



**Pure. Profit.**



## Half Yearly Report December 31, 2010



**MEEZAN**  
Islamic Fund

**MIIIF**  
**MEEZAN**  
Islamic Income Fund

  
**MEEZAN**  
SOVEREIGN FUND

  
**MEEZAN**  
CASH FUND

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



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### **Our Vision**

"To set standards of best practices and performance for the industry through efficient selection of Government Securities on a SHARIAH COMPLIANT basis."

### **Our Mission**

" To be the leading mutual fund in the industry, providing unitholders, stable and halal income stream generated primarily through investing in SHARIAH COMPLIANT Government Securities."

## FUND INFORMATION

### MANAGEMENT COMPANY

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

### BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

### CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

### AUDIT COMMITTEE

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

### TRUSTEE

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

### AUDITORS

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

### SHARIAH ADVISER

Meezan Bank Limited

### BANKERS TO THE FUND

Askari Bank Limited - Islamic Banking  
Bank Alfalah Limited - Islamic Banking  
Bank Al Habib Limited - Islamic Banking  
Habib Bank Limited - Islamic Banking  
Habib Metropolitan Bank Limited - Islamic Banking  
MCB Bank Limited - Islamic Banking  
Meezan Bank Limited  
Faysal Bank Limited  
Standard Chartered Bank (Pakistan) Limited - Islamic Banking  
UBL Ameen Islamic Banking

### LEGAL ADVISER

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

### TRANSFER AGENT

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

### DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited



## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of Al Meezan Investment Management Limited, the management company of Meezan Sovereign Fund (MSF) is pleased to present the un-audited financial statements of the fund for the half year ended December 31, 2010.

### Brief Overview

During the first half of fiscal year 2011, Meezan Sovereign Fund (MSF) provided an annualized return of 10.83% to its investors as compared to benchmark return of 8.15%.

### Economic Review

The Fiscal year beginning 1st July 2010 was pinned with hopes of further economic recovery with the GDP target of 4.5%. However, the whole situation changed with the devastating floods in the first quarter of 2011 with about one-fifth of the country being flooded and 10% of the population being directly affected. As a result all the macroeconomic targets are expected to be missed. The GDP growth target has already been revised down by 1-2% mainly because of sharply lower agricultural output growth which accounts for 21% of GDP and 45% of employment.

Floods caused a sharp increase in food inflation which led CPI to touch a 16-month high of 15.7% in September, 2010. To counter spiraling inflationary expectations, SBP proactively raised discount rate by a cumulative 150bps in 1HFY11 from 12.5% to 14.0%. Floods and delay in structural reforms are likely to have an adverse impact on fiscal deficit which is now expected to cross 6.0% of GDP for fiscal year 2011 against IMF target of 4.7% of GDP. To finance increasing fiscal deficit, government borrowing from SBP has increased to approximately Rs. 272 billion while borrowing from commercial banks has increased to Rs. 178 billion during the period under review. However, tax revenue collection during 1FY11 (provisional) stood at Rs. 642 billion, up 10% year on year, short of target by about Rs. 11 billion.

While inflation and fiscal position have worsened, Pakistan's external position remained comfortable with balance of payment posting a surplus of US\$105 million in Jul-Nov10. Likewise, current account deficit also narrowed to US\$504 million in Jul-Nov10 by posting a surplus for the third consecutive month in November, on the back of upbeat remittances (up 16% YoY) and textile exports (up 23% YoY). Resultantly, this also supported dollar rupee exchange rate which moved in a narrow band of Rs. 85.2 to Rs. 86.3 vis-à-vis dollar.

During the entire period, government faced major resistance while addressing key structural issues in economy such as low tax to GDP ratio, higher subsidies, and excessive borrowings from central bank and implementation of Reformed GST. As a result, IMF delayed dates for fifth and sixth reviews to August 2011. With upward rally in crude price putting pressure on forex reserves and weak fiscal position, IMF's timely release of final payments would play a key role in fiscal stability of the economy.

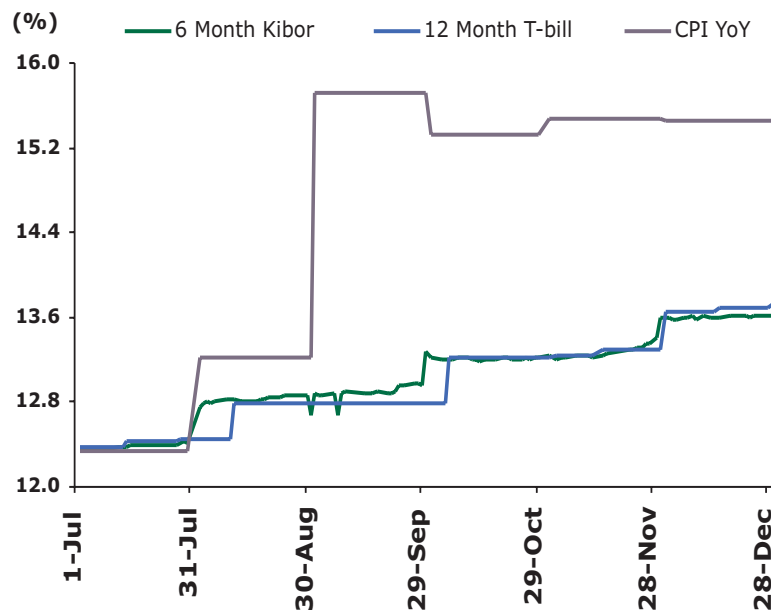
## Money Market Review

During the first half of fiscal year 2011, money market remained highly volatile and to normalize the liquidity situation, State Bank of Pakistan (SBP) regularly conducted Open market operations. With the resurgence of inflation, SBP changed its monetary policy stance after 20 months and increased the policy rate by 50 bps to 13% in its bimonthly monetary policy statement at the end of July 2010.

Further hike in inflation occurred as the country was hit by one of the worst floods in its history. Thus to curb the inflationary pressures, SBP went for further monetary tightening increasing the policy rate to 14%, with consecutive 50 bps hikes in September and November. As a result, KIBOR rates also increased, with six month rate increasing by 125 bps to close the half year at 13.62%. During the half year, SBP conducted 13 T-Bill auctions mopping up Rs. 1,268 billion against a target of Rs. 1,220 billion with a maturity of Rs. 1,120 billion. The cut off rate of six month T-Bill increased by 114 bps to close the half year at 13.40%.

Apart from borrowing from SBP, government also tapped other avenues to meet government expenditure. During the period, SBP conducted two auctions of Ijarah Sukuks worth Rs. 89 billion at coupon rate of six month T-Bill. .

The following graph shows the trend in interest rate during the period:



## Performance Review

Meezan Sovereign Fund (MSF) earned a total income of Rs. 146 million during the period under review. Profit from savings accounts at banks was the main contributor to the total figure, contributing Rs. 46.86 million. A sum of Rs. 105.81 million was earned from income on sukuk certificates. The Fund incurred an unrealized loss of Rs. 6.70 million. After accounting for expenses of Rs. 15.63 million, the net income of the fund was 247.89 million.



The net assets of the fund were at Rs. 8,399 million as at December 31, 2010. The net asset value (NAV) per unit of the fund as at the period end was Rs. 50.75 per unit, providing a total annualized return of 10.83%.

### **Outlook**

Going forward, the key challenge for the government under the current political environment would be to introduce the reforms demanded by IMF. It is expected that inflation will remain on the higher side because of supply side shortage and hence State Bank may likely go for further monetary tightening in this fiscal year which will positively impact the return on portfolio of MSF.

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

### **Acknowledgement**

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

For and on behalf of the Board

**Date: January 24, 2011  
Karachi.**

**Mohammad Shoaib, CFA  
Chief Executive**

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

CDC House, 99-B, Block 'B'  
S.M.C.H.S. Main Shahr-e-Faisal  
Karachi - 74400. Pakistan.  
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**TRUSTEE REPORT TO THE UNIT HOLDERS****MEEZAN SOVEREIGN FUND****Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

Meezan Sovereign Fund (the Fund), an open-end scheme was established under a trust deed dated May 14, 2009, executed between Al Meezan Investment Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the period from July 01, 2010 to December 31, 2010 in accordance with the provisions of the following:

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

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

Karachi, February 07, 2011





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

A member firm of

**PRICEWATERHOUSECOOPERS** 

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**AUDITORS' REPORT TO THE UNITHOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION**

**Introduction**

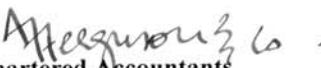
We have reviewed the accompanying condensed interim statement of assets and liabilities of Meezan Sovereign Fund (the Fund) as at December 31, 2010 and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds, condensed interim cash flow statement and the notes forming part thereof for the six month period then ended (here-in-after referred to as the 'condensed interim financial information'). Management company is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim financial information for the quarter ended December 31, 2010 have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2010.

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

  
Chartered Accountants  
Karachi, February 10, 2011

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2010 (UNAUDITED-NOTE 3)

	Note	December 31, 2010 (Rupees in '000)	June 30, 2010
<b>Assets</b>			
Balances with banks		2,532,664	646,710
Investments	5	5,821,350	304,409
Deposits, prepayments and other receivables		138,327	26,091
Preliminary expenses and floatation costs		2,100	2,358
<b>Total assets</b>		<b>8,494,441</b>	<b>979,568</b>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund		9,561	3,058
Payable to Central Depository Company of Pakistan Limited (CDC) - trustee of the Fund		713	98
Payable to Securities and Exchange Commission of Pakistan (SECP)		934	157
Payable to Meezan Bank Limited (MBL)		20	1
Payable on redemption of units		4,016	5,034
Accrued expenses and other liabilities		722	324
Dividend payable		79,134	-
<b>Total liabilities</b>		<b>95,100</b>	<b>8,672</b>
<b>Net assets</b>		<b>8,399,341</b>	<b>970,896</b>
<b>Contingency</b>	6		
<b>Unit holders' funds (as per statement attached)</b>		<b>8,399,341</b>	<b>970,896</b>
<b>Number of Units</b>			
<b>Number of units in issue</b>		<b>165,517,452</b>	<b>18,736,382</b>
<b>Rupees</b>			
<b>Net assets value per unit</b>		<b>50.75</b>	<b>51.82</b>

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

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

**Mohammad Shoaib, CFA**  
Chief Executive

**Mazhar Sharif**  
Director



## CONDENSED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2010 (UNAUDITED-NOTE 3)

	Six months period ended December 31, 2010 (Rupees in '000)	Quarter ended December 31, 2010 (Rupees in '000)
<b>Income</b>		
Profit on savings accounts with banks	46,859	35,779
Profit on sukuk certificates	105,811	95,648
Net realised loss on sale of investments	(181)	(181)
	<u>152,489</u>	<u>131,246</u>
Unrealised loss on re-measurement of investments at fair value through profit or loss (net)	(6,690)	(6,773)
<b>Total income</b>	<u>145,799</u>	<u>124,473</u>
<b>Expenses</b>		
Remuneration to Al Meezan - management company of the Fund	12,458	10,590
Remuneration to CDC - trustee of the Fund	1,680	1,306
Annual fee to SECP	934	794
Auditors' remuneration	200	108
Fees and subscription	23	20
Amortisation of preliminary expenses and floatation costs	258	129
Brokerage	9	7
Bank and settlement charges	24	13
Printing expense	48	13
<b>Total expenses</b>	<u>15,634</u>	<u>12,980</u>
<b>Net income from operating activities</b>	<u>130,165</u>	<u>111,493</u>
Element of income and capital gains included in prices of units sold less those in units redeemed	117,726	118,605
<b>Net income</b>	<u>247,891</u>	<u>230,098</u>

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

For Al Meezan Investment Management Limited  
(Management Company)

Mohammad Shoaib, CFA  
Chief Executive

Mazhar Sharif  
Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT**  
**FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2010 (UNAUDITED-NOTE 3)**

	Six months period ended December 31, 2010 (Rupees in '000)	Quarter ended December 31, 2010
Undistributed income brought forward	34,077	600
Less: Final distribution in the form of bonus units @ 3.6% for the year ended June 30, 2010	(33,725)	-
Less: Interim distribution in the form of bonus units @ 2.5% for the quarter ended September 30, 2010	(17,545)	-
Less: Interim distribution in the form of bonus units @ 1.3% for the quarter ended December 31, 2010	(28,095)	(28,095)
Less: Interim distribution in the form of cash dividend @ 1.3% for the quarter ended December 31, 2010	(79,134)	(79,134)
Net income for the period	247,891	230,098
Undistributed income carried forward	<u>123,469</u>	<u>123,469</u>

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

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

**Mohammad Shoaib, CFA**  
Chief Executive

**Mazhar Sharif**  
Director



**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNITHOLDERS' FUNDS  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2010 (UNAUDITED-NOTE 3)**

	Six months period ended December 31, 2010 (Rupees in '000)	Quarter ended December 31, 2010 (Rupees in '000)
Net assets at the beginning of the period	970,896	719,923
Issue of 160,996,746 units and 157,952,258 for the six months and quarter respectively	8,182,209	8,028,200
Redemption of 15,794,409 units and 7,375,086 for the six months and quarter respectively	(804,795)	(381,141)
	7,377,414	7,647,059
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	(117,726)	(118,605)
Net profit for the period less distribution	89,392	122,869
Issue of 674,240 bonus units during the year ended June 30, 2010	33,725	-
Issue of 350,683 bonus units during the quarter ended September 30, 2010	17,545	-
Issue of 553,810 bonus units during the quarter ended December 31, 2010	28,095	28,095
	79,365	28,095
Net assets at the end of the period	8,399,341	8,399,341

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

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

**Mohammad Shoab, CFA**  
Chief Executive

**Mazhar Sharif**  
Director

## CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2010 (UNAUDITED-NOTE 3)

	Six months period ended December 31, 2010 (Rupees in '000)	Quarter ended December 31, 2010 (Rupees in '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period	247,891	230,098
<b>Adjustments for:</b>		
Profit on savings accounts with banks	(46,859)	(35,779)
Profit on sukuk certificates	(105,811)	(95,648)
Unrealised loss on re-measurement of investments at fair value through profit or loss (net)	6,690	6,607
Amortisation of preliminary expenses and floatation costs	258	129
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	(117,726)	(118,605)
	(263,448)	(243,296)
<b>Increase in assets</b>		
Investments	(5,523,631)	(5,308,741)
Deposits and prepayments	(172)	(165)
	(5,523,803)	(5,308,906)
<b>Increase / (decrease) in liabilities</b>		
Payable to Al Meezan - management company of the Fund	6,503	6,189
Payable to CDC - trustee of the Fund	615	592
Payable to SECP	777	794
Payable to MBL	19	16
Payable on redemption of units	(1,018)	3,455
Accrued expenses and other liabilities	398	78
	7,294	11,124
Profit received on savings accounts with banks	22,281	4,166
Profit received on sukuk certificates	18,325	9
<b>Net cash outflow from operating activities</b>	(5,491,460)	(5,306,805)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issuance of units	8,182,209	8,028,200
Payment against redemption of units	(804,795)	(381,141)
<b>Net cash inflow from financing activities</b>	7,377,414	7,647,059
Net cash inflow during the period	1,885,954	2,340,254
Cash and cash equivalents at the beginning of the period	646,710	192,410
<b>Cash and cash equivalents at the end of the period</b>	2,532,664	2,532,664

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

For Al Meezan Investment Management Limited  
(Management Company)

Mohammad Shoaib, CFA  
Chief Executive

Mazhar Sharif  
Director





## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2010 (UNAUDITED-NOTE 3)

### 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Sovereign Fund (the Fund) was established under a trust deed executed between Al Meezan as the management company and CDC as the trustee. The trust deed was executed on May 14, 2009 and was approved by the SECP under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). The registered office of the management company of the Fund, is situated at Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan.
- 1.2 The Fund has been formed to provide the unit holders maximum possible preservation of capital along with Halal and reasonable returns by investing primarily in a portfolio of shariah compliant government securities thus minimising the credit risk of investments. The Fund shall also keep an exposure in short-term near cash instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns if available at any given point of time. Under the Trust Deed all conducts and acts of the Fund are based on shariah. Meezan Bank Limited acts as its shariah adviser to ensure that the activities of the Fund are in compliance with the principles of shariah. The management company of the Fund is registered with the SECP as a Non-Banking Finance Company under the NBFC Rules.
- 1.3 The Fund is an open-end fund listed on the Islamabad Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4 The management company of the Fund has been given a quality rating of AM2 and the stability rating of the Fund is AA+(f) given by JCR - VIS Credit Rating Company Limited.
- 1.5 Title to the assets of the Fund are held in the name of CDC as a trustee of the Fund.

### 2. BASIS OF MEASUREMENT

The transactions undertaken by the Fund are 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 This condensed interim financial report has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards for interim financial reporting comprise of IAS 34: 'Interim Financial Reporting' (IAS 34), the Trust Deed, NBFC Rules, NBFC Regulations and the directives issued by SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, NBFC Regulations or the said directives differ with the requirements of IAS 34, the requirements of the Trust Deed, NBFC Rules, NBFC Regulations or the said directives take precedence.

- 3.2 This condensed interim financial report comprises of the condensed interim statement of assets and liabilities as at December 31, 2010 condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes thereto for the six months period ended December 31, 2010, which have been subject to a review but not audited. This condensed interim financial report also includes condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement for the quarter ended December 31, 2010 which is not subject to review.
- 3.3 The comparative condensed interim statement of assets and liabilities presented in these condensed interim financial report as at June 30, 2010 has been extracted from the annual audited financial statements of the Fund for the period from January 9 to June 30, 2010. Accordingly there are no comparatives for condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statements.
- 3.4 Standards, amendments to published approved accounting standards and interpretations effective from July 1, 2010:

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the period and are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or have any significant effect on the Fund's operations and are, therefore, not disclosed in this condensed interim financial report.

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

The following amendment to an existing standard has been published and is mandatory for accounting periods beginning on or after July 1, 2011 or later periods:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on Fund's operations and are therefore not detailed in this condensed interim financial report.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of the financial statements for the period from January 9 to June 30, 2010.





## 5. INVESTMENTS

### HELD FOR TRADING - Sukuk Certificates

Name of the Issuer	Maturity date	Profit rate	As at July 1, 2010	Purchases during the period	Sale / redemptions during the period	As at December 31, 2010	Carrying value as at December 31, 2010	Market value as at December 31, 2010	Unrealised loss as at December 31, 2010	Percentage in relation to	
										Number of Certificates	Rupees in '000
GoP Ijarah Sukuk Certificates - IV (note 5.1.1)	September 17, 2012	12.64%	2,750	2,600	-	5,350	547,040	540,350	(6,690)	6.43%	9.28%
GoP Ijarah Sukuk Certificates - V (note 5.1.1)	November 15, 2013	13.11%	-	44,560	-	44,560	4,456,000	4,456,000	-	53.05%	76.55%
GoP Ijarah Sukuk Certificates - VI (note 5.1.1)	December 20, 2013	13.39%	-	8,250	-	8,250	825,000	825,000	-	9.82%	14.17%
Karachi Shipyard & Engineering Works II (note 5.1.2)	February 4, 2016	6 months Kibor plus base rate of 0.4%	4,800	-	4,800	-	-	-	-	-	-
Total cost of investment							5,828,040	5,821,350	(6,690)		
								5,828,140			

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

5.1.2 The nominal value of the sukuk certificates is Rs 5,000 each.

5.1.3 Net assets are as defined in regulation 66 of NBFC Regulations, 2008.

## 6. CONTINGENCY

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

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

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

However, the Management Company believes that the aforementioned constitutional petition pending in the Court has strong grounds for decision in favour of the mutual funds. The aggregate unrecognised amount of WWF as at December 31, 2010 amounted to Rs 5.639 million.

## 7. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

	December 31, 2010	June 30, 2010
	(Rupees in '000)	
<b>Al Meezan - management company of the Fund</b>		
Remuneration payable	<u>6,276</u>	<u>490</u>
Sales load payable	<u>927</u>	<u>13</u>
Preliminary expenses and floatation costs payable	<u>2,358</u>	<u>2,555</u>
Investments as at December 31, 2010: 3,259,657 units (June 30, 2010: 1,000,000 units)	<u>165,428</u>	<u>51,820</u>
<b>MBL</b>		
Balances with bank	<u>111,850</u>	<u>14,800</u>
Profit receivable on savings accounts	<u>192</u>	<u>78</u>
Sales load payable	<u>20</u>	<u>1</u>
Investments as at December 31, 2010: 113,186,089 units (June 30, 2010: Nil Units)	<u>5,744,194</u>	<u>-</u>
<b>CDC - trustee of the Fund</b>		
Trustee fee payable	<u>713</u>	<u>98</u>
<b>Directors and officers of the management company</b>		
Investments as at December 31, 2010: 2,700,652 units (June 30, 2010: 29,105 units)	<u>137,058</u>	<u>1,508</u>



**For the six  
months period  
ended  
December 31,  
2010  
(Rupees in '000)**

**Al Meezan - management company of the Fund**

Remuneration for the period	12,458
Preliminary expenses and floatation costs	258
Units Issued: 2,156,550	108,000
Bonus units issued: 103,107 units	5,187

**MBL**

Profit on savings accounts	330
Units issued: 113,186,089 units	5,750,000
Cash Dividend	73,571

**CDC - trustee of the Fund**

Remuneration for the period	1,680
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**Directors and officers of the management company**

Units issued: 2,637,130 units	133,455
Redemptions: 1,531 units	78
Bonus: 35,948 units	1,822

**8. DATE OF AUTHORISATION FOR ISSUE**

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

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

**Mohammad Shoaib, CFA**  
Chief Executive

**Mazhar Sharif**  
Director



**Pure. Profit.**

**Registered Office**

**Al Meezan Investment Management Limited**

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