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## *Our Vision*

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

## *Our Mission*

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

## FUND INFORMATION

### BOARD OF DIRECTORS

Mr. Irfan Siddiqui  
Mr. Mohammad Shoaib, CFA  
Mr. Ariful Islam  
Mr. Nabil Daudur Rahman  
Mr. Imran Iqbal Panjwani  
Mr. Muhammad Asad  
Syed Owais Wasti

Chairman  
Chief Executive

### AUDIT COMMITTEE

Mr. Ariful Islam  
Mr. Imran Iqbal Panjwani  
Mr. Muhammad Asad

Chairman

### CFO & COMPANY SECRETARY

Syed Owais Wasti

### MANAGEMENT COMPANY

Al Meezan Investment Management Limited

### AUDITORS

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

### SHARIAH ADVISOR

Meezan Bank Limited.

### CUSTODIAN

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

### BANKERS

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

### REGISTERED OFFICE

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

### SHARE REGISTRAR

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

## AL MEEZAN MUTUAL FUND LIMITED NOTICE OF 14th ANNUAL GENERAL MEETING

Notice is hereby given that the 14th Annual General Meeting of the Company will be held at 10:00 am on Thursday October 08, 2009 at the registered office of the Company, situated at Ground Floor, Block "B", Finance & Trade Centre, Shahrah-e-Faisal, Karachi, to transact the following business:

### Ordinary Business:

1. To receive, consider and adopt the audited accounts of the Company together with the reports of Directors and Auditors thereon for the year ended June 30, 2009.
2. To appoint auditors and fix their remuneration for the year 2009-2010. The present auditors Messrs. A.F. Ferguson & Co., Chartered Accountants retire and being eligible, offer themselves for re-appointment.
3. To transact any other business with the permission of the Chair.

By order of the Board

Karachi:  
September 11, 2009

Syed Owais Wasti  
Company Secretary

### NOTES:

- i. The share transfer books of the Company will remain closed from Thursday October 01, 2009 to Thursday October 08, 2009 (both days inclusive).
- ii. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. A Corporation may appoint a person, who is not a member, as **proxy**.
- iii. Proxy forms in order to be effective must be received at the Company's registered office, situated at Ground Floor, Block "B", Finance & Trade Centre, Shahrah-e-Faisal, Karachi - 74400, duly stamped and signed not less than 48 hours before the meeting.
- iv. If a member appoints more than one proxy and/ or deposits more than one instrument of proxy, all such instruments shall be rendered invalid.
- v. Accountholders/sub-accountholders holding book entry securities of the Company in Central Depository System (CDS) of Central Depository Company of Pakistan Limited (CDC) who wish to attend the AGM are requested to please bring their original CNIC/original passport with a photocopy duly attested by their bankers for identification purposes. In case of Corporate entity, the Board of Directors resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
- vi. Members are requested to promptly communicate to the Company any change in their address to ensure prompt delivery of mail.

# DIRECTORS' REPORT

The Board of Directors of Al Meezan Mutual Fund Limited is pleased to present the audited financial statements of the Fund for the year ended June 30, 2009.

## Economic and Equity Market Review

The fiscal year 2009 was one of the most volatile for global economy with challenges involving sub-prime default, financial market crisis, stock market crashes and souring commodity prices including food inflation. The economic fundamental for Pakistan were also negatively impacted by global economic downturn and led to various economic imbalances including growing fiscal and trade deficit, rising inflation, declining foreign exchange reserves etc. In all, Pakistan managed an economic growth of 2% as against a target of 5%. The country's foreign exchange reserves declined from US\$ 11.1billion in June 2008 to US\$ 6.6billion in November 2008. The Fund's benchmark, Dow Jones - JS Pakistan Islamic Index (DJIMPK), registered a decline of 55% whereas KSE-100 Index declined by about 52% till December 31, 2008.

A tight monetary policy stance was adopted by SBP in the first half of FY09 on the back of surging oil and food prices. Later, with the decline in oil prices coupled with lower commodity prices, it helped in easing pressure and economic recovery steadily progressed. Lower commodity prices have continued to ease pressure on external accounts, which along with 23-month US\$ 7.6billion Stand-By Agreement by IMF and other inflows, have lent some degree of stability to Pak Rupee. Moreover, rescinding inflation paved the way for decline in interest rates which helped in bringing over all stability. Likewise, the stock market also experienced a recovery and ended the year at a level of 7,162 up by 48.7% from its lowest level of 4,815 in January 2009.

During the fiscal year 2009, the benchmark index, DJIMPK, declined by 35.4% whereas KSE-100 Index closed at 7,162 posting a 42% decline YoY. The average trading volume at KSE was 109 million shares as compared to 241 million shares a year earlier.

## Outlook

Going forward, we maintain a positive view over the future capital market performance. With an expected cut in the policy rate by SBP, the liquidity position will improve and is going to have a positive impact on the stock market. Moreover, growing interest of the foreign investors is seen in the emerging markets. It is expected that Pakistan will also have foreign portfolio inflows (as compared to a net outflow of US\$ 445 million in fiscal year 2009) as our market is trading at an attractive PE multiple of 7x which is more than 50% discount to the regional markets.

## Compliance with Code of Corporate Governance

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

- These financial statements, 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 changes in equity.
- The Fund has maintained proper books of accounts.

- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent 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".
- There had been no trading in the shares of the Fund carried out by the Directors, CEO, CFO and Company Secretary of the management company including their spouses and their minor children.
- Pattern of holding of shares is given on page no. 13 of the financial statements.
- Financial highlights since inception are given under the heading of "Performance Review" in the Fund Managers Report.

### **Board Meetings**

Please refer to note no. 23 provided in the financial statements.

### **Appointment of Auditors**

M/s A.F. Ferguson & Co. Chartered Accountants retire and being eligible offers themselves as the auditors of the Fund for fiscal year 2010. The Board of Directors has recommended their re-appointment.

### **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, Central Depository Company of Pakistan, the custodian of the Fund 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 Limited for their continued guidance and support on shariah aspects of fund management.

For and behalf of the Board

**August 20, 2009**  
**Karachi.**

**Muhammad Shoaib, CFA**  
**Chief Executive**

## REPORT OF THE FUND MANAGER

Al Meezan Mutual Fund (AMMF) is a listed closed end, equity fund, which is primarily geared towards investing in shariah compliant securities at the stock exchange.

The objective of AMMF is to provide maximum total return to the shareholders from investment in shariah compliant investments for the given level of risk, while abiding by the "Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003", "Non-Banking Finance Companies and Notified Entities Regulations, 2007" and the "Non-Banking Finance Companies and Notified Entities Regulations, 2008", and any other prevailing rules and regulations. Total return refers to the returns from capital gains, realized and unrealized, and dividend income (from investment in secondary and primary equities), rental income (from operating leases - Ijara), markup (from cost-plus sales - Murabaha), and other Shariah compliant investments.

### Strategy and Investment Policy

Performance of AMMF is directly linked to the performance of local bourses. The Fund Manager, Al Meezan Investment Management Limited, actively manages the Fund with an aim to provide maximum risk adjusted total return to the investors. To control risk, the exposure in growth stocks is balanced against that of high dividend stocks. Moreover, the Fund manager strives to reduce equity exposure in times when the market peaks off while increasing equity exposures near troughs. This may result in temporary underperformance as exposure is increased in a rising market, it pays off when the market corrects.

### Economic Review

The macroeconomic outlook remained bearish during the initial months of fiscal year 2009 as inflationary pressures mounted and current account deficit continued to widen unabated. The main reason for the widening of the current account deficit was the worsening of trade balance which rose to US \$ 5.84 billion during the initial months of fiscal year 2009. This was mainly due to the extraordinary increase in international crude oil prices, which peaked at \$147 per barrel in mid July, and hike in food prices. As a result, foreign exchange reserves declined from US\$ 11.1 billion in June 2008 to US\$ 6.6 billion in November 2008.

Subsequently, the government administered much needed macro stabilization measures like subsidy removal, fiscal deficit management, monetary tightening and tightening of forex market regulations. The impact of these decisions along with reversal in global commodity prices helped in bringing down current account deficit and inflationary pressure. Later, 23-month Stand-By Arrangement with IMF along with strong remittance inflows of US\$ 7.8 billion for the year, the highest ever, helped in reserve replenishment which reached US\$ 11.84 billion at the close of the year and also helped in stabilization in the rupee-dollar parity. The rupee remained under pressure vis-à-vis the dollar especially in the first half of fiscal year 2009 and closed at about Rs 81.5, depreciation of 16% for the period under review.

On the domestic front, the Government of Pakistan did not succeed in meeting its tax collection target of Rs.1.3 trillion and collected Rs.1.15 trillion for the fiscal year 2009. The government has once again set an ambitious target of Rs 1.37 trillion for fiscal year 2010 for which Federal Board of Revenue is actively bringing about tax administration reforms. Given the current global economic situation, Pakistan is expected to post a growth of 3% in the fiscal year 2010.

On the monetary front these were challenging times for the central bank. In order to arrest the unabated inflation which had reached alarming level of 25% in first four months of fiscal year 2009, and to adhere to IMF conditions, the State Bank of Pakistan (SBP) continued its policy of monetary tightening and raised the discount rate by 1% in July and subsequently 2% in November to 15%. The tight monetary stance resulted in six month KIBOR and T-bill rates to peak at 15.71% and 14.01% respectively. The interest rate environment during the period under review kept the money market very tight with overnight rates making new highs of over 40%.

Later, some corrective measures by SBP included reducing Cash Reserve Requirement (CRR) and Statutory Liquidity Requirement (SLR) for commercial banks and subsequent cut in by 1% in discount rate in March helped to improve the liquidity position. As a result, overnight rates declined to 10-11%. The effect of these measures was also reflected in the six month KIBOR and T-bill rates which dropped from their peak by 245bps and 200bps to close at 12.76% and 12.01% respectively on June 30, 2009.

### **Equity Market Review**

The fiscal year 2009 began on a bearish note for the equity market, in continuation of its decline from previous year. To arrest the sharp decline, Securities and Exchange Commission of Pakistan (SECP) had changed the circuit breakers to a floor of 1% and a cap of 10% at the end of the fiscal year 2008. This measure, however, did not improve the situation and created a problem for margin traders who wanted an exit. Due to drying up of volumes after the introduction of these circuit breakers, the SECP decided to revert them back to the original 5% level in early July 2008.

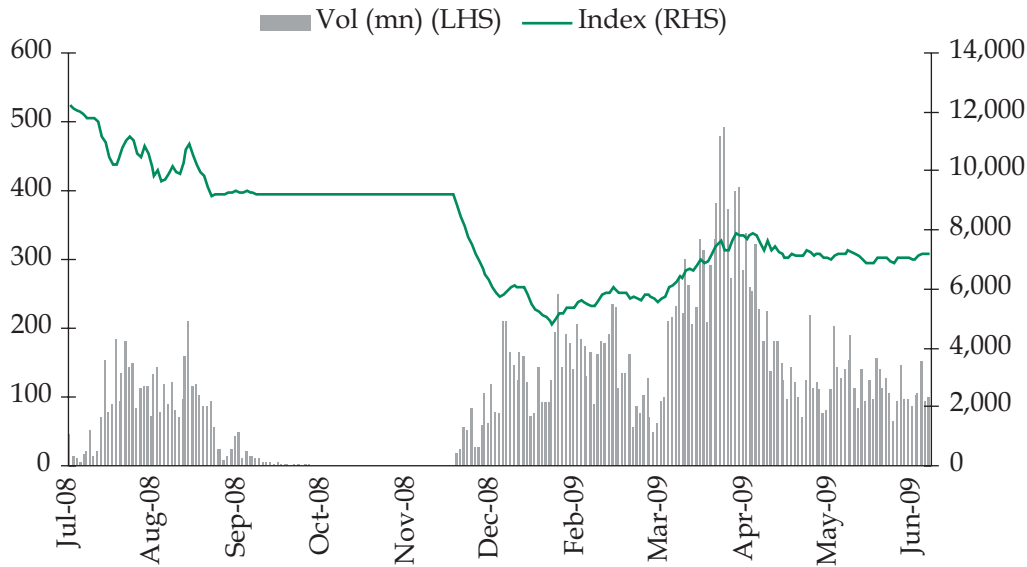
Nonetheless, the unabated economic pressures continued to create further downward pressure. To stem further downslide in the market, KSE Board of Directors on August 27, 2008 decided to place a floor on the index at a level of 9,144 based on that day's closing prices. As a result, investors decided to stay from the regular market and trading mainly took place in off the market counter at 20%-50% discount from floor prices.

Due to the imposition of floor for 110 days, Pakistan was removed from the MSCI-Emerging Market Index which resulted in foreign portfolio outflows. On December 15, 2008 the floor was finally removed, with the KSE 100 Index undergoing heavy correction falling to the lowest level of 4,815 by the end of January 2009. With removal of the price floors, the brokers, who got margin calls from the financiers and were on the verge of default, were ultimately bailed out by financiers and government institutions. Initially trading in the ready market was nominal as prices corrected by 5% daily downward limit for several days.

Subsequently, Government administered macro stabilization measures began to lead to some recovery. Consequently, stock market started improving in beginning of calendar year 2009. The major booster for the market came in March, with the restoration of judges and anticipation of political stability. This provided a further impetus to the market with index breaching psychological barrier of 7,000 points. Other factors contributing to the bull run were inclusion of KSE in MSCI Frontier Index, declining interest rates, incentive driven petroleum policy, and encouraging prospects of funding from the Friends of Democratic Pakistan meeting in April 2009. Eventually, KSE-100 Index closed at the level of 7,162 posting a decline of 42% in fiscal year 2009.

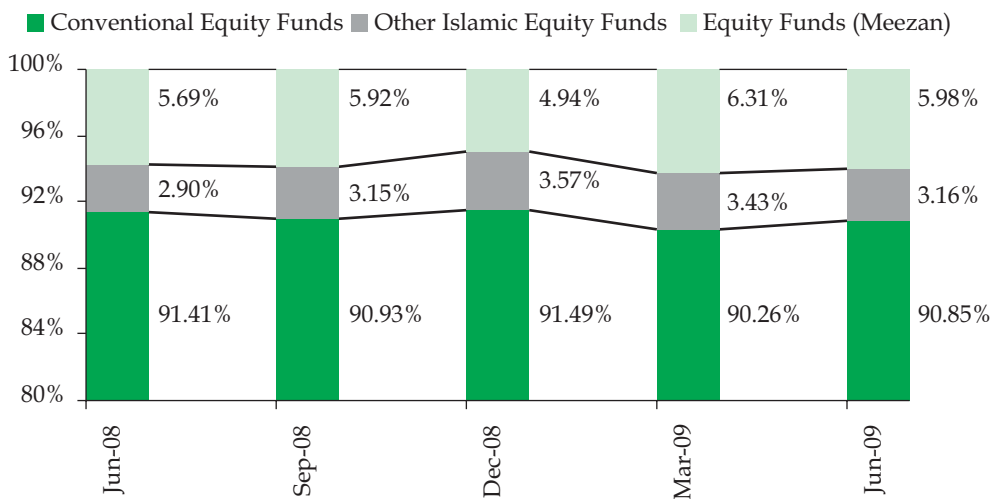
On the international front, all leading indices were adversely affected at the prevalence of the negative sentiment due to global recession. However, as economies stabilized in the latter half of the year, the markets responded likewise and closed above their intra-year lows.





### Equity Mutual Fund Industry

The Equity mutual fund industry, contributing around 45% to the mutual fund industry, had been enjoying substantial growth since 2002. However, during fiscal year 2009, amid liquidity crunch in the market and closure of stock exchange, the size of the equity funds reduced to Rs. 88 billion in June 2009 from Rs. 144 billion, a year earlier, showing a decline of 39%. While in the same period, the size of the Islamic Mutual Funds depreciated by 35% to Rs. 8.6 billion at the end of financial year 2009. The Islamic mutual fund industry marginally gained market share from 8.59% to 9.14% in the current fiscal year. Similarly, Al-Meezan's market share in equity funds increased from 5.69% in fiscal year 2008 to 5.98% at the end of fiscal year 2009.



### New Initiatives

Al Meezan Investments along with KSE launched the first Co-branded Islamic Index "KSE-Meezan Index (KMI)" in September 2008. The index comprises of thirty companies which qualify KMI Shariah screening criteria and are weighted by float adjusted market capitalization subject to a 12% cap on weights of individual securities.

## Implementation and Sector Allocation

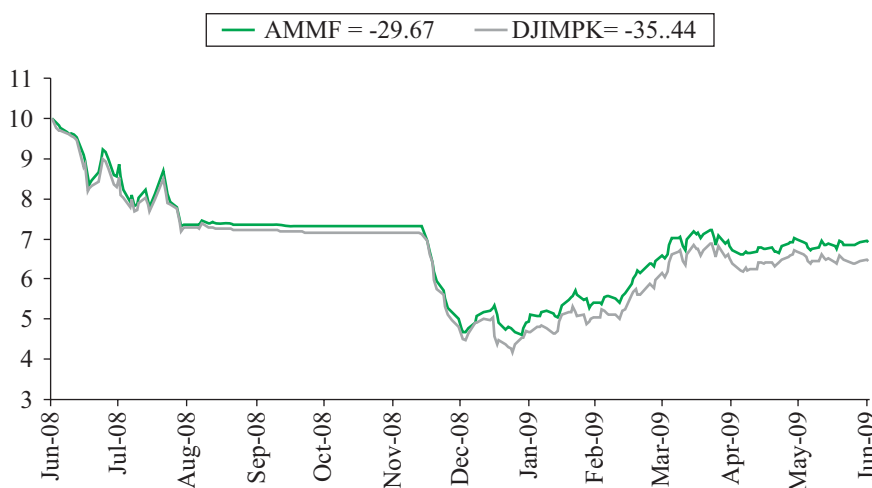
The equity market remained closed for 110 days in the first half of the fiscal year 2009 and opened on December 15, 2008, due to which market took a major correction and index went down to below 5,000 level. In this connection, fund increased exposure over 95% and made major strategic changes in the portfolio to maximize the dividend yield without comprising the growth potential of the portfolio.

During the period under review the fund maintained significant exposure in oil and fertilizer sectors in order to benefit from rising international oil and fertilizer prices. Average equity exposure of the fund during the period under review was maintained at 90% while at the year end equity exposure stood at 95% in line with the expectation that the bullish trend will continue in the market.

## Performance Review

The Fund, during the period ended June 30, 2009 incurred a total loss of Rs.544 million. The loss for the period comprises of mainly un-realized loss on re-measurement of investments at fair value through profit & loss of Rs.332 million and realized loss on sale of investments of Rs.292 million. The dividend income for the period was Rs.75 million and profit on bank deposits was Rs.5.5 million. After accounting for expenses of Rs.32 million, the net loss for the period was Rs. 575 million, which translates into a loss per share of Rs.4.18 as on June 30, 2009. The net assets of the fund at the period end were Rs. 1,174 million as compared to Rs.1,906 million as at June 30, 2008. The net asset value per unit as at June 30, 2009 was Rs.8.54 per share as compared to Rs.13.86 per share as on June 30, 2008, witnessing a decline of 38%.

	AMMF	DJ Islamic Index
Value as on June 30, 2008 (Dividend Adjusted)	12.86	18,097.44
Value as on June 30, 2009	8.54	11,684.22
Return During the Period -- Gross	-29.67%	-35.44%
Return During the Period -- Net	-31.67%	
Outperformance -- Gross	5.77%	
Outperformance -- Net	3.77%	



## PERFORMANCE TABLE

Year ended	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	
(Rupees in thousands)											
1	Investment Income	(210,996)	250,230	277,596	567,613	380,873	274,149	151,930	51,049	36,104	64,203
2	Operating Expenses	31,614	50,152	47,917	56,843	32,395	23,646	9,127	6,683	6,454	8,359
3	Surplus / (Deficit) on investments 'at fair value through profit or loss' and 'derivative financial instruments'	(332,572)	(211,615)	317,078	(70,567)	82,015	10,701	52,180	(518)	-	-
4	Reversal/(provision) for diminution in the value of marketable securities	-	-	-	-	-	-	-	-	(11,376)	33,228
5	Net loss / (income)	(575,182)	(11,537)	546,757	440,203	430,493	261,204	194,982	43,746	18,273	89,072
6	Earnings per share (Rs.)	(4.18)	(0.08)	3.98	3.68	4.33	2.80	4.21	1.75	0.73	3.65
7	Earning per share (Rs.) from capital growth	-	(0.59)	3.36	2.83	-	-	-	-	-	-
8	Earning per share (Rs.) from income distribution	-	0.51	0.62	0.85	-	-	-	-	-	-
9	Cash dividend	-	137,540	299,000	358,800	178,825	77,500	50,000	40,000	16,500	52,500
10	Rate of cash dividend (%)	-	10.00	25.00	30.00	17.50	10.00	20.00	16.00	6.60	21.00
11	Rate of stock dividend (%)	-	-	15.00	-	10.00	15.00	10.00	-	-	-
12	Net Assets Value per Share (Rs.)	8.54	13.86	18.55	16.96	13.97	14.55	18.63	10.68	9.84	10.55
13	KSE 100 Index	7,162.18	12,289.03	13,772.46	9,989.00	7,450.12	5,279.18	3,402.48	1,770.12	1,366.44	1,520.74
14	DJIMPK	11,684.22	18,097.44	17,933.17	15,305.97	12,206.50	10,000.00				
15	Total return (%) (A)	(31.67)	(0.59)	26.99	28.37	45.43	34.33	93.16	24.80	(0.47)	53.89
16	Appreciation / (depreciation) in KSE 100 Index (%) (B)	(41.72)	(10.77)	37.90	34.08	41.12	55.16	92.22	29.54	(10.15)	44.19
17	Appreciation / (depreciation) in DJIMPK (%) (C)	(35.44)	0.92	17.16	25.39	22.07					
18	Outperformance / (underperformance) in comparison to KSE 100 Index (%) (A-B)	10.05	10.18	(10.91)	(5.71)	4.31	(20.83)	0.94	(4.74)	9.68	9.70
19	Outperformance / (underperformance) in comparison to DJIMPK (%) (A-C)	3.77	(1.51)	9.83	2.98	23.37					
20	Total Net Assets Value	1,174,174	1,906,416	2,218,592	2,028,970	1,670,878	1,204,812	465,777	267,087	245,978	244,204
21	Highest NAV	13.68	19.37	18.62	20.52	-	-	-	-	-	-
22	Lowest NAV	5.38	12.72	11.81	13.52	-	-	-	-	-	-

## **Charity Statement**

As per Memorandum of Association of AMMF, where some haram income accrues to the Fund, it will be donated to an approved charity that is unconnected with the Fund, management company, its Directors, Officers, Shariah adviser, Auditors or Sponsors. This will be done in consultation with the Shariah adviser. During the year ended June 30, 2009 an amount of 1.36 million was accrued as charity payable.

## **Distributions**

No distribution was made during fiscal year 2008-2009

## **Breakdown of unit holdings by size:**

Breakdown of share holding by size as on June 30, 2009 has been given on page no. 44 of the financial statements.

## **Future Outlook**

The economic outlook remains very challenging. However, we are optimistic about the long term growth trend in the economy. Future direction of the market is likely to be driven by developments on the economic front. We continue to see the value in Pakistani equities and remain positive on the basis of relative attractive valuations and continuing double-digit earnings growth of listed companies.

**DETAILS OF PATTERN OF SHAREHOLDING  
AS PER REQUIREMENT OF THE CODE OF  
CORPORATE GOVERNANCE AS AT JUNE 30, 2009**

Particulars	No. of Shares held
<b>Individuals</b>	43,768,355
<b>Non-resident</b>	6,240,048
<b>Associated companies</b>	
- Al Meezan Investment Management Limited	23,205,692
- Meezan Bank Limited	5,561,607
- Pakistan Kuwait Investment Company (Private) Limited	16,895,690
- Meezan Islamic Fund	19,570,700
<b>Chief Executive &amp; spouse</b>	
- Mr. Mohammad Shoaib, CFA	348,278
- Mrs. Shabana Shoaib	7,438
<b>Directors and their spouses</b>	
- Mr. Irfan Siddiqui	1,162
- Ms. Shabnam Hasan (w/o Mr. Muhammad Asad)	35,441
<b>Public sector companies and corporations</b>	7,931,130
<b>Banks</b>	7,142,100
<b>Development financial institutions</b>	225,500
<b>Insurance companies</b>	5,106,820
<b>Modarabas</b>	59,500
<b>Mutual funds</b>	1,440,525
<b>Total</b>	<b>137,539,986</b>

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

This statement is being presented to comply with the provisions of the Code of Corporate Governance ("CCG") contained in Regulation No. 37 (now 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. Al Meezan Mutual Fund Limited ("the Fund") has applied the principles contained in the CCG in the following manner:

1. The Fund encourages representation of independent non-executive directors. At present the Board of Directors (BoD) of the Fund includes four non-executive directors.
2. The existing directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Fund.
3. All the resident directors of the Fund are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the directors, including their spouses, of the Fund is a member of a stock exchange.
4. Two vacancies occurred during the year on the BoD which was filled in by the directors through resolution by circulation dated July 22, 2008 and in the meeting of BoD held on February 24, 2009 within thirty days of its falling vacant.
5. The BoD has formulated a Statement of Ethics and Business Practices which has been signed by all the directors of the Fund and employees of the management company.
6. The BoD of the Fund has developed a vision and mission statement. Significant policies have been formalized and maintained by the Fund.
7. All the powers of the BoD have been duly exercised and decisions on material transactions taken by it. Appointment and terms and conditions of employment and determination of employment of the CEO and executive directors have been taken by the BoD of the management company. The CEO and the executive directors are remunerated for services by the management company of the Fund.
8. The meetings of the BoD were presided over by the Chairman. The BoD met at least once in every quarter. Written notices of the BoD meetings, along with agenda and working papers, were circulated at least fourteen days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The orientation course for the directors of the Fund was arranged during the year ended June 30, 2007.
10. The BoD of the management company has approved the appointments of the CFO/ Company Secretary including his remuneration and terms and conditions of the employment as determined by the CEO.
11. The directors' report relating to the Fund for the year ended June 30, 2009 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 Fund before approval of the BoD.

13. The directors and CEO do not hold any interest in the shares of the Fund, other than those disclosed in the pattern of shareholding (included in the Directors' Report).
14. The Fund has complied with all the applicable corporate and financial reporting requirements of the CCG.
15. The BoD has formed an audit committee. It comprises of three members, of whom two are non-executive directors of the Fund including the chairman of the audit committee. The CFO and the Company Secretary is also the secretary of the audit committee.
16. The meetings of the audit committee were held once in every quarter after its formation prior to the approval of interim and final results of the Fund as required by the CCG. The terms of reference of the audit committee have been framed and approved by the BoD of the Fund and advised to the committee for compliance.
17. The BoD has outsourced the internal audit function to a firm of Chartered Accountants.
18. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Fund and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The related party transactions entered during the year ended June 30, 2009 have been placed before the audit committee and approved by the board of directors in their respective meetings held on August 19 and 20, 2009 instead of at each of their meetings held since January 19, 2009.
21. We confirm that all other material principles contained in the CCG have been complied with.

**Mohammad Shoaib, CFA**  
Chief Executive

**Syed Owais Wasti**  
CFO & Company Secretary

Karachi  
August 20, 2009

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Al Meezan Mutual Fund Limited (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 Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Fund's personnel and review of various documents prepared by the Fund to comply with the Code.

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

Further, Sub-Regulation (xiii a) of Listing Regulation 37 (now Regulation 35) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 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 related party transactions by the board of directors and placement of such transactions before the audit committee which was done in their respective meetings held on August 20 and 19, 2009. 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 Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2009.

**A. F. Ferguson & Co.**  
**Chartered Accountants**  
**Karachi, September 4, 2009**



## REPORT OF THE SHARIAH ADVISER

Karachi  
September 1, 2009

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

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

- i. We have reviewed and approved the modes of investments of AMMF in light of Shariah requirements. The following is a list of investments of AMMF as on June 30, 2009 and their evaluation according to the screening criteria established by us. (The latest accounts of the Investee companies available as on March 31, 2009 have been used for the following calculations):

Company Name	(i) Nature of Business	(ii)* Debt to Assets (<40%)	(iii) Illiquid Assets to Total Assets (>20%)	(iv)		(v)	
				Non-Compliant Income to Gross Revenue (<5%)	% of Non-Shariah Compliant Investments (<33%)	Net Liquid Assets per Share (A)	Share Price (B)
Agriauto Industries Limited	Manufacturers of Automobile Parts and Accessories	0.33%	6.21%	0.79%	69%	4.85	27.96
Attock Cement Pakistan Limited	Cement Manufacturer	0.18%	1.87%	0.33%	87%	(20.28)	67.46
D.G. Khan Cement Company Limited**	Cement Manufacturer	41.93%**	6.58%	0.03%	95%	(88.55)	21.81
Engro Chemical Pakistan Limited**	Manufacturers of Fertilizers and Chemicals	51.43%**	0.09%	1.34%	87%	(279.41)	144.65
Fauji Fertilizer Bin Qasim Limited	Manufacturers of Fertilizers	33.21%	0.00%	3.78%	71%	(17.94)	17.12
Fauji Fertilizer Company Limited	Manufacturers of Fertilizers	30.74%	2.59%	1.24%	71%	(43.09)	86.92
Ghani Glass	Manufacturers of glass used in construction	0.00%	0.00%	0.00%	81%	(12.29)	63.05
Glaxo Smith Kline Limited	Manufacturers of Pharmaceutical Products	0.00%	2.93%	1.19%	53%	10.67	90.64
ICI Pakistan Limited	Manufacturers of Paints, Soda Ash, Staple Fibre and Chemicals	1.06%	0.01%	0.1%	73%	(2.78)	96.18
Lucky Cement	Cement Manufacturer	32.83%	0.00%	0.00%	89%	(36.73)	49.39
Indus Motors Company Limited	Automobile Assembling	0.00%	0.00%	0.99%	47%	1.06	73.85
Oil & Gas Development Company Limited	Exploration and Production of Oil & Gas	0.00%	4.77%	2.37%	54%	5.59	72.07
Packages Limited	Manufacturers of Paper and Board	23.83%	21%	0.69%	69%	(32.36)	173.09

Pak Suzuki Motors Limited	Automobile Assembling	1.53%	0.00%	1.54%	72%	27.80	54.53
Pakistan Oilfields Limited	Exploration and Production of Oil & Gas	0.00%	5.33%	4.78%	67%	(7.41)	171.06
Pakistan Petroleum Limited	Exploration and Production of Oil & Gas	0.15%	1.9%	4.00%	57%	9.99	173.27
Pakistan State Oil Company Limited	Distribution of Oil & Gas	15.23%	0.00%	0.00%	37%	(162.66)	195.94
Pakistan Telecommunication Company Limited	Telecom	6.28%	0.00%	3.42%	70%	(6.98)	16.68
Sitara Chemical Industries Limited	Manufacturers of Soda Ash and Chemicals	0.00%	0.00%	0.06%	78%	(195.08)	170.9
Sui Northern Gas Pipeline Limited	Distribution of Gas	3.03%	0.00%	0.2%	61%	(107.44)	30.22
Thal Limited	Manufacturers of Jute bags and Acs and Wire Harness of Cars	19.33%	0.57%	0.82%	79%	39.78	54.86
The Hub Power Company Limited	Producer of Power & Energy	19.92%	0.88%	0.05%	52%	(8.38)	20.62
Tri - Pack Films	Manufacture of Biaxially Oriented Polypropylene	39.79%	0.00%	0.51%	74%	(56.33)	98.45
Meezan Bank Limited	Islamic Commercial Bank	***					

\* All interest based debts

\*\* The scrip became non-compliant on the basis of latest accounts and will be disinvested within the grace period

\*\*\* These ratios are for the calculation of non-Shar'iah Compliant Element in the business and are not relevant for Islamic Banks

ii. On the basis of information provided by the management, all operations of AMMF for the year ended June 30, 2009 have been in compliance with the Shariah principles.

During the Year a provision of Rupees 1.360 million was transferred to Charity account and an amount of Rupees 1 million was disbursed.

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

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**Dr. Muhammad Imran Ashraf Usmani**  
**Shariah Advisor**

## INDEPENDENT ASSURANCE PROVIDERS' REPORT ON SHARIAH COMPLIANCE TO THE MEMBERS

We have performed our independent assurance engagement of Al Meezan Mutual Fund Limited (the Fund) to assess the Fund's compliance with the Shariah guidelines prescribed by the Shariah Advisor of Al Meezan Mutual Fund Limited for the year ended June 30, 2009.

### **Management company's responsibility**

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

### **Responsibility of independent assurance providers**

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

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

### **Conclusion**

In our opinion, the Fund was, in all material respect, in compliance with the Shariah guidelines issued by the Shariah Advisor of the Fund for the year ended June 30, 2009.

**A. F. Ferguson & Co.**  
**Chartered Accountants**  
**Karachi, September 4, 2009**

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of assets and liabilities of Al Meezan Mutual Fund Limited as at June 30, 2009 and the related income statement, distribution statement, statement of movement in equity and reserves per share, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the management company to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards, the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations, 2007) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations, 2008). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations, 2007 and the NBFC Regulations, 2008;
- (b) in our opinion:
  - (i) the statement of assets and liabilities and income statement together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations, 2007 and the NBFC Regulations, 2008 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the statement of assets and liabilities, income statement, distribution statement, statement of movement in equity and reserves per share, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations, 2007 and the NBFC Regulations, 2008, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2009 and of the loss, its distributions, movement in equity and reserves per share, changes in equity and cash flows for the year then ended; and
- (d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

**A. F. Ferguson & Co.**  
**Chartered Accountants**  
**Karachi, September 4, 2009**

**Audit Engagement Partner: Saad Kaliya**

## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2009

	Note	2009 (Rupees in '000)	2008
<b>Assets</b>			
Balances with banks	5	35,681	63,366
Investments - available for sale	6	30,113	52,764
Investments at fair value through profit or loss	7	1,092,185	1,770,335
Receivable against sale of investments		9,103	-
Dividend receivable		10,015	18,398
Advances, deposits and other receivables	8	8,001	10,832
<b>Total assets</b>		<u>1,185,098</u>	<u>1,915,695</u>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited - management company of the Fund	9	1,029	3,221
Payable to the Central Depository Company of Pakistan Limited - custodian of the Fund	10	46	86
Payable to the Securities and Exchange Commission of Pakistan	11	1,243	2,067
Payable to Meezan Bank Limited - shariah adviser of the Fund	12	434	250
Payable against purchase of investments		2,539	-
Accrued expenses and other liabilities	13	2,084	1,747
Unclaimed dividend		3,549	1,908
<b>Total liabilities</b>		<u>10,924</u>	<u>9,279</u>
<b>Net assets</b>		<u>1,174,174</u>	<u>1,906,416</u>
<b>Shareholders' Equity</b>			
Authorised share capital			
150,000,000 (June 30, 2008: 150,000,000) ordinary shares of Rs 10 each			
		<u>1,500,000</u>	<u>1,500,000</u>
Issued, subscribed and paid-up share capital	14	1,375,400	1,375,400
Accumulated (loss) / unappropriated income		(224,797)	487,925
Surplus on revaluation of investments		23,571	43,091
		<u>1,174,174</u>	<u>1,906,416</u>
Net assets value per share (Rupees)		<u>8.54</u>	<u>13.86</u>

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

**Mohammad Shoaib, CFA**  
Chief Executive

**Muhammad Asad**  
Director

## INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 (Rupees in '000)	2008
<b>Income</b>			
Net realised (loss) / gain on sale of investments		(291,658)	141,851
Dividend income		75,148	84,386
Profit on savings accounts with banks		5,514	23,646
Profit on term finance certificates		-	347
		<u>(210,996)</u>	<u>250,230</u>
Unrealised loss on re-measurement of investments at fair value through profit or loss (net)	7	(332,572)	(194,197)
Loss on re-measurement of derivative financial instruments (net)		-	(17,418)
		<u>(332,572)</u>	<u>(211,615)</u>
<b>Total income</b>		<u>(543,568)</u>	<u>38,615</u>
<b>Expenses</b>			
Remuneration to Al Meezan Investment Management Limited - management company of the Fund	9	24,446	41,339
Remuneration to Central Depository Company of Pakistan Limited - custodian of the Fund	10	641	1,076
Annual fee to the Securities and Exchange Commission of Pakistan	11	1,243	2,067
Shariah advisory fee to Meezan Bank Limited - shariah adviser of the Fund	12	184	250
Auditors' remuneration	15	529	526
Fees and subscription		128	486
Brokerage		1,240	3,599
Legal and professional charges		206	265
Bank and settlement charges		140	370
Printing expenses		294	175
Stamp duty		1,100	-
Advance tax written off		1,463	-
<b>Total expenses</b>		<u>31,614</u>	<u>50,153</u>
<b>Net loss</b>		<u>(575,182)</u>	<u>(11,538)</u>
		<b>(Rupees)</b>	
Loss per share (Rupees)	16	<u>(4.18)</u>	<u>(0.08)</u>

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

**Mohammad Shoaib, CFA**  
Chief Executive

**Muhammad Asad**  
Director

## DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 (Rupees in '000)	2008
<b>Income</b>			
<b>Unappropriated income brought forward</b>		487,925	977,863
Less: Final distribution in the form of cash dividend for the year ended June 30, 2008 @ 10% (comparative: June 30, 2007 @ 25%)		(137,540)	(299,000)
Less: Issue of bonus shares for the year ended June 30, 2008 @ 15%		-	(179,400)
Net loss for the year		(575,182)	(11,538)
<b>Unappropriated (loss) / income carried forward</b>		(224,797)	487,925

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

**Mohammad Shoaib, CFA**  
Chief Executive

**Muhammad Asad**  
Director

## STATEMENT OF MOVEMENT IN EQUITY AND RESERVES PER SHARE FOR THE YEAR ENDED JUNE 30, 2009

	2009	2008
	(Rupees)	
Net assets value per share at the beginning of the year	13.86	18.55
Dilution due to issue of bonus shares @ Nil (2008: 15%)	-	(2.42)
	13.86	16.13
Net realised (loss) / gain on sale of investments	(2.12)	1.03
Dividend income	0.55	0.61
Profit on savings accounts with banks	0.04	0.17
Unrealised loss on re-measurement of investments at fair value through profit or loss (net)	(2.42)	(1.41)
Loss on re-measurement of derivative financial instruments (net)	-	(0.12)
Operating expenses	(0.23)	(0.36)
Net loss for the year (based on weighted average number of shares outstanding)	(4.18)	(0.08)
Dividend declared and paid @ 10% (2008: 25%)	(1.00)	(2.18)
Net changes in surplus on revaluation of available for sale investments	(0.14)	(0.01)
Net assets value per share at the end of the year	8.54	13.86

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

**Mohammad Shoaib, CFA**  
Chief Executive

**Muhammad Asad**  
Director



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2009

	Share capital	Unappro- priated income / (accumulated loss)	(Deficit) / surplus on revaluation of investments	Total
	------(Rupees in '000)-----			
Balance as at July 1, 2007	1,196,000	977,863	44,729	2,218,592
Final dividend for the year ended June 30, 2007 @ 25%	-	(299,000)	-	(299,000)
Issue of bonus shares for the year ended June 30, 2007 @ 15%	179,400	(179,400)	-	-
Net loss for the year ended June 30, 2008	-	(11,538)	-	(11,538)
Surplus realised on revaluation of available for sale investments	-	-	7,215	7,215
Surplus realised on revaluation of available for sale investments transferred to income statement on disposal	-	-	(8,853)	(8,853)
Balance as at June 30, 2008	<u>1,375,400</u>	<u>487,925</u>	<u>43,091</u>	<u>1,906,416</u>
Final dividend for the year ended June 30, 2008 @ 10%	-	(137,540)	-	(137,540)
Net loss for the year ended June 30, 2009	-	(575,182)	-	(575,182)
Defecit on revaluation of available for sale investments	-	-	(3,404)	(3,404)
Surplus realised on available for sale investments transferred to income statement on disposal	-	-	(16,116)	(16,116)
<b>Balance as at June 30, 2009</b>	<u><u>1,375,400</u></u>	<u><u>(224,797)</u></u>	<u><u>23,571</u></u>	<u><u>1,174,174</u></u>

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

**Mohammad Shoaib, CFA**  
Chief Executive

**Muhammad Asad**  
Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 (Rupees in '000)	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss		(575,182)	(11,538)
<b>Adjustments for non-cash items</b>			
Dividend income		(75,148)	(84,386)
Advance tax written off		1,463	-
Profit on savings accounts with banks		(5,514)	(23,646)
Profit on term finance certificates		-	(347)
Unrealised loss on re-measurement of investments at fair value through profit or loss (net)		332,572	194,197
Loss on re-measurement of derivative financial instruments (net)		-	17,418
Surplus realised on sale of available for sale investments		(16,116)	(8,853)
		<u>237,257</u>	<u>94,383</u>
		(337,925)	82,845
<b>(Increase) / decrease in assets</b>			
Investments - available for sale		19,247	9,630
Investments at fair value through profit or loss		345,578	(412,679)
Receivable against sale of investments		(9,103)	42,978
Deposits		-	(2,500)
		<u>355,722</u>	<u>(362,571)</u>
<b>Increase / (decrease) in liabilities</b>			
Payable to Al Meezan Investment Management Limited - management company of the Fund		(2,192)	(35,119)
Payable to Central Depository Company of Pakistan Limited - custodian of the Fund		(40)	(27)
Payable to the Securities and Exchange Commission of Pakistan		(824)	326
Payable to Meezan Bank Limited - shariah adviser of the Fund		184	-
Payable against purchase of investments		2,539	(14,377)
Accrued expenses and other liabilities		337	(228)
		<u>4</u>	<u>(49,425)</u>
Cash generated from / (used in) operations		17,801	(329,151)
Dividend received		83,531	71,987
Profit received on savings accounts with banks		6,882	28,006
Profit received on term finance certificates		-	347
Taxes withheld		-	(135)
<b>Net cash inflow / (outflow) from operating activities</b>		<u>108,214</u>	<u>(228,946)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(135,899)	(298,211)
<b>Net cash outflow on financing activities</b>		<u>(135,899)</u>	<u>(298,211)</u>
Net decrease in cash and cash equivalents during the year		(27,685)	(527,157)
Cash and cash equivalents at the beginning of the year		63,366	590,523
Cash and cash equivalents at the end of the year	5	<u>35,681</u>	<u>63,366</u>

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

**Mohammad Shoaib, CFA**  
Chief Executive

**Muhammad Asad**  
Director

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

### 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Al Meezan Mutual Fund Limited (the Fund) was incorporated in Pakistan on July 13, 1995 as a public limited company under the Companies Ordinance, 1984 having its registered office at Finance and Trade Centre, Shahrah-e-Faisal, Karachi. The Fund is listed on the Karachi Stock Exchange.
- 1.2 The Fund is registered as an 'investment company' under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) vide License no. NBFC -II\11 AMMFL-IC-04\05 issued by the Securities and Exchange Commission of Pakistan (SECP). On November 21, 2007 the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations, 2007) were notified which are now superseded by the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations, 2008) issued through S.R.O. 1203(I)/2008 on November 21, 2008.
- 1.3 The Fund has an agreement with Al Meezan Investment Management Limited (AMIML), an associated undertaking, to provide asset management services. AMIML has been rated AM 2- by JCR-VIS.
- 1.4 The objective of the Fund is to carry on the business as a closed-end mutual fund and to invest its assets in securities, which are listed or proposed to be listed on the stock exchanges. The rating of the Fund has not been conducted as of June 30, 2009.
- 1.5 According to clause 65 of the NBFC Regulations, 2008, a closed end fund or an investment company shall, upon expiry of every five years from November 21, 2007 or the date of launch of the fund whichever is later, hold a meeting of shareholders within one month of such period to seek approval of the shareholders (by special resolution), to convert into an open end scheme or revoke the closed end scheme or wind up the investment company.

### 2. BASIS OF MEASUREMENT

The transactions undertaken by the Fund in accordance with the process prescribed under the shariah guidelines issued by the shariah adviser are accounted for on substance rather than the form prescribed by the earlier referred guidelines. This practice is being followed to comply with the requirements of approved accounting standards as applicable in Pakistan.

### 3. STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with the requirements of approved accounting standards as applicable in Pakistan, the Companies Ordinance, 1984, the NBFC Rules, NBFC Regulations, 2007, NBFC Regulations, 2008 and the directives issued by the SECP. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, the NBFC Rules and NBFC Regulations, 2007, NBFC Regulations, 2008 and the said directives differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, the NBFC Rules and NBFC Regulations, 2007, NBFC Regulations, 2008 and the said directives take precedence.

### 3.2 Standards, amendments and interpretations effective during the year ended June 30, 2009:

During the year, IFRS 7 'Financial Instruments : Disclosures' became effective. This IFRS has superseded IAS 30 and the disclosure requirements of IAS 32. The presentation requirements of IAS 32 remain unchanged. This IFRS requires disclosures in the financial statements that enable users to evaluate:

- (a) the significance of financial instruments for the entity's financial position and performance;
- (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks. Such disclosures have been set out in note 18 to these financial statements.

Certain interpretations to the approved accounting standards were mandatory for accounting periods beginning on or after July 1, 2008 but were considered not to be relevant or did not have any significant effect to the Fund's operations and are therefore not detailed in these financial statements.

### 3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

IFRS 7 (Amendment), 'Financial instruments: Disclosures' (effective from January 1, 2009) introduces enhanced disclosures relating to liquidity risk and fair value measurements. However, it does not have any impact on the classification and valuation of the financial instruments.

IFRS 8, 'Operating segments ' (effective from 1 January 2009) replaces IAS 14 and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The management is currently in the process of assessing the expected impacts on the Fund's financial statements.

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on or after January 1, 2009 but are considered not to be relevant or have any significant effect to 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 judgment in the process of applying its accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the financial statements are as follows:

- (a) Classification and valuation of financial instruments (notes 4.3, 6 and 7)
- (b) Impairment (note 4.3.5)
- (c) Taxation (note 4.8)

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

#### 4.3 Financial instruments

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

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

- Financial instruments 'held for trading'

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

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

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

(b) Held to maturity

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

(c) Loans and receivables

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

(d) Available for sale

These financial assets are non-derivatives that are either designated in this category or are 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 fair value. Gains or losses arising, from changes in the fair value of financial assets 'at fair value through profit or loss' are recognised in the income statement. Changes in the fair value of instruments classified as 'available for sale' are recognised in equity until derecognised or impaired when the accumulated fair value adjustments recognised in equity are included in the income statement.

Financial 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 investments, derivatives and financial instruments sold on deferred settlement basis is based on their price quoted on the Karachi Stock Exchange at the balance sheet date without any deduction for estimated future selling costs. Financial assets and financial liabilities are priced at their fair market value.

#### 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 the income statement is removed from equity and recognised in the income statement. However, the decrease in impairment loss on equity securities classified as 'available for sale' is recognised in equity.

#### 4.3.6 Derecognition

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

The Fund uses the weighted average method to determine realised gains and losses on derecognition.

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

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

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

#### 4.5 Financial instruments sold on deferred settlement basis

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

#### 4.6 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.

#### 4.7 Net assets value per share

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

#### 4.8 Taxation

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

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that these will be available for set off against future taxable profits. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least 90 percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised to its shareholders every year.

#### 4.9 Revenue recognition

- (i) Gains / (losses) arising on sale of investments are included in income currently and are recognised on the date when the transaction takes place.
- (ii) Unrealised gains / (losses) arising on revaluation of securities classified as financial asset 'at fair value through profit or loss' are included in the income statement in the period in which they arise.
- (iii) Consistent with prior year, unrealized gains/(losses) arising on revaluation of securities classified as 'available for sale' are included in the statement of changes in equity in the period in which they arise.
- (iv) Gains / (losses) arising on the revaluation of the derivatives to the fair value are taken to the income statement.
- (v) Dividend income is recognised at the time of closure of shares transfer books of the investee company.
- (vi) Profit on savings accounts with banks are recorded on an accrual basis.



#### 4.10 Expenses

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

#### 4.11 Offsetting of financial instruments

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

#### 4.12 Zakat

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

#### 4.13 Cash and cash equivalents

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

#### 4.14 Dividend and bonus shares

Dividend declared (including distribution in the form of bonus shares) subsequent to the balance sheet date is recognised as a liability in the period in which it is approved by the directors / shareholders as appropriate.

	Note	2009	2008
		(Rupees in '000)	
<b>5. BALANCES WITH BANKS</b>			
On current accounts		1,876	2,273
On savings accounts	5.1	33,805	61,093
		<u>35,681</u>	<u>63,366</u>

5.1 The balances in savings accounts bear expected profit which ranges from 4.97% to 11.75% (2008: 3% to 9.5%) per annum.

## 6. INVESTMENTS - AVAILABLE FOR SALE

### 6.1 Shares of listed companies - available for sale

Name of the investee company	As at July 1, 2008	Purchases during the year	Bonus / right shares	Sales during the year	As at June 30, 2009	Carrying value as at June 30, 2009	Market value as at June 30, 2009	Unrealised loss as at June 30, 2009	Percentage in relation to market value of total investments	
	-----Number of shares-----					-----Rupees in '000-----				
<b>Sector / companies</b>										
<b>Oil and gas marketing company</b>										
Pakistan State Oil Company Limited	1,043	-	-	-	1,043	435	222	(213)	0.02	
<b>Fertilizer</b>										
Fauji Fertilizer Company Limited	395,469	-	148,300	200,000	343,769	33,082	29,891	(3,191)	2.66	
<b>Total</b>						<u>33,517</u>	<u>30,113</u>	<u>(3,404)</u>		
<b>Total cost of investments - available for sale</b>							<u>6,542</u>			

## 7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

### 7.1 Shares of listed companies - held for trading

Name of the investee company	As at July 1, 2008	Purchases during the year	Bonus / right shares	Sales during the year	As at June 30, 2009	Carrying value as at June 30, 2009	Market value as at June 30, 2009	Unrealised gain / (loss) as at June 30, 2009	Percentage in relation to market value of total investments
	-----Number of shares / units-----					-----Rupees in '000-----			
<b>Open-end Mutual Fund</b>									
Meezan Islamic Income Fund (an associate of the Fund)	-	1,665,651	-	1,665,651	-	-	-	-	-
<b>Commercial Bank</b>									
Meezan Bank Limited (an associate of the Fund)	1,349,640	-	629,067	-	1,978,707	46,280	21,766	(24,514)	1.94
<b>Textile composite</b>									
Nishat Mills Limited	186,170	168,085	-	90,000	264,255	15,245	9,994	(5,251)	0.89
<b>Jute</b>									
Thal Limited (note 7.2)	153,000	9,100	61,200	-	223,300	30,427	17,295	(13,132)	1.54
<b>Cement</b>									
Attock Cement Pakistan Limited	370,600	-	-	179,000	191,600	14,778	13,454	(1,324)	1.20
D.G. Khan Cement Company Limited	315,000	230,000	120	544,400	720	41	21	(20)	0.00
Fauji Cement Company Limited	124,355	100,000	-	224,355	-	-	-	-	0.00
Lucky Cement Company Limited	-	505,700	-	-	505,700	24,640	29,599	4,959	2.64
									<b>3.84</b>
<b>Power generation &amp; distribution</b>									
The Hub Power Company Limited	2,533,500	1,152,500	-	500,000	3,186,000	82,820	86,309	3,489	7.69
<b>Oil &amp; gas marketing companies</b>									
Pakistan State Oil Company Limited	204,500	217,000	-	90,200	331,300	91,868	70,782	(21,086)	6.31
Sui Northern Gas Pipelines Limited	232,200	-	-	-	232,200	10,117	7,419	(2,698)	0.66
									<b>6.97</b>
<b>Oil &amp; gas exploration companies</b>									
Oil & Gas Development Company Limited (note 7.3)	1,708,000	1,029,300	-	1,050,000	1,687,300	152,291	132,689	(19,602)	11.82
Pakistan Oilfields Limited	312,000	409,100	55,400	223,000	553,500	106,254	80,756	(25,498)	7.20
Pakistan Petroleum Limited	951,610	35,000	90,961	521,500	556,071	122,826	105,398	(17,428.0)	9.39
									<b>28.41</b>
<b>Automobile assembler</b>									
Indus Motor Company Limited	196,092	-	-	-	196,092	39,228	21,123	(18,105)	1.88
Pak Suzuki Motor Company Limited	185,980	-	-	-	185,980	22,279	12,628	(9,651)	1.13
									<b>3.01</b>
<b>Automobile parts &amp; accessories</b>									
Agriauto Industries Limited (note 7.2)	590,800	-	118,160	-	708,960	48,889	23,140	(25,749)	2.06

Name of the investee company	As at July 1, 2008	Purchases during the year	Bonus / right shares	Sales during the year	As at June 30, 2009	Carrying value as at June 30, 2009	Market value as at June 30, 2009	Unrealised gain / (loss) as at June 30, 2009	Percentage in relation to market value of total investments
	-----Number of shares / units-----					-----Rupees in '000-----			
<b>Technology &amp; communication</b>									
Pakistan Telecommunication Company Limited "A"	2,357,000	2,144,100	-	374,900	4,126,200	111,288	71,136	(40,152)	6.34
TRG Pakistan Limited	4,095,000	100,000	-	4,195,000	-	-	-	-	0.00
									6.34
<b>Fertilizer</b>									
Engro Chemical Pakistan Limited	669,038	125,000	275,855	543,500	526,393	81,380	67,605	(13,775)	6.02
Fauji Fertilizer Company Limited	908,086	320,100	300,041	250,000	1,278,227	116,258	111,142	(5,116)	9.90
Fauji Fertilizer Bin Qasim Limited	3,885,000	1,230,000	-	2,244,500	2,870,500	86,756	50,779	(35,977)	4.52
									20.44
<b>Pharmaceutical</b>									
GlaxoSmithKline (Pakistan) Limited	103,906	-	-	60,000	43,906	7,464	5,260	(2,204)	0.47
<b>Chemicals</b>									
ICI Pakistan Limited	336,600	80,000	-	-	416,600	60,322	58,428	(1,894)	5.21
Sitara Chemical Industries Limited	62,460	-	-	-	62,460	15,768	9,744	(6,024)	0.87
									6.08
<b>Paper &amp; Board</b>									
Packages Limited	503,987	-	-	15,000	488,987	123,171	76,791	(46,380)	6.84
<b>Glass &amp; Ceramics</b>									
Ghani Glass Limited	54,212	-	2,710	20,000	36,922	3,969	2,105	(1,864)	0.19
<b>Miscellaneous</b>									
Tri-Pack Films Limited	48,300	20,000	-	-	68,300	10,398	6,822	(3,576)	0.61
<b>Total</b>						<u>1,424,757</u>	<u>1,092,185</u>	<u>(332,572)</u>	
<b>Total cost of investments - held for trading</b>							<u>1,360,407</u>		

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

7.3 190,000 shares (2008: 100,000 shares) of Oil and Gas Development Company Limited, having market value of Rs 14.942 million (2008: 12.436 million) as at June 30, 2009, have been pledged as collateral in favour of National Clearing Company of Pakistan Limited (NCCPL) against exposure margins and mark-to-market losses.

**2009**                      **2008**  
**(Rupees in '000)**

## 8. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Security deposits	<b>2,638</b>	2,638
Profit receivable on savings accounts with banks	<b>1,567</b>	2,935
Advance income tax	<b>3,796</b>	5,259
	<u><b>8,001</b></u>	<u>10,832</u>

## 9. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - management company of the Fund

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 years of the Fund's existence, and thereafter, of an amount equal to two percent of such assets of the Fund. The remuneration of the management company has been charged at the rate of two percent per annum for the year ended June 30, 2009.

**10. "PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - custodian of the Fund"**

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

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

This represents annual fee payable to the SECP. Under regulation 71 of NBFC Regulations, 2007, fee at the rate of one tenth of one percent of average annual net assets of the Fund is payable to the SECP. Subsequent to the notification of NBFC Regulations, 2008 dated November 21, 2008, fee at the rate of 0.095% of the average annual net assets of the Fund is payable to the SECP under regulation 62 read with Schedule II of the NBFC Regulations, 2008.

**12. PAYABLE TO MEEZAN BANK LIMITED - shariah adviser of the Fund**

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

**13. ACCRUED EXPENSES AND OTHER LIABILITIES**

	Note	2009 (Rupees in '000)	2008
Auditors' remuneration		365	360
Legal and professional charges payable		-	40
Charity payable	13.1	1,569	1,209
Printing charges payable		-	138
Others		150	-
		<u>2,084</u>	<u>1,747</u>

13.1 According to the instructions of the shariah adviser, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs 1.569 million (2008: Rs 1.209 million) is outstanding in this regard after making charity payments of Rs 1 million (2008: Rs 2.500 million) to renowned charitable institutions. None of the directors of the management company of the Fund were interested in any of donees.

**14. SHARE CAPITAL**

A summary of the movement on ordinary share capital is given below:

	Ordinary shares	
	Number	Amount (Rupees in '000)
<b>Issued, subscribed and paid-up share capital</b>		
Ordinary shares of Rs 10 each fully paid in cash	96,562,488	965,625
Ordinary shares of Rs 10 each fully paid bonus shares	<u>40,977,498</u>	<u>409,775</u>
As at June 30, 2009	<u>137,539,986</u>	<u>1,375,400</u>

	2009	2008
	(Rupees in '000)	
<b>15. AUDITORS' REMUNERATION</b>		
Audit fee	225	225
Half yearly review fee	105	105
Other certifications	125	140
Out of pocket expenses	74	56
	<u>529</u>	<u>526</u>

**16. LOSS PER SHARE**

Net loss for the year	<u>(575,182)</u>	<u>(11,538)</u>
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(In numbers)

Weighted average number of ordinary shares outstanding during the year	<u>137,539,986</u>	<u>137,539,986</u>
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(Rupees)

Loss per share - basic	<u>(4.18)</u>	<u>(0.08)</u>
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A diluted earnings per share has not been presented as the Fund does not have any convertible instruments as at June 30, 2008 and 2009 which would have any effect on the earnings per share if the option to convert is exercised.

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

The connected persons include AMIML being the management company, CDC being the custodian, MBL being the shariah adviser and holding company of the management company, Meezan Islamic Fund, Meezan Islamic Income Fund, Meezan Balanced Fund, Meezan Tahaffuz Pension Fund, Meezan Capital Protected Fund - I and Meezan Cash Fund, being the funds under the common management of the management company, directors and officers 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 custodian is determined in accordance with the provisions of NBFC Rules, NBFC Regulations, 2007 and NBFC Regulations, 2008.

	2009	2008
	(Rupees in '000)	

**Al Meezan Investment Management Limited  
- management company of the Fund**

Remuneration payable	<u>1,029</u>	<u>3,221</u>
Investment of 23,205,692 shares (June 30, 2008: 22,755,692 shares)	<u>120,670</u>	<u>311,753</u>

**Meezan Bank Limited - shariah adviser of the Fund**

Balance with bank	<u>1,928</u>	<u>2,262</u>
Investment of 5,561,607 shares (June 30, 2008: 5,561,607 shares)	<u>28,920</u>	<u>76,194</u>
Investment in 1,978,707 shares (June 30, 2008 : 1,349,640 shares)	<u>21,766</u>	<u>41,150</u>
Shariah advisory fee payable	<u>434</u>	<u>250</u>

	2009 (Rupees in '000)	2008 (Rupees in '000)
<b>Meezan Islamic Fund</b>		
Investment of 19,570,700 shares (June 30, 2008: 19,570,700 shares)	<u>101,768</u>	<u>268,119</u>
<b>Pakistan Kuwait Investment Company (Private) Limited</b>		
Investment of 16,895,690 shares (June 30, 2008: 16,895,690 shares)	<u>87,858</u>	<u>231,471</u>
<b>Central Depository Company of Pakistan Limited - custodian of the Fund</b>		
Remuneration payable	<u>46</u>	<u>86</u>
<b>Directors and officers</b>		
Investment of 349,440 shares (June 30, 2008: 349,440 shares)	<u>1,817</u>	<u>4,787</u>
	<b>For the year ended June 30</b>	
	2009	2008
	(Rupees in '000)	
<b>Al Meezan Investment Management Limited - management company of the Fund</b>		
Remuneration for the year	<u>24,446</u>	<u>41,339</u>
Dividend for the year	<u>23,206</u>	<u>49,469</u>
<b>Meezan Bank Limited - shariah adviser of the Fund</b>		
Profit on deposit account with bank	<u>63</u>	<u>193</u>
Shariah advisory fee for the year	<u>184</u>	<u>250</u>
Dividend for the year	<u>5,562</u>	<u>12,090</u>
629,067 bonus shares received	<u>-</u>	<u>-</u>
<b>Meezan Islamic Fund</b>		
Dividend for the year	<u>19,571</u>	<u>42,545</u>
<b>Pakistan Kuwait Investment Company (Private) Limited</b>		
Dividend for the year	<u>16,896</u>	<u>46,568</u>
<b>Central Depository Company of Pakistan Limited - custodian of the Fund</b>		
Remuneration for the year	<u>641</u>	<u>1,076</u>
<b>Directors and officers</b>		
Dividend for the year	<u>349</u>	<u>760</u>
<b>Meezan Islamic Income Fund</b>		
Purchase of units 1,665,651 (June 30, 2008: Nil)	<u>83,000</u>	<u>-</u>
Sale of units 1,665,651 (June 30, 2008: Nil)	<u>82,420</u>	<u>-</u>

## 18. FINANCIAL RISK

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

The risk management policy of the Fund aims to maximise the return attributable to the unitholders 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 (including price risk and interest rate risk) credit risk and liquidity risk. Further, the overall exposure of the Fund complies with the NBFC Regulations and the directives issued by SECP.

Risks managed and measured by the Fund are explained below:

### 18.1 Market Risk

#### 18.1.1 Price risk

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

The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The primary objective of the Fund is to provide the maximum return to the share holders from investment in Shariah compliant investments for the given level of risks. The Fund's market risk is managed on a daily basis by the Fund manager in accordance with the policies and procedures laid down by the SECP. The Funds are allocated among various asset classes based on the attractiveness of the particular asset class. The allocation among these is dependent on the time horizon for investments and liquidity requirements of the portfolio. The market risk is managed by monitoring exposure to marketable securities, and by complying with the internal risk management policies and regulations laid down in NBFC Rules, NBFC Regulations, 2007 and 2008.

The Fund follows a policy of value investing, in which major emphasis is placed on the investee company's growth prospects and / or dividend yield. The market risk is managed by monitoring exposure to marketable securities, following the internal risk management policies and regulations laid down in NBFC Regulations 2007 and 2008. The risk is also mitigated by investing consistently in dividend paying companies having growth prospectus and securities which are actively traded in the stock exchange.

The Fund's overall market positions are monitored on a quarterly basis by the board of directors of the management company of the fund.

Details of the Fund's investment portfolio exposed to price risk, at the balance sheet date are disclosed in notes 6 and 7 to these financial statements.

The net assets of the Fund will increase / (decrease) by Rs 8.515 million (2008: Rs 56.446 million) had the prices of equity vary due to increase / decrease in the Dow Jones Islamic Market Pakistan Index-100 index (the index) by 100 basis points. This is based on the assumption that the fair value of the Fund's portfolio moves according to their historical correlation with the index and that the index increases and decreases by five basis points with all other factors held constant. The analysis is based on the composition of the investment as at June 30, 2009 and the historical correlation of the securities and the index which is expected to change over time, thus the aforementioned analysis is not necessarily indicative of the effect on the Fund's net assets attributed to share holders of future movements in the level of the index.

### 18.1.2 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. Since the Fund invests in equity instruments only therefore it is not exposed to interest rate risk as at June 30, 2009.

### 18.2 Credit risk

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, 2009, along with comparative is tabulated below:

#### Financial assets

	2009	2008
	(Rupees in '000)	
Balances with banks	35,681	63,366
Investments - available for sale	30,113	52,764
Investments at fair value through profit or loss	1,092,185	1,770,335
Receivable against sale of investments	9,103	-
Dividend receivable	10,015	18,398
Other receivables	4,205	5,573
	<u>1,181,302</u>	<u>1,910,436</u>

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

### 18.3 Liquidity risk

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



In accordance with the risk management policy of the fund, the investment 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, 2009 and 2008 is tabulated below:

	Maturity upto			
	Three months	Six months	One year	More than one year
	----- (Rupees in '000) -----			
Payable to Al Meezan Investment Management Limited - management company of the Fund	1,029	-	-	-
Payable to Central Depository Company of Pakistan Limited - custodian of the Fund	46	-	-	-
Payable to Meezan Bank Limited - shariah adviser of the Fund	434	-	-	-
Payable against purchase of investments	2,539	-	-	-
Accrued expenses and other liabilities	2,084	-	-	-
2009	<u>6,132</u>	<u>-</u>	<u>-</u>	<u>-</u>
2008	<u>5,304</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 19 CAPITAL RISK MANAGEMENT

The Fund's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and to maintain a strong capital base to meet unexpected losses or opportunity. In accordance with NBFC Regulations 2008, 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 order to maintain or adjust the capital structure, the Fund may adjust dividends paid to shareholders or issue new shares.

## 20. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the balance sheet date. The fair values of all other financial assets and liabilities are not considered to be significantly different from their carrying values as these financial assets and liabilities are short term in nature.

## 21. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

Broker's Name	2009 %
Invest & Finance Securities Limited	16.34
Ample Securities (Private) Limited	13.85
JS Global Capital Limited.	13.84
KASB Securities (Private) Limited	8.85
Invest Capital Investment Bank Limited	7.60
AKD Securities Limited	5.66
Foundation Securities (Private) Limited	5.34
Invisor Securities (Private) Limited	5.20
Cassim Investments (Private) Limited	4.14
Fortune Securities Limited	3.32

	2008 %
Ample Securities (Private) Limited	19.42
Invest Capital Investment Bank Limited	12.98
KASB Securities Limited	9.33
JS Global Capital Limited	8.75
Al - Hoqani Securities and Investment Corporation (Private) Limited	6.24
Invest and Finance Securities Limited	6.20
Ismail Iqbal Securities (Private) Limited	5.94
First Capital Equities Limited	4.58
Invisor Securities (Private) Limited	4.40
AKD Securities Limited	4.11

## 22. INVESTMENT COMMITTEE MEMBERS

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

	2009		
	Designation	Qualification	Experience in years
1 Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	Nineteen years
2 Mr. Muhammad Asad	Chief Investment Officer/ Fund Manager	CFA Level 2 / MBA	Thirteen years
3 Miss. Sanam Ali Zaib	Head of Research	CFA Level 2 / MBA	Five years

22.2 Other funds being managed by the Fund Manager are as follows:

- Meezan Islamic Fund
- Meezan Islamic Income Fund

## 23. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors' meetings and directors present therein			
		August 4, 2008	October 23, 2008	February 24, 2009	April 16, 2009
Mr. Irfan Siddiqui	Chairman / Director	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib	Chief Executive	Yes	Yes	Yes	Yes
Mr. Ariful Islam	Director	Yes	Yes	No	Yes
Mr. Farhan Malik*	Director	Yes	No	No	N/A
Mr. Muhammad Asad	Director	Yes	Yes	Yes	Yes
Syed Owais Wasti, Esq.	Director	Yes	Yes	Yes	Yes
Mr. Imran Iqbal Panjwani **	Director	N/A	Yes	Yes	Yes
Mr. Nabil Daudar Rahman***	Director	N/A	N/A	N/A	Yes

\* Mr. Farhan Malik resigned from the board on February 24, 2009.

\*\* Mr. Imran Iqbal Panjwani appointed as director to fill in the casual vacancy on July 22, 2008 in place of Mr. Salim Yousuf who resigned from the board.

\*\*\* Mr. Nabil Daudar Rahman appointed as director to fill in the casual vacancy for remaining term on February 24, 2009 in place of Mr. Farhan Malik.

## 24. NON ADJUSTING EVENT

The board of directors have proposed a cash dividend amounting to Rs Nil (2008: Rs 137.540 million at the rate of 10%) for the year ended June 30, 2009 at their meeting held on August 20, 2009.

These financial statements do not recognise the appropriations as these have been proposed subsequent to the balance sheet date.

## 25. PATTERN OF SHAREHOLDING

	----- 2009 -----		
	Number of investors	Investment amount Rupees in '000	% of total investment
Individuals	2,705	454,255	33.03
Associated companies / directors	6	655,832	47.68
Insurance companies	2	51,068	3.71
Banks / DFIs	6	50,299	3.66
NBFCs	1	28,664	2.08
Retirement funds	18	33,488	2.43
Public limited companies	4	2,459	0.18
Others	48	99,335	7.23
Total	<u>2,790</u>	<u>1,375,400</u>	<u>100.00</u>

	----- 2008 -----		
	Number of investors	Investment amount Rupees in '000	% of total investment
Individuals	2,865	461,280	33.54
Associated companies / directors	6	651,332	47.36
Insurance companies	2	51,068	3.71
Banks / DFIs	4	44,249	3.22
NBFCs	1	28,664	2.08
Retirement funds	20	36,224	2.63
Public limited companies	4	2,559	0.19
Others	48	100,024	7.27
Total	<u>2,950</u>	<u>1,375,400</u>	<u>100</u>

## 26. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements have been authorised for issue on August 20, 2009 by the Board of Directors of the company.

## 27. GENERAL

The bifurcation of unappropriated (loss) / income carried forward and brought forward in to realised and unrealised as required by the NBFC regulations, 2008 has not been disclosed as such bifurcation was not practicable.

Mohammad Shoaib, CFA  
Chief Executive

Muhammad Asad  
Director

## PATTERN ON SHARE HOLDING BY SIZE AS AT JUNE 30, 2009

No. of Shareholders	Having Shares		Share held	Percentage
	From	To		
178	1	100	8124	.0059
421	101	500	125146	.0909
281	501	1000	235204	.1710
831	1001	5000	2198577	1.5985
372	5001	10000	2797130	2.0336
193	10001	15000	2366664	1.7207
113	15001	20000	2013498	1.4639
58	20001	25000	1295001	.9415
55	25001	30000	1523608	1.1077
29	30001	35000	939678	.6832
33	35001	40000	1232544	.8961
20	40001	45000	858166	.6239
22	45001	50000	1056076	.7678
13	50001	55000	670941	.4878
20	55001	60000	1160786	.8439
10	60001	65000	625680	.4549
10	65001	70000	682334	.4960
13	70001	75000	941363	.6844
6	75001	80000	467337	.3397
4	80001	85000	333212	.2422
6	85001	90000	522027	.3795
4	90001	95000	365775	.2659
9	95001	100000	893500	.6496
7	100001	105000	711658	.5174
2	105001	110000	212904	.1547
9	110001	115000	1018436	.7404
1	115001	120000	115850	.0842
1	120001	125000	121653	.0884
1	125001	130000	127500	.0927
4	130001	135000	532552	.3871
1	140001	145000	145000	.1054
1	150001	155000	150025	.1090
2	160001	165000	325518	.2366
1	165001	170000	165780	.1205
1	170001	175000	173225	.1259
2	180001	185000	366858	.2667
2	185001	190000	376208	.2735
1	190001	195000	191000	.1388
3	195001	200000	596269	.4335
1	200001	205000	202500	.1472
1	210001	215000	211740	.1539
2	215001	220000	434700	.3160
1	220001	225000	224750	.1634
3	225001	230000	680986	.4951

No. of Shareholders	Having Shares		Share held	Percentage
	From	To		
1	230001	235000	233450	.1697
1	235001	240000	239014	.1737
1	240001	245000	240075	.1745
1	265001	270000	265178	.1928
1	270001	275000	275000	.1999
1	275001	280000	280000	.2035
1	295001	300000	296000	.2152
1	300001	305000	304865	.2216
1	305001	310000	307000	.2232
2	315001	320000	633250	.4604
1	335001	340000	340000	.2472
1	340001	345000	345000	.2508
1	405001	410000	409500	.2977
1	450001	455000	454940	.3307
1	495001	500000	500000	.3635
1	515001	520000	517263	.3760
1	525001	530000	528273	.3840
1	535001	540000	537200	.3905
1	605001	610000	607200	.4414
1	625001	630000	630000	.4580
1	755001	760000	759500	.5522
1	770001	775000	774000	.5627
1	860001	865000	863349	.6277
1	950001	955000	952407	.6924
1	1070001	1075000	1074035	.7808
1	1145001	1150000	1150000	.8361
1	1420001	1425000	1421125	1.0332
1	1440001	1445000	1440525	1.0473
1	1910001	1915000	1914750	1.3921
1	2235001	2240000	2238575	1.6275
1	2865001	2870000	2866385	2.0840
1	2950001	2955000	2952614	2.1467
1	3060001	3065000	3062000	2.2262
1	3990001	3995000	3994715	2.9044
1	4150001	4155000	4154306	3.0204
1	4345001	4350000	4347320	3.1607
1	5560001	5565000	5561607	4.0436
1	16895001	16900000	16895690	12.2842
1	19570001	19575000	19570700	14.2290
1	23205001	23210000	23205692	16.8719
2790			137539986	100.0000

## CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2009

Particulars	Share holders	Share holding	Percentage
Individuals	2,662	45,767,584	33.28
Insurance companies	2	5,106,820	3.71
Joint stock companies	1	22,684,383	16.49
Financial institutions	12	54,317,455	39.49
Modarabas	2	59,500	0
Others	61	4,449,797	3
Non residents	50	5,154,447	3.75
<b>Total</b>	<b>2,790</b>	<b>137,539,986</b>	<b>100</b>

**STATEMENT OF THE INCOME & EXPENDITURE OF THE MANAGEMENT COMPANY  
IN RELATION TO THE FUND.  
FOR THE YEAR ENDED JUNE 30, 2009**

	2009	2008
	(Rupees in '000)	
<b>INCOME</b>		
Remuneration from Al Meezan Mutual Fund Limited	24,446	41,399
Dividend income	23,206	49,469
	47,652	90,868
<b>OPERATING EXPENSES</b>		
Salaries and other benefits	3,622	2,592
Motor vehicle running expenses	192	67
Fees and subscription	180	116
Insurance expense	48	24
Printing and stationery	190	55
Communication	335	133
Depreciation	787	262
Travelling and conveyance	76	69
Entertainment	16	15
Legal and professional charges	341	246
Repair and maintenance	69	31
Office supplies	69	15
Training and development	21	27
Rent, rates and taxes	663	245
Utilities	121	56
Miscellaneous expenses	27	6
	6,755	3,960
<b>OPERATING PROFIT</b>	<b>40,897</b>	<b>86,908</b>

**Note:** Other revenue and expenditure not related to the Fund has not been included in the above statement.





# FORM OF PROXY

## 14th ANNUAL GENERAL MEETING

I/We \_\_\_\_\_ of \_\_\_\_\_ being a member(s) of Al Meezan Mutual Fund Limited and holders of \_\_\_\_\_ Ordinary Shares as per Share Register Folio No. \_\_\_\_\_  
(For beneficial owners as per CDC List)

**CDC Participant I.D. No.** \_\_\_\_\_ **Sub-Account No.** \_\_\_\_\_

CNIC NO.                      or Passport No. \_\_\_\_\_

hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him / her \_\_\_\_\_ of \_\_\_\_\_ as my / our proxy to vote and act for me / our behalf at the Fourteenth Annual General Meeting of the Company to be held on Thursday October 08, 2009 or at any adjournment thereof.

Signed on  
Rs. 5/-  
Revenue Stamp

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

Signature of Shareholder \_\_\_\_\_

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2009

Signature of Proxy \_\_\_\_\_

**For beneficial owners as per CDC list**

**1. WITNESS**

**2. WITNESS**

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC No.

CNIC No.

or Passport No. \_\_\_\_\_

or Passport No. \_\_\_\_\_

**Note:**

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