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## Our 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.*

## Our Vision

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





## FUND INFORMATION

### INVESTMENT ADVISER

Al Meezan Investment Management Limited  
Ground Floor, Block "B", Finance & Trade Centre,  
Shahrah-e-Faisal, Karachi 74400, Pakistan.  
Phone: (9221) 5630722-6, 111-MEEZAN  
Fax: (9221) 5676143, 5630808  
Web site: www.almeezangroup.com  
E-mail: info@almeezangroup.com

### BOARD OF DIRECTORS OF THE INVESTMENT ADVISER

Mr. Irfan Siddiqui	Chairman
Mr. Ariful Islam	Director
Mr. Tasnimul Haq Farooqui	Director
Mr. Najmul Hassan	Director
Mr. Shabbir Hamza Khandwala	Director
Mr. Mazhar Sharif	Director
Mr. Mohammad Shoaib, CFA	Chief Executive

### CFO & COMPANY SECRETARY OF THE INVESTMENT ADVISER

Syed Owais Wasti

### AUDIT COMMITTEE

Mr. Ariful Islam	Chairman
Mr. Tasnimul Haq Farooqui	Member
Mr. Shabbir Hamza Khandwala	Member
Mr. Mazhar Sharif	Member

### TRUSTEE

Central Depository Company of Pakistan Limited  
8<sup>th</sup> Floor, Karachi Stock Exchange Building  
Stock Exchange Road  
Karachi

### AUDITORS

KPMG Taseer Hadi & Co.  
Chartered Accountants  
First Floor, Sheikh Sultan Trust Building No. 2  
Beaumont Road, Karachi-75530, Pakistan.

### BANKERS TO THE FUND

Meezan Bank Limited  
Bank Al Habib Limited  
MCB Bank Limited  
Habib Bank AG Zurich  
Al Baraka Islamic Bank B.S.C (E.C)  
Prime Commercial Bank Limited  
BankIslami Pakistan Limited

### LEGAL ADVISER

Bawaney & Partners  
404, 4<sup>th</sup> Floor, Beaumont Plaza, 6-CL-10  
Beaumont Road, Civil Lines  
Karachi - 75530  
Phone: (9221) 565 7658-59  
Fax: (9221) 565 7673  
E-mail: bawaney@cyber.net.pk

### TRANSFER AGENT

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





## **Directors' Report for Meezan Balanced Fund for the Nine Months and quarter ended March 31, 2007**

The Board of Directors of Al Meezan Investment Management Limited, the Management Company of Meezan Balanced Fund, is pleased to present you the unaudited accounts of Meezan Balanced Fund (MBF) for the nine months ended March 31, 2007.

### **Market Review**

#### **Equity Markets**

After a disappointing 1HFY07 for the Pakistani stock market, where the KSE-100 Index gained only 0.51%, it recorded impressive performance during 3QFY07 with a rise of 12.27% mainly driven by foreign flows. Foreign funds inflow was high during the third quarter on account of attractive valuations of Pakistani stocks as rising domestic political tensions were largely ignored. On the other hand, domestic investors remained cautious in the wake of uncertainty relating to SECP probes into stock market operations. Foreign interest driven rally led to KSE-100 index high of 11,867 on February 8, 2007 and was abated by an across the board decline in global equity markets, especially the Asian markets, on concerns of monetary tightening in China. This, combined with a slowdown in its major trading partner, the US, resulted in a major correction in the Chinese market followed by the other Asian markets. However, the regulatory authorities in these markets reassured their investors that there was nothing to be worried about which resulted in a rebound in nearly all the major markets of the world. Pakistan, which is being rated as one of the most attractive markets of the region by Merrill Lynch, once again attracted international fund flows that stabilized the market.

#### **Debt Markets**

During the period under review, State Bank of Pakistan maintained its tight monetary policy stance and signaled that this stance will continue as inflationary pressures are still prevailing in the economy. In the interbank market, average KIBOR during 3QFY07 inched up 10 bps to 10.5% versus average of 1HFY07. On the Islamic debt market side, a number of companies like SSGC, PIA and WAPDA are in the process of raising funds through sukuks (Islamic Bonds). Furthermore, efforts are underway to develop a Shariah compliant alternative to Treasury bills that can be used by Islamic Banks for their liquidity and statutory liquidity requirements. We believe that launch of such a product will also significantly help Islamic mutual funds as there are currently limited options available on the Shariah compliant fixed income/ debt side.

#### **Operational Review**

On the back of rising stock prices as well as rising interest rates Meezan Balanced Fund posted a return of 8.2% during the period against benchmark return of 9.7% during the same period.



For the nine months ended March 31, 2007, the fund earned gross income of Rs. 137 million, main contributors of which were dividend income of Rs. 49 million and capital gain of Rs. 65 million. Rs. 23 million was also earned as profit on sukuk and other Shariah compliant income/ debt instruments. After accounting for expenses of Rs. 41 million and revaluation gain of Rs. 28 million, the fund recorded a net profit of Rs. 124 million for the nine month period. This translates into basic earnings per certificate of Rs. 1.03. The net assets of MBF as at March 31, 2007 were Rs. 1,397 million translating into net asset value per certificate of Rs. 11.64.

#### **Investment Policy**

MBF has a policy of investing upto 60% of its net assets in Shariah compliant equity instruments while the balance amount is invested in Shariah compliant income/ debt instruments. Therefore, it is the only Shariah compliant balanced fund in Pakistan. In line with its Investment policy the fund was on average 52.05% invested in equities during 9MFY07. This allowed the fund to significantly protect itself from the volatility in stock market by investing in lower risk income instruments and consequently its NAV based net return for the period of 8.2% was marginally lower than the benchmark return, which is a gross return.

#### **Mutual Fund Rating**

You would be pleased to know that Pakistan Credit Rating Agency (PACRA) has assigned 5-Star rating to MBF which denotes superior performance of MBF versus its peers. MBF has been able to maintain its top rating because of consistency of returns displayed over the last two and a half years since its launch.

#### **Future Outlook**

We remain hopeful of the future prospects of Meezan Balanced Fund in particular. Its balanced investment policy is ideal for Shariah conscious investors who want a combination of the equity upside and protection of income/ debt instruments. With long term economic fundamentals of Pakistan intact, corporate earnings and thus the stock market should continue to perform well. On the other hand, expected development of Shariah compliant debt instruments will also auger well for investors of MBF.

We take this opportunity to thank our valuable investors for reposing faith in us. We also thank the regulator, Securities and Exchange Commission of Pakistan, MBF's trustee, Central Depository Company of Pakistan and the management of Karachi Stock Exchange for all their support and guidance.

For and on behalf of the Board

April 24, 2007  
Karachi

Mohammad Shoaib, CFA  
Chief Executive



**Al Meezan**  
Investment Management Ltd.



**CONDENSED INTERIM STATEMENT OF  
ASSETS AND LIABILITIES  
AS AT MARCH 31, 2007**

		March 31, 2007 (Unaudited)	June 30, 2006 (Audited)
	Note	----(Rupees in '000)----	
<b>Assets</b>			
Bank balances		304,086	53,138
Receivable against sale of investments		58,278	212,596
Investment in marketable securities			
- 'available for sale'		-	200,000
Investment in marketable securities			
- 'at fair value through profit or loss'	5	1,057,312	1,236,117
Dividend receivable		7,598	12,635
Derivative financial instruments	6	900	4,732
Advances, deposits, prepayments and other receivables		9,313	4,900
Preliminary expenses and floatation costs		3,751	5,002
<b>Total assets</b>		<b>1,441,238</b>	<b>1,729,120</b>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited Investment Adviser of the Fund		36,453	51,544
Payable to Central Depository Company of Pakistan Limited Trustee of the Fund		135	138
Payable to Securities and Exchange Commission of Pakistan		1,068	1,488
Payable against purchase of investments		40	149,965
Accrued expenses and other liabilities		1,937	1,157
Derivative financial instruments	6	1,086	8,523
Unclaimed dividend		3,396	3,101
<b>Total liabilities</b>		<b>44,115</b>	<b>215,916</b>
<b>Net assets</b>		<b>1,397,123</b>	<b>1,513,204</b>
<b>Deferred sale commitments</b>	6		
<b>Certificate holders' equity</b>			
<b>Issued, subscribed and paid-up capital</b>			
120,000,000 ordinary certificates of Rs. 10 each issued as fully paid up in cash		1,200,000	1,200,000
Unappropriated income carried forward		197,123	313,204
		<b>1,397,123</b>	<b>1,513,204</b>

The annexed notes from 1 to 10 form an integral part of these financial statements.

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

**Chief Executive**

**Director**



**Al Meezan**  
Investment Management Ltd.



**CONDENSED INTERIM  
INCOME STATEMENT (UNAUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2007**

	Nine months ended March 31, 2007	Nine months ended March 31, 2006	Quarter ended March 31, 2007	Quarter ended March 31, 2006
..... (Rupees in '000) .....				
<b>Income</b>				
Gain on sale of investments (net)	65,422	288,166	22,624	188,975
Dividend income	48,742	46,230	12,735	14,299
Profit on deposit accounts with banks	16,346	6,168	6,591	4,282
Profit on term finance certificates	198	395	(40)	117
Profit on Sukuk certificates	6,330	4,486	1,980	4,486
	137,038	345,445	43,890	212,159
Unrealised gain on investments - 'at fair value through profit or loss' (Loss) / Gain on derivative financial instruments (net)	24,500	101,284	41,010	(50,129)
	3,605	1,634	(3,238)	4,206
	28,105	102,918	37,772	(45,923)
<b>Total income</b>	165,143	448,363	81,662	166,236
<b>Operating expenses</b>				
Remuneration of Al Meezan Investment Management Limited - Investment Adviser of the Fund	31,229	33,372	10,341	12,269
Remuneration of Central Depository Company of Pakistan Limited - Trustee of the Fund	1,210	1,242	391	437
Annual fee-Securities and Exchange Commission of Pakistan	1,068	1,103	342	397
Auditors' remuneration	281	290	68	88
Fees and subscription	221	87	157	45
Amortisation of preliminary expenses and floatation costs	1,251	1,266	417	421
Brokerage	5,003	12,138	1,193	3,581
Legal and professional charges	113	114	37	38
Settlement and bank charges	848	960	206	179
	41,224	50,572	13,152	17,455
<b>Net income for the period</b>	123,919	397,791	68,510	148,781
..... (Rupees) .....				
<b>Basic earnings per certificate</b>	1.03	3.31	0.57	1.24

The annexed notes from 1 to 10 form an integral part of these financial statements.

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

Chief Executive

Director



**Al Meezan**  
Investment Management Ltd.



**CONDENSED INTERIM  
DISTRIBUTION STATEMENT (UNAUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2007**

	<b>Nine months ended March 31, 2007</b>	Nine months ended March 31, 2006	<b>Quarter ended March 31, 2007</b>	Quarter ended March 31, 2006
	..... (Rupees in '000) .....			
Unappropriated income brought forward	<b>313,204</b>	146,636	<b>128,613</b>	158,583
Net income for the period	<b>123,919</b>	397,791	<b>68,510</b>	265,844
Less: Final distribution in the form of cash dividend for the year ended June 30, 2006 @ 20% (June 30, 2005 @ 10%)	<b>(240,000)</b>	(120,000)	-	-
Unappropriated income carried forward	<u><b>197,123</b></u>	<u>424,427</u>	<u><b>197,123</b></u>	<u>424,427</u>

The annexed notes from 1 to 10 form an integral part of these financial statements.

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

**Chief Executive**

**Director**

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**Al Meezan**  
Investment Management Ltd.



**CONDENSED INTERIM STATEMENT OF MOVEMENT  
IN EQUITY AND RESERVES-PER CERTIFICATE  
(UNAUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED AS AT MARCH 31, 2007**

	Nine months ended March 31, 2007	Nine months ended March 31, 2006 (Restated)	Quarter ended March 31, 2007	Quarter ended March 31, 2006
	----- (Rupees in '000) -----			
Net assets per certificate at the beginning of the period	12.61	11.22	11.07	11.32
Gains on sale of investments (net)	0.55	2.40	0.20	2.09
Dividend income	0.41	0.39	0.11	0.33
Profit on deposit accounts with banks	0.14	0.05	0.06	0.04
Profit on Sukuk Certificates	0.05	0.04	0.01	0.04
Unrealised gain on investments - 'at fair value through profit or loss'	0.20	0.85	0.34	(0.02)
(Loss)/gain revaluation of derivatives	0.03	0.01	(0.03)	0.01
Operating expenses	(0.34)	(0.42)	(0.11)	(0.27)
Net income for the period	1.03	3.32	0.57	2.22
Dividend payable of Rs. 2 (June 30, 2005: Re. 1 per certificate) for the year ended June 30, 2006	(2.00)	(1.00)	-	-
Net assets per certificate as at March 31, 2007	<u>11.64</u>	<u>13.54</u>	<u>11.64</u>	<u>13.54</u>

The annexed notes from 1 to 10 form an integral part of these financial statements.

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

**Chief Executive**

**Director**



**CONDENSED INTERIM CASH FLOW STATEMENT  
(UNAUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2007**

	<b>Nine months ended March 31, 2007</b>	<b>Nine months ended March 31, 2006</b>	<b>Quarter ended March 31, 2007</b>	<b>Quarter ended March 31, 2006</b>
..... (Rupees in '000) .....				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period	123,919	397,791	68,510	148,781
<b>Adjustments for:</b>				
Dividend income	(48,742)	(46,230)	(12,735)	(14,299)
Profit on deposit accounts with banks	(16,346)	(6,168)	(6,591)	(4,282)
Profit on term finance certificates	(198)	(395)	40	(117)
Profit on Sukuk Certificates	(6,330)	-	(1,980)	-
Unrealised (gain) on investments - 'at fair value through profit or loss'	(24,500)	(101,284)	(41,010)	50,129
Loss / (Gain) on derivative financial instruments (net)	(3,605)	(1,634)	3,238	(4,206)
Amortisation of preliminary expenses and floatation costs	1,251	1,266	417	421
	<b>25,449</b>	<b>243,346</b>	<b>9,889</b>	<b>176,427</b>
<b>(Increase) / decrease in current assets</b>				
Receivable against sale of investments	154,318	-	(53,473)	-
Investment in marketable securities - 'available for sale'	200,000	(200,000)	-	(200,000)
Investment in marketable securities - 'at fair value' through profit or loss'	203,305	171,637	153,178	(42,102)
Advances, deposits, prepayments and other receivables	1,269	(4,557)	1,373	(4,445)
	<b>558,892</b>	<b>(32,920)</b>	<b>101,078</b>	<b>(246,547)</b>
<b>Increase / (decrease) in current liabilities</b>				
Payable to Al Meezan Investment Management Limited - Investment Adviser of the Fund	(15,091)	8,889	10,341	12,269
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	(3)	36	4	19
Payable to Securities and Exchange Commission of Pakistan	(420)	1,103	(1,146)	397
Payable against purchase of investments	(149,925)	63,845	-	56,922
Accrued expenses and other liabilities	780	605	90	204
	<b>(164,659)</b>	<b>74,478</b>	<b>9,289</b>	<b>69,811</b>
Dividend income received	53,779	46,307	7,929	8,022
Profit received on deposit accounts with banks	13,756	3,613	5,318	1,962
Profit received on term finance certificates	238	238	1	-
Profit received on WAPDA Sukuk certificates	3,198	-	(3,811)	-
Net cash inflow / (outflow) from operating activities	<b>490,653</b>	<b>335,062</b>	<b>129,693</b>	<b>9,675</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividend Paid	(239,705)	(116,801)	(8,481)	(387)
Bank Balances at the beginning of the period	53,138	148,555	318,716	89,653
Bank Balances as at the March 31, 2007	<b>304,086</b>	<b>366,816</b>	<b>439,928</b>	<b>98,941</b>

The annexed notes from 1 to 10 form an integral part of these financial statements.

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

**Chief Executive**

**Director**





**NOTES TO THE CONDENSED INTERIM  
FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2007**

**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 Investment Management Limited (AMIML) as Investment Adviser and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on June 15, 2004 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on September 08, 2004 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Investment Adviser is situated in Finance & Trade Centre (FTC), Sharah-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 Investment Adviser has appointed Meezan Bank Limited as Shariah Adviser to ensure that the activities of the Fund are in compliance with the principles of Islamic Shariah. The Investment Adviser of the Fund is registered with the SECP as a Non-Banking Finance Company under NBFC Rules.

The Fund is a closed end scheme (mutual fund) and its certificates are listed on the Karachi Stock Exchange.

**2. BASIS OF PRESENTATION**

The transactions undertaken by the Fund in accordance with the process prescribed under the Shariah Guidelines issued by the Shariah Adviser are accounted for on substance rather than the form prescribed by the earlier referred guidelines.

**3. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the requirements of approved accounting standards as applicable in Pakistan, the requirements of the Non Banking Finance Companies (Establishment & Regulation) Rules, 2003 and the directives issued by the Securities and Exchange Commission of Pakistan. The disclosures made in these financial statements have, however, been limited based on the requirements of International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and should be read in conjunction with the financial statements as at and for the year ended June 30, 2006. Approved accounting standards comprise of such IASs as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of these standards, the requirements of the Non Banking Finance Companies (Establishment & Regulation) Rules, 2003 and the said directives differ with the requirements of these standards, the requirements of the Non Banking Finance Companies (Establishment & Regulation) Rules, 2003 and the said directives take precedence.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these financial statements and the significant judgements made by management in applying those accounting policies and the key sources of estimation uncertainty are the same as those applied in the preparation of the financial statements as at and for the year ended June 30, 2006.



		(Unaudited) March 31, 2007	(Audited) June 30, 2006
		----(Rupees in '000)----	
		Note	
<b>5.</b>	<b>INVESTMENT IN MARKETABLE SECURITIES -'at fair value through profit or loss'</b>		
	Held for trading	5.1	836,149
	Investments 'at fair value through profit or loss upon initial recognition.'	5.2	1,115,415
			<u>221,163</u>
			<u>1,057,312</u>
			<u>1,236,117</u>
			<b>March 31, 2007</b>
			<b>June 30, 2006</b>
			----(Rupees in '000)----
<b>5.1</b>	<b>Held for trading</b>		
	Shares of listed companies	5.1.1	746,325
	Sukuk Certificates	5.1.2	1,115,415
			<u>89,824</u>
			<u>836,149</u>
			<u>1,115,415</u>
<b>5.1.1</b>	<b>Shares of listed companies</b>		

Name of the investee company	As at July 01, 2006	Purchases during the period	Bonus / rights issue	Sales during the period	Closing balance as at March 31, 2007	Cost as at March 31, 2007	Market value as at March 31, 2007	Unrealised loss as at March 31, 2007	Percentage in relation to		
									Net assets of the Fund on the basis of market value of investments (see note 5.1.2 below)	Paid-up capital of investee company (with face value of investments)	Total market value (carrying value of investments)
						(Rupees in '000)					
<b>Commercial Banks</b>											
Bank Islami Pakistan Limited	475,000	255,000	-	50,000	680,000	7,862	6,664	(1,198)	0.48	0.34	0.89
<b>Textile composite</b>											
Nishat Mills Limited	343,000	1,608,300	66,300	1,329,500	688,100	65,991	69,223	3,232	4.95	0.43	9.28
<b>Synthetic &amp; Rayon</b>											
Dewan Salman Fiber Ltd	-	50,000	-	-	50,000	382	392	10	0.03	0.02	0.05
<b>Jute</b>											
Thal Limited	82,400	-	16,480	-	98,880	13,930	19,380	5,450	1.39	0.42	2.60
<b>Cement</b>											
Attock Cement Pakistan Limited	5,000	-	-	-	5,000	455	482	27	0.03	0.01	0.06
Cherat Cement Company Limited	166,750	-	12,832	81,200	98,382	5,561	4,649	(912)	0.33	0.10	0.62
D.G. Khan Cement Limited	130,500	1,010,600	43,050	1,017,500	166,650	11,841	14,415	2,574	1.03	0.07	1.93
Pioneer Cement Limited	-	747,500	-	747,500	-	-	-	-	-	-	-
Maple Leaf Cement Limited	558,500	-	-	558,500	-	-	-	-	-	-	-
Fauji Cement Limited	100,000	200,000	-	150,000	150,000	2,541	2,490	(51)	0.18	0.04	0.33
<b>Refinery</b>											
National Refinery Limited	159,000	10,000	-	500	168,500	44,870	40,474	(4,396)	2.90	0.25	5.42
<b>Power generation and distribution</b>											
Kot Addu Power Company Limited	254,500	-	-	246,000	8,500	358	496	138	0.04	0.00	0.07
The Hub Power Company Limited	4,152,500	1,400,000	-	3,596,000	1,956,500	47,405	56,641	9,236	4.05	0.17	7.59
<b>Oil and gas marketing companies</b>											
Pakistan State Oil Company Limited	183,100	1,388,400	-	1,540,900	30,600	10,026	10,865	839	0.78	0.02	1.46
Shell Pakistan Limited	17,796	-	4,449	22,245	8,567	8,676	109	0.62	0.04	1.16	
Sui Southern Gas Company Limited	50,000	-	-	50,000	-	-	-	-	-	-	-
<b>Oil and gas exploration companies</b>											
Oil and Gas Development Company Limited	823,000	2,772,266	-	2,879,500	715,766	87,285	85,033	(2,252)	6.09	0.02	11.39
Pakistan Oilfields Limited	195,500	685,500	-	794,500	86,500	29,637	27,736	(1,901)	1.99	0.04	3.72
Pakistan Petroleum Limited	229,500	1,334,500	-	1,328,000	236,000	59,178	57,903	(1,275)	4.14	0.03	7.76
<b>Technology and communication</b>											
Pakistan Telecommunication Company Limited 'A'	1,153,000	9,343,500	-	9,961,500	535,000	25,454	25,359	(95)	1.82	0.01	3.40
<b>Fertilizer</b>											
Engro Chemical (Pakistan) Limited	280,370	317,500	-	232,500	365,370	63,517	67,886	4,369	4.86	0.22	9.10
Fauji Fertilizer Bin Qasim Company Limited	871,000	3,123,000	-	3,063,000	931,000	29,531	29,653	122	2.12	0.10	3.97
Fauji Fertilizer Company Limited	603,719	2,162,500	-	2,161,600	604,619	70,117	63,817	(6,300)	4.57	0.12	8.55
				Balance carried forward		584,508	592,233	7,726			



Name of the investee company	As at July 01, 2006	Purchases during the period	Bonus / rights issue	Sales during the period	Closing balance as at March 31, 2007	Cost as at March 31, 2007	Market value as at March 31, 2007	Unrealised loss as at March 31, 2007	Percentage in relation to		
									Net assets of the Fund on the basis of market value of investments (see note 5.1.2 below)	Paid-up capital of investee company (with face value of investments)	Total market value (carrying value of investments)
Number of shares of listed companies					(Rupees in '000)						
Balance brought forward					584,508	592,233	7,726				
<b>Securities sold under deferred sale arrangements</b>											
<b>Textile Composite</b>											
Nishat Mills Limited	373,500	2,803,500		2,677,000	500,000	47,950	50,300	2,350	3.60	0.31	6.74
<b>Cement</b>											
DG Khan Cement Ltd.	-	244,500		244,500	-	-	-	-	-	-	-
Pioneer Cement Ltd.	-	3,477,000		3,477,000	-	-	-	-	-	-	-
<b>Power generation and distribution</b>											
The Hub Power Company Limited	400,000			400,000	-	-	-	-	-	-	-
<b>Oil and gas marketing companies</b>											
Pakistan State Oil Company Limited	52,500	339,000		391,500	-	-	-	-	-	-	-
<b>Oil and gas exploration companies</b>											
<b>Oil and Gas Development Company Limited</b>											
Oil and Gas Development Company Limited	600,000	1,443,000		1,843,000	200,000	24,390	23,760	(630)	1.70	0.00	3.18
Pakistan Oilfields Limited	174,000	178,500		352,500	-	-	-	-	-	-	-
Pakistan Petroleum Limited	222,500	1,451,000		1,561,500	112,000	28,084	27,479	(605)	1.97	0.02	3.68
<b>Technology and communication</b>											
<b>Pakistan Telecommunication Company Limited 'A'</b>											
Pakistan Telecommunication Company Limited 'A'	1,783,000	4,061,000		5,844,000	-	-	-	-	-	-	-
<b>Fertilizer</b>											
<b>Engro Chemical (Pakistan) Limited</b>											
Engro Chemical (Pakistan) Limited	-	175,500		175,500	-	-	-	-	-	-	-
<b>Fauji Fertilizer Bin Qasim Company Limited</b>											
Fauji Fertilizer Bin Qasim Company Limited	1,200,000	10,466,000		10,016,000	1,650,000	52,355	52,553	198	3.76	0.18	7.04
<b>Fauji Fertilizer Company Limited</b>											
Fauji Fertilizer Company Limited	292,000	871,500		1,163,500	-	-	-	-	-	-	-
<b>Total</b>						<u>737,286</u>	<u>746,325</u>	<u>9,039</u>			

5.1.1 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.

5.1.2 Net assets are defined in Rule, 2 (xxxiv) of NBFC Rules.

5.1.3 SECP through its letter NO.SEC/NBFC-DD-I/476/2004 dated May 26, 2004 has increased the investment limits prescribed in rule 49(3) and (4) of NBFC Rules to fifteen percent and thirty percent respectively.

**5.1.4 WAPDA Sukuk Certificates**

Name of the investee company	As at 01 July 01, 2006	Purchases during the period	Sales during the period	As at March 31, 2007	Cost as at March 31, 2007	Percentage in relation to		
						Net assets of the Fund (with market value of investments)	Paid-up capital of investee company (with face value of investments)	Total market value (carrying value of investments)
-----Number of certificates-----					Rs in '000			
WAPDA First Sukuk Company Limited	-	20,000	2,500	17,500	89,824	0.08	1.09	100

These certificates carry a return at the rate of 10.88% receivable on a semi annual basis with principal redeemable on maturity. The nominal value of the above certificates is Rs. 5,000 each.



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

	Note	March 31, 2007	June 30, 2006
----- (Rupees in '000) -----			
Shares of listed companies	5.2.1	131,163	115,702
Term finance certificates	5.2.2	-	5,000
Sukuk Certificates	5.2.3	90,000	-
		<u>221,163</u>	<u>120,702</u>

### 5.2.1 Shares of listed companies

Name of the investee company	As at July 01, 2006	Purchases during the period	Bonus / rights issue	Sales during the period	Closing balance as at March 31, 2007	Cost as at March 31, 2007	Market value as at March 31, 2007	Unrealised loss as at March 31, 2007	Percentage in relation to		
									Net assets of the Fund on the basis of market value of investments (see note 7.1.2 above)	Paid-up capital of investee company (with face value of investments)	Total market value (carrying value of investments)
Number of shares of listed companies								----- (Rupees in '000) -----			
Automobile assembler											
Indus Motor Company Limited	206,100	-	-	-	206,100	39,365	49,484	10,119	0.04	0.26	37.73
Paper and board											
Packages Limited	364,637	-	-	-	364,637	76,337	81,679	5,342	0.06	0.52	62.27
						<u>115,702</u>	<u>131,163</u>	<u>15,461</u>			

### 5.2.2 Term finance certificates

Name of the investee company	As at July 01, 2006	Purchases during the period	Sales during the period	Redemptions during the period	As at March 31, 2007	Cost as at March 31, 2007	Percentage in relation to			
							Net assets of the Fund (with market value of investments)	Paid-up capital of investee company (with face value of investments)	Total market value (carrying value of investments)	
Number of certificates						(Rs. in '000)				
Al-Zamin Leasing										
Modaraba-II	1,000	-	1,000	-	-	-	-	-	-	-

The TFCs carry a return of 8.0%, receivable on a semi annual basis with principal redeemable on maturity. The nominal value of these term finance certificates (TFCs) is Rs. 5,000 each.

### 5.2.3 Sukuk Certificates

Name of the investee company	As at July 01, 2006	Purchases during the period	Sales during the period	As at March 31, 2007	Cost as at March 31, 2007	Percentage in relation to		
						Net assets of the Fund (with market value of investments)	Paid-up capital of investee company (with face value of investments)	Total market value (carrying value of investments)
-----Number of certificates-----					Rs in '000			
Sitra Chemical								
Sukuk Certificates	-	18,000	-	-	90,000	0.06	0.01	100

These certificates carry a return at the rate of 11.99% receivable on a semi annual basis with principal redeemable on maturity. The nominal value of the above certificates is Rs. 5,000 each.

## 6. DERIVATIVE FINANCIAL INSTRUMENTS

Type of contract	Number of shares	Settlement	Underlying	Notional amount (Rupees in '000)	March 31, 2007 *	
					Fair value (Assets)	Fair value (Liabilities)
Deferred Sales	2,462,000	April 2007	Equity indices	154,429	900	1,086
					900	1,086
June 30, 2006					4,732	8,523





**7. TAXATION**

The Fund intends to continue availing the tax exemption by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year. Accordingly, no tax liability and deferred tax has been recognised in these financial statements.

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

The connected persons include Al Meezan Investment Management Limited being the Investment Adviser, Central Depository Company of Pakistan Limited being the Trustee, Meezan Bank Limited being the holding company of the Investment Adviser, Al Meezan Mutual Fund Limited, Meezan Islamic Fund and Meezan Islamic Income Fund being the Funds under the common management of the Investment Adviser and Pakistan Kuwait Investment Company (Private) Limited.

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

Remuneration payable to the Investment Adviser and the Trustee is determined in accordance with the provisions of NBFC Rules and the Trust Deed respectively.

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

	Nine months ended March 31, 2007	Nine months ended March 31, 2006
	-----(Rupees in '000)----	
<b>Transactions and balances with connected persons - unsecured</b>		
<b>Al Meezan Investment Management Limited - Investment Adviser of the Fund</b>		
Remuneration for the period	<u>31,229</u>	<u>33,372</u>
Dividend	<u>7,000</u>	<u>1,701</u>
Balance as at March 31, 2007 / June 30, 2006	<u>36,453</u>	<u>40,042</u>
<b>Meezan Bank Limited</b>		
Profit on deposit accounts with the bank	<u>8,286</u>	<u>4,935</u>
Dividend	<u>32,269</u>	<u>16,134</u>
Balance as at March 31, 2007 / June 30, 2006	<u>5,411</u>	<u>127,796</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration for the period	<u>1,210</u>	<u>1,242</u>
CDS charges for the period	<u>178</u>	<u>365</u>
Balance as at March 31, 2007 / June 30, 2006	<u>1,388</u>	<u>1,607</u>
	<u>136</u>	<u>159</u>



	Nine months ended March 31, 2007 ----(Rupees in '000)----	Nine months ended March 31, 2006
<b>Pakistan Kuwait Investment Company (Private) Limited</b>		
Dividend	<u>22,116</u>	<u>11,058</u>
<b>Directors &amp; Executives of the Investment Adviser</b>		
Dividend	<u>69</u>	<u>34</u>

**9. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS**

These financial statements have been authorised for issue on April 24, 2007 by the Board of Directors of the Investment Adviser.

**10. GENERAL**

- Figures have been rounded off to the nearest thousand Rupees.
- Comparative figures have been reclassified and restated as disclosed in note 9 to the financial statements.

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

**Chief Executive**

**Director**



**STATEMENT OF INCOME & EXPENDITURE OF  
INVESTMENT ADVISER IN RELATION TO THE FUND  
FOR THE NINE MONTHS QUARTER ENDED AS AT MARCH 31, 2007**

<b>INCOME</b>	<b>2007</b>	<b>2006 (Restated)</b>
	-----(Rupees in '000)----	
Investment adviser's remuneration	31,450	33,372
Dividend income	4,100	51
	<u>35,550</u>	<u>33,423</u>
<b>OPERATING EXPENSES</b>		
Salaries and other benefits	4,490	4,537
Motor vehicle running expenses	118	168
Fees & subscription	154	61
Insurance expense	70	48
Stationery & printing	131	210
Communication	249	219
Depreciation	577	760
Travelling & conveyance	109	72
Entertainment	23	72
Legal & professional charges	274	225
Training and development	31	12
Repairs & maintenance	12	13
Office supplies	33	86
Transfer agency fees	229	297
Rent, rates and taxes	579	721
Utilities	142	100
Misc. expense	8	66
	<u>7,229</u>	<u>7,637</u>
<b>Net income for the period</b>	<u><u>28,321</u></u>	<u><u>25,786</u></u>

Note: The above expenses are allocated based on the average net assets of the respective funds managed by the investment adviser. Other revenue and expense not relating to the fund has not been included in the above statement.

