



DEVOTED TO SERVE
THE SHARIAH WAY...

ANNUAL REPORT 2012

| Meezan Balanced Fund (MBF) |





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VISION

To be the leading Islamic closed end balanced scheme in the country, setting performance and best practices standards for the industry.

MISSION

To provide investors, RIBA Free, stable and regular income from a diversified portfolio of equity securities and islamic income instruments.

To offer superior financial services to our valued investors, developing, nurturing and maintaining relationship with them and complying with the code of professional and ethical conduct that sets highest standards in corporate ethics and service to society.

FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. P. Ahmed	Director
Mr. Salman Sarwar Butt	Director
Mr. Tasnimul Haq Farooqui	Director
Mr. Mazhar Sharif	Director
Syed Amir Ali	Director
Syed Amir Ali Zaidi	Director
Mr. Mohammad Shoab, CFA	Chief Executive

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

Mr. P. Ahmed	Chairman
Mr. Mazhar Sharif	Member
Syed Amir Ali	Member

HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. Salman Sarwar Butt	Chairman
Mr. Tasnimul Haq Farooqui	Member
Mr. Mazhar Sharif	Member
Mr. Mohammad Shoab, CFA	Member

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TRUSTEE

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

AUDITORS

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

BANKERS TO THE FUND

Meezan Bank Limited
Habib Metropolitan Bank Limited - Islamic Banking Branch
Al Baraka Islamic Bank B.S.C (E.C)
Bank Alfalah - Islamic Banking Branch
UBL Ameen - Islamic Banking Branch
Askari Bank Limited - Islamic Banking
Dubai Islamic Bank

SHARIAH ADVISER

Meezan Bank Limited

LEGAL ADVISER

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

TRANSFER AGENT

THK Associates (Pvt.) Limited
Ground Floor, State Life Building-3
Dr. Ziauddin Ahmed Road, Karachi-75536
Phone : (9221) 111-000-322
Fax : (9221) 35655595
P.O. Box No. 8533

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of Al Meezan Investment Management Limited is pleased to present the audited annual financial statements of Meezan Balanced Fund a closed end fund for the year ended June 30, 2012.

Economic Review

Amid rising macroeconomic challenges, the outgoing fiscal year 2012 continued to be marred with energy crisis, structural weakness and heightened security environment. Various challenges namely floods, rising fuel and commodity prices, global recessionary trends and weak inflows restricted country's economic output. Despite these challenges, the country managed to post GDP growth of 3.7% slightly below the envisioned target of 4.2% but is a slight improvement from 3.0% reported in FY11. But on a flip side, it compares unfavorably with last 10-years average GDP growth of 4.8% and last 65-years GDP growth of 5.0%. Overall, last 4-years average GDP growth stood at 2.9% which is the lowest 4-yearly average economic growth in the history of Pakistan.

Positivity was added as inflation for the entire year remained within the government target and this is attributable to the government's smart tactic of rebasing the year. Average CPI inflation in FY12 stood at 11.0% as against 13.7% last year. As a result, SBP slashed the discount rate by 200 bps in two phases (first half of FY12) with hopes of witnessing an upward momentum in private sector credit off-take. But much to the despair, things did not turn out as expected and government borrowing for the year touched the peaks of Rs. 1.2 trillion. But in the latter half of fiscal year, slippages on fiscal side and heavy government borrowing posed a key challenge to the liquidity position, thereby limiting further reduction in the discount rate, and therefore the policy rate was kept unchanged. Despite these structural weaknesses, record level of revenue collection was made during the year, showcasing a growth of 23% with amount clocking in at Rs. 1,910 billion, missing the target by a mere Rs. 42 billion.

Like the previous year, risk to macroeconomic stability came from financing the rising external and fiscal account deficit. Slowdown in global economy along with adverse commodity price movement (increase in international crude oil prices coupled with decline in cotton prices) further weakened country's external account, which was already facing the risk of reduced support from financial account. During FY12, country's current account deficit stood at US\$4.5bn as against a surplus of US\$214mn last year, with imports depicting a growth of 12% to US\$40.0bn while exports declined by 3% to US\$24.6bn. Remittances turned out to be the sole factor supporting the worsening current account and posted record high growth of 17% at US\$ 13 billion.

While the magnitude of current account deficit was manageable compared to historical highs, subdued foreign investment along with the daunting task of IMF loan repayments amounting to US\$1 billion dragged down foreign exchange reserves which declined to US\$ 15 billion from all time high levels of US\$18.3bn in July 2011. This was also reflected in sharp currency move as rupee lost 10% during the fiscal year to close in Rs. 94.65/USD.

On the fiscal side, structural weaknesses continued to escalate the deficit with government reporting a revised estimate of 7.4% of GDP or (Rs1.5tn) in the Federal Budget FY13. In addition, below than envisioned non tax revenue collection due to non materialization of CSF (Coalition Support Fund) and 3G auction, higher subsidy payments and budget deficit instead of budget surplus also played their part in the role.

Going forward we expect that the country will witness some respite in FY13 on the external front. The situation is expected to improve in FY13 on the back of receipt of funds in the tune of US\$ 1.2 billion with regards to coalition support funds (CSF) post re-opening of NATO supplies, along with a recent decline in international crude prices. The most daunting task which the country will face during the year pertains to the hefty repayments to be made to IMF under the SBA agreement and they could pose a serious threat to the forex reserve and Pakistani rupee if the foreign inflows don't materialize.

Equity Market Review

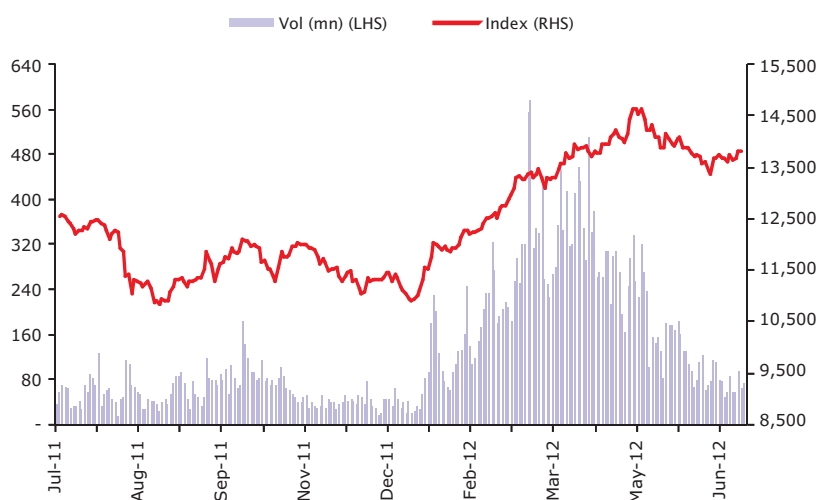
During the outgoing fiscal year June 2012, KSE 100 index witnessed a modest return of 10.5% to close at the level of 13,801. Economic slowdown, turmoil in global financial markets, political uncertainty and strained US relations remained the major factors behind lower than historical gains during FY12. The performance, however, was completely skewed towards the second half of FY 12. First half of the year (July to December) was marked by slowdown and the index lost over 9%. However, a spectacular rally in second half (January to June) yielded gain of 20%. The market was able to recoup the loss of 9.2% of first half and still gain 10% on account of potential changes in CGT regime. This also helped in improvement in average daily volumes which slightly improved to 128mn shares during FY12 as compared to 95mn shares during FY11. KSE Meezan Islamic Index (KMI 30), on other hand, appreciated by 13.6% during the fiscal year FY12 to close at the level of 23,776.

The fiscal year started with the continuation of concerns over CGT issue combined with the lack of leverage product. This pushed the market into a dull phase in the first half of the fiscal year where the market slumped by 9% and the average daily traded volume declining to a paltry 60mn shares a day. But a revival in fortunes was witnessed with the start of the calendar year when the Finance Minister announced the relief measures on CGT during mid January, accepting all proposals of the SECP in this regard. The proposals included 1) no questions on source of funds invested in the stock market till Jun 2014; 2) freezing of CGT rates at current levels; 3) abolishing withholding tax on sale transactions; and 4) centralized collection and calculation of CGT (shielding individual investors from hassle of paperwork and interaction with tax authorities). In the midst of rising oil prices and noisy politics (both on the domestic and international front) the market rallied on the back of favorable CGT proposal and hence remained immune with KSE-100 index making a high of 14,617 in early part of May 2012.

However, the vibrancy started to fade away towards the end of the fiscal year, due to 1) disqualification of the Prime Minister of Pakistan by the Supreme Court for not writing a letter to Swiss authorities for the re-opening of graft cases against President; 2) a delay in re-setting of ties with the US, where the re-opening of NATO supply routes remained elusive, casting doubts over the outlook for expected sovereign flows and 3) dwindling macros most reflected in the currency weakness witnessed toward the end of the year. This resulted in KSE 100 index to go down below the 14,000 psychological barrier and closed at the level of 13,801 for the year, thereby posting an overall return of 10.5% in FY12.

Sector Performance

The sectors that remained in limelight during the fiscal year were cement sector followed by fertilizer sector with the exception of Engro where the company's new plant continued to face the brunt of gas shortage. Oil sector was the major underperformer where all the first tier stocks failed to generate investors' interest on account of various international and domestic issues. In light of these factors, third tier scripts remained in public eye as the preferred stocks to generate market activity.



Regional Performance & Foreign Flows

Having to grapple with the Euro zone crisis at home, foreign managers quit the emerging market; however, the performance of Karachi bourse was better as compared to other markets. Amongst 12 countries in Asian Emerging and Frontier markets, Pakistan was 3rd best performing market in FY12.

The impressive performance also saw a revival in foreign interest where decent flows were witnessed in FY12 from offshore clients. Foreigners bought shares worth US\$730mn and sold US\$920mn with net selling amounting to US\$190mn. This also includes the Hubco block sale of US\$129mn by two of its foreign sponsors, Xenel and International Power.

All the categories of local investors except mutual funds remained net buyers throughout FY12. Individuals bought highest worth of shares amounting to US\$166 million, followed by banks and others which bought shares worth US\$39 million and US\$23 million respectively. Mutual Funds during the period sold shares worth US\$70 million, while foreigners remained net sellers of US\$190 million during the period.

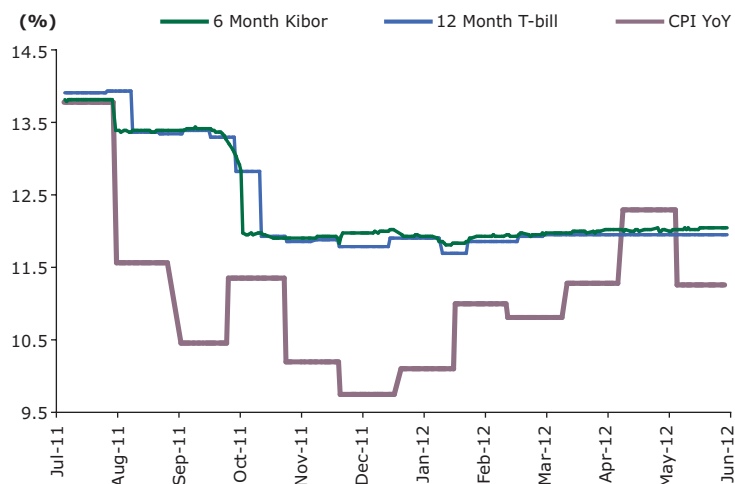
Money Market Review

In FY 12, the money market remained highly illiquid. To normalize the liquidity situation, State Bank of Pakistan (SBP) regularly conducted open market operations (OMOs). During the period, SBP conducted twenty six T-Bill auctions, nine PIB auctions and four Ijarah Sukuk auctions. Cumulatively, SBP accepted Rs 3,086 billion and Rs 209 billion in T-Bills and PIBs respectively. In the Ijarah Sukuk auction, SBP accepted Rs 187 billion at par against the total participation of Rs 248 billion.

Moreover, lower inflation figures owing to the rebasing of year enabled the State Bank to adopt a softer monetary stance, with discount rate witnessing a reduction of 200 basis points, in two phases. As a result, the cutoff rates of T-Bill (six months paper) and PIBs (10 year bond) declined by 182 basis points and 70 basis points respectively to close at 11.94% and 13.38% in the FY 2012. In line with that, six month KIBOR also declined by 174 basis points to close at 12.06%.

On the forex front, Rupee remained under immense pressure as it depreciated massively against dollar both in interbank and Kerb market by Rs 8.67 (10.08%) and Rs 9.70 (11.27%) respectively. Rupee also touched an all time low against dollar, both in the interbank and open market at Rs 94.65 and Rs 96.60 per US dollar respectively.

The following graph shows the trend of interest rates in the period under review:



Mutual Fund Industry Review

A growth of over 46.22% was witnessed in the open end mutual fund industry since June 2011, which reached a size of Rs. 410.2 billion for the fiscal year ending June 2012. Islamic mutual funds on the other hand grew at a rate of 32.69% during the period under review.

Major growth was witnessed in Sovereign, and Money Market funds, as well as in Shariah Compliant equity funds. Sovereign Funds posted the most growth, more than doubling from Rs. 32.3 billion in June 2011 to Rs. 88.5 billion in June 2012, translating into a growth of 173.98%. Money market funds meanwhile grew from Rs. 66.5 billion to Rs. 125.8 billion. The predominant reason for this increase was banks investing in the funds of their subsidiary AMCs.

Conventional equity funds remained more or less stagnant during the period and increased by 1.53% since July 2011 while Islamic equity funds grew at a steep 52.16% in comparison during the same period. It may be noted that KSE-100 index and KMI-30 index grew by 10.5% and 13.6% respectively.

Operational Review

Please refer to fund manager report for operational review.

Auditors

The present auditors, Messers A.F. Ferguson & Co., Chartered Accountants retire and in compliance of the recently promulgated Code of Corporate Governance, the Board of Directors on recommendation of the audit committee has appointed Messers KPMG Taseer Hadi & Co., Chartered Accountants, as the statutory auditors of the Fund for the year ending June 30, 2013.

On recommendation of the Audit Committee, the Board has appointed M/s KPMG Taseer Hadi & Co., Chartered Accountants, as the statutory auditors of the Fund for the year ending June 30, 2013.

Applicability of Regulation 65 of the Non Banking Finance Companies & Notified Entities Regulations, 2008

In accordance with clause 65 of the NBFC Regulations, 2008 an asset management company, managing a closed end fund shall upon expiry of every five years from November 21, 2007 or the date of launch of the Fund whichever is later, hold within one month of such period a meeting of the certificate holders of a closed end scheme to seek their approval to convert the Fund into an open end scheme or revoke the closed end scheme, subject to applicable provisions of the NBFC Rules and the NBFC Regulations. Accordingly, the management company has tentatively decided to hold the meeting of the certificate holders on December 13, 2012.

Outlook

The market eagerly awaits June end results on grounds that it is usually pay-out laden. However, politics will also play a role in driving the markets, with a stand-off between Supreme Court and Government and any indication of early elections holds utmost interest. This will also clarify the trade-off between pre-election considerations versus timing of a potential IMF re-entry and the impact it can have on interest rates. Re-opening of NATO supply routes led to improved relationship with US which will have a positive impact on the economy. Decline in international commodity prices specifically oil, will provide relief with reduced trade deficit.

The mounting circular debt affecting the entire energy chain also continues to pose threat to the overall economy. In line with the government's commitment to keep SBP borrowing within limits, and as inflation has tapered off from its peak, SBP has decreased discount rate by 150 bps in its monetary policy in August, 2012. Although the implementation of capital gain tax has negatively impacted volumes, however, we believe that the introduction of the leverage and derivative products in the market may improve the liquidity position and attract investors back to the equity market. On the basis of earnings multiples and dividend yields, Pakistan remains one of the cheapest markets. Pakistan's stock market is trading at a P/E multiple of 6.3x, which is almost at a 42% discount to other regional markets. This makes KSE an attractive option for foreign investors. The decline in interest rates should also lead to more inflows from domestic investors chasing for higher yields.

Compliance with Code of Corporate Governance

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

- These financial statements, prepared by the management company of the Fund, present fairly the state of affairs of the Fund, the result of its operations, cash flows and 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 judgment.
- International Accounting Standards and International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Fund's ability to continue as a going concern.
- The sale and repurchase of units of the Fund carried out by the Directors, CEO, CFO and Company Secretary of the management company including their spouses and their minor children are as under:
 - Pattern of holding of units is given at the end of this report.
 - Financial highlights are given in note # 24 to the financial statements of the Fund.

Board of Directors and Board Committee Meetings

Detail of Board meetings and attendance therein is provided in note # 21 of the financial statements.

Details of meetings and attendance of members in Board Audit Committee meeting during the year is as follows:

Names	Designation	August 16, 2011	September 28, 2011	October 24, 2011	February 22, 2012	April 26, 2012
Mr. Ariful Islam*	Chairman	No	Yes	Yes	No	No
Mr. P. Ahmed*	Member / Chairman	Yes	Yes	No	Yes	Yes
Mr. Mazhar Sharif	Member	Yes	Yes	Yes	Yes	Yes
Syed Amir Ali*	Member	No	No	No	Yes	Yes

* Mr. Ariful Islam resigned from the audit committee as Chairman and the member. In his place, Mr. P. Ahmed was appointed as Chairman and Syed Amir Ali as the member of the audit committee.

During the year, the Board in its meeting held on February 23, 2012 formed Human Resource & Remuneration Committee to comply with the requirements of Code of Corporate Governance. Mr. Salman Sarwar Butt was appointed as Chairman while Mr. Tasnim ul Haq Farooqi and Mr. Mazhar Sharif were appointed as members of the Committee.

Furthermore, the Board in its meeting held on April 27, 2012 also appointed Mr. Mohammad Shoaib, CFA, Chief Executive Officer as member of the Committee. Two meetings were held on March 21, 2012 and April 27, 2012 in which all the members of the Committee were present.

Acknowledgement

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

For and on behalf of the Board

Date: September 21, 2012
Karachi

Mohammad Shoaib, CFA
Chief Executive

PATTERN OF CERTIFICATE HOLDINGS AS PER REQUIREMENTS OF THE CODE OF CORPORATE GOVERNANCE

AS AT JUNE 30, 2012

Certificate held by	No. of Certificates held	Percentage of total investment
Associated companies		
-Meezan Bank Limited	16,134,468	13.45
-Pakistan Kuwait Investment Company (Pvt) Ltd.	11,057,791	9.21
-Al-Meezan Investment Management Ltd	3,821,824	3.18
-Meezan Bank Limited Staff Provident Fund	534,566	0.45
-Trustee AMIM Employees Provident Fund	335,569	0.28
-Trustee AMIM Employees Gratuity Fund	91,575	0.08
Chief Executive & Spouse		
-Mr. Mohammad Shoaib, CFA	12,975	0.01
-Mrs. Mohammad Shoaib	500	0.00
Executives	10,000	0.00
Bank & Financial Institutes	21,762,201	18.14
Mutual Funds		
-MC FSL - Trustee Atlas Fund of Funds	4,167,903	3.47
Retirement funds	10,003,373	8.34
Public Limited Companies	21,141,609	17.62
Individuals	30,915,646	25.76
Total	120,000,000	100

REPORT OF THE FUND MANAGER

Meezan Balanced Fund (MBF) is a closed end balanced fund that invests in Shariah compliant listed equity securities and listed or unlisted Islamic fixed income products.

The objective of MBF is to generate long term capital appreciation as well as current income by creating a balanced portfolio that is invested both in high quality equity securities and Islamic Income Instruments such as TFC's, COIs, Certificates of Musharika, Islamic Sukuk, Ready-future hedges, and other such Shariah compliant instruments.

MBF invests only in Shariah Compliant instruments with the objective of maximizing total return to its certificate holders and maintaining risks within acceptable levels. The fund also has a focus of long term preservation of capital. The fund aims to maximize total returns varying fund's allocations to fixed income and equity exposures in accordance with the economic condition and market scenario.

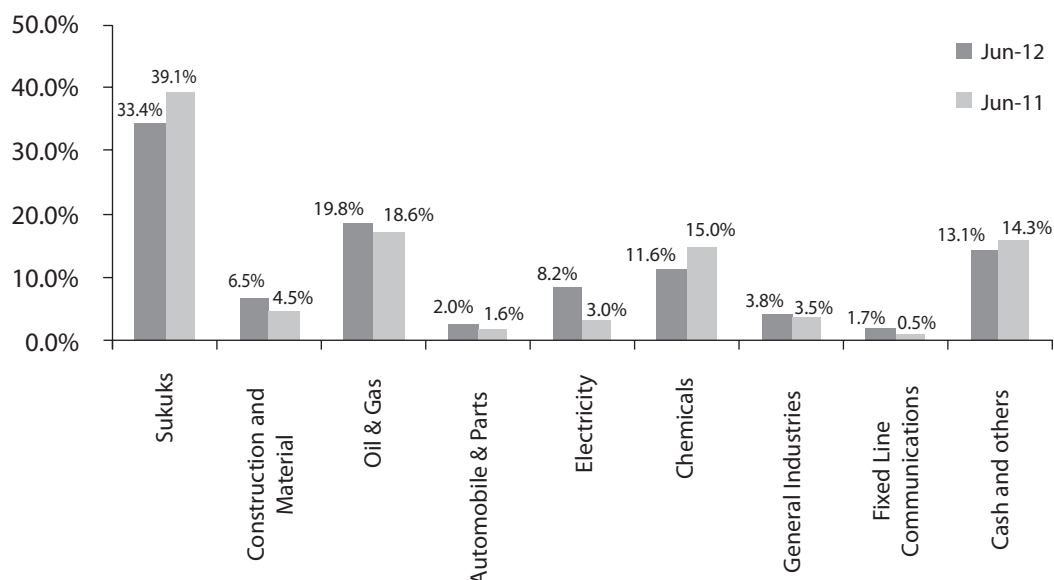
Strategy and Investment Policy

Being a balanced fund, performance of MBF is linked proportionately to performance of stock market in Pakistan and Islamic fixed income instruments. The fund manager, Al Meezan Investments, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. The fund primarily aims at controlling risk by balancing growth and income earning objectives of certificate holders. To achieve this purpose, the fund manager strives to reduce equity exposure in times when the market is trading above valuations and increase exposure to high quality liquid Islamic fixed income instruments.

During the year, the focus was on proactive and continuous re-allocation between high yield instruments so as to optimize fund return while simultaneously minimizing risk. To keep interest rate risk at a minimum in a volatile interest rate environment and reaping benefits of fluctuation in interest rate, the fund manager over the period has kept the duration of the fixed income portfolio below six months.

Implementation

During the period under review, the fund maintained a significant exposure to oil and Chemical sectors because of better prospects of these sectors. The overall equity exposure in the fund during the period under review was maintained at 56.19% while the balance was deployed in fixed income avenues. Exposure in Sukuks was maintained at around 34% during the period under review.



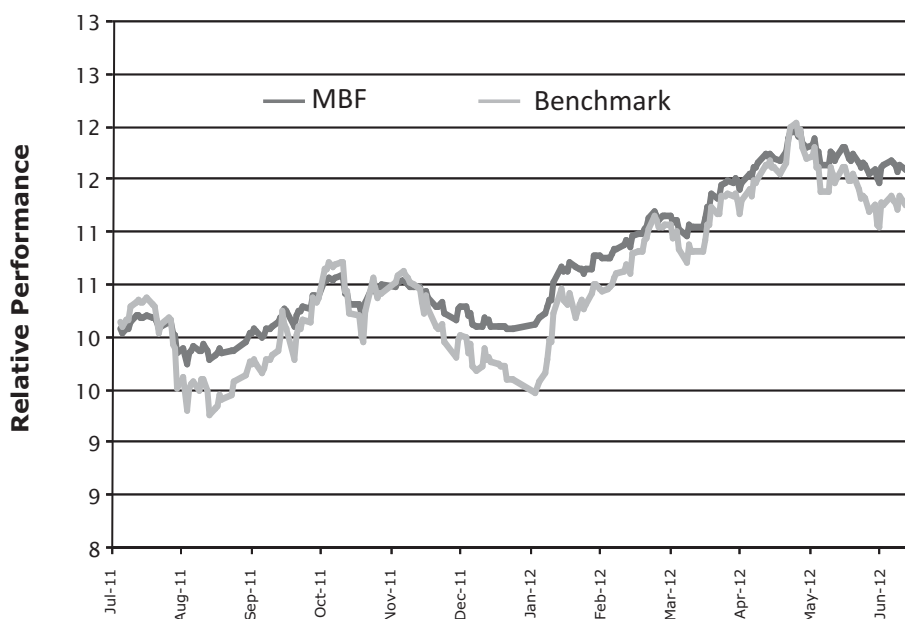
Performance Review

Meezan Balanced Fund (MBF) is a closed end balanced fund that invests in Shariah compliant listed equity securities and listed or unlisted Islamic fixed income products. As per policy, the fund can invest up to 60% in listed equities. During the fiscal year 2012, Meezan Balanced Fund (MBF) provided a return of 16.80% to its investors compared to its bench mark return of 9.78%.

The Fund during the period ended June 30, 2012 earned a total income of Rs.293 million, which mainly was from realized gain on sale of investments of Rs.160 million, profit on sukus certificates of Rs. 78 million and dividend income of Rs. 55 million. Profit on bank deposits was Rs. 10 million. The unrealized gain on re-measurement of investments at fair value was Rs. 13 million. After accounting for expenses of Rs. 39 million, the net income for the period was Rs. 254 million, which translates into earnings per share of Rs. 2.11 as on June 30, 2012.

The net assets of the fund as at the year-end were Rs. 1,535 million as compared to Rs.1,523 million as on June 30, 2011. The net asset value per share as at June 30, 2012 was Rs.12.79 per share as compared to Rs.12.70 per share as on June 30, 2011.

	June 30, 2012	June 30, 2011	Return
NAV (Dividend Adjusted)			
Meezan Balanced Fund	Rs. 12.70	Rs. 10.65	16.80%
Benchmark Returns (Inputs)			
KMI 30	23,776	20,936	13.57%
Average Yield on Islamic Bank Deposits (annualised)			6.00%
KMI 30 Return	13.57%	44%	5.92%
Islamic Bank Deposit Return	6.00%	6%	0.09%
Benchmark Return			9.78%
Outperformance			7.02%



**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

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ISO 27001 Certified

TRUSTEE REPORT TO THE CERTIFICATE HOLDERS

MEEZAN BALANCED FUND

Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Balanced Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 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 Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.


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

Karachi, October 09, 2012



Meezan Bank
The Premier Islamic Bank

Report of the Shar'iah Advisor –Meezan Balanced Fund

September 28, 2012/ Ziq'a'ad 10, 1433

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

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

- i. We have reviewed and approved the modes of equity investments of MBF in light of *Shar'iah* requirements. Following is the list of investments of MBF as on June 30, 2012 and their evaluation according to the screening criteria established by us. (December 31, 2011 accounts of the Investee companies have been used).

Company Name	(i) Nature of Business	(ii)* Debt to Assets (<37%)	(iii) % of Non- <i>Shar'iah</i> Compliant Investments (<33%)	(iv) Non-Compliant Income to Gross Revenue (<5%)	(v) Illiquid Assets to Total Assets (>25%)	(vi) Net Liquid Assets vs. Share Price (B>A)	
						Net Liquid Assets per Share (A)	
Attock Cement Pakistan Ltd.	Construction and Materials	0.00%	3.63%	0.29%	89%	(18.70)	51
Bank Islami Pakistan Ltd.	Islamic Commercial Bank	**					
D.G. Khan Cement Company	Construction and Materials (Cement)	33.52%	3.22%	4.85%	71%	15.76	19.03
Engro Foods	Food Producers	34.85%	7.78%	0.01%	81%	(92.40)	22.6
Fauji Fertilizer Bin Qasim Ltd.	Chemicals	20.73%	22.00%	2.14%	56%	(9.47)	42.43
Fauji Fertilizer Company Ltd.	Chemicals	24.89%	30.55%	1.64%	56%	(24.41)	149.54
Hub Power Company Ltd.	Electricity	32.75%	0.00%	0.05%	37%	(41.87)	34.2
ICI Pakistan Ltd.	Chemicals	0.00%	0.00%	0.57%	67%	2.49	120.27

Meezan Bank Ltd.

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Tel: (92-21) 38103500 Fax: (92-21) 36406049 www.meezanbank.com



Indus Motors Company Ltd.	Automobile and Parts	0.00%	15.28%	2.18%	47%	29.90	204.8
Lucky Cement	Construction and Materials	16.00%	0.00%	0.00%	94%	(31.19)	75.04
Meezan Bank Ltd.	Islamic Commercial Bank	**					
National Refinery Ltd.	Oil and Gas	0.00%	1.53%	1.05%	46%	(38.82)	242.69
Oil & Gas Development Company Ltd.	Oil and Gas	0.00%	18.49%	4.24%	41%	23.88	151.62
Packages Ltd.	General Industrials	27.33%	30.40%	3.29%	61%	26.66	82.72
Pak Suzuki Motor Company Ltd.	Automobile and Parts	13.49%	0.00%	0.84%	75%	(26.76)	59.03
Pak. Telecommunication. Co. Ltd.	Fixed Line Telecommunication	7.41%	2.87%	1.22%	79%	(9.25)	10.39
Pakistan Oilfields Ltd.	Oil and Gas	0.00%	3.33%	4.09%	69%	2.10	346.45
Pakistan Petroleum Ltd.	Oil and Gas	0.12%	32.60%	4.68%	35%	50.64	168.32
Pakistan State Oil Company Ltd.	Oil and Gas	5.09%	0.00%	0.27%	33%	(316.41)	227.21
Thal Ltd.	General Industrials	14.43%	2.88%	2.40%	83%	(78.43)	81.8
Tripak Films Ltd.	General Industrials	26.50%	4.24%	0.16%	70%	(69.73)	160.3

* All interest based debts.

** These ratios are for the calculation of non-Shar'iah compliant elements in the business and are not relevant for Islamic Banks & Islamic financial Institutions.

- ii. On the basis of information provided by the management, all operations of MBF for the year ended June 30, 2012 have been in compliance with the Shar'iah principles.

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

During the Year a provision of Rupees 0.793 million was created and an amount of Rupees 2.314 million was provided for available for disbursement

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

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



A. F. FERGUSON & CO.

INDEPENDENT ASSURANCE PROVIDERS' REPORT ON SHARIAH COMPLIANCE TO THE CERTIFICATE HOLDERS

We have performed our independent assurance engagement of Meezan Balanced Fund (the Fund) to assess the Fund's compliance with the Shariah guidelines prescribed by the Shariah Advisor of Meezan Balanced Fund for the year ended June 30, 2012.

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, 2012.


Chartered Accountants
Karachi, October 12, 2012

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STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED JUNE 30, 2012

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The management company has applied the principles contained in the CCG in the following manner:

1. The management company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	Mr. P. Ahmed, Mr. Salman Sarwar Butt
Executive Director	Mohammad Shoaib, CFA - CEO
Non- Executive Directors	Mr. Ariful Islam Mr. Tasnimul Haq Farooqui Syed Amir Ali Mr. Mazhar Sharif Syed Amir Ali Zaidi

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies including the management company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the management company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the board on February 16, 2012 was filled up by the directors within 30 days.
5. The Management Company has prepared a "Statement of Ethics and Business Practices" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the management company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. One of the directors of the Company is pursuing the 'Directors Training Certification' and such certification shall be completed in the ensuing year.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO of the Management Company before approval of the board.
13. The directors, CEO and executives do not hold any interest in the certificates of the Fund other than that disclosed in the pattern of certificate holding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises of three members, all the three members are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of four members including the CEO, all other members are non-executive directors and the chairman of the committee is an independent director.
18. The board has set up an effective internal audit function.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program at the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. 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.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Fund, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

Mohammad Shoaib, CFA
Chief Executive

Karachi
September 21, 2012



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2012 prepared by the Board of Directors of Al Meezan Investment Management Limited (the Management Company) of **Meezan Balanced Fund** (the Fund) to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange where the Fund is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Fund's corporate governance procedures and risks.

Further, regulation (x) of the Listing Regulations No. 35 notified by the Karachi Stock Exchange (Guarantee) Limited requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices 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 status of the Management Company's compliance for and on behalf of the Fund, 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, 2012.


Chartered Accountants
Karachi, October 12, 2012

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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**INDEPENDENT AUDITORS' REPORT TO THE CERTIFICATE HOLDERS
REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of **Meezan Balanced Fund**, which comprise the statement of assets and liabilities as at June 30, 2012, and the related income statement, distribution statement, statement of changes in equity, statement of movement in reserves per certificate and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2012, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Emphasis of matter

We draw attention to the following:

- note 1.6 to the annexed financial statements which inter alia states that as per clause 65 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a closed-end fund, upon expiry of five years from November 21, 2007 or the date of launch of the fund whichever is later, convert into an open-end scheme or revoke the closed-end scheme; and
- note 12 to the annexed financial statements which refers to an uncertainty relating to the future outcome of the litigation regarding contribution to the Workers' Welfare Fund which is currently pending adjudication at the Honorable High Court of Sindh.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

A. Ferguson & Co.
Chartered Accountants
Karachi, October 12, 2012

Audit Engagement Partner: Saad Kaliya

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STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2012

	Note	2012 (Rupees in '000)	2011
Assets			
Balances with banks	5	72,888	42,186
Investments	6	1,470,386	1,465,941
Dividend receivable		1,482	3,573
Advances, deposits and other receivables	7	15,250	30,048
Total assets		1,560,006	1,541,748
Liabilities			
Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund	8	2,920	2,507
Payable to Central Depository Company of Pakistan Limited (CDC) - trustee of the Fund	9	140	141
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	1,237	1,191
Payable against purchase of investments		44	41
Brokerage payable		213	-
Accrued expenses and other liabilities	11	4,002	2,868
Unclaimed dividend		16,407	11,568
Total liabilities		24,963	18,316
Net assets		1,535,043	1,523,432
Contingency	12		
Certificate holders' equity (as per statement attached)			
Issued, subscribed and paid-up capital			
120,000,000 (2011: 120,000,000) ordinary certificates of Rs 10 each issued as fully paid-up in cash		1,200,000	1,200,000
Revenue reserves			
Unappropriated income		279,992	236,138
Surplus on revaluation of available for sale investments		55,051	87,294
		1,535,043	1,523,432
Net assets value per certificate (Rupees)		12.79	12.70

The annexed notes 1 to 29 form an integral part of these financial statements.



Mohammad Shoab, CFA
Chief Executive

For Al Meezan Investment Management Limited
(Management Company)



Mazhar Sharif
Director

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 (Rupees in '000)	2011
Income			
Net realised gain on sale of investments		160,189	107,302
Dividend income - net of charity		54,712	56,620
Profit on savings accounts with banks		9,789	19,991
Profit on sukuk certificates		78,304	69,569
Other Income		52	-
		303,046	253,482
Unrealised gain on re-measurement of investments - 'fair value through profit or loss' (net)	6.1	12,871	12,054
Provision against non - performing debt securities	6.1.2.6	(2,046)	(11,500)
Impairment loss on 'available for sale' investments	6.2.3	(20,937)	-
		(10,112)	554
Total income		292,934	254,036
Expenses			
Remuneration to Al Meezan - management company of the Fund	8.1	29,108	28,069
Sindh sales tax on management fee	8.2	4,657	-
Remuneration to CDC - trustee of the Fund	9	1,641	1,596
Annual fee to SECP	10	1,237	1,191
Auditors' remuneration	13	523	461
Fees and subscription		350	220
Securities transaction costs		1,018	731
Printing and other charges		313	459
Legal and professional charges		5	3
Bank and settlement charges		228	254
Reversal for Workers' Welfare Fund (WWF)	12	-	(4,967)
Total expenses		39,080	28,017
Net income for the year		253,854	226,019
Other comprehensive income for the year			
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'		(32,243)	85,702
Total comprehensive income for the year		221,611	311,721
Earnings per certificate - basic (Rupees)	14	2.11	1.88

The annexed notes 1 to 29 form an integral part of these financial statements.



Mohammad Shoib, CFA
Chief Executive

For Al Meezan Investment Management Limited
(Management Company)



Mazhar Sharif
Director

DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2012

	2012 (Rupees in '000)	2011
Undistributed income brought forward	236,138	76,119
Less: Final distribution @ 17.5% per certificate in the form of cash dividend for the year ended June 30, 2011 (June 30, 2010: 5.5% per certificate)	(210,000)	(66,000)
Net income for the year	253,854	226,019
Undistributed income carried forward	279,992	236,138

The annexed notes 1 to 29 form an integral part of these financial statements.



Mohammad Shoaib, CFA
Chief Executive

For Al Meezan Investment Management Limited
(Management Company)



Mazhar Sharif
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2012

	Issued, subscribed and paid- up capital	Revenue Reserves		Total
		Unappropriated income	Surplus / (deficit) on revaluation of investments	
------(Rupees in '000)-----				
Balance as at July 1, 2010	1,200,000	76,119	1,592	1,277,711
Comprehensive income for the year				
Net income for the year ended June 30, 2011	-	226,019	-	226,019
<i>Other comprehensive income</i>				
- Surplus on revaluation of 'available for sale investments' (net)	-	-	85,702	85,702
Total comprehensive income for year ended June 30, 2011	-	226,019	85,702	311,721
<i>Transactions with owners</i>				
Final distribution in the form of cash dividend for the year ended June 30, 2010 @ Rs 0.55 per certificate	-	(66,000)	-	(66,000)
Balance as at June 30, 2011	<u>1,200,000</u>	<u>236,138</u>	<u>87,294</u>	<u>1,523,432</u>
Comprehensive income for the year				
Net income for the year ended June 30, 2012	-	253,854	-	253,854
<i>Other comprehensive income</i>				
- Deficit on revaluation of 'available for sale investments' (net)	-	-	(53,180)	(53,180)
- Deficit realised on impairment of 'available for sale' investments transferred to income statement	-	-	20,937	20,937
Total comprehensive income for the year ended June 30, 2012	-	253,854	(32,243)	221,611
<i>Transactions with owners</i>				
Final distribution for the year ended June 30, 2011 in the form of cash dividend @ Rs 1.75 per certificate	-	(210,000)	-	(210,000)
Balance as at June 30, 2012	<u>1,200,000</u>	<u>279,992</u>	<u>55,051</u>	<u>1,535,043</u>

The annexed notes 1 to 29 form an integral part of these financial statements.



Mohammad Shoab, CFA
Chief Executive

For Al Meezan Investment Management Limited
(Management Company)



Mazhar Sharif
Director

STATEMENT OF MOVEMENT IN RESERVES PER CERTIFICATE

FOR THE YEAR ENDED JUNE 30, 2012

	2012 (Rupees in '000)	2011
Net assets per certificate at the beginning of the year	12.70	10.65
Net realised gain on sale of investments	1.33	0.89
Dividend Income	0.46	0.47
Profit on savings accounts with banks	0.08	0.17
Profit on sukuk certificates	0.65	0.58
Unrealised gain on re-measurement of investments at fair value through profit or loss	0.11	0.10
Provision against non-performing debt securities	(0.02)	(0.10)
Impairment loss on 'available for sale' investments	(0.17)	-
Expenses	(0.33)	(0.23)
Net income for the year	2.11	1.88
Final distribution in the form of cash dividend for the year ended June 30, 2011: Rs 1.75 per certificate (June 30, 2010: Rs 0.55 per certificate)	(1.75)	(0.55)
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	(0.27)	0.72
Net assets value per certificate at the end of the year	<u>12.79</u>	<u>12.70</u>

The annexed notes 1 to 29 form an integral part of these financial statements.



Mohammad Shoaib, CFA
Chief Executive

For Al Meezan Investment Management Limited
(Management Company)



Mazhar Sharif
Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
Note	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	253,854	226,019
Adjustments for:		
Net realised gain on sale of investments	(160,189)	(107,302)
Dividend income	(55,771)	(57,642)
Charity expense	1,059	1,022
Profit on savings accounts with banks	(9,789)	(19,991)
Profit on sukuk certificates	(78,304)	(69,569)
Unrealised gain on re-measurement of investments - fair value through profit or loss	(12,871)	(12,054)
Provision against non - performing debt securities	2,046	11,500
Impairment loss on 'available for sale' investments	20,937	-
	(39,028)	(28,017)
Decrease / (increase) in assets		
Investments - net	113,389	(286,573)
Receivable against sale of investments	-	449
Advances, deposits and other receivables	10	-
	113,399	(286,124)
Increase in liabilities		
Payable to Al Meezan - management company of the Fund	413	395
Payable to CDC - trustee of the Fund	(1)	15
Payable to SECP	46	98
Payable against purchase of investments	3	(617)
Brokerage payable	213	-
Accrued expenses and other liabilities	203	(4,794)
	877	(4,903)
Cash generated from / (utilised in) operations	75,248	(319,044)
Dividend income received	57,862	56,978
Charity paid	(250)	-
Profit received on bank account relating to charity payable	122	74
Profit received on savings accounts with banks	15,549	16,768
Profit received on sukuk certificates	87,332	63,204
Net cash inflow / (outflow) from operating activities	235,863	(182,020)
CASH FLOWS FROM FINANCING ACTIVITY		
Dividend paid	(205,161)	(67,982)
Net cash outflow from financing activity	(205,161)	(67,982)
Net increase / (decrease) in cash and cash equivalents	30,702	(250,002)
Cash and cash equivalents at the beginning of the year	42,186	292,188
Cash and cash equivalents at the end of the year	5 72,888	42,186

The annexed notes 1 to 29 form an integral part of these financial statements.



Mohammad Shoab, CFA
Chief Executive

For Al Meezan Investment Management Limited
(Management Company)



Mazhar Sharif
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Balanced Fund (the Fund) was established as a closed-end scheme under a trust deed executed between Al Meezan as the management company and CDC as the trustee. The trust deed was executed on June 15, 2004 and was approved by the SECP on September 8, 2004 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 in Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan.
- 1.2 The investment objective of the Fund is to generate long-term capital appreciation as well as current income by creating a balanced portfolio that is invested both in high quality equity securities and islamic income instruments such as term finance certificates, certificates of islamic investment, musharaka certificates, islamic sukuk certificates and other shariah compliant instruments. Under the trust deed all the conducts and acts of the Fund are based on shariah. The management company has appointed Meezan Bank Limited (MBL) as shariah advisor to ensure that the activities of the Fund are in compliance with the principles of islamic shariah. The management company of the Fund is registered with the SECP as a Non-Banking Finance Company under NBFC Rules.
- 1.3 The Fund is a closed end scheme (mutual fund) and its certificates are listed on the Karachi Stock Exchange. The management company of the Fund has been given a quality rating of AM2 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 or Mutual Funds Association of Pakistan (MUFAP).
- 1.5 Title to the assets of the Fund are held in the name of CDC as a trustee of the Fund.
- 1.6 In accordance with clause 65 of the NBFC Regulations, an asset management company managing a closed end fund shall, upon expiry of every five years from November 21, 2007 or the date of launch of the Fund whichever is later, hold within one month of such period a meeting of the certificate holders of a closed end scheme to seek their approval to convert the Fund into an open end scheme or revoke the closed end scheme, subject to applicable provisions of the NBFC Rules and the NBFC Regulations. Accordingly, the management company has to hold a meeting of the certificate holders of the Fund within one month of November 21, 2012 as aforesaid. However, the management company is confident that the Fund would not be revoked as is the market trend and, therefore, the financial statements have been prepared on a 'going concern' basis. Pursuant to the SECP directive no. NBFC/MUFAP/32/2012 dated January 25, 2012, the management company has tentatively decided to hold a meeting of certificate holders on December 13, 2012.

2. BASIS OF MEASUREMENT

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

3. STATEMENT OF COMPLIANCE

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

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

- 3.1.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year:

The following standards, amendments and interpretation to approved accounting standards have been published and are mandatory for the Fund's accounting period beginning on or after July 1, 2011:

- a) IFRS 7, 'Financial Instruments: Disclosures'. This amendment is effective from January 1, 2011. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment does not have any significant impact on the Fund's financial statements.
- b) IFRS 7, 'Financial instruments: Disclosures'. This amendment is effective from July 1, 2011. The amendment aims to promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendment does not have any impact on the Fund's financial statements during the current year.
- c) IAS 1, 'Presentation of financial statements' (effective January 1, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment does not have any significant impact on the Fund's financial statements.
- d) IAS 24 (revised), 'Related party disclosures', issued in November 2009. It superseded 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 revised standard does not have any impact on the Fund's financial statements.

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

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

The following standards and amendments to standards have been published and are mandatory for accounting periods beginning on or after July 1, 2012:

- a) IAS 1, 'Financial statement presentation' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendment will not have any significant effect on the Fund's financial statements.
- b) IAS 32, 'Financial instruments: Presentation' (effective January 1, 2014). This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The management company is in the process of assessing the impact of this amendment on the Fund's financial statements.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Accounting Convention

These financial statements have been prepared under the historical cost convention except for certain 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 assumptions

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

- (a) Classification and valuation of financial instruments (notes 4.3.1, 4.3.2, 4.3.3 and 4.3.4)
- (b) Impairment of financial instruments (note 4.3.5)
- (c) Recognition of provision for current and deferred taxation (note 4.10)

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

4.3 Financial instruments

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

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

- 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.
- 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 originated by the enterprise

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

(d) Available for sale

These are non-derivative financial assets 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 the 'financial assets at fair value through profit or loss' are recognised in the income statement. Effective July 1, 2009 the fund has changed its policy and now changes in the fair value of instruments classified as 'available for sale' are recognised in other comprehensive income until derecognised or impaired when the accumulated fair value adjustments recognised in other comprehensive income are included in the income statement. Previously these changes were recognised in equity.

Consistent with prior years, dividend income from the financial assets at fair value through profit and loss and available for sale securities is recognised in the income statement when the Fund's right to receive the payments is established. Profit on debt securities is recognised in the income statement based on the effective interest method.

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

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

4.3.4 Fair value measurement principles

The fair value of debt securities and derivatives were determined as follows:

- Effective January 10, 2009 the carrying value of debt securities is based on the value determined and announced by MUFAP in accordance with the criteria laid down in circular No. 1/2009 (the circular) dated January 6, 2009 issued by the SECP.
- Provisions are recognised when there is objective evidence that a financial asset or group of financial assets are non-performing, in accordance with the circular and subsequent clarification thereon. Additional provision may be recognised when there is objective evidence of the continuity of non-performance. Further the reversal of provisions are also made in accordance with the said circulars and subsequent clarifications.

The fair value of shares of listed companies / units of funds, derivatives and financial instruments sold on deferred settlement basis is based on their price quoted on the Karachi Stock Exchange at the 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 profit or loss is transferred from other comprehensive income and recognised in the income statement. However, the decrease in impairment loss on equity securities classified as 'available for sale' is recognised in other comprehensive income. If in any subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through income statement.

4.3.6 Derecognition

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

The Fund uses 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 4.5 below, 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 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are amortised over a period of five years commencing from November 30, 2004 in accordance with the requirements of the trust deed of the Fund.

4.8 Net assets value per certificate

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

4.9 Earnings per certificate

Earning per certificate (EPC) has been calculated by dividing the net income by the weighted average number of certificates in issue at the year end.

4.10 Taxation

Current

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

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

Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all 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 certificate holders every year.

4.11 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 assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- (iii) Unrealised gains / (losses) arising on revaluation of securities classified as 'available for sale' are included in the other comprehensive income in the period in which they arise.
- (iv) Dividend income is recognised when the Fund's right to receive dividend is established.
- (v) Profit on savings accounts with banks and investments in debt instruments are recorded on an accrual basis.

4.12 Expenses

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

4.13 Offsetting of financial instruments

A financial asset and financial liability 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.

4.14 Zakat

Certificates held by resident Pakistani certificate holders, except those exempted, 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 certificates, under the Zakat and Ushr Ordinance, 1980 (XVII of 1980). Zakat is deducted at source from the dividend amount.

4.15 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.

4.16 Segment Reporting

Operating segments are reported in the manner consistent with the internal reporting used by the investment committee. The investment committee of the management company makes the strategic resource allocations on behalf of the Fund. The Fund has determined the operating segments based on the reports reviewed by its investment committee for taking strategic decisions.

4.17 Dividend and bonus certificates

Dividends declared (including distribution in the form of bonus certificates) and appropriation to reserves are recognised in the period in which they are authorised or approved.

5. BALANCES WITH BANKS	Note	2012 (Rupees in '000)	2011
On current accounts	5.1	6,332	1,566
On savings accounts	5.2	66,556	40,620
		72,888	42,186

5.1 The balances in savings accounts bear expected profit which ranges from 5.04% to 12.10% (2011: 5.00% to 12.70%) per annum.

5.2 The balance includes Rs 10.311 million (2011: Rs 2.925 million) with related party, Meezan Bank Limited, on which return is earned at 5.65% (2011: 5.00%) per annum.

6. INVESTMENTS	Note	2012 (Rupees in '000)	2011
Investments - 'fair value through profit or loss'	6.1	985,868	847,532
Investments - 'available for sale'	6.2	484,518	618,409
		1,470,386	1,465,941
6.1 Investments - 'fair value through profit or loss'			
Held for trading	6.1.1	788,771	569,393
Investments at fair value through profit or loss upon initial recognition	6.1.2	197,097	278,139
		985,868	847,532
6.1.1 Held for trading			
Shares of listed companies	6.1.1.1	353,771	79,393
Sukuk certificates	6.1.1.4	435,000	490,000
		788,771	569,393

6.1.1.1 Held for trading - shares of listed companies

Name of the investee company	As at July 1, 2011	Purchases during the year	Bonus issue	Demerger effect / (adjustment)	Sales during the year	As at June 30, 2012	Carrying value as at June 30, 2012	Market value as at June 30, 2012	Unrealised gain / (loss) as at June 30, 2012	Percentage of market value of total investment
	-----Number of shares-----					----- (Rupees in '000) -----			%	
Automobile and parts										
Pakistan Suzuki Motor Company Limited	26,800	-	-	-	-	26,800	1,676	2,566	890	0.17
Chemicals										
Fauji Fertilizer Bin Qasim Limited	-	735,000	-	-	50,000	685,000	27,647	27,962	315	1.90
Fauji Fertilizer Company Limited	-	870,000	-	-	-	870,000	97,994	96,614	(1,380)	6.57
ICI Pakistan Limited (note 6.1.1.3)	3,300	-	-	(1,104)	-	2,196	333	288	(45)	0.02
										8.49
Construction and materials										
Attock Cement Pakistan Limited	125,000	-	-	-	-	125,000	6,066	10,180	4,114	0.69
Lucky Cement Limited	35,000	195,000	-	-	-	230,000	25,586	26,540	954	1.81
DG Khan Cement Company Limited	-	224,660	-	-	-	224,660	9,300	8,847	(453)	0.60
										3.10
Fixed line telecommunication										
Pakistan Telecommunication Company Limited "A"	158,365	1,600,000	-	-	-	1,758,365	24,437	24,072	(365)	1.65
General industrials										
Thal Limited (note 6.1.1.2)	197,935	-	39,587	-	66,000	171,522	14,442	15,952	1,510	1.08
Tri-Pack Films Limited	83,400	-	-	-	-	83,400	14,282	17,513	3,231	1.19
Packages Limited	-	220,000	-	-	-	220,000	22,893	21,934	(959)	1.49
										3.76
Oil and gas										
Pakistan Oilfields Limited	44,275	42,500	-	-	17,000	69,775	25,673	25,603	(70)	1.74
Pakistan Petroleum Limited	78,440	48,000	7,844	-	27,500	106,784	20,512	20,106	(406)	1.37
National Refinery Limited	-	12,900	-	-	-	12,900	3,364	2,985	(379)	0.20
Pakistan State Oil Company Limited	-	30,000	-	-	-	30,000	7,515	7,075	(440)	0.48
Oil and Gas Development Company Limited (note 6.2.2)	-	89,000	-	-	-	89,000	14,717	14,279	(438)	0.97
										4.76
Electricity										
Hub Power Company Limited	-	281,097	-	-	-	281,097	11,020	11,775	755	0.80
Food producers										
Engro Foods Limited	-	300,000	-	-	-	300,000	19,084	19,335	251	1.32
Unquoted company										
AkzoNobel Pakistan Limited (note 6.1.1.3)	-	-	-	1,104	-	1,104	168	145	(23)	0.01
Total							346,709	353,771	7,062	
Total cost of investments								341,446		

6.1.1.2 All shares have a face value of Rs 10 each except for the shares of Thal Limited which have a face value of Rs 5 each.

6.1.1.3 The demerger of the Paints Business of ICI Pakistan Limited and its vesting into AkzoNobel Pakistan Limited had resulted in the split of the share capital in the ratio 66.54 : 33.46 as of June 27, 2012. Subsequent to the year ended June 30, 2012, AkzoNobel Pakistan Limited has been listed on the Karachi Stock Exchange and trading of its shares has started on the ready board of the Karachi Stock Exchange from July 13, 2012.

6.1.1.4 Held for trading - Sukuk certificates

Name of the investee company	Maturity	Profit rate	As at July 01, 2011	Purchases during the year	Sales/redemption during the year	As at June 30, 2012	Carrying value as at June 30, 2012	Market value as at June 30, 2012	Unrealised gain as at June 30, 2012	Percentage of market value of total investment
			-----Number of certificates-----			----- (Rupees in '000) -----		%		
Secured										
GoP Ijarah Sukuk Certificates - III (Note 6.1.1.5)	March 11, 2012	Weighted Average 6 months T-Bills	250	-	250	-	-	-	-	-
GoP Ijarah Sukuk Certificates - IV (Note 6.1.1.5)	September 17, 2012	Weighted Average 6 months T-Bills less 5 basis points	1,880	-	1,850	30	3,000	3,000	-	0.20
GoP Ijarah Sukuk Certificates - V (Note 6.1.1.5)	November 15, 2013	Weighted Average 6 months T-Bills	2,020	-	2,000	20	2,000	2,000	-	0.14
GoP Ijarah Sukuk Certificates - VII (Note 6.1.1.5)	March 7, 2014	----do----	750	-	750	-	-	-	-	-
GoP Ijarah Sukuk Certificates - IX (Note 6.1.1.5)	December 26, 2014	----do----	-	950	-	950	95,000	95,000	-	6.46
GoP Ijarah Sukuk Certificates - XI (Note 6.1.1.5)	April 30, 2015	----do----	-	600	-	600	60,000	60,000	-	4.08
GoP Ijarah Sukuk Certificates - XII (Note 6.1.1.5)	June 28, 2015	----do----	-	2,750	-	2,750	275,000	275,000	-	18.70
Total							435,000	435,000	-	
Total cost of investments								435,000		

6.1.1.5 The nominal value of the sukuk certificates of GoP Ijarah is Rs 100,000 each.

6.1.2 Investments - 'fair value through profit or loss upon initial recognition'

	Note	2012 (Rupees in '000)	2011
Shares of listed companies	6.1.2.1	19,746	15,168
Sukuk Certificates	6.1.2.2	177,351	262,971
		197,097	278,139

6.1.2.1 Shares of listed companies

Name of the investee company	As at July 01, 2011	Purchases during the year	Bonus issue	Sales during the year	As at June 30, 2012	Carrying value as at June 30, 2012	Market value as at June 30, 2012	Unrealised gain / (loss) as at June 30, 2012	Percentage of market value of total investment	
	-----Number of shares-----					----- (Rupees in '000) -----		%		
Automobile and parts										
Indus Motor Company Limited	50,055	-	-	-	50,055	11,012	12,267	1,255	0.83	
Banks										
Meezan Bank Limited (an associate company of the Fund)	222,297	-	27,787	-	250,084	3,884	7,232	3,348	0.49	
General industrials										
Packages Limited	2,473	-	-	-	2,473	272	247	(25)	0.02	
Total						15,168	19,746	4,578		
Total cost of investments							12,894			

6.1.2.2 Sukuk certificates

Name of the investee company	Maturity	Profit rate	As at July 01, 2011	Purchases during the year	Sales / redemptions during the year	As at June 30, 2012	Carrying value as at June 30, 2012	Provision as at June 30, 2012	Market value as at June 30, 2012 - net of provision	Unrealised gain as at June 30, 2012	Percentage of market value of total investments
			-----Number of certificates-----			----- (Rupees in '000) -----				%	
Secured											
Engro Fertilizer Pakistan Limited (note 6.1.2.3)	September 1, 2015	6 months KIBOR plus base rate of 1.5%	10,000	-	-	10,000	50,000	-	50,826	826	3.46
Security Leasing Corporation Limited II (note 6.1.2.3 & 6.1.2.6)	January 19, 2022	Nil	2,578	-	632	1,946	6,855	(2,046)	4,809	-	0.33
Century Paper & Board Mills Limited (note 6.1.2.3)	September 25, 2014	6 months KIBOR plus base rate of 1.35%	3,500	-	1,000	2,500	12,031	-	12,436	405	0.85
Eden Housing Limited (note 6.1.2.4 & 6.1.2.5)	September 29, 2014	6 months KIBOR plus base rate of 2.5% 2.5%	5,000	-	-	5,000	9,280	-	9,280	-	0.63
Arzoo Textile Mills Limited (note 6.1.2.3)	April 15, 2014	6 months KIBOR plus base rate of 2%	5,000	-	-	5,000	-	-	-	-	-
* Kot Addu Power Company Limited-Sukuk (note 6.1.2.3)	June 26, 2012	6 months KIBOR plus base rate of 1.1%	35,000	35,000	70,000	-	-	-	-	-	-
* Hub Power Company Limited - Sukuk (note 6.1.2.3)	August 4, 2012	6 months Kibor plus base rate of 1.25%	-	40,000	20,000	20,000	100,000	-	100,000	-	6.80
Total							178,166	(2,046)	177,351	1,231	
Total cost of investments									205,824		

* These securities are carried at face value as per the requirements of Circular 1 of 2009 with respect to thinly and non traded debt securities with residual maturities of upto six months.

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

6.1.2.4 The nominal value of the sukuk certificates of Eden Housing Limited has face value of Rs 1,856 (2011: Rs 3,656).

6.1.2.5 The sukuk certificates of Eden Housing Limited (EHL) held by the Fund were classified as non-performing by MUFAP on May 6, 2011. Accordingly, the Fund has valued the sukuks at the last price quoted by MUFAP. Although, the Fund has received all the installments due as per the restructured terms, accrual of profit has been stopped and all income have been recognised on cash basis from September 30, 2011.

6.1.2.6 The agreement with Security Leasing Corporation Limited with respect to investment in the sukuk certificate has been amended during the year on February 19, 2012. In accordance with the revised terms no mark-up is payable on the said sukuk with the approval of contributories to the sukuk. The sukuk certificates have been classified as non-performing by MUFAP on April 3, 2012. Accordingly, the Fund has measured the sukuks at the last price quoted by MUFAP. The Fund has received all the installments due as per the restructured terms. Although no provision is applicable in accordance with the requirements of Circular no. 1 which provides criteria for the provisioning of the debt securities that have defaulted, the Fund has provided an additional provision of Rs 2.046 million (2011: Rs nil).

2012 2011
Note **(Rupees in '000)**

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

6.2.1 **484,518** **618,409**

6.2.1 Shares of listed companies- 'available for sale'

Name of the investee company	As at July 01, 2011	Purchases during the year	Bonus / rights issue	Demerger Effect / (Adjustment)	Sales during the year	As at June 30, 2012	Carrying value as at June 30, 2012 (before impairment)	Impairment during the year (note 6.2.3)	Carrying value as at June 30, 2012 (after impairment)	Market value as at June 30, 2012	Unrealised gain / (loss) as at June 30, 2012	Percentage of market value of total investment
	-----Number of shares-----						------(Rupees in '000)-----					%
Automobile and parts												
Indus Motor Company Limited	52,375	10,000	-	-	-	62,375	13,640	-	13,640	15,287	1,647	1.04
Pakistan Suzuki Motor Company Limited	11,260	-	-	-	-	11,260	833	-	833	1,078	245	0.07
												1.11
Banks												
Meezan Bank Limited (an associate company of the Fund)	312,159	-	39,019	-	-	351,178	5,449	-	5,449	10,156	4,707	0.69
Bank Islami Pakistan Limited	-	500	-	-	-	500	2	-	2	5	3	-
												0.69
Chemicals												
Fauji Fertilizer Bin Qasim Company Limited	142,500	142,877	-	-	282,000	3,377	120	-	120	138	18	0.01
Fauji Fertilizer Company Limited	1,050,233	42,500	278,866	-	1,295,000	76,599	6,170	-	6,170	8,506	2,336	0.58
ICI Pakistan Limited (note 6.1.1.3)	395,000	-	-	(113,764)	55,000	226,236	28,528	-	28,528	29,653	1,125	2.02
												2.61
Construction and materials												
Attock Cement Pakistan Limited (note 6.2.3)	45,000	-	-	-	10,000	35,000	2,490	705	1,785	2,850	1,065	0.19
Lucky Cement Limited	605,421	371,200	-	-	776,170	200,451	23,864	-	23,864	23,130	(734)	1.57
DG Khan Cement Company Limited (note 6.2.3)	673,749	1,552,000	-	-	1,526,000	699,749	28,510	954	27,556	27,556	-	1.87
												3.63
Electricity												
Hub Power Company Limited	1,209,500	2,186,550	-	-	669,000	2,727,050	100,807	-	100,807	114,236	13,429	7.78
Fixed line telecommunication												
Pakistan Telecommunication Company Limited "A" (note 6.2.3)	359,900	1,451,058	-	-	1,707,813	103,145	6,818	5,746	1,072	1,412	340	0.10
General industrials												
Packages Limited (note 6.2.3)	150,000	70,000	-	-	220,000	-	6,491	6,491	-	-	-	-
Tri-Pack Films Limited	10,000	-	-	-	-	10,000	1,132	-	1,132	2,100	968	0.14
												0.14
Oil and gas												
National Refinery Limited	-	20,000	-	-	-	20,000	4,998	-	4,998	4,628	(370)	0.31
Oil and Gas Development Company Limited (note 6.2.2)	332,166	83,500	-	-	20,000	395,666	54,070	-	54,070	63,481	9,411	4.32
Pakistan Oilfields Limited	184,750	10,000	-	-	32,500	162,250	40,414	-	40,414	59,536	19,122	4.05
Pakistan Petroleum Limited	355,120	320,512	-	-	391,000	284,632	52,419	-	52,419	53,593	1,174	3.64
Pakistan State Oil Company Limited (note 6.2.3)	215,100	60,000	-	-	53,500	221,600	59,303	7,041	52,262	52,262	-	3.55
												15.87
Personal goods												
Nishat Mills Limited	-	225,000	-	-	225,000	-	-	-	-	-	-	-
Unquoted company												
AkzoNobel Pakistan Limited (note 6.1.1.3)	-	-	-	113,764	-	113,764	14,346	-	14,346	14,911	565	1.02
Total							450,404	20,937	429,467	484,518	55,051	
Total cost of investments										484,518		

6.2.2 100,000 shares (June 30, 2011: 100,000 shares) of Oil and Gas Development Company Limited, having market value of Rs 16.044 million as at June 30, 2012 (2011: 15.299 million), have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

6.2.3 As per IAS 39 'Financial Instruments', where the investment is classified as 'available for sale', a significant or prolonged decline in the fair value of an investment in an equity instrument below its carrying value is an objective evidence of impairment. The recoverable amount of the aforementioned securities had significantly declined as at June 30, 2012. Accordingly, the cumulative losses measured as the difference between the carrying cost and the current fair value has been reclassified from other comprehensive income to the income statement as impairment loss.

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

Name of the investee company	Type of investments	Value of investment before provision	Provision held as at June 30, 2012	Value of investment after provision	Percentage of net assets	Percentage of total assets
		(Rupees in '000)			%	
Arzoo Textile Mills Limited	Non-traded sukuk certificates	-	-	-	-	-
Eden Housing Limited	Non-traded sukuk certificates	9,280	-	9,280	0.60	0.59
Security Leasing Corporation Limited II	Non-traded sukuk certificates	6,855	2,046	4,809	0.31	0.31
		<u>16,135</u>	<u>2,046</u>	<u>14,089</u>	<u>0.91</u>	<u>0.90</u>

	Note	2012 (Rupees in '000)	2011
7. ADVANCES, DEPOSITS AND OTHER RECEIVABLES			
Advance tax recoverable		-	10
Security deposits		2,800	2,800
Profit receivable on savings accounts with banks		2,794	8,554
Profit receivable on sukuk certificates		9,656	18,684
		<u>15,250</u>	<u>30,048</u>
8. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED (Al Meezan) - management company of the Fund			
Management fee	8.1	2,517	2,507
Sindh sales tax on management fee	8.2	403	-
		<u>2,920</u>	<u>2,507</u>

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

8.2 During the current year, the Sindh Provincial Government levied Sindh Sales Tax at the rate of 16 percent on the remuneration of the management company and sales load through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.

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

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

The remuneration of the trustee for the year ended June 30, 2012 and 2011 has been calculated as per the following applicable tariff:

Net assets	Tariff
Upto to Rs 250 million	0.20% per annum
On amount exceeding Rs 250 million up to Rs 500 million	Rs 0.875 million plus 0.08% per annum on amount exceeding Rs 500 million

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

This represents annual fee payable to SECP. Fee at the rate of 0.085 percent of the average annual net assets of the fund is payable to SECP under regulation 62 read with Schedule II of the NBFC Regulations, 2008.

	Note	2012 (Rupees in '000)	2011
11. ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		363	315
Charity payable	11.1	3,262	2,331
Annual listing fee payable		10	-
Others		367	222
		4,002	2,868

- 11.1 According to the instructions of the shariah advisor, any income earned by the Fund from investments whereby portion of the investment of such investees has been made in shariah non-compliant avenues, such proportion of income of the Fund from those investees should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs 3.262 million (2011: Rs 2.331 million) is outstanding in this regard after making charity payments of Rs 0.250 million (2011: Rs nil) to renowned charitable institutions. None of the directors of the management company of the Fund were interested in any of donees.

12. 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, during the year ended June 30, 2010, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the management company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.

During the year ended June 30, 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the mutual fund industry with the FBR for their withdrawal.

During the current year, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 has declared the said amendments as unlawful and unconstitutional. The management company is hopeful that the decision of the LHC will lend further support to the Constitutional Petition which is pending in the SHC.

During the current year, a Fund under the common management of the management company has received a notice of demand under section 137 of the Income Tax Ordinance, 2001 for the payment of levy of WWF for the period ended June 30, 2009. The management company has filed an appeal against such notice of demand to the Commission Inland Revenue (Appeals) which is pending adjudication.

During the year ended June 30, 2011, the management company had reversed the liability as at June 30, 2010 amounting to Rs 4.967 million. The management company believes that the aforementioned constitutional petition pending in the Court has strong grounds for decision in favour of the mutual funds. Accordingly, the management has not recognised WWF charge upto June 30, 2012 amounting to Rs 14.279 million which includes Rs 4.978 million pertaining to the current year. Had the same been made, the net asset value per certificate of the Fund would have been lower by Rs 0.12 (0.94%).

There were no other contingencies and commitments outstanding as at June 30, 2012.

13. AUDITORS' REMUNERATION

	2012	2011
	(Rupees in '000)	
Audit fee	263	215
Half yearly review fee	100	100
Other certifications	100	100
Out of pocket expenses	60	46
	523	461

14. EARNINGS PER CERTIFICATE -BASIC

Net income for the year	253,854	226,019
	---Number of certificates---	
Weighted average number of ordinary certificates outstanding during the year	120,000,000	120,000,000
	-----Rupees-----	
Basic earnings per certificate (Rupees)	2.11	1.88

A diluted earnings per certificate has not been presented as the Fund does not have any convertible instruments as at June 30, 2012 and 2011 which would have any effect on the earnings per certificate if the option to convert is exercised.

15. OPERATING SEGMENTS

The investment committee of the management company makes the strategic resource allocations on behalf of the Fund. The Fund has determined the operating segments based on the reports reviewed by this committee for taking strategic decisions.

The committee considers the investments as two sub-portfolios, which are managed by the Fund manager of the management company. These sub-portfolios consist of an equity portfolio, which focuses on equity securities and related derivatives; the second sub-portfolio consisting of debt instruments.

The reportable operating segments derive their income by seeking investments to achieve targeted returns that consummate with an acceptable level of risk within each portfolio. These returns consist of profit on sukuk certificates, dividends, gain on disposals of investments and unrealised gain on the appreciation in the value of the investments.

There were no changes in the reportable segments during the year.

The segment information provided to the investment committee and the Fund manager for the reportable segments is as follows:

	For the year ended June 30, 2012		
	Equity sub-portfolio	Debt sub-portfolio	Total
	----- (Rupees in '000) -----		
Profit on sukuk certificates	-	78,304	78,304
Dividend income (net of charity expense)	54,712	-	54,712
Net realised gain on sale of investments	156,369	3,820	160,189
Provision against non-performing debt securities	-	(2,046)	(2,046)
Securities transaction costs	(1,013)	(5)	(1,018)
Impairment loss on 'available for sale' investments	(20,937)	-	(20,937)
Unrealised gain on re-measurement of investments at fair value through profit or loss	11,640	1,231	12,871
Settlement Charges	(138)	-	(138)
Total net segment income	200,633	81,304	281,937
Total segment assets	859,517	622,007	1,481,524
Total segment liabilities	3,597	-	3,597

For the year ended June 30, 2012		
Equity sub-portfolio	Debt sub-portfolio	Total

------(Rupees in '000)-----

Total segment assets include:

Investments - 'fair value through profit or loss'	373,517	612,351	985,868
Investments - 'available for sale'	484,518	-	484,518
Dividend receivable	1,482	-	1,482
Profit receivable	-	9,656	9,656
	<u>859,517</u>	<u>622,007</u>	<u>1,481,524</u>

Total segment liabilities include:

Payable against purchase of investments	44	-	44
Charity payable	3,262	-	3,262
Brokerage Payable	213	-	213
Others	78	-	78
	<u>3,597</u>	<u>-</u>	<u>3,597</u>

For the year ended June 30, 2011		
Equity sub-portfolio	Debt sub-portfolio	Total

------(Rupees in '000)-----

Profit on sukuk certificates	-	69,569	69,569
Dividend income	56,620	-	56,620
Net realised gain on sale of investments	104,616	2,686	107,302
Provision against non-performing debt securities	-	(11,500)	(11,500)
Securities transaction costs	(721)	(10)	(731)
Unrealised gain on re-measurement of investments at fair value through profit or loss	17,236	(5,182)	12,054
Total net segment income	<u>177,751</u>	<u>55,563</u>	<u>233,314</u>

Total segment assets	<u>716,543</u>	<u>771,655</u>	<u>1,488,198</u>
Total segment liabilities	<u>2,372</u>	<u>-</u>	<u>2,372</u>

Total segment assets include:

Financial assets at fair value through profit or loss	94,561	752,971	847,532
Investments - 'available for sale'	618,409	-	618,409
Other	3,573	18,684	22,257
	<u>716,543</u>	<u>771,655</u>	<u>1,488,198</u>

Total segment liabilities include:

Payable against purchase of investments	41	-	41
Charity payable	2,331	-	2,331
	<u>2,372</u>	<u>-</u>	<u>2,372</u>

There were no transactions between reportable segments.

The Fund's administration and management fees are not considered to be segment expenses.

A reconciliation of total net segmental income to total income is provided as follows:

	2012	2011
	(Rupees in '000)	
Total net segment income	281,937	233,314
Profit on savings accounts with banks	9,789	19,991
Other Income	52	-
Expenses	(37,924)	(27,286)
Net Income for the year	253,854	226,019

The amounts provided to the investment committee with respect to total assets are measured in a manner consistent with accounting standards as applicable in Pakistan, except for investments, which are based on the quoted market prices at the close of the trading in case of listed securities and in case of unlisted securities on the basis of the values quoted by MUFAP. The Fund's other receivables and prepayments are not considered to be segment assets and are managed by the administration function.

	2012	2011
	(Rupees in '000)	
Reportable segments' assets are reconciled to total assets as follows:		
Segment assets for reportable segments	1,481,524	1,488,198
Balances with banks	72,888	42,186
Advances, deposits and other receivables	5,594	11,364
Total assets	1,560,006	1,541,748

The amounts provided to the investment committee with respect to liabilities are measured in a manner consistent with International Accounting Standards as applicable in Pakistan. The Fund's payables for management fees, trustee fee, SECP fee and other administration fees are not considered to be segment liabilities and are managed by the administration function.

	2012	2011
	(Rupees in '000)	
Reportable segments' liabilities are reconciled to total liabilities as follows:		
Segment liabilities for reportable segments	3,597	2,372
Accrued expenses	662	537
Others	20,704	15,407
Total liabilities	24,963	18,316

16. 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, directors and officers of the management company, Meezan Islamic Fund, Meezan Islamic Income Fund, Al Meezan Mutual Fund, Meezan Tahaffuz Pension Fund, Meezan Cash Fund, Meezan Sovereign Fund, Meezan Capital Protected Fund - II, KSE Meezan Index Fund, Al Meezan Employees Provident Fund and Al Meezan Employees Gratuity Fund being the funds under the common management of the management company and Pakistan Kuwait Investment Company (Private) Limited being the associated company 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 provision of NBFC Rules, NBFC Regulations and the trust deed respectively.

Details of transactions with connected persons and balances with them for the year ended June 30, 2012 and as of that date along with the comparative are as follows:

	2012	2011
	(Rupees in '000)	
Al Meezan - management company of the Fund		
Remuneration payable	2,517	2,507
Sindh sales tax on management fee	403	-
Investment of 3,821,824 certificates (June 30, 2011: 3,821,824)	39,594	35,925
CDC - trustee of the Fund		
Remuneration payable	140	139
CDS Charges payable	8	2
Deposits	300	300
MBL		
Bank balance	10,311	2,925
Investment in 601,262 shares (June 30, 2011: 534,456 shares)	17,388	9,337
Investment of 16,134,468 certificates (June 30, 2011: 16,134,468 certificates)	167,153	151,664
Pakistan Kuwait Investment Company (Private) Limited		
Investment of 11,057,791 certificates (June 30, 2011: 11,057,791 certificates)	114,559	103,943
Meezan Bank Limited Staff Provident Fund		
Investment of 534,566 certificates (June 30, 2011: 534,566 certificates)	5,538	5,025
Al Meezan Employees Provident Fund		
Investment of 335,569 certificates (June 30, 2011: 335,569 certificates)	3,476	3,154
Al Meezan Employees Gratuity Fund		
Investment of 91,575 certificates (June 30, 2011: 91,575 certificates)	949	861
Directors and officers of the management company		
Investment of 22,975 certificates (June 30, 2011: 32,975 certificates)	238	310

**For the year ended
June 30**

	2012	2011
	(Rupees in '000)	
Al Meezan - management company of the Fund		
Remuneration for the year	29,108	28,069
Sindh sales tax on management fee	4,657	-
Dividend for the year	6,688	2,102
CDC - trustee of the Fund		
Remuneration for the year	1,641	1,596
Charges for the year	129	143
MBL		
Profit on savings account	36	11
Dividend paid during the year	28,235	8,874
Dividend income during the year	534	-
66,806 bonus shares received (June 30, 2011: 28,995 shares)	-	-

For the year ended
June 30

2012 2011

(Rupees in '000)

Pakistan Kuwait Investment Company (Private) Limited

Dividend for the year

	2012	2011
Pakistan Kuwait Investment Company (Private) Limited	19,351	6,082
Meezan Bank Limited Staff Provident Fund	935	294
Al Meezan Employees Provident Fund	587	185
Al Meezan Employees Gratuity Fund	160	50
Directors and officers of the management company	58	18

Meezan Bank Limited Staff Provident Fund

Dividend for the year

Al Meezan Employees Provident Fund

Dividend for the year

Al Meezan Employees Gratuity Fund

Dividend for the year

Directors and officers of the management company

Dividend for the year

17. FINANCIAL INSTRUMENTS BY CATEGORY

Loans and receivables	Financial assets at fair value through profit or loss	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	Total
2012				

(Rupees in '000)

On balance sheet - financial assets

Balances with banks	72,888	-	-	-	72,888
Investments	-	985,868	484,518	-	1,470,386
Dividend receivable	1,482	-	-	-	1,482
Deposits and other receivables	15,250	-	-	-	15,250
	<u>89,620</u>	<u>985,868</u>	<u>484,518</u>	<u>-</u>	<u>1,560,006</u>

On balance sheet - financial liabilities

Payable to Al Meezan	-	-	-	2,517	2,517
- management company of the Fund	-	-	-	140	140
Payable to CDC - trustee of the Fund	-	-	-	44	44
Payable against purchase of investments	-	-	-	213	213
Brokerage payable	-	-	-	730	730
Accrued expenses and other liabilities	-	-	-	3,644	3,644
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,644</u>	<u>3,644</u>

Loans and receivables	Financial assets at fair value through profit or loss	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	Total
2011				

(Rupees in '000)

On balance sheet - financial assets

Balances with banks	42,186	-	-	-	42,186
Investments	-	847,532	618,409	-	1,465,941
Dividend receivable	3,573	-	-	-	3,573
Deposits and other receivables	30,038	-	-	-	30,038
	<u>75,797</u>	<u>847,532</u>	<u>618,409</u>	<u>-</u>	<u>1,541,738</u>

On balance sheet - financial liabilities

Payable to Al Meezan	-	-	-	2,507	2,507
- management company of the Fund	-	-	-	141	141
Payable to CDC - trustee of the fund	-	-	-	41	41
Payable against purchase of investments	-	-	-	537	537
Accrued expenses and other liabilities	-	-	-	3,226	3,226
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,226</u>	<u>3,226</u>

18. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

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

Risks of the Fund are being managed by the Fund manager in accordance with the approved policies of the Investment Committee which provides broad guidelines for management of risk pertaining to market risks (including price risk and interest rate risk) credit risk and liquidity risk. Further, the overall exposure of the Fund complies with the NBFC Regulations and the directives issued by the 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 Fund in which the investment is made, change in business circumstances of the Fund, 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 objectives. The primary objective of the Fund is to provide maximum return to the certificate holders from investment in shariah compliant investments for the given level of risks. The Fund's market risk is managed on a daily basis by the fund manager in accordance with the policies and procedures laid down by the SECP. The funds are allocated among various asset classes based on the attractiveness of the particular asset class. The allocation among these is dependent on the time horizon for investments and liquidity requirements of the portfolio. The market risk is managed by monitoring exposure to marketable securities and by complying with the internal risk management policies and regulations laid down in NBFC Regulations, 2008.

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 note 6.1.1.1, 6.1.2.1 and 6.2 to these financial statements. As at June 30, the Fund's overall exposure to price risk is limited to the fair value of those positions. The Fund manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weighting to that of the KSE Meezan Index (KMI) 30 index. The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

The Fund's policy also limits individual equity securities to no more than 15% of net assets.

The net assets of the Fund will increase / decrease by approximately Rs 0.268 million (2011: decrease / increase approximately Rs 0.753 million) if the prices of equity vary due to increase / decrease in KMI. This is based on the assumption that the fair value of the Fund's portfolio moves according to their historical correlation with KMI and that KMI 30 index increase / decreases by 0.1% with all other factors held constant.

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

18.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

Cash flow interest rate risk

The Fund's interest rate risk arises from the balances in savings accounts and investment in debt securities. At June 30, 2012, if there had been increase / decrease of 100 basis points in interest rates, with all other variables held constant, net assets of the Fund for the period then ended would have been higher / lower by Rs 6.729 million (2011: Rs 7.936 million) mainly as a result of finance income.

Fair value interest rate risk

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

18.1.3 Currency risk

Currency risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as all transactions are carried out in Pakistani Rupees.

18.2 Credit risk

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

Credit risk arises from deposits with banks and financial institutions, credit exposure arising as a result of investment in debt securities, profit receivable on debt securities, profit receivable on savings account, dividend receivable on equity securities and receivable against sale of investments.

Credit risk arising on the debt instruments is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of at least investment grade by the recognised rating agencies. The credit rating wise analysis of investments in debt instruments have been tabulated as follows:

	2012	2011
(%).....	
Government guaranteed	84.89	65.08
AA+	-	23.24
AA-	12.34	6.64
A+	-	2.23
Non-rated	2.77	2.81
	100.00	100.00

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

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

	2012	2011
(%).....	
AA+	71.02	32.08
AA	14.62	60.01
AA-	14.15	6.93
A	0.21	0.98
	100.00	100.00

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, 2012, along with comparative is tabulated below:

	2012	2011
	(Rupees in '000)	
Financial assets exposed to credit risk		
Balances with banks	72,888	42,186
Investments	177,351	262,971
Dividend receivable	1,482	3,573
Advances, deposits and other receivables	5,594	11,354
	257,315	320,084

The Fund does not have any collateral against any of the aforementioned assets. The issuer of the sukuk, however, pledge security to the investment agent in trust for the benefit of sukuk holders.

Due to the Fund's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, the Fund does not expect non-performance by these counter parties on their obligations to the Fund except for Arzoo Textiles Limited sukuk which has been fully written off as disclosed in note 6.1.2.2.

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 liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

In accordance with the regulation 58(1)(k) of the NBFC Regulation, the Fund has the ability to borrow funds for meeting the redemption requests, with the approval of the trustee, for a period not exceeding three months to the extent of fifteen per cent of the net assets which amounts to Rs 230.256 million as on June 30, 2012 (2011: Rs 228.515 million). However, no such borrowing has been obtained during the year.

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

An analysis of the Fund's financial liabilities into relevant maturity grouping as at June 30, 2012 and 2011 is tabulated below:

	2012				Total	2011
	Maturity upto					
	Three months	six months	one year	More than one year		
	----- (Rupees in '000) -----					
Remuneration to Al Meezan - management company of the Fund	2,517	-	-	-	2,517	2,507
Remuneration to CDC - trustee of the Fund	140	-	-	-	140	141
Payable against purchase of investments	44	-	-	-	44	41
Brokerage payable	213	-	-	-	213	-
Accrued expenses and other liabilities	730	-	-	-	730	537
	<u>3,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,644</u>	<u>3,226</u>
June 30, 2011	<u>3,226</u>	<u>-</u>	<u>-</u>	<u>-</u>		

19. CAPITAL RISK MANAGEMENT

The Fund is a closed-end fund. Its certificates are not redeemable directly with the Fund instead certificates are traded on the stock exchange.

The Fund's objective when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for certificate holders and to maintain a strong capital base to meet unexpected losses or opportunity.

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

In accordance with risk management policies stated in note 18, the Fund endeavors to invest while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments where necessary.

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. As the management company is confident that the Fund would not be revoked as is the market trend, therefore in this respect the management company does not intend to undertake transactions on unfavorable terms.

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

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

The fair value of financial assets (e.g. sukuks) that are not traded in an active market is determined with reference to the values quoted by MUFAP. The fair value quoted by MUFAP is calculated in accordance with valuation methodology prescribed by Circular 1 of 2009 dated January 6, 2009 (Circular No.1).

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

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

The fair value hierarchy has the following levels:

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

The following table presents the assets that are measured at fair value as at June 30, 2012:

Assets	Level 1	Level 2	Level 3	Total
Investments - 'fair value through profit or loss'				
Financial assets held for trading				
-Equity securities	353,771	-	-	353,771
-Debt securities	-	435,000	-	435,000
Financial assets designated at fair value through profit or loss upon initial recognition				
-Equity securities	19,746	-	-	19,746
-Debt securities	-	163,262	14,089	177,351
Investments - 'available for sale'				
Financial assets available for sale				
-Equity securities	484,518	-	-	484,518
	<u>858,035</u>	<u>598,262</u>	<u>14,089</u>	<u>1,470,386</u>

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

Assets	Level 1	Level 2	Level 3	Total
Investments - 'fair value through profit or loss'				
Financial assets held for trading				
-Equity securities	79,393	-	-	79,393
-Debt securities	-	490,000	-	490,000
Financial assets designated at fair value through profit or loss at initial recognition				
-Equity securities	15,168	-	-	15,168
-Debt securities	-	241,844	21,127	262,971
Investments - 'available for sale'				
Financial assets available for sale				
-Equity securities	618,409	-	-	618,409
	<u>712,970</u>	<u>731,844</u>	<u>21,127</u>	<u>1,465,941</u>

The following table presents the transfers between levels for the year ended June 30, 2012:

	Level 1	Level 2	Level 3
Transfers between level 2 and level 3			
-Debt securities	-	-	-

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

	Level 1	Level 2	Level 3
Transfers between level 2 and level 3			
-Debt securities	(217,715)	217,715	-

The following table presents the movement in level 3 instruments for the year ended June 30, 2012:

	2012 Debt securities	2011 Debt securities
(Rupees in '000)		
Opening balance	21,127	39,567
Transfers into level 3	-	-
Redemptions during the year	(4,992)	(5,391)
Provision made during the year	(2,046)	(11,500)
Unrealised gain / (loss) recognised in the income statement	-	(1,549)
Closing balance	14,089	21,127

21. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors Meetings and Directors' present there in					
		July 07, 2011	August 16, 2011	September 28, 2011	October 24, 2011	February 23, 2012	April 27, 2012
Mr. Ariful Islam	Chairman	No	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoab	Chief Executive	No	Yes	Yes	Yes	Yes	Yes
Mr. Salman Sarwar Butt	Independent Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. P. Ahmed	Independent Director	No	Yes	Yes	No	Yes	No
Mr. Rana Ahmed Humayun**	Nominee Director	Yes	Yes	Yes	No	Yes	-
Mr. Rizwan Ata***	Nominee Director	Yes	Yes	Yes	No	-	-
Mr. Mazhar Sharif	Nominee Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Tasnimul Haq Farooqui*	Nominee Director	-	-	-	-	Yes	Yes
Syed Amir Ali*	Nominee Director	-	-	-	-	Yes	Yes
Syed Amir Ali Zaidi**	Nominee Director	-	-	-	-	-	Yes

* Appointed in December, 2011

** Appointed in place of Mr. Rana Ahmed Humayun

*** Resigned in December, 2011

22. NON ADJUSTING EVENT

The Board of Directors of the management company of the Fund in its meeting held on September 21, 2012 has announced a cash dividend of 19% (2011: 17.5%) amounting to Rs 228 million (2011: Rs 210 million).

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

23. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

	2012
Broker's Name	%
Top Line Securities (Private) Limited	12.35
KASB Securities Limited	10.77
Elixir Securities Pakistan (Private) Limited	10.32
Fortune Securities Limited	7.84
JS Global Capital Limited	7.48
Optimus Capital Management (Private) Limited (formerly Invisor Securities (Private) Limited)	6.77
BMA Capital Management Limited	5.11
Global Securities Limited	4.98
Foundation Securities (Private) Limited	4.94
Arif Habib Securities Limited	4.60
	2011
Broker's Name	%
KASB Securities Limited	14.08
Invest & Finance Securities Limited	13.55
Ample Securities (Private) Limited	11.97
Invest Capital Investment Bank Limited	10.97
Invisor Securities (Private) Limited	10.37
JS Global Capital Limited	7.08
Foundation Securities (Private) Limited	5.95
Ismail Iqbal (Private) Limited	5.00
BMA Capital Management Limited	4.39
Arif Habib Securities Limited	3.06

24. PERFORMANCE TABLE

	2012	2011	2010	2009
Net assets (Rs '000) (ex-distribution) *	1,535,043	1,313,432	1,277,711	1,142,843
Net assets value per certificate as at June 30 (Rs) (ex-distribution) *	12.79	10.95	10.65	9.52
Distribution				
- Final	17.50%	5.50%	-	-
- Interim	-	-	10.00%	-
Dates of distribution (annual)	Sep 14, 2011	Oct 20, 2010	Oct 20, 2009	-
Distribution (Rs '000')	210,000	66,000	120,000	-
Highest NAV per certificate (Rs)	13.12	12.82	11.56	11.85
Lowest NAV per certificate (Rs)	11.06	10.67	9.52	6.76
Total return	16.80%	25.38%	22.73%	(10.79%)
Earnings / (loss) per certificate (Rs)	2.11	1.88	2.07	(1.30)

* The distribution for the year ended is made subsequent to the year end, therefore, is not accounted for in these financial statements as also explained in note 22.

	One year	Two years	Three years	Four years
Average annual return as at June 30, 2012	16.80%	21.02%	21.58%	12.53%

Investment portfolio composition of the Fund

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

Past performance is not necessarily indicative of future performance and certificate prices and investment returns may fluctuate as described in note 18.

25. INVESTMENT COMMITTEE MEMBERS

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

Name	Designation	Qualification	Experience in years
1. Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	Twenty two years
2. Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Sixteen years
3. Ms. Sanam Ali Zaib	Head of Research	CFA / MBA	Eight years
4. Mr. Muhammad Ali	AVP Investments	CFA / FRM / MBA / MS	Eighteen years
5. Mr. M. Farhan Lakhani	Manager Research and Investments / Fund Manager	CFA / BBA	Three years
6. Ms. Bushra Tariq	Senior Manager	BBA	Three years
7. Mr. Shakil Ahmed	Senior Manager	CFA / MBA	Five years

25.2 The Fund manager of the Fund is Mr. M. Farhan Lakhani. Other funds being managed by the Fund manager are as follows:

- KSE Meezan Index Fund
- Meezan Balanced Fund

26. PATTERN OF CERTIFICATE HOLDING

As at June 30, 2012			
	Number of investors	Investment amount	Percentage of total investment
	(Rupees in '000)		
Individuals	907	309,256	25.77
Associated companies / directors	10	319,993	26.67
Insurance companies	2	13,000	1.08
Banks / DFIs	6	180,760	15.06
NBFCs	7	65,541	5.46
Retirement funds	23	100,034	8.34
Public limited companies	16	211,416	17.62
Total	971	1,200,000	100.00

As at June 30, 2011			
	Number of investors	Investment amount	Percentage of total investment
	(Rupees in '000)		
Individuals	929	207,659	17.29
Associated companies / directors	8	319,988	26.67
Insurance companies	1	3,000	0.25
Banks / DFIs	10	228,491	19.04
NBFCs	4	42,230	3.52
Retirement funds	23	129,826	10.82
Public limited companies	16	172,585	14.38
Others	3	96,221	8.03
Total	994	1,200,000	100.00

27. CORRESPONDING FIGURES

For better presentation:

i) Securities transaction cost is now presented on the face of the income statement. Previously transaction costs were bifurcated into 'brokerage' and 'settlement charges' on the face of the income statement; and

ii) The following are now presented on the face of the cash flow statement:

- Net realised gain on the sale of investments
- Gross dividend income for the year
- Charity expense for the year
- Profit received on bank account relating to charity payable.

Accordingly, the corresponding amounts for the year ended June 30, 2011 have been reclassified. As the reclassification is not considered to be material, therefore, the company has not presented the balance sheet as at the beginning of the earliest comparative period presented (i.e. July 1, 2010).

28. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements have been authorised for issue on September 21, 2012 by the Board of Directors of the management company.

29. GENERAL

The bifurcation of Undistributed income / (accumulated loss) carried forward and brought forward into 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

For Al Meezan Investment Management Limited
(Management Company)



Mazhar Sharif
Director

PATTERN OF CERTIFICATE HOLDING

AS AT JUNE 30, 2012

NO. OF CERTIFICATE HOLDERS	HAVING CERTIFICATES		CERTIFICATES HELD	%
	From	To		
49	1	100	1050	0.0009
229	101	500	111365	0.0928
81	501	1000	79415	0.0662
277	1001	5000	894865	0.7457
118	5001	10000	1105114	0.9209
31	10001	15000	400814	0.3340
33	15001	20000	609960	0.5083
10	20001	25000	236841	0.1974
12	25001	30000	326216	0.2718
5	30001	35000	166805	0.1390
5	35001	40000	193454	0.1612
8	40001	45000	340530	0.2838
10	45001	50000	498500	0.4154
3	50001	55000	156250	0.1302
1	55001	60000	57050	0.0475
3	60001	65000	183624	0.1530
2	65001	70000	137035	0.1142
4	70001	75000	294100	0.2451
9	80001	85000	739680	0.6164
1	85001	90000	88000	0.0733
1	90001	95000	91575	0.0763
4	95001	100000	400000	0.3333
2	100001	105000	200515	0.1671
3	105001	110000	324577	0.2705
3	130001	135000	403334	0.3361
1	135001	140000	140000	0.1167
1	140001	145000	143069	0.1192
1	155001	160000	158836	0.1324
1	190001	195000	194800	0.1623
3	195001	200000	597633	0.4980
1	205001	210000	210000	0.1750
1	215001	220000	220000	0.1833
1	235001	240000	239145	0.1993
4	245001	250000	1000000	0.8333
1	250001	255000	250500	0.2088
1	255001	260000	256000	0.2133
1	295001	300000	300000	0.2500
2	335001	340000	671069	0.5592
5	395001	400000	1996449	1.6637
1	450001	455000	452499	0.3771
1	465001	470000	468000	0.3900

NO. OF CERTIFICATE HOLDERS	HAVING CERTIFICATES		CERTIFICATES HELD	%
	From	To		
1	485001	490000	489525	0.4079
4	495001	500000	2000000	1.6667
1	505001	510000	510000	0.4250
1	530001	535000	534566	0.4455
1	575001	580000	579940	0.4833
1	600001	605000	602000	0.5017
1	745001	750000	750000	0.6250
1	795001	800000	800000	0.6667
1	800001	805000	800500	0.6671
1	900001	905000	901500	0.7512
1	920001	925000	922000	0.7683
7	995001	1000000	7000000	5.8333
1	1110001	1115000	1114880	0.9291
1	1150001	1155000	1150001	0.9583
1	1470001	1475000	1471392	1.2262
1	1550001	1555000	1551000	1.2925
1	1880001	1885000	1882000	1.5683
1	1930001	1935000	1933623	1.6114
3	2495001	2500000	7500000	6.2500
1	2625001	2630000	2628118	2.1901
1	3535001	3540000	3536100	2.9468
1	3820001	3825000	3821824	3.1849
1	4165001	4170000	4167903	3.4733
1	4995001	5000000	5000000	4.1667
1	7030001	7035000	7034468	5.8621
1	7795001	7800000	7798166	6.4985
1	8020001	8025000	8024034	6.6867
1	9095001	9100000	9100000	7.5833
1	9995001	10000000	10000000	8.3333
1	11055001	11060000	11057791	9.2148
<u>971</u>		Company Total	<u>120000000</u>	<u>100.0000</u>

CATEGORIES OF CERTIFICATE HOLDERS

AS AT JUNE 30, 2012

PARTICULARS	CERTIFICATE HOLDERS	CERTIFICATE HOLDING	%
DIRECTORS, CEO & SPOUSE	2	13,475	0.0112
ASSOCIATED COMPANIES	7	31,975,793	26.6465
BANKS, DFI & NBF	9	19,963,101	16.6359
INSURANCE COMPANIES	2	1,300,000	1.0833
MODARABAS & MUTUAL FUNDS	4	4,667,003	3.8892
GENERAL PUBLIC (LOCAL)	897	28,476,893	23.7307
GENERAL PUBLIC (FOREIGN)	11	2,458,753	2.0490
OTHERS	38	29,262,982	24.3858
FOREIGN COMPANIES	1	1,882,000	1.5683
Company Total	971	120,000,000	100.0000

STATEMENT OF THE INCOME & EXPENDITURE OF THE MANAGEMENT COMPANY IN RELATION TO THE FUND.

FOR THE YEAR ENDED JUNE 30, 2012

2012 2011
(Rupees in '000)

INCOME

Remuneration from Meezan Balanced Fund
Dividend income

29,108	28,069
6,688	2,102
35,796	30,171

OPERATING EXPENSES

Salaries and other benefits
Motor vehicle running expenses
Fees and subscription
Takaful
Printing and stationery
Communication
Depreciation
Travelling and conveyance
Entertainment
Legal and professional charges
Repair and maintenance
Office supplies
Training and development
Rent, rates and taxes
Utilities
Shariah advisory fee
Miscellaneous expenses

6,165	7,256
218	189
189	141
90	55
57	70
265	286
369	466
36	19
36	37
61	162
39	147
84	76
20	19
442	430
86	86
131	183
9	11
8,295	9,632

OPERATING PROFIT

27,501	20,539
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Note: The above expenses are allocated based on the average net assets of the respective funds managed by the Management Company. Other revenue and expenses not relating to the fund have not been included in the above statement.



(AM2 rating by JCR-VIS)

Al Meezan Investment Management Ltd.

A subsidiary of Meezan Bank

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