <u>323,590</u> | <u>253,665</u> | <u>106,753</u> |
| Decrease / (increase) in assets | | | | |
| Investments | 805,166 | 114,947 | 433,203 | (36,839) |
| Receivable against sale of investments | (1,538) | 6,076 | 4,435 | 4,573 |
| Advances, deposits and other receivables | 19 | (10) | 51 | 10 |
| | <u>803,647</u> | <u>121,013</u> | <u>437,689</u> | <u>(32,256)</u> |
| Increase / (decrease) in liabilities | | | | |
| Payable to Al Meezan - management company of the Fund | 184 | 792 | (1,898) | (96) |
| Payable to CDC - trustee of the Fund | 42 | 72 | (5) | 4 |
| Payable to MBL | (37) | (507) | (72) | 708 |
| Payable to SECP | (1,102) | (758) | 1,026 | 1,039 |
| Payable on redemption of units | (11,886) | 9,094 | (10,208) | (13,649) |
| Payable against purchase of investments | (1,468) | 839 | (1,022) | 214 |
| Accrued expenses and other liabilities | 4,034 | 693 | 1,884 | 263 |
| | <u>(10,233)</u> | <u>10,225</u> | <u>(10,295)</u> | <u>(11,517)</u> |
| Dividend received | 202,615 | 232,486 | 34,351 | 63,888 |
| Profit received on deposit accounts with banks | 25,051 | 21,152 | 16,050 | 9,730 |
| Dividend paid | (1,237) | - | - | - |
| Net cash inflow from operating activities | <u>1,358,316</u> | <u>708,466</u> | <u>731,460</u> | <u>136,598</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Receipts from sale of units | 406,316 | 316,302 | 151,577 | 68,928 |
| Payments against redemption of units | (1,252,655) | (1,110,613) | (536,750) | (351,473) |
| Net cash outflow from financing activities | <u>(846,339)</u> | <u>(794,311)</u> | <u>(385,173)</u> | <u>(282,545)</u> |
| Net cash inflow / (outflow) during the period | 511,977 | (85,845) | 346,287 | (145,947) |
| Cash and cash equivalents at the beginning of the period | 352,749 | 142,537 | 518,439 | 202,639 |
| Cash and cash equivalents at the end of the period | <u>864,726</u> | <u>56,692</u> | <u>864,726</u> | <u>56,692</u> |

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director



NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011 (UNAUDITED)

1. LEGAL STATUS AND NATURE OF BUSINESS

Meezan Islamic Fund (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited (AMIML) as management company and Central Depository Company of Pakistan Limited (CDC) as trustee. The Trust Deed was executed on June 16, 2003 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 4, 2003 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). On November 21, 2007 Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations, 2007) were notified which are now superseded by the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations, 2008) issued through S.R.O.1203(I)/2008 on November 21, 2008. The registered office of the management company of the Fund, is situated in Finance & Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan.

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 Meezan Bank Limited (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 NBFC Rules.

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.

The management company of the Fund has been given quality rating of AM2 by JCR-VIS. The Fund is ranked at 'MFR 5-Star' performance rankings by JCR-VIS Credit Rating Company Limited.

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

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.

These condensed interim financial statements are unaudited.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements and the significant judgements made by management in applying those accounting policies and the key sources of estimation uncertainty are the same as those applied in the preparation of the financial statements as at and for the year ended June 30, 2010.

5. INVESTMENTS

| | Note | (Unaudited) March 31, 2011 (Rupees in '000) | (Audited) June 30, 2010 |
|---|-------|--|-------------------------------|
| Investments at fair value through profit and loss | 5.1 | 1,421,424 | 1,987,091 |
| Investments- 'available for sale' | 5.2 | 2,053,136 | 1,657,668 |
| | | <u>3,474,560</u> | <u>3,644,759</u> |
| 5.1 Investments at 'fair value through profit or loss' | | | |
| - Held for trading | 5.1.1 | 1,229,819 | 1,763,080 |
| - Investments at 'fair value through profit or loss upon initial recognition' | 5.1.4 | 191,605 | 224,011 |
| | | <u>1,421,424</u> | <u>1,987,091</u> |

5.1.1 Held for Trading - Shares of listed companies

| Name of the investee company | As at July 1, 2010 | Purchases during the period | Bonus / rights issue | Sales during the period | As at March 31, 2011 | Carrying value | Market value | Unrealised gain / (loss) | Percentage in relation to | | |
|--|--------------------|-----------------------------|----------------------|-------------------------|----------------------|----------------------------|------------------|--------------------------|---|-----------------------------------|---|
| | | | | | | | | | Net assets of the Fund on the basis of market value | Total market value of investments | Paid-up capital of investee company (with face value of investment) |
| | | | | | | | | | | | |
| ----- Number of Shares ----- | | | | | | ----- Rupees in '000 ----- | | | | | |
| General Industrials | | | | | | | | | | | |
| Thal Limited (note 6.1.1) | 331,256 | - | 66,251 | 111,380 | 286,127 | 22,637 | 30,753 | 8,116 | 0.70 | 0.89 | 0.47 |
| Tri-Pack Films Limited | 389,300 | - | - | 10,000 | 379,300 | 36,993 | 57,654 | 20,661 | 1.32 | 1.66 | 1.26 |
| Construction and Materials | | | | | | | | | | | |
| Attock Cement Pakistan Limited | 219,520 | - | - | 218,926 | 594 | 39 | 31 | (8) | - | - | - |
| Lucky Cement Limited | 1,135,800 | - | - | 658,979 | 476,821 | 29,630 | 32,176 | 2,546 | 0.74 | 0.93 | 0.15 |
| Oil and gas | | | | | | | | | | | |
| Pakistan State Oil Company Limited | 951,300 | - | - | 354,000 | 597,300 | 155,417 | 165,757 | 10,340 | 3.79 | 4.77 | 0.35 |
| Oil and Gas Development Company Limited (note 6.1.3) | 157,077 | - | - | 157,077 | - | - | - | - | - | - | - |
| Pakistan Oilfields Limited | 1,355,740 | - | - | 1,091,817 | 263,923 | 56,981 | 85,798 | 28,817 | 1.96 | 2.47 | 0.11 |
| Pakistan Petroleum Limited | 1,062,214 | - | 212,442 | 805,565 | 469,091 | 71,974 | 99,171 | 27,197 | 2.27 | 2.85 | 0.04 |
| Automobile and Parts | | | | | | | | | | | |
| Indus Motor Company Limited | 451,135 | - | - | 45,191 | 405,944 | 106,512 | 85,370 | (21,142) | 1.95 | 2.46 | 0.52 |
| Pak Suzuki Motor Company Limited | 181,163 | - | - | 131,140 | 50,023 | 3,965 | 3,475 | (490) | 0.08 | 0.10 | 0.06 |
| Agriauto Industries Limited (note 6.1.1) | 679,200 | - | - | 70,000 | 609,200 | 42,035 | 43,259 | 1,224 | 0.99 | 1.25 | 2.12 |
| Fixed Line Telecommunication | | | | | | | | | | | |
| Pakistan Telecommunication Company Limited "A" | 65,981 | - | - | 65,981 | - | - | - | - | - | - | - |
| Chemicals | | | | | | | | | | | |
| Fauji Fertilizer Company Limited | 5,837,146 | - | 926,020 | 2,220,264 | 4,542,902 | 374,589 | 626,375 | 251,786 | 14.31 | 18.03 | 0.23 |
| Fauji Fertilizer Bin Qasim Limited | 2,502,062 | - | - | 2,502,062 | - | - | - | - | - | - | - |
| ICI Pakistan Limited | 26,017 | - | - | 26,017 | - | - | - | - | - | - | - |
| Total | | | | | | <u>900,772</u> | <u>1,229,819</u> | <u>329,047</u> | | | |
| Total cost of investments | | | | | | | <u>798,410</u> | | | | |



5.1.2 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.

5.1.3 210,000 shares of Oil and Gas Development Company Limited, having market value of Rs 28.491 million as at March 31, 2011, have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

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

Shares of listed companies

| Name of the investee company | As at July 1, 2010 | Purchases during the period | Bonus / rights issue | Sales during the period | As at March 31, 2011 | Carrying value | Market value | Unrealised gain / (loss) | Percentage in relation to | | | |
|--|--------------------|-----------------------------|----------------------|-------------------------|----------------------|----------------|----------------|--------------------------|---------------------------|---|-----------------------------------|---|
| | | | | | | | | | Number of Shares | Net assets of the Fund on the basis of market value | Total market value of investments | Paid-up capital of investee company (with face value of investment) |
| | | | | | | | | | | | | |
| Equity Investment Instruments | | | | | | | | | | | | |
| Al Meezan Mutual Fund Limited (an associate of the Fund) | 19,570,700 | - | - | 11,090,510 | 8,480,190 | 56,393 | 86,159 | 29,766 | 1.97 | 2.48 | 6.17 | |
| Banks | | | | | | | | | | | | |
| Meezan Bank Limited (an associate of the Fund) | 6,442,072 | - | 808,834 | 1,050,798 | 6,200,108 | 78,444 | 105,402 | 26,958 | 2.40 | 3.03 | 0.77 | |
| Pharma and Bio Tech | | | | | | | | | | | | |
| Glaxosmithkline Pakistan Limited | 1,093 | - | - | 1,093 | - | - | - | - | - | - | - | |
| General Industrials | | | | | | | | | | | | |
| Packages Limited | 374 | - | - | - | 374 | 44 | 44 | - | - | - | - | |
| Grand Total | | | | | | 134,881 | 191,605 | 56,724 | | | | |
| Total cost of Investments | | | | | | | 188,400 | | | | | |

5.2 Investments categorised as 'available for sale'

5.2.1 Shares of listed companies and a bank

| Name of the investee company | As at July 1, 2010 | Purchases during the period | Bonus / rights issue | Sales during the period | As at March 31, 2011 | Carrying value | Market value | Unrealised gain / (loss) | Percentage in relation to | | | |
|--|--------------------|-----------------------------|----------------------|-------------------------|----------------------|------------------|------------------|--------------------------|---------------------------|---|-----------------------------------|---|
| | | | | | | | | | Number of Shares | Net assets of the Fund on the basis of market value | Total market value of investments | Paid-up capital of investee company (with face value of investment) |
| | | | | | | | | | | | | |
| General Industrials | | | | | | | | | | | | |
| Packages Limited | 1,201,745 | 115,712 | - | 172,668 | 1,144,789 | 137,219 | 134,982 | (2,237) | 3.08 | 3.88 | 1.36 | |
| Thal Limited (note 6.1.1) | 20 | - | 4 | - | 24 | 2 | 3 | 1 | - | - | - | |
| Tri-Pack Films Limited | 10 | - | - | - | 10 | 1 | 1 | - | - | - | - | |
| Personal Goods | | | | | | | | | | | | |
| Nishat Mills Limited | - | 1,354,000 | - | - | 1,354,000 | 82,225 | 87,996 | 5,771 | 2.01 | 2.53 | 0.39 | |
| Construction and Materials | | | | | | | | | | | | |
| Attock Cement Pakistan Limited | 282,631 | 21,500 | - | - | 304,131 | 19,798 | 15,949 | (3,849) | 0.36 | 0.46 | 0.35 | |
| Lucky Cement Limited | 2,007,720 | 1,218,918 | - | 150,000 | 3,076,638 | 203,940 | 207,611 | 3,671 | 4.74 | 5.98 | 0.95 | |
| DG Khan Cement Company Limited | - | 353,802 | - | 353,802 | - | - | - | - | - | - | - | |
| Electricity | | | | | | | | | | | | |
| Hub Power Company Limited | - | 6,137,500 | - | - | 6,137,500 | 225,465 | 231,015 | 5,550 | 5.28 | 6.65 | 0.53 | |
| Kot Addu Power Company Limited | - | 250,000 | - | - | 250,000 | 10,643 | 10,295 | (348) | 0.24 | 0.30 | 0.03 | |
| Fixed Line Telecommunication | | | | | | | | | | | | |
| Pakistan Telecommunication Company Limited "A" | 9,440,672 | 1,195,000 | - | 2,440,519 | 8,195,153 | 145,655 | 139,318 | (6,337) | 3.18 | 4.01 | 0.22 | |
| Oil and gas | | | | | | | | | | | | |
| Pakistan State Oil Company Limited | 727,646 | - | - | 35,000 | 692,646 | 182,549 | 192,216 | 9,667 | 4.39 | 5.53 | 0.40 | |
| Oil and Gas Development Company Limited (note 6.1.3) | 1,379,000 | 509,256 | - | 1,319,423 | 568,833 | 75,453 | 77,174 | 1,721 | 1.76 | 2.22 | 0.01 | |
| Pakistan Oilfields Limited | 761,800 | 37,806 | - | 90,000 | 709,606 | 157,159 | 230,686 | 73,527 | 5.27 | 6.64 | 0.30 | |
| Pakistan Petroleum Limited | 1,347,000 | 50,000 | 269,400 | 65,000 | 1,601,400 | 249,632 | 338,552 | 88,920 | 7.74 | 9.74 | 0.13 | |
| National Refinery Limited | 404,351 | 98,247 | - | 502,598 | - | - | - | - | - | - | - | |
| Carried Forward | | | | | | 1,489,741 | 1,665,798 | 176,057 | | | | |

| Name of the investee company | As at July 1, 2010 | Purchases during the period | Bonus / rights issue | Sales during the period | As at March 31, 2011 | Carrying value | Market value | Unrealised gain / (loss) | Percentage in relation to | | |
|---|--------------------|-----------------------------|----------------------|-------------------------|----------------------|----------------------------|------------------|--------------------------|---|-----------------------------------|---|
| | | | | | | | | | Net assets of the Fund on the basis of market value | Total market value of investments | Paid-up capital of investee company (with face value of investment) |
| | | | | | | | | | | | |
| ----- Number of Shares ----- | | | | | | ----- Rupees in '000 ----- | | | | | |
| Brought Forward | | | | | | 1,489,741 | 1,665,798 | 176,057 | | | |
| Chemicals | | | | | | | | | | | |
| Fauji Fertilizer Company Limited | 105,000 | - | 8,250 | 72,000 | 41,250 | 3,365 | 5,688 | 2,323 | 0.13 | 0.16 | - |
| Fauji Fertilizer Bin Qasim Limited | 4,750,000 | - | - | 4,646,858 | 103,142 | 2,524 | 4,272 | 1,748 | 0.10 | 0.12 | 0.01 |
| ICI Pakistan Limited | 1,400,000 | 544,357 | - | 103,983 | 1,840,374 | 221,287 | 303,994 | 82,707 | 6.95 | 8.75 | 1.33 |
| Lotte Pakistan PTA | - | 4,095,000 | - | 4,095,000 | - | - | - | - | - | - | - |
| Automobile and Parts | | | | | | | | | | | |
| Indus Motor Company Limited | 5,000 | 102,168 | - | - | 107,168 | 25,349 | 22,537 | (2,812) | 0.51 | 0.65 | 0.14 |
| Pak Suzuki Motor Company Limited | - | 4,793 | - | - | 4,793 | 310 | 333 | 23 | 0.01 | 0.01 | 0.01 |
| Pharma and Bio Tech | | | | | | | | | | | |
| Glaxosmithkline Pakistan Limited | 40,000 | - | - | 40,000 | - | - | - | - | - | - | - |
| Banks | | | | | | | | | | | |
| Meezan Bank Limited (an associate of the Fund) | 1,906,917 | 680,345 | 384,619 | 440 | 2,971,441 | 39,610 | 50,514 | 10,904 | 1.15 | 1.45 | 0.37 |
| Grand Total | | | | | | <u>1,782,186</u> | <u>2,053,136</u> | <u>270,950</u> | | | |
| Total cost of Investments | | | | | | | <u>1,782,186</u> | | | | |

6. CONTINGENCY

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

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. No such notice was received by the Fund.

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

However, the Management Company believes that the aforementioned constitutional petition pending in the Court has strong grounds for decision in favour of the mutual funds. Accordingly, the management has reversed the liability recognised as at June 30, 2010 amounting to Rs 24.242 million, during the current period. The aggregate unrecognised amount of WWF as at March 31, 2011 amounted to Rs 41.371 million.



7. 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, 2007 and NBFC Regulations, 2008 and the Trust Deed respectively.

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

| | (Unaudited) March 31, 2011 | (Audited) June 30, 2010 |
|--|----------------------------------|-------------------------------|
| | (Rupees in '000) | |
| Al Meezan - management company of the Fund | | |
| Remuneration payable | <u>7,365</u> | <u>6,607</u> |
| Sale load payable | <u>218</u> | <u>792</u> |
| Certificate charges payable | <u>5</u> | <u>5</u> |
| Investment of 649,451 units (June 30, 2010: 3,674,477 units) | <u>32,453</u> | <u>169,651</u> |
| Al Meezan Mutual Fund Limited | | |
| Investment in 8,480,190 shares (June 30, 2010: 19,570,700 shares) | <u>86,159</u> | <u>130,145</u> |
| Meezan Bank Limited | | |
| Bank balance | <u>40,486</u> | <u>18,762</u> |
| Sales load payable | <u>42</u> | <u>79</u> |
| Investment in 9,171,549 shares (June 30, 2010: 8,413,933 shares) | <u>155,916</u> | <u>121,479</u> |
| Investment of 8,996,011 units (June 30, 2010: 7,242,403 units) | <u>449,531</u> | <u>334,382</u> |
| Central Depository Company of Pakistan Limited | | |
| Trustee fee payable | <u>453</u> | <u>413</u> |
| Charges payable | <u>16</u> | <u>14</u> |
| Directors and executives | | |
| Investment of 1,639,142 units (June 30, 2010: 1,678,992 units) | <u>81,908</u> | <u>77,519</u> |

**Nine months ended
March 31**

| | |
|------------------|------|
| 2011 | 2010 |
| (Rupees in '000) | |

Al Meezan - management company of the Fund

| | | |
|---|--------|--------|
| Remuneration for the period | 63,551 | 65,446 |
| Bonus units issued: 889,704 units (2009: nil units) | 33,070 | - |
| Units issued: 391,689 units (2009: nil units) | 15,000 | - |
| Redemptions: 4,243,719 units (2009: 634,398 units) | 77,775 | 67,000 |

Meezan Bank Limited

| | | |
|---|--------|---|
| Bonus units issued: 1,753,608 units (2009: nil units) | 65,182 | - |
|---|--------|---|

Central Depository Company of Pakistan Limited

| | | |
|-------------|-------|-------|
| Trustee fee | 3,928 | 4,023 |
| CDS charges | 97 | 98 |

Directors and executives

| | | |
|---|--------|-------|
| Bonus units issued: 417,930 units (2009: nil units) | 15,535 | - |
| Units issued: 56,593 units (2009: 34,864 units) | 2,586 | 2,518 |
| Redemptions: 48,982 units (2009: 78,741 units) | 27,286 | 4,321 |

8. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on April 21, 2011 by the board of directors of the management company.

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

Chief Executive

Director



Pure. Profit.

Registered Office

Al Meezan Investment Management Limited

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Tel: 92-21-3563 0722-26, Fax: 92-21-3567 6143, UAN: 92-21-111-633-926(111-MEEZAN), Toll Free: 0800-HALAL (42525),
E-mail: info@almeezangroup.com, Website: www.almeezangroup.com