



## annual report 2011

**Al Meezan Investment Management Limited**  
A subsidiary of Meezan Bank

02	Vision & Mission Statements
03	Fund Information
04	Report of the Directors of the Management Company
07	Pattern of the Holding (Units) as per the Requirement of Code of Corporate Governance
08	Report of the Fund Manager
12	Report of the Shariah Advisor
13	Trustee Report to the Unit Holders
14	Statement of Compliance with Best Practices of Code of Corporate Governance
16	Review Report to the Unit Holders on Statement of Compliance with Best Practices of Code of Corporate Governance
17	Independent Auditors' Report to the Unit Holders
19	Statement of Assets and Liabilities
20	Income Statement
21	Distribution Statement
22	Statement of Movement in Unit Holders' Fund
23	Cash Flow Statement
24	Notes to the Financial Statements

### **Our Vision**

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

### **Our Mission**

“ To be the leading mutual fund in the industry, providing unitholders, in a truly SHARIAH COMPLIANT way, a safe stable stream of Halal returns 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) 3563 0722-6, 111-MEEZAN  
Fax: (9221) 3567 6143, 3563 0808  
Web site: www.almeezangroup.com  
E-mail: info@almeezangroup.com

### BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. Rana Ahmed Humayun	Director
Mr. P. Ahmed	Director
Mr. Salman Sarwar Butt	Director
Mr. Rizwan Ata	Director
Mr. Mazhar Sharif	Director
Mr. Mohammad Shoab, CFA	Chief Executive

### CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

### AUDIT COMMITTEE

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

### TRUSTEE

Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block B, S.M.C.H.S., Main Sharah-e-Faisal, Karachi-74400.

### AUDITORS

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

### SHARIAH ADVISOR

Meezan Bank Limited

### BANKERS TO THE FUND

Al Baraka Islamic Bank B.S.C (E.C)  
Allied Bank Limited - Islamic Banking  
Askari Bank Limited - Islamic Banking  
Bank Alfalah Limited - Islamic Banking  
Bank Al Habib Limited - Islamic Banking  
Bank Islami Pakistan Limited  
Dubai Islamic Bank Pakistan Limited  
Faysal Bank Limited  
HBL - Islamic Banking  
Habib Metropolitan Bank Limited - Islamic Banking  
MCB Bank Limited - Islamic Banking  
Meezan Bank Limited  
National Bank of Pakistan - Islamic Banking  
Soneri Bank Limited - Islamic Banking  
Standard Chartered Bank (Pakistan) Limited - Islamic Banking  
UBL Ameen Islamic Banking

### LEGAL ADVISER

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

### TRANSFER AGENT

Meezan Bank Limited  
SITE Branch  
Plot # B/9-C, Estate Avenue,  
SITE, Karachi.  
Phone: (9221) 3206 2891  
Fax: (9221) 3255 2771  
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 Income Fund (MIIF) is pleased to present the audited financial statements of the company for the year ended June 30, 2011.

### Brief Overview

Meezan Islamic Income Fund (MIIF) is Pakistan's first Shariah Compliant open end mutual fund which falls under the category of Income Funds. During the fiscal year 2011, Meezan Islamic Income Fund (MIIF) provided an annualized return of 11.78% to its investors as compared to benchmark return of 5.9%. MIIF is benchmarked against average return on deposits with three Islamic banks, namely Meezan Bank, Bank Islami and Dubai Islamic Bank.

### Economic and Money Market Review

Fiscal year 2011 was another challenging year on economic front for Pakistan. Despite persistent pressures from fiscal constraints, energy crisis, vulnerability to commodity price and volatile law and order situation, the country managed to post a decent GDP growth of 2.4% in FY11. During the year, economic story of Pakistan can be categorized into two halves: the first being dominated by the unprecedented floods, while the second half drew some comfort from the external front.

During 1HFY11, the devastating floods posed a significant threat to the country's economic and fiscal position leading to excessive government borrowing from State Bank of Pakistan (SBP) which peaked at Rs. 1,463 billion in November, 2010. The resultant impact was on CPI inflation which touched a high of 15.7% during 1HFY11. Consequently, the central bank was forced to adopt a tight monetary stance and raised the discount rate by 150bps in 1HFY11. On the other hand, the major highlight of 2HFY11 was the improvement in external account. During FY11, current account posted a surplus of US\$ 542 million as against deficit of US\$ 3.4 billion in the same period last year. The improvement was primarily attributed to the 29% rise in exports and surge in worker remittances to US\$11.2 billion. These positive developments helped the country's forex reserves to reach all time of US\$ 17.5 billion and thus kept the rupee stable against the US dollar, depreciating by a mere 0.5%.

On the monetary front, the heightened Government borrowing from SBP for the financing of fiscal deficit and inflation concerns forced the central bank to increase the discount rate by cumulative 150 bps to 14% in its three consecutive monetary policy statements. The average inflation for FY12 thus averaged 13.92%, higher than SBP initial estimates and as compared to 11.7% in FY10. The hike in the policy rate transcended into proportionate hike in KIBOR, Treasury bills (T-bills) and Pakistan Investment Bond (PIBs) rates.

### 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 adjusting discount in the next fiscal year. This bodes well on portfolio return of MIIF.

Our outlook for the remaining period is cautiously optimistic. The management of Al Meezan is fully aware of the challenges that lie ahead and is taking all possible measures to proactively combat them.

### Fund Rating

We are pleased to inform our investors that JCR-VIS, the leading rating agency in Pakistan, has assigned an A(f) stability rating to MIIF. JCR-VIS Credit Rating Company has maintained the management quality rating of Al Meezan Investment Management Limited, the management company of Meezan Islamic Income Fund, at AM 2 (AM Two). The rating denotes a high management quality with stable outlook.

### 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 financial statements and accounting estimates are based on reasonable and prudent judgement.
- International Accounting Standards and International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Fund's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the Karachi Stock Exchange (KSE) listing regulations.
- The Board of Directors and employees of the management company have signed "Statement of Ethics and Business Practices".
- 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. Mohammad Shoaib, CFA	Chief Executive Officer	281,820	604,607
Mr. Muhammad Aliuddin Ansari	Director	-	36,526
Mr. Mazhar Sharif	Director	-	1,452

- Pattern of holding of units is given on page no. 7 of the financial statements.
- Financial highlights since inception are given in note no. 22 of the financial statements.

### **Board Meetings**

Please refer to note no. 26 provided in the financial statements.

### **Acknowledgement**

We take this opportunity to thank our valued investors for reposing faith in Al Meezan Investments and making it the largest Shariah Compliant asset management company. We also thank the regulator, Securities and Exchange Commission of Pakistan, Trustee, 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

**Date: August 16, 2011**  
**Karachi.**

**Mohammad Shoaib, CFA**  
**Chief Executive**

**PATTERN OF HOLDING (UNITS)  
AS PER THE REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE  
AS AT JUNE 30, 2011**

Held by	Units Held	%
<b>Associated Companies</b>		
- Meezan Bank Limited	17,642,001	35.44
<b>Directors</b>		
- Mr. Muhammad Aliuddin Ansari	281,355	0.57
- Mr. Mazhar Sharif	11,184	0.02
- Mr. Rizwan Ata	7,865	0.01
<b>Executives</b>	13,816	0.02
<b>Public Limited Companies</b>	4,749,087	9.54
<b>Banks and financial institutions</b>	4,583,495	9.21
<b>Individuals</b>	16,687,874	33.52
<b>Retirement funds</b>	5,271,715	10.59
<b>Other corporate sector entities</b>	535,415	1.08
<b>Total</b>	<b>49,783,807</b>	<b>100.00</b>

## REPORT OF THE FUND MANAGER

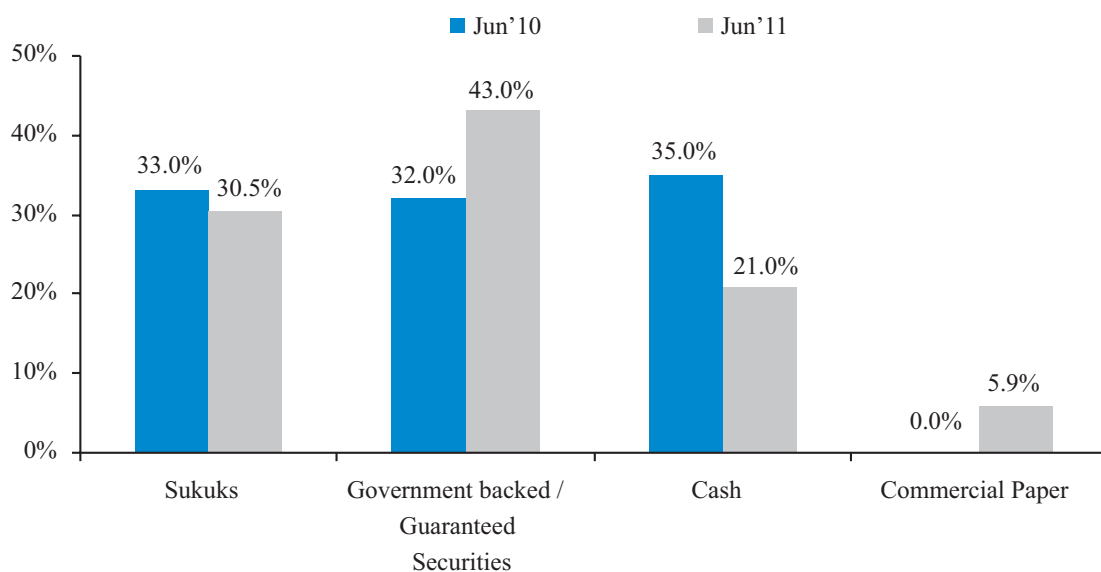
Meezan Islamic Income Fund (MIIF) is Pakistan's first Shariah Compliant open end mutual fund which falls under the category of Income Funds.

The Fund's primary objective is to provide investors with a high and stable rate of current income consistent with long term preservation of capital in a Shariah compliant way. A secondary objective is to take advantage of opportunities to realize capital appreciation. The Fund shall seek to provide the investors with a rate of total return consistent with a broadly diversified portfolio of long, medium and short term high quality Islamic income instruments.

### Strategy, investment policy and asset allocation

The instruments in which MIIF invests are Sukuks (Islamic Bonds), Musharaka and Murabaha instruments, Shariah Compliant spread transactions, Certificate of Islamic Investments, Islamic bank deposits, and other Islamic income products.

During the year, the focus was on proactive and continuous reallocation between high yield instruments, so as to maximize fund yield, while maintaining a balance within the risk management constraints. In this connection, funds matured from corporate Sukuks are deployed in government Ijarah Sukuks. The fund gradually reduced its exposure to corporate sukuks from 42% of net assets in FY10 to 36% in FY11 and similarly increased exposure to Government Ijarah Sukuks to 43% in FY11 from 23% in FY10. In addition the fund also deployed 6% fresh allocation in six months commercial paper having rating of AA and above. To manage interest rate risk and meet liquidity objectives, the fund manager during the period has kept the duration below six months.



## Economic Review

Fiscal year 2011 was another challenging year on economic front for Pakistan. Despite persistent pressures from fiscal constraints, energy crisis, vulnerability to commodity price and volatile law and order situation, the country managed to post a decent GDP growth of 2.4% in FY11. During the year, economic story of Pakistan can be categorized into two halves: the first being dominated by the unprecedented floods, while the second half drew some comfort from the external front.

During 1HFY11, the devastating floods posed a significant threat to the country's economic and fiscal position leading to excessive Government borrowing from State Bank of Pakistan (SBP) which peaked at Rs. 1,463 billion in November, 2010. The resultant impact was on CPI inflation which touched a high of 15.7% during 1HFY11. Consequently, the central bank was forced to adopt a tight monetary stance and raised the discount rate by 150bps in first half of FY11.

On the other hand, the major highlight of 2HFY11 was the improvement in external account. During FY11, current account posted a surplus of US\$ 542 million as against deficit of US\$ 3.4 billion in the same period last year. The improvement was primarily attributed to i) 29% rise in exports to US\$25 billion on account of favourable cotton prices, ii) 26% surge in worker remittances to US\$11.2 billion and iii) US\$743 million inflows under Coalition Support Fund (CSF). These positive developments helped the country's forex reserves to reach all time of US\$ 17.5 billion and thus kept the rupee stable against the US dollar. During the year, rupee depreciated by a mere 0.5% to close the year at Rs 86.2 versus US dollar.

In addition, the rebound in agri commodity prices provided a boost to rural income and hence domestic demand, which saw growth momentum revived in the second half of fiscal year. While inflation also at 13.9% for FY11, the government was also able to retire the excessive borrowing from SBP in earlier part of the year and contain the same to levels agreed with the central bank. The combination of the above factors provided SBP the comfort to maintain discount rate at 14% during the second half of the fiscal year.

During the period under review, the IMF standby Arrangement remained virtually suspended due to slow implementation of tax and power sector reforms. With the last two tranches at stake, the Government and IMF team are due to meet tentatively towards the end of July, 2011 to review FY11 performance and FY12 budgetary targets. With an impressive performance from the external account as well as attainment of some macroeconomic targets including tax collection of Rs 1,588 billion and commitment for power sector reforms, the country's economic managers are targeting a continuation of the IMF standby facility, given the positive vibes that should generate from the same.

## Money Market Review

The year started with a positive sentiment with July CPI touching a new low and government targeting single digit inflation for FY12. The euphoria, however, proved to be short lived as the fiscal weakness and rising total debt started to overshadow the improvement in current account and economic recovery. The situation further aggravated with the devastating floods in July-August that proved to be the worst in country's history. The unwanted yet unavoidable impact was seen on the inflation figures which touched a new high of 15.48% in the month of November, on account of the sharp increase in commodity prices. Along with that, the heightened government borrowing from SBP for the financing

of fiscal deficit forced the central bank to continue with its tight stance of monetary policy. The central bank thus increased the discount rate by cumulative 150 bps to 14% in its three consecutive monetary policy statements. The average inflation for FY12 thus averaged 13.92%, higher than SBP initial estimates and as compared to 11.7% in FY10.

The hike in the policy rate transcended into proportionate hike in KIBOR, Treasury bills (T-bills) and Pakistan Investment Bond (PIBs) rates. The benchmark 6-month KIBOR, 6-month T-bill and 10-year PIBs rose by 150bps, 145bps and 142bps to 13.64%, 13.75% and 14.10%, respectively. In the 25 T-Bills auction conducted in FY11, SBP accepted Rs 3,459 billion against the maturity of Rs 3,255 billion, thus creating a liquidity drain of Rs 204 billion. In FY11 State bank has also conducted nine PIB auctions, target of the auctions were around Rs.181 billion while they accepted around Rs.167 billion.

### Ijarah Auctions

To reduce Government borrowing from SBP and promote Islamic mode of financing, SBP conducted four Ijarah Sukuk auctions in FY11, in which it sold Rs. 182 billion worth of sukuks against the target of Rs. 170 billion. Your fund also participated in these auctions and invested Rs. 550 million. After the four auctions in FY11, the cumulative amount of Ijarah issued by the government now stands at Rs 224 billion in total eight Ijarah auctions.

### Performance Review

Meezan Islamic Income Fund (MIIF) gave a competitive return of 11.78% to its investors for the year ended June 30, 2011. Nonetheless, MIIF was one of the best performers in the Islamic Income segment of the market last year. The Fund during the year under consideration earned a gross income of Rs. 367 million, which was primarily due to profit on sukuk certificates amounting worth Rs. 313 million. Cash in saving accounts at Islamic banks contributed Rs. 96 million while realized gain on sale of sukuk certificates was Rs. 28 million. On the other side the fund incurred unrealized loss worth Rs. 45 million in addition to a provision of Rs. 32 million was created in the sukuks of Arzoo Textile Mills Limited. The fund also incurred expenses totaling to Rs. 38 million and element of loss and capital losses of Rs.19 million, which brought the net income figure to Rs. 309 million.

The net assets of the fund stood at Rs. 2,542 million at the end of fiscal year 2011 as compared to Rs. 3,394 million the year before. The net asset value (NAV) per unit appreciated to Rs. 51.06 during the fiscal year, thus provided a net return of 11.78% to its investors.

The Board has already approved provisioning policy according to which the provisioning has been done in the sukuks of Arzoo Textile Mills. Moreover, the restructuring of Eden Housing sukuk has also been carried out and it is regularly making payments.

	MIIF	Islamic Bank Deposits
Value as on June 30, 2010 (Rs.)	51.87	
Value as on June 30, 2011 (Rs.)	51.06	
Annualised Return during the Period	11.78%	5.90%
Outperformance	5.87%	

### Distributions:

During fiscal year 2011, MIIF paid a total dividend of Rs. 6.25 per unit to unit holders.

September 2010:	Rs. 1.50
December 2010:	Rs. 1.00
March 2011:	Rs. 1.75
May 2011:	Rs. 1.00
June 2011:	Rs. 1.00

### 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 adjusting discount in the next fiscal year. This bodes well on portfolio return of MIIF.

Our outlook for the remaining period is cautiously optimistic. The management of Al Meezan is fully aware of the challenges that lie ahead and is taking all possible measures to proactively combat them.

### Breakdown of unit holdings by size

(As on June 30, 2011)

Range of units	Number of unitholders
Upto 10,000	1,573
Between 10,001 to 50,000	336
Between 50,001 to 100,000	48
Between 100,001 to 500,000	30
Between 500,001 and above	9
<b>Total</b>	<b>1,996</b>



**Meezan Bank**  
The Premier Islamic Bank

## Report of the *Shar'iah* Advisor – Meezan Islamic Income Fund

August 22, 2011/ Ramadan 21, 1432 A.H

**Alhamdulillah**, the period from July 01, 2010 to June 30, 2011 was the fifth year of operations of Meezan Islamic Income Fund (MIIF) under management of Al Meezan Investment Management Limited (Al Meezan). We Meezan Bank Limited are the *Shar'iah Advisor* of the Fund and are issuing the report in accordance with clause 7.2.7 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the *Shar'iah Compliance* of the Fund's activity.

In the capacity of *Shar'iah Advisor*, we have prescribed criteria and procedure to be followed in ensuring *Shar'iah Compliance* in every investment.

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.

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of MIIF in light of the *Shar'iah* guidelines.
- ii. All the provisions of the scheme and investments made on account of MIIF by Al Meezan are *Shar'iah* Compliant and in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operation of MIIF for the year ended June 30, 2011 have been in compliance with *Shar'iah* principles.

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

**Dr. Muhammad Imran Ashraf Usmani**  
For and on behalf of Meezan Bank Limited  
*Shar'iah* Advisor

**Meezan Bank Ltd.**

Meezan House. C-25, Estate Avenue, SITE, Karachi, Pakistan.  
Tel: (92-21) 38103500 Fax: (92-21) 36406049 www.meezanbank.com

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

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

**TRUSTEE REPORT TO THE UNIT HOLDERS**

**MEEZAN ISLAMIC INCOME 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 Income Fund (the Fund), an open-end scheme was established under a trust deed dated September 13, 2006, 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, 2011 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, September 12, 2011

## STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2011

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 Income 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 NBF. None of the Directors of the management company of the Fund is a member of a stock exchange.
4. During the year a casual vacancy occurred on the BoD. Mr. Salman Sarwar Butt was appointed as an independent director in place of Mr. Aliuddin Ansari after an approval from SECP on June 17, 2011 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 the Head of Internal Audit 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, 2011 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, 2011 have been placed before the audit committee and approved by the board in its subsequent meetings.
21. We confirm that all other material principles contained in the Code have been complied with.

**Syed Owais Wasti**  
**Chief Financial Officer**

**Mohammad Shoab, CFA**  
**Chief Executive**

**Karachi.**  
**August 16, 2011**



**A. F. FERGUSON & CO.**

**REVIEW REPORT TO THE UNIT HOLDERS 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, 2011 prepared by the Board of Directors of Al Meezan Investment Management Limited (the management company) of Meezan Islamic Income 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's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the management company's 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 No. 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 to check the 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's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2011.

  
**Chartered Accountants**  
**Karachi, September 16, 2011**

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938; <www.pwc.com/pk>*

*Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Shahrah-e-Quaid-e-Azam, Lahore-54660; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872  
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924  
Kabul: House No. 1916, Street No. 1, Behind Cinema Bariqot, Nahar-e-Darsan, Karte-4, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320*



**A. F. FERGUSON & CO.**

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **Meezan Islamic Income Fund**, which comprise the statement of assets and liabilities as at June 30, 2011, and the related income statement, distribution statement, statement of movement in unit holders' 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 approved accounting standards as applicable in Pakistan, and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### 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 International Standards on Auditing 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 financial position of the Fund as at June 30, 2011, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.



*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938; <www.pwc.com/pk>*

*Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Shahrah-e-Quaid-e-Azam, Lahore-54660; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872  
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924  
Kabul: House No. 1916, Street No. 1, Behind Cinema Bariqot, Nahar-e-Darsan, Karte-4, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320*



**A. F. FERGUSON & CO.**

**Emphasis of matter**

We draw attention to note 14.2 to the annexed financial statements which refers to an uncertainty relating to the future outcome of the litigation regarding contribution to the Workers Welfare Fund which is currently pending adjudication at the Honorable High Court of Sindh.

Our opinion is not qualified in respect of the aforementioned matter.

**Other matters**

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

*A. Ferguson & Co.*  
Chartered Accountants  
Karachi, September 16, 2011

**Audit Engagement Partner: Saad Kaliya**

**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT JUNE 30, 2011**

	Note	2011 (Rupees in '000)	2010
<b>Assets</b>			
Balances with banks	5	426,592	1,132,702
Investments	6	2,016,720	2,204,674
Deposits and other receivables	7	109,070	92,576
Preliminary expenses and floatation costs	8	-	500
<b>Total assets</b>		<b>2,552,382</b>	<b>3,430,452</b>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund	9	3,401	5,561
Payable to Central Depository Company of Pakistan Limited (CDC) - trustee of the Fund	10	246	359
Payable to Securities and Exchange Commission of Pakistan (SECP)	11	2,237	3,439
Payable to Meezan Bank Limited (MBL)	12	97	46
Payable on redemption of units		2,897	9,709
Accrued expenses and other liabilities	13	1,569	17,304
<b>Total liabilities</b>		<b>10,447</b>	<b>36,418</b>
<b>Net assets</b>		<b>2,541,935</b>	<b>3,394,034</b>
<b>Contingencies</b>			
	14		
<b>Unit holders' funds (as per statement attached)</b>		<b>2,541,935</b>	<b>3,394,034</b>
<b>Number of units</b>			
<b>Number of units in issue</b>	15	<b>49,783,807</b>	<b>65,432,399</b>
<b>Rupees</b>			
<b>Net asset value per unit</b>		<b>51.06</b>	<b>51.87</b>

The annexed notes 1 to 28 form an integral part of these financial statements.



**Mohammad Shoaib, CFA**  
Chief Executive

For Al Meezan Investment Management Limited  
(Management Company)



**Mazhar Sharif**  
Director

## INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 (Rupees in '000)	2010
<b>Income</b>			
Profit on savings accounts with banks		95,805	128,794
Profit on placements		-	67,016
Profit on sukuk certificates		312,683	320,789
Profit on diminishing musharaka certificates		-	23,017
Realised gain on sale of sukuk certificates		27,807	16,656
		<u>436,295</u>	<u>556,272</u>
Unrealised loss on re-measurement of investments at fair value through profit or loss (net)		(44,715)	(89,794)
Provision against sukuk certificates		(32,200)	(27,893)
Provision for accrued profit on investment		-	(17,440)
Reversal of provision against sukuk certificates		7,593	-
		<u>(69,322)</u>	<u>(135,127)</u>
<b>Total income</b>		<u>366,973</u>	<u>421,145</u>
<b>Expenses</b>			
Remuneration to Al Meezan - management company of the Fund	9	44,747	68,779
Remuneration to CDC - trustee of the Fund	10	3,705	5,585
Annual fee to SECP	11	2,237	3,439
Auditors' remuneration	16	550	540
Fees and subscription		255	220
Legal and professional charges		1,083	2,027
Amortisation of preliminary expenses and floatation costs	8	500	500
Brokerage		61	176
Bank and settlement charges		74	139
(Reversal) / provision for workers' welfare fund	14.2	(15,649)	15,649
Printing expense		816	568
<b>Total expenses</b>		<u>38,379</u>	<u>97,622</u>
<b>Net income from operating activities</b>		<u>328,594</u>	<u>323,523</u>
Element of loss and capital losses included in prices of units sold less those in units redeemed (net)		(19,178)	(34,314)
<b>Net income for the year</b>		<u>309,416</u>	<u>289,209</u>
<b>Other comprehensive loss for the year</b>			
Unrealised (loss) / gain on 'available for sale' investment		(1,455)	9,790
Element of income and capital gains included in prices of units sold less those in units redeemed pertaining to available for sale investment (net)		-	515
<b>Total comprehensive income for the year</b>		<u>307,961</u>	<u>299,514</u>

The annexed notes 1 to 28 form an integral part of these financial statements.



**Mohammad Shoaib, CFA**  
Chief Executive

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



**Mazhar Sharif**  
Director

## DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

	2011			2010		
	Unrealised	Realised	Total	Unrealised	Realised	Total
	Gains / (Losses)			Gains / (Losses)		
	----- (Rupees in '000) -----					
Undistributed income brought forward	(208,954)	331,475	122,521	(89,120)	278,594	189,474
Net income for the year	(69,322)	378,738	309,416	(135,127)	424,336	289,209
Less: Final distribution for the year ended June 30, 2010						
- bonus units @ 2.5% (June 30, 2009: 3.5%)	-	(55,493)	(55,493)	-	(106,440)	(106,440)
- cash dividend @ 2.5% (June 30, 2009: 3.5%)	-	(26,298)	(26,298)	-	(57,816)	(57,816)
Less: Interim distribution on September 30, 2010						
- bonus units @ 3% (October 3, 2009: 2.5%)	-	(61,353)	(61,353)	-	(99,966)	(99,966)
- cash dividend @ 3% (October 3, 2009: 2.5%)	-	(31,558)	(31,558)	-	(41,300)	(41,300)
Less: Interim distribution on December 31, 2010						
- bonus units @ 2% (January 4, 2010: 1%)	-	(32,387)	(32,387)	-	(24,043)	(24,043)
- cash dividend @ 2% (January 4, 2010: 1%)	-	(27,089)	(27,089)	-	(16,477)	(16,477)
Less: Interim distribution on March 29, 2011						
- bonus units @ 3.5% (February 26, 2010: 0.27%)	-	(48,187)	(48,187)	-	(6,186)	(6,186)
- cash dividend @ 3.5% (February 26, 2010: 0.27%)	-	(45,707)	(45,707)	-	(4,449)	(4,449)
Less: Interim distribution on May 24, 2011						
- bonus units @ 2% (May 31, 2010: nil)	-	(23,440)	(23,440)	-	-	-
- cash dividend @ 2% (May 31, 2010: nil)	-	(26,118)	(26,118)	-	-	-
Element of income and capital gains included in the prices of units sold less those in units redeemed (net)	-	-	-	-	515	515
(Losses) / Gain realised						
- on disposal	(5,731)	5,731	-	15,331	(15,331)	-
- on principal repayment	11,093	(11,093)	-	(38)	38	-
	5,362	(5,362)	-	15,293	(15,293)	-
Undistributed income carried forward	(272,914)	327,221	54,307	(208,954)	331,475	122,521

The annexed notes 1 to 28 form an integral part of these financial statements.



**Mohammad Shoab, CFA**  
Chief Executive

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



**Mazhar Sharif**  
Director

**STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	2011 (Rupees in '000)	2010
Net assets at the beginning of the year	3,394,034	4,872,608
Issue of 27,729,224 units (June 30, 2010: 72,155,237 units)	1,424,291	3,667,645
Redemption of 47,749,302 units (June 30, 2010: 105,295,437 units)	(2,446,759) (1,022,468)	(5,359,490) (1,691,845)
Element of loss and capital losses included in prices of units sold less those in units redeemed (net)		
- transferred to income statement	19,178	34,314
- transferred directly to distribution statement	-	(515)
	19,178	33,799
Total comprehensive income for the year less distribution	(69,669)	(57,163)
Issue of 1,096,257 bonus units for the year ended June 30, 2010 (June 30, 2009: 2,122,018 units)	55,493	106,440
Issue of 1,206,545 bonus units against interim distribution on September 30, 2010 (October 3, 2009: 1,989,361 units)	61,353	99,966
Issue of 643,248 bonus units against interim distribution on December 31, 2010 (January 4, 2010: 477,705 units)	32,387	24,043
Issue of 959,902 bonus units against interim distribution on March 29, 2011 (February 26, 2010: 122,886 units)	48,187	6,186
Issue of 465,534 bonus units against interim distribution on May 24, 2011	23,440	-
Net assets at the end of the year	<u>2,541,935</u>	<u>3,394,034</u>
Net asset value per unit as at the beginning of the year	<u>51.87</u>	<u>51.91</u>
Net asset value per unit as at the end of the year	<u>51.06</u>	<u>51.87</u>

The annexed notes 1 to 28 form an integral part of these financial statements.



**Mohammad Shoaib, CFA**  
Chief Executive

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



**Mazhar Sharif**  
Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	309,416	289,209
<b>Adjustments for</b>		
Profit on savings accounts with banks	(95,805)	(128,794)
Profit on placements	-	(67,016)
Profit on sukuk certificates	(312,683)	(320,789)
Profit on diminishing musharaka certificates	-	(23,017)
Reversal of provision for WWF	(15,649)	-
Unrealised loss on re-measurement of investments at fair value through profit or loss (net)	44,715	89,794
Provision against sukuk certificates	32,200	27,893
Provision for accrued profit on investment	-	17,440
Reversal of provision against sukuk certificates	(7,593)	-
Amortisation of preliminary expenses and floatation costs	500	500
Element of loss and capital losses included in prices of units sold less those in units redeemed (net)	19,178	34,314
	<u>(335,137)</u>	<u>(369,675)</u>
<b>Decrease / (increase) in assets</b>		
Placements	-	100,000
Investments	117,177	(169,486)
	<u>117,177</u>	<u>(69,486)</u>
<b>(Decrease) / increase in liabilities</b>		
Payable to Al Meezan - management company of the Fund	(2,160)	(363)
Payable to CDC - trustee of the Fund	(113)	(132)
Payable to SECP	(1,202)	(820)
Payable to MBL	51	(555)
Accrued expenses and other liabilities	(86)	16,515
	<u>(3,510)</u>	<u>14,645</u>
Profit received on savings accounts with banks	100,971	162,108
Profit received on placements	-	98,908
Profit received on diminishing musharaka	-	27,115
Profit received on sukuk certificates	291,023	310,245
<b>Net cash inflow from operating activities</b>	<u>479,940</u>	<u>463,069</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from sale of units	1,424,291	3,667,645
Payments against redemption of units	(2,453,571)	(5,414,950)
Dividend paid	(156,770)	(120,042)
<b>Net cash outflow from financing activities</b>	<u>(1,186,050)</u>	<u>(1,867,347)</u>
Net cash outflow during the year	(706,110)	(1,404,278)
Cash and cash equivalents at the beginning of the year	1,132,702	2,536,980
Cash and cash equivalents at the end of the year	<u>426,592</u>	<u>1,132,702</u>

The annexed notes 1 to 28 form an integral part of these financial statements.



**Mohammad Shoaib, CFA**  
Chief Executive

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



**Mazhar Sharif**  
Director

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Islamic Income Fund (the Fund) was established under a trust deed executed between Al Meezan as the management company and CDC as the trustee. The trust deed was executed on September 13, 2006 and was approved by the SECP under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations) notified through S.R.O 1203(I) /2008 on November 21, 2008. The registered office of the management company of the Fund, is situated at Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan.
- 1.2 The Fund has been formed to provide the unit holders safe and stable stream of halal income on their investments and to generate superior long term risk adjusted returns. The Fund shall also keep an exposure in short-term instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns if available at any given point of time. Under the trust deed all conducts and acts of the Fund are based on shariah. MBL acts 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 the 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. The fund has been given a stability rating of A(f) by JCR - VIS. The management company of the Fund has been given quality rating of AM2 by JCR - VIS.
- 1.4 Title to the assets of the Fund are in the name of CDC as a trustee of the Fund.

### 2. BASIS OF MEASUREMENT

The transactions undertaken by the Fund in accordance with the process prescribed under the shariah guidelines issued by the shariah adviser are accounted for on substance rather than the form prescribed by the aforementioned guidelines. This practice is being followed to comply with the requirements of the 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 and the directives issued by the SECP.

Wherever the requirements of the Trust Deed, the NBFC Rules, NBFC Regulations or the said directives differ with the requirements of IFRSs, the requirements of the Trust Deed, NBFC Rules, NBFC Regulations, 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, 2011 but not relevant:

There are certain new standards, amendments and IFRIC interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2010 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.

3.3 Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the fund:

There are certain amendments to the standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the fund's operations and are therefore not detailed 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 main areas where assumption and estimates are significant to the financial statements are as follows:

- (a) classification and valuation of financial instruments (notes 4.3 and 6)
- (b) Impairment of financial instruments (note 4.3.5)
- (c) Recognition of provision for current and deferred taxation (note 4.10)

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 at fair value through profit or loss or available for sale.

(d) Available for sale

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

#### 4.3.2 Recognition

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

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

#### 4.3.3 Measurement

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

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

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

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

#### 4.3.4 Fair value measurement principles

The fair value of debt securities were determined as follows:

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

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

Financial assets and financial liabilities are priced at their fair value.

#### 4.3.5 Impairment

Impairment loss on investment other than 'available for sale' is recognised in the income statement whenever the carrying amount of investment exceeds its recoverable amount. If in a subsequent period, the amount of an impairment loss recognised decreases the impairment is reversed through the income statement.

In case of investment classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the income statement.

#### 4.3.6 Derecognition

The Fund derecognises a financial asset when the contractual rights to the cashflows from the financial asset expires or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

The Fund uses 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 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.

#### 4.5 Issue and redemption of units

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

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

An equalisation account called 'element of income / (loss) and capital gains / (losses)' included in prices of units 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 Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to unrealised gains / (losses) held in the unit holder's funds in a separate account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the income statement.

#### 4.7 Provisions

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

#### 4.8 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years commencing from December 13, 2007 as per the Trust Deed of the Fund.

#### 4.9 Net assets value per Unit

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

#### 4.10 Taxation

##### Current

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

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV 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 has distributed and intends to continue availing the tax exemption by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year. Accordingly, no deferred tax has been recognised in these financial statements.

#### 4.11 Revenue recognition

- (i) Gains / (losses) arising on sale of investments are included in income currently and are recognised 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 other comprehensive income in the period in which they arise.
- (iv) Dividend income is recognised when the Fund's right to receive dividend is established.
- (v) Profit on savings accounts with banks, placements and investments in debt instruments are recorded on accrual basis.

#### 4.12 Expenses

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

#### 4.13 Offsetting of financial instruments

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

#### 4.14 Zakat

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

#### 4.15 Cash and cash equivalents

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

#### 4.16 Dividend and bonus units

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

	Note	2011 (Rupees in '000)	2010 (Rupees in '000)
<b>5. BALANCES WITH BANKS</b>			
In savings accounts	5.1	421,551	1,130,100
In current accounts		5,041	2,602
		<u>426,592</u>	<u>1,132,702</u>

5.1 The balance in savings accounts bears expected profit which ranges from 5.66% to 12.90% per annum (2010: 5% to 11.45% per annum)

		2011 (Rupees in '000)	2010 (Rupees in '000)
<b>6. INVESTMENTS</b>			
Investments at 'fair value through profit or loss'	6.1	1,941,720	2,128,219
Investments - 'available for sale'	6.2	75,000	76,455
		<u>2,016,720</u>	<u>2,204,674</u>

6.1 Investments at 'fair value through profit or loss'

- Held for trading	6.1.1	1,045,803	722,527
- Investments at 'fair value through profit or loss upon initial recognition'	6.1.4	895,917	1,405,692
		<u>1,941,720</u>	<u>2,128,219</u>

6.1.1 Held for trading - Sukuk certificates

Name of the investee company	Maturity date	Profit rate	As at July 1, 2010	Purchases during the year	Sales / redemptions during the year	As at June 30, 2011	Carrying value as at June 30, 2011	Market value as at June 30, 2011	Unrealised gain / loss	Percentage of market value of investment
			----- Number of certificates -----			-- (Rupees in '000) --				
<b>Secured</b>										
Century Paper & Board Mills Limited (note 6.1.3)	September 25, 2014	6 months Kibor plus base rate of 1.35%	4,320	9,000	7,335	5,985	28,303	28,803	500	1.43
GOP Ijarah Sukuk Certificates - III (note 6.1.2)	March 11, 2012	Weighted average 6 months T-Bills	2,000	-	-	2,000	203,880	200,000	(3,880)	9.92
GOP Ijarah Sukuk Certificates - IV (note 6.1.2)	September 17, 2012	Weighted average 6 months T-Bills less 5 basis points	4,870	-	3,500	1,370	140,082	137,000	(3,082)	6.79
GOP Ijarah Sukuk Certificates - V (note 6.1.2)	November 15, 2013	Weighted average 6 months T-Bills	-	5,500	200	5,300	530,000	530,000	-	26.28
GOP Ijarah Sukuk Certificates - VII (note 6.1.2)	March 7, 2014	Weighted average 6 months T-Bills	-	2,000	500	1,500	150,000	150,000	-	7.44
<b>Grand Total</b>							<u>1,052,265</u>	<u>1,045,803</u>	<u>(6,462)</u>	
<b>Total cost of investments</b>								<u>1,045,355</u>		

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

6.1.3 The nominal value of these sukuk certificates is Rs 5,000 each.

### 6.1.4 Investments at fair value through profit or loss upon initial recognition - Sukuk Certificates

Name of the investee company	Maturity dates/call option dates	Profit rate	As at July 1, 2010	Purchases during the year	Sales / redemptions during the year	As at June 30, 2011	Carrying value as at June 30, 2011	Provision / (reversal of provision) for the year as at June 30, 2011	Market value as at June 30, 2011	Unrealised gain / (loss)	Percentage of market value of investment
			----- Number of certificates -----			-- (Rupees in '000) --					
<b>Secured</b>											
Arzoo Textile Mills Limited (note 6.1.3 & 6.1.6)	April 15, 2014	6 months Kibor plus base rate of 2%	14,000	-	-	14,000	32,200	32,200	-	-	-
Century Paper & Board Mills Limited (note 6.1.3)	September 25, 2014	6 months Kibor plus base rate of 1.35%	17,046	-	3,876	13,170	63,075	-	63,383	308	3.14
Eden Builders Limited (note 6.1.3)	March 8, 2014	3 months Kibor plus base rate of 2.3%	9,000	-	2,400	6,600	31,560	-	32,215	655	1.60
Eden Housing Limited (note 6.1.3 & 6.1.9)	September 29, 2014	6 months Kibor plus base rate of 2.5%	59,400	-	-	59,400	154,533	-	143,127	(11,406)	7.09
Engro Fertilizer Pakistan Limited (note 6.1.3)	September 1, 2015	6 months Kibor plus base rate of 1.5%	60,500	-	20,000	40,500	198,450	-	202,500	4,050	10.04
Karachi Shipyard & Engineering Works (note 6.1.3 & 6.1.11)	May 1, 2011	6 months Kibor plus base rate of 0.4%	12,000	-	12,000	-	-	-	-	-	-
Karachi Shipyard & Engineering Works II (note 6.1.3 & 6.1.11)	May 1, 2011	----do----	53,400	-	53,400	-	-	-	-	-	-
Kot Addu Power Company Limited (note 6.1.3)	December 27, 2011	6 months Kibor plus base rate of 1.1%	-	30,000	-	30,000	150,000	-	150,000	-	7.44
Maple Leaf Cement Factory Limited (note 6.1.3, 6.1.7 & 6.1.8)	December 3, 2018	3 months Kibor plus base rate of 1%	63,973	-	55	63,918	223,714	(7,593)	200,431	(30,876)	9.94
Maple Leaf Cement Factory Limited (note 6.1.3, 6.1.7 & 6.1.8)	March 31, 2012	3 months Kibor plus base rate of 1%	-	2,400*	-	2,400	8,400	-	8,448	48	0.42
Security Leasing Corporation Limited II (note 6.1.3 & 6.1.10)	March 19, 2014	Nil.	7,031	-	1,875	5,156	19,336	-	18,159	(1,177)	0.90
Shahmurad Sugar Mills Limited (note 6.1.5 & 6.1.11)	March 26, 2011	6 months Kibor plus base rate of 2.25%	61	-	61	-	-	-	-	-	-
Sitara Chemical Industries Limited II (note 6.1.3 & 6.1.11)	June 3, 2011	3 months Kibor plus base rate of 1.7%	4,140	-	4,140	-	-	-	-	-	-
Sitara Chemical Industries Limited III (note 6.1.3)	December 31, 2012	3 months Kibor plus base rate of 1%	24,750	-	9,000	15,750	77,509	-	77,654	145	3.85
<b>Grand Total</b>							<b>958,777</b>	<b>24,607</b>	<b>895,917</b>	<b>(38,253)</b>	
<b>Total cost of investments</b>									<b>1,110,685</b>		

\* These represent sukuk certificates received in lieu of 50% of profit accrued upto the restructuring date i.e March 30, 2010.

- 6.1.5 The nominal value of the sukuk certificates is Rs. 1,000,000 each.
- 6.1.6 On October 13, 2009 i.e. the scheduled redemption date, principal repayment alongwith the accrued profit aggregating Rs 7 million and Rs 5.440 million respectively was not received by the Fund from Arzoo Textile Mills Limited. In accordance with the requirements of the Circular No.1, the sukuk certificates had been classified as 'non performing assets' and no further profit has been accrued thereafter. The total cost of investment in Arzoo Textile Mills Limited is Rs 52.500 million against which a provision of Rs 20.300 million was made upto June 30, 2010. Further provision of Rs 32.200 million was made during the year ended June 30, 2011 in accordance with Circular No.1 which provides criteria for provisioning of securities that has defaulted and the Fund's provisioning policy.
- 6.1.7 Subsequent to June 30, 2010 the sukuk certificates of Maple Leaf Cement Factory Limited (MLCFL) have been regularised, i.e. the repayment of two installments as per restructured terms have been received by the Fund, accordingly, the provision against these sukuk certificates amounting to Rs 7.593 million has been reversed in the current year and these sukuk certificates are no longer being classified as non-performing in view of the Circular No. 1 and Circular No. 3 issued by the SECP.
- 6.1.8 At time of signing of the first addendum on March 30, 2010 between MLCFL and the investment agent of the sukuk certificates, the Fund received an amount of Rs 12.772 million representing approximately 50% of the mark up due upto March 3, 2010 and the repayment of the balance mark up was settled by issuance of additional sukuk certificates. These additional units of sukuk certificates have been transferred to the Fund's security account maintained with the CDC and accordingly have been recorded in the books of the Fund during the year.
- 6.1.9 As at June 30, 2010, principal repayment aggregating Rs 12.994 million i.e. 35% of the principal due on March 3, 2010 was received by the Fund on July 16, 2010 and accordingly the sukuk certificates were classified as performing as per Circular No. 1 and Circular No. 3 issued by the SECP. On October 15, 2010 a master addendum (effective from September 29, 2010) was signed between Eden Housing Limited and the investment agent of the sukuk certificates whereby certain terms included in the original Investment Agency Agreement dated December 14, 2007 were amended, including the repayment period which was extended from April 2, 2013 to September 29, 2014. The sukuk certificates have been classified as non-performing by MUFAP on May 6, 2011. Accordingly, fund has measured the sukuks at the price last quoted by MUFAP. The fund has received all the installments due as per the restructured terms.
- 6.1.10 The agreement with Security Leasing Sukuk II has been amended during the year on March 19, 2011. In accordance with the revised terms no mark-up is payable on the said sukuk. Further, markup accrued upto the said date has been waived with the approval of the contributories to the sukuk. The sukuk certificates have been classified as non-performing by MUFAP on May 12, 2011. Accordingly, fund has measured the sukuks at the price last quoted by MUFAP. The fund has received all the installments due as per the restructured terms.
- 6.1.11 During the year ended June 30, 2011 call options were exercised for Karachi Shipyard & Engineering Works I and II, Shahmurad Sugar Mills and Sitara II sukuks on May 1, March 26 and June 3, 2011 respectively amounting to Rs 327 million, Rs 48.67 million and Rs 10.35 millions. Further 0.5% of the outstanding principal amounting to Rs 0.243 million was received in addition to the redemption amount as per clause 2.4 of the agreement dated September 19, 2007 executed between Shahmurad Sugar Mills (issuer) and Bank Islami (trustee) to the issue.

## 6.2 Investments - available for sale

Name of the investee company	Maturity date	Profit rate	As at July 1, 2010	Purchases during the year	Sales / redemptions during the year	As at June 30, 2011	Carrying value as at June 30, 2011	Market value as at June 30, 2011	Unrealised loss	Percentage of market value of investment	
			----- Number of certificates -----			-- (Rupees in '000) --					
GOP Ijarah Sukuk Certificates - III (note 6.1.2)	March 11, 2012	Weighted average 6 months T-Bills	750	-	-	750	76,563	75,000	(1,563)	3.72	
Total cost of investments								76,563			

## 6.3 Following investments of the Fund are in the sukuk which are below 'investment grade' securities:

Name of the investee company	Type of investments	Value of investment before provision	Provision held as at June 30, 2011	Value of investment after provision	Percentage of net assets	Percentage of total assets
		----- Rs '000 -----			----- % -----	
Arzoo Textile Mills Limited	Non-traded sukuk certificates	32,200	32,200	-	-	-
Eden Housing Limited	Non-traded sukuk certificates	143,127	-	143,127	5.63	5.61
Maple Leaf Cement Factory Limited	Non-traded sukuk certificates	200,431	-	200,431	7.88	7.85
Maple Leaf Cement Factory Limited	Non-traded sukuk certificates	8,448	-	8,448	0.33	0.33
Security Leasing Corporation Limited II	Non-traded sukuk certificates	18,159	-	18,159	0.71	0.71
		402,365	32,200	370,165	14.55	14.50

## 6.4 As at June 30, 2011, the Funds investments in non-traded sukuk certificates represent 36.38% (2010: 33.29%) of the net assets of the Fund.

**2011      2010**  
**(Rupees in '000)**

## 7. DEPOSITS AND OTHER RECEIVABLES

Deposits	2,600	2,600
Profit receivable on savings accounts with banks	17,492	22,658
Profit receivable on sukuk certificates	88,978	67,318
	<u>109,070</u>	<u>92,576</u>

## 8. PRELIMINARY EXPENSES AND FLOATATION COSTS

Preliminary expenses and floatation costs	500	1,000
Less: Amortisation during the year	500	500
	<u>-</u>	<u>500</u>

	Note	2011 (Rupees in '000)	2010
<b>9. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED (AI Meezan) - management company of the Fund</b>			
Management fee	9.1	3,102	4,148
Sales load		298	412
Preliminary expenses and floatation costs		-	1,000
Certificate charges		1	1
		<u>3,401</u>	<u>5,561</u>

9.1 Under the provisions of NBFC Regulations, the management company is entitled to a remuneration of an amount not exceeding three percent of the average annual net assets of the Fund during the first five year of the Fund's existence, and thereafter, of an amount equal to two percent of such assets of the Fund. The remuneration of the management company has been charged at the rate of 1.5 percent per annum of the average annual net assets of the Fund for the year ended June 30, 2011 (2010: 1.5%).

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

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

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

This represents annual fee payable to the SECP. Fee at the rate of 0.075 percent of the average annual net assets of the fund is payable to SECP under regulation 62 read with Schedule II of the NBFC Regulations.

	Note	2011 (Rupees in '000)	2010
<b>12. PAYABLE TO MEEZAN BANK LIMITED (MBL)</b>			
Sales load		97	46
		<u>97</u>	<u>46</u>

**13. ACCRUED EXPENSES AND OTHER LIABILITIES**

Auditors' remuneration		385	375
Zakat payable		44	690
Printing expenses payable		426	200
Workers' Welfare Fund (WWF) payable	14.2	-	15,649
Performance rating fee		-	190
Brokerage payable		-	4
Withholding tax payable		626	33
Other payable		88	163
		<u>1,569</u>	<u>17,304</u>

#### 14. CONTINGENCIES

- 14.1 In April 2009 the Fund's management company (Al Meezan) and CDC had received notices from WAPDA that further transfer of the WAPDA First Sukuk Company Limited's (WFSCCL) sukuk being held by the Fund may be stopped until further instructions are given by WAPDA. The Fund, however, in its response stated that it is in the business of purchase and sale of securities and that the Fund is the bonafide holder of these sukuk, which were purchased after taking all necessary steps and measures to ascertain the genuineness of these sukuk including their verification from the issuer (i.e.WFSCCL) therefore, the Fund cannot comply with the instructions of WAPDA.

The Fund disposed off its investment in the aforementioned sukuk having a face value of Rs 180 million by June 30, 2009, i.e. before book closure for rentals due on October 22, 2009.

In September 2009 the Fund received a demand from WAPDA claiming return of Rs 13.6 million being rentals received by it (the Fund) in April 2009 on its holding of WFSCCL sukuk, WAPDA contends that Fund is not a bonafide owner of those sukuk. The management company of the Fund has rejected WAPDA's claim and stated that the said sukuk were purchased after their existence had been duly verified from WAPDA at more than one stage and that these sukuk were transferred in its CDS account, hence, the Fund was the bonafide holder of these sukuk.

The defendants (i.e. WAPDA and WFSCCL) have also filed an interpleader suit in December 2009 against Al Meezan, CDC in its capacity as the trustee of the Fund and some other parties in the senior civil court of Lahore (the Court) seeking a decision from the Court as to who is the lawful owner and to whom the profit payment due on October 22, 2009 and subsequently rentals should be made. The interpleader suit has been dismissed by the court on May 21, 2010 and the issuer has preferred regular first appeal which is pending for adjudication. Management company has submitted objections to the aforementioned review application on June 28, 2011.

Based on the aforementioned facts and the advise of its legal consultant, the management is confident that the Fund was a legitimate and bonafide owner of those sukuk from the date it acquired them till such time that those sukuk were sold in the normal course of business and accordingly it is not liable to return the aforementioned amount of rental (Rs 13.6 million) received by it.

- 14.2 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 / 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, during the year ended June 30, 2010 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.

During the year, 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 mutual fund industry with the FBR for their withdrawal.

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 company has reversed the liability recognised as at June 30, 2010 amounting to Rs 15.649 million, during the current year. The aggregate unrecognised amount of WWF as at June 30, 2011 amounted to Rs 21.409 million.

## 15. CLASSES OF UNITS IN ISSUE

15.1 The Fund may issue following classes of units:

Class	Description
A (Restricted) Note 15.1.1	Units that shall be charged with no sales load.
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 contingent back-end load.

15.1.1 Class A (Restricted) units were issued as initial subscription in the form of seed capital which was received by the Fund during the period December 13, 2006 to December 15, 2006 with the restriction that these units are not redeemable or transferable for a period of two years from the date of such subscription.

15.2 According to the supplemental offering document dated March 17, 2008, the 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; and
- Income units which shall be entitled to dividend in case of any distribution by the Fund.

15.3 The units in issue as at June 30, 2011 and 2010 in each class and their par values were as follows:

	2011		2010	
	Number of units in issue	Rupees in '000	Number of units in issue	Rupees in '000
A				
- Growth units	-	-	1,110,746	55,537
B				
- Growth units	22,317,990	1,115,900	41,693,934	2,084,697
- Income units	26,112,265	1,305,613	21,038,670	1,051,934
C				
- Growth units	1,353,552	67,678	1,589,049	79,452
Total	<u>49,783,807</u>	<u>2,489,191</u>	<u>65,432,399</u>	<u>3,271,620</u>

The par value of each unit is Rs. 50. The management company of the Fund has set a minimum initial investment limit of Rs. 5,000. All units carry equal rights and are entitled to dividend and payment of net asset value on liquidation.

**16. AUDITORS' REMUNERATION**

	2011 (Rupees in '000)	2010
Audit fee	275	250
Half yearly review	110	110
Other certifications and services	110	125
Out of pocket expenses	55	55
	<u>550</u>	<u>540</u>

**17. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

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

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

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

Details of transactions with connected persons and balances with them as at ended June 30 alongwith the comparative are as follows:

	2011 (Rupees in '000)	2010
<b>Al-Meezan - management company of the fund</b>		
Remuneration payable	<u>3,102</u>	<u>4,148</u>
Sales load payable	<u>298</u>	<u>412</u>
Preliminary expenses and floatation costs payable	<u>-</u>	<u>1,000</u>
Certificate charges payable	<u>1</u>	<u>1</u>
Investments as at June 30, 2011: Nil units (June 30, 2010: 4,739,846 units)	<u>-</u>	<u>245,856</u>
<b>MBL</b>		
Sales load payable	<u>97</u>	<u>46</u>
Balances with bank	<u>10,386</u>	<u>13,248</u>
Profit receivable on savings account	<u>156</u>	<u>176</u>
Investments as at June 30, 2011: 17,642,001 units (June 30, 2010: 17,642,001 units)	<u>900,801</u>	<u>915,091</u>
<b>CDC - trustee of the Fund</b>		
Trustee fee payable	<u>246</u>	<u>359</u>
Deposits	<u>2,600</u>	<u>2,600</u>

	2011 (Rupees in '000)	2010 (Rupees in '000)
<b>Directors and officers of the management company</b>		
Investments as at June 30, 2011: 314,219 units (June 30, 2010: 611,003 units)	<u>16,044</u>	<u>31,693</u>
	<b>For the year ended June 30</b>	
	2011	2010
	(Rupees in '000)	
<b>Al-Meezan - management company of the fund</b>		
Remuneration for the year	<u>44,747</u>	<u>68,779</u>
Units issued: 4,668,353 units (June 30, 2010: 3,515,382 units)	<u>240,000</u>	<u>180,817</u>
Redemptions: 9,905,553 units (June 30, 2010: 648,638 units)	<u>506,694</u>	<u>33,767</u>
Bonus units issued: 497,354 units (June 30, 2010: 154,046 units)	<u>726</u>	<u>7,738</u>
<b>MBL</b>		
Profit on savings accounts	<u>474</u>	<u>974</u>
Profit on placements	<u>-</u>	<u>9,113</u>
Redemptions: nil (June 30, 2010: 5,824,112 units)	<u>-</u>	<u>300,000</u>
Cash dividend paid	<u>114,673</u>	<u>85,299</u>
<b>CDC - trustee of the Fund</b>		
Remuneration for the year	<u>3,705</u>	<u>5,585</u>
CDS Charges for the year	<u>6</u>	<u>66</u>
<b>Directors and officers of the management company</b>		
Units issued: 289,759 units (June 30, 2010: 272,620 units)	<u>14,729</u>	<u>13,874</u>
Redemptions: 665,552 units (June 30, 2010: 908,433 units)	<u>33,745</u>	<u>46,188</u>
Bonus units issued: 79,009 units (June 30, 2010: 69,058 units)	<u>2,957</u>	<u>3,467</u>

## 18. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables	Financial assets at fair value through profit or loss	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	Total
	2011 ----- (Rupees in '000) -----				
<b>On balance sheet - financial assets</b>					
Balances with banks	426,592	-	-	-	426,592
Investments	-	1,941,720	75,000	-	2,016,720
Deposits and other receivables	109,070	-	-	-	109,070
	<u>535,662</u>	<u>1,941,720</u>	<u>75,000</u>	<u>-</u>	<u>2,552,382</u>
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan	-	-	-	3,401	3,401
- management company of the Fund	-	-	-	246	246
Payable to CDC - Trustee of the fund	-	-	-	97	97
Payable to MBL	-	-	-	2,897	2,897
Payable on redemption of units	-	-	-	899	899
Accrued expenses and other liabilities	-	-	-	7,540	7,540
	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,540</u>	<u>7,540</u>

	Loans and receivables	Financial assets at fair value through profit or loss	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	Total
	2010 ----- (Rupees in '000) -----				
<b>On balance sheet - financial assets</b>					
Balances with banks	1,132,702	-	-	-	1,132,702
Investments	-	2,128,219	76,455	-	2,204,674
Deposits and other receivables	92,576	-	-	-	92,576
	<u>1,225,278</u>	<u>2,128,219</u>	<u>76,455</u>	<u>-</u>	<u>3,429,952</u>
<b>On balance sheet - financial liabilities</b>					
Payable to Al Meezan - management company of the Fund	-	-	-	5,561	5,561
Payable to CDC - Trustee of the fund	-	-	-	359	359
Payable to MBL	-	-	-	46	46
Payable on redemption of units	-	-	-	9,709	9,709
Accrued expenses and other liabilities	-	-	-	932	932
	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,607</u>	<u>16,607</u>

## 19. FINANCIAL RISK MANAGEMENT

### Financial risk management objectives and policies

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

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

Risks managed and measured by the Fund are explained below:

#### 19.1 Market risk

##### Interest Rate Risk

The interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates which effects cashflows pertaining to debt instruments and their fair values.

##### Cash flow interest rate risk

The company's interest rate risk arises from the balances in savings accounts and investment in debt securities. At June 30, 2011, if there had been increase / decrease of 100 basis points in interest rates, with all other variables held constant, net assets of the fund for the year then ended would have been higher / lower by Rs 24.383 million (2010: approximately Rs 33.348 million) mainly as a result of finance income.

##### Fair value interest rate risk

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

## 19.2 Credit Risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. Credit risk arises from deposits with banks and financial institutions, credit exposure arising as a result of investment in debt securities, profit receivable on debt securities and receivable against sale of investments. Credit risk arising on the debt instruments is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of at least investment grade by the recognised rating agencies. The Fund receives a monthly rating update, against which investments are reviewed. The Fund, however, also invests in unrated instruments based on internal ratings assigned by the fund manager using an approach that is consistent with the approach used by the rating agencies. The credit rating wise analysis of investments in debt instruments have been tabulated below:

	2011	2010
	(%)	
Government guaranteed	54.15	49.66
AA+	7.44	-
AA	-	13.45
AA-	10.04	6.46
A+	8.42	4.64
A	1.60	1.95
A-	-	2.63
Non-rated	18.35	21.21
	<u>100.00</u>	<u>100.00</u>

Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. 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 manager 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, 2011 and 2010 is tabulated below:

	2011	2010
	(Rupees in '000)	
<b>Financial assets</b>		
Balances with banks	426,592	1,132,702
Investments	2,016,720	2,204,674
Deposits and other receivables	109,070	92,576
	<u>2,552,382</u>	<u>3,429,952</u>

Credit Rating wise analysis of balances with bank of the Fund are tabulated below:

	2011 (Rupees in '000)	2010 (Rupees in '000)
AAA	0.07	0.06
AA+	12.04	3.32
AA	49.63	63.81
AA-	2.45	1.18
A	35.81	31.63
	<u>100.00</u>	<u>100.00</u>

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

Due to the Fund's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the fund except for Arzoo Textiles Limited sukuk as more fully explained in note 6.1.6.

### 19.3 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Fund's offering document provides for the daily creation and cancellation of units and it is therefore exposed to the liquidity risk of meeting unit holders' redemptions at any time. The Fund manages its liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

In accordance with the regulation 58(1)(k) of the NBFC Regulations, the Fund has the ability to borrow funds for meeting redemption requests, with the approval of the trustee, for a period not exceeding three months to the extent of fifteen percent of its net assets which amounts to Rs 381.290 million as on June 30, 2011 (2010: Rs 509.105 million).

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

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

An analysis of the Fund's liabilities into relevant maturity grouping as at June 30, 2011 and 2010 is tabulated below:

	Maturity upto				Total	2010
	Three months	Six months	One year	More than one year		
	----- (Rupees in '000) -----					
Payable to Al Meezan - management company of the Fund	3,401	-	-	-	3,401	5,561
Payable to CDC - trustee of the Fund	246	-	-	-	246	359
Payable to MBL	97	-	-	-	97	46
Payable on redemption of units	2,897	-	-	-	2,897	9,709
Accrued expenses and other liabilities	899	-	-	-	899	932
	<u>7,540</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,540</u>	<u>16,607</u>
2010	<u>16,107</u>	<u>-</u>	<u>-</u>	<u>500</u>		

## 20. 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 units holders and to maintain a strong capital base to meet unexpected losses or opportunities.

In accordance with the NBFC Regulations, the Fund is required to distribute at least ninety percent of its income from sources other than capital gain whether realised or unrealised as reduced by such expenses as are chargeable to the Fund.

In accordance with risk management policies stated in note 19, 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.

## 21. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

The fair value hierarchy has the following levels:

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

The following table presents the assets that are measured at fair value as at June 30, 2011.

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets held for trading				
- Debt securities	-	1,045,803	-	1,045,803
Financial assets designated at fair value through profit or loss upon initial recognition				
- Debt securities	-	525,752	370,165	895,917
Financial assets available for sale				
- Debt securities	-	75,000	-	75,000
	-	1,646,555	370,165	2,016,720

The following table presents the assets that are measured at fair value as at June 30, 2010

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets held for trading				
- Debt securities	701,838	20,689	-	722,527
Financial assets designated at fair value through profit or loss upon initial recognition				
- Debt securities	-	938,012	467,680	1,405,692
Financial assets available for sale				
- Debt securities	76,455	-	-	76,455
	778,293	958,701	467,680	2,204,674

The following table presents the transfers between levels for the year ended June 30, 2011

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Transfers between level 1 and level 2			
- Debt securities	(778,401)	778,401	-

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

	Level 1	Level 2	Level 3
Transfers between level 2 and level 3			
- Debt securities	-	(616,572)	616,572

The following table presents the movement in level 3 instruments.

	2011 Debt securities	2010 Debt securities
Opening balance	467,680	-
Transfers into level 3	-	616,572
Sales / redemptions	(29,497)	(25,252)
Provisions	(24,607)	(27,893)
Gains and losses recognised in income statement	(43,411)	(95,747)
Closing balance	370,165	467,680

## 22. PERFORMANCE TABLE

	2011	2010	2009	2008
Net assets (Rs '000) (ex-distribution)	2,515,823	3,367,736	4,814,792	5,702,224
Net assets value / redemption price per unit as at June 30 (Rs) (ex-distribution)	50.06	50.62	50.16	50.01
Offer price per unit as at June 30 (Rs) (ex-distribution)	50.31	50.87	50.41	50.26
Distribution (%)				
- Interim				
- First quarter	3.00	2.50	2.54	-
- Second quarter	2.00	1.00	1.50	-
- Third quarter	3.50	0.27	2.00	6.50
- Fourth quarter	2.00	-	-	-
- Annual	2.00	2.50	3.50	2.70
Dates of distribution (interim)				
- First quarter	September 30, 2010	October 3, 2009	September 30, 2008	-
- Second quarter	December 31, 2010	January 4, 2010	February 23, 2009	-
- Third quarter	March 29, 2011	February 26, 2010	April 15, 2009	April 22, 2008
- Fourth quarter	May 24, 2011	-	-	-
Dates of distribution (annual)	July 7, 2011	July 7, 2010	July 6, 2009	July 7, 2008
Income distribution (Rupees in '000)	156,584	88,524	163,542	148,283
Growth distribution (Rupees in '000)	189,039	185,688	305,931	409,663
Highest offer price per unit (Rs)	52.61	52.36	52.17	53.95
Lowest offer price per unit (Rs)	50.34	50.34	47.06	50.42
Highest redemption price per unit (Rs)	52.35	52.10	51.91	53.68
Lowest redemption price per unit (Rs)	50.09	50.09	46.82	50.17
Total return (%)	11.78	7.31	10.14	9.15
Weighted Average Portfolio Duration (years)	2.63	3.87	4.24	5.66
Average annual return as at June 30, 2011	11.78%	9.52%	9.73%	9.58%

Investment portfolio composition of the Fund as described in Note 6.

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

## 23. INVESTMENT COMMITTEE MEMBERS

23.1 Details of members of investment committee of the Fund are as follow:

Name	Designation	Qualification	Experience
1 Mr. Mohammad Shoab, CFA	Chief Executive Officer	CFA / MBA	Twenty One years
2 Mr. Muhammad Asad	Chief Investment Officer	CFA level 2 / MBA	Fifteen years
3 Ms. Sanam Ali Zaib	Head of Research	CFA level 2 / MBA	Seven years
4 Mr. Muhammad Ali	AVP Investments / Fund Manager	CFA / FRM / MBA / MS	Seventeen years
5 Ms. Madiha Javed	Senior Manager	CFA / FRM / BBA	Four years
6 Mr. M. Farhan Lakhani	Manager Research / Investments	CFA level 2 / BBA	Two years

23.2 The Fund manager of the Fund is Mr. Muhammad Ali. Other Funds being managed by the Fund Manager are as follows:

- Meezan Cash Fund
- Meezan Sovereign Fund

## 24. TOP BROKERS BY PERCENTAGE OF COMMISSION PAID

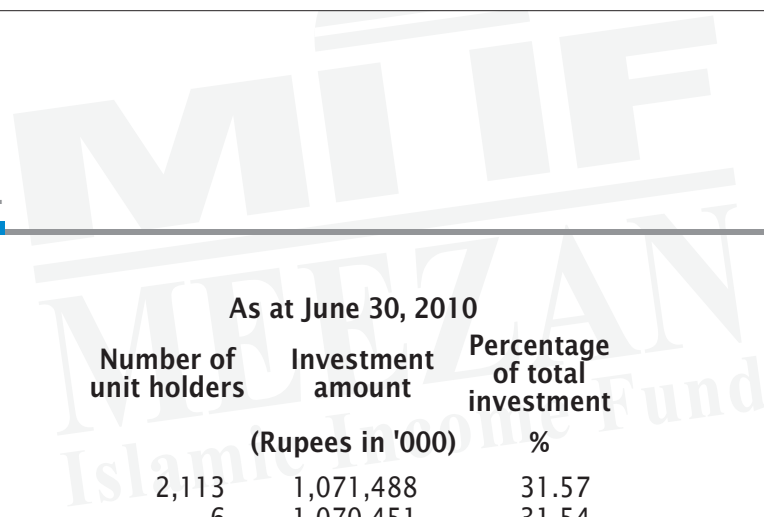
Name of the broker	2011 %
KASB Securities (Private) Limited	52.46
BMA Capital Management Limited	24.59
Global Securities (Private) Limited	8.20
Invisor Securities (Private) Limited	8.20
JS Global Capital Limited	6.55

Name of the broker	2010 %
Al Falah Securities (Private) Limited	52.26
KASB Securities (Private) Limited	27.98
BMA Capital Management Limited	8.51
JS Global Capital Limited	6.81
First Capital Equities Limited	4.44

## 25. PATTERN OF UNIT HOLDING

As at June 30, 2011

	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total investment %
Individuals	1,923	852,780	33.55
Associated companies / directors	4	717,509	28.23
Insurance companies	4	16,315	0.64
Banks / DFIs	7	432,652	17.02
NBFCs	-	-	-
Retirement funds	36	269,171	10.59
Public limited companies	13	242,486	9.54
Others	9	11,022	0.43
<b>Total</b>	<b>1,996</b>	<b>2,541,935</b>	<b>100.00</b>



As at June 30, 2010			
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of total investment %
Individuals	2,113	1,071,488	31.57
Associated companies / directors	6	1,070,451	31.54
Insurance companies	6	26,313	0.78
Banks / DFIs	11	705,419	20.78
NBFCs	-	-	-
Retirement funds	33	353,218	10.41
Public limited companies	20	137,924	4.06
Others	13	29,221	0.86
<b>Total</b>	<b>2,202</b>	<b>3,394,034</b>	<b>100.00</b>

## 26. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	---Dates of Board of Directors Meetings and Directors' present therein---					
		July 7, 2010	August 17, 2010	September 28, 2010	October 19, 2010	January 24, 2011	April 21, 2011
Mr. Ariful Islam	Chairman	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoab, CFA	Chief Executive	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Aliuddin Ansari	Director	No	Yes	Yes	Yes	Yes	Yes
Mr. P. Ahmed	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Rana Ahmed Humayun	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mazhar Sharif	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Rizwan Ata	Director	No	No	Yes	No	No	No

## 27. NON ADJUSTING EVENT

The Board of Directors in its meeting held on July 7, 2011 has announced a final dividend of 2% (2010: 2.5%) amounting to Rs 49.784 million (2010: Rs 81.791 million) which includes 472,863 bonus units (2010: 1,096,257 units) and cash dividend of Rs 26.112 million (2010: Rs 26.298 million). The financial statements for the year ended June 30, 2011 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending June 30, 2012.

The effect of issue of bonus units is as follows:

	Number of units	
Number of units in issue before bonus units	49,783,807	65,432,399
Number of units in issue after bonus units	<u>50,256,670</u>	<u>66,528,656</u>

	Rupees	
Net assets value per unit before distribution	51.06	51.87
Net assets value per unit after distribution	<u>50.06</u>	<u>50.62</u>

## 28. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 16, 2011 by the Board of Directors of the Management Company.



**Mohammad Shoab, CFA**  
Chief Executive

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



**Mazhar Sharif**  
Director



**Pure. Profit.**

(AM2 rating by JCR-VIS)

**Al Meezan Investment Management Ltd.**  
A subsidiary of Meezan Bank

**Call: 0800-HALAL (42525)**

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

**Website: [www.almeezangroup.com](http://www.almeezangroup.com)**

**Email: [feedback@almeezangroup.com](mailto:feedback@almeezangroup.com)**

**Follow Al Meezan on:** [f](#) [t](#) [in](#)

**Our Value Added Services**



**Email Service**



**Call Centre**



**Customer Services**



**SMS Alert**



**Member Services**



**Internet Banking**