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## Our Vision

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

## 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.*

## 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. Mohammad Shoab, CFA	Chief Executive
Mr. Aliuddin Ansari	Director
Mr. Pervaiz Ahmed	Director
Mr. Rana Ahmed Humayun	Director
Mr. Rizwan Ata	Director
Mr. Mazhar Sharif	Director

### CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

### AUDIT COMMITTEE

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

### TRUSTEE

Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block B, S.M.C.H.S.,  
Main 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  
MCB Bank Limited  
Habib Metropolitan Bank Limited - Islamic Banking Branch  
Al Baraka Islamic Bank B.S.C (E.C)  
Bank Alfalah - Islamic Banking Branch  
Bank Islami Pakistan Limited  
UBL Ameen - Islamic Banking Branch  
Askari Bank Limited - Islamic Banking  
Dawood Islamic Bank Limited  
Emirates Global Islamic Bank Limited

### SHARIAH ADVISER

Meezan Bank Limited

### LEGAL ADVISER

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

### TRANSFER AGENT

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  
FOR THE PERIOD ENDED DECEMBER 31, 2009**

The Board of Directors of Al Meezan Investment Management Limited, the management company of Meezan Balanced Fund (MBF) is pleased to present the un-audited financial statements of the fund for the half year ended December 31, 2009.

**Economic Review**

Pakistan has shown gradual recovery and improvement on the macroeconomic front in the first half of fiscal year 2010. Average year-on-year inflation during the period eased off to 10.3%, which averaged 24.4% during the same period last year. Release of IMF tranche and improved balance of trade numbers have provided a strong impetus to the economy. As a result, foreign exchange reserves increased from US\$ 11.9 billion in June 2009 to US\$ 13.8 billion at the end of December 2009, which is exclusive of the US\$ 1.2 billion tranche received from IMF at the end of 2009. This helped in stabilizing rupee against US dollar, with the rupee depreciating by 4.3% in the period under review. Moreover, remittance inflows made new records, with the first half fiscal year 2010 figure totaling US\$ 4.5 billion, providing crucial support to the balance of payment situation.

On domestic front, tax collection for the period was approximately Rs. 580 billion, which helped Government of Pakistan limit its borrowing from SBP to Rs. 70 billion at the end of December 2009. In view of the declining inflation, State Bank reduced the policy rate by 150bps to 12.5%. Moreover, to meet IMF requirements and to stabilize interest rates, the central bank introduced an interest rate corridor, providing a reverse repo facility at 300bps below the repo rate.

Controlled current account deficit, declining inflation, increasing foreign exchange reserves and improvements in other economic numbers were also acknowledged by International rating agencies as Standard and Poor's upgraded Pakistan's Sovereign rating by one notch to 'B-' and Moody's enhanced its country outlook to 'Stable'.

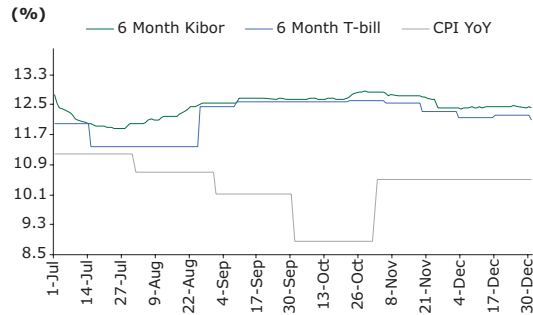
**Monetary Softening**

With the beginning of the new financial year, as inflation started easing off, the central bank continued to ease monetary tightening when it reduced the discount rates by another 150 bps to 12.5% in first half of fiscal year 2010.

The soft monetary stance resulted in six month KIBOR to decline by 33bps to close the half year at 12.43%. However, six month T-bill rate increased by 10bps to close at 12.10%. Moreover, the introduction of interest rate corridor stabilized the overnight call and repo rates within a narrow range of 11.5% to 12.5%.

To reduce government borrowing from SBP and to promote Islamic mode of financing, Central Bank conducted fourth Ijarah Sukuk auction and accepted Rs. 14.4 billion at the cut off rate to T-bill minus 5bps (current coupon of 12.53%). With this auction, the total size of Ijarah Sukuks issued increased to Rs. 42 billion.

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



### Equity Market Review

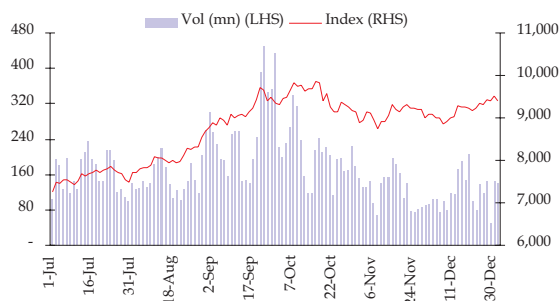
The equity market witnessed a turnaround in the first half ended December 31, 2009 as KSE-100 Index appreciated by 31% or 2,224 points to close the half year at 9,386. This is in sharp contrast to the same period last year when the equity market fell by 52.3%. There was a substantial increase in daily average volume to 172.5 million shares as compared to mere 40.8 million shares in the corresponding period last year during which floor was imposed in the stock market.

At the beginning of the year, uncertainty about the discount rate cut by the Central Bank in the monetary policy statement and late release of IMF tranche caused some concern in the minds of investors and kept market moving at the slow pace. However, it quickly regained its momentum with the discount rate cut, disbursement of IMF tranche and continuous decline in CPI inflation. The growing macro stability is also acknowledged by International rating agencies as Standard and Poor upgraded Pakistan Sovereign rating by one notch to 'B-' and Moody enhanced its outlook to 'Stable'. Later, foreign buying provided impetus to the momentum and made a high of 9,839 in mid of October, 2009.

This momentum was arrested in mid of October as the uncertain law and order situation led to apprehension among investors. Also, on the domestic political front, the uproar from different fronts relating to conditions attached to the Kerry Lugar Bill and later the controversy regarding National Reconciliation Ordinance (NRO) kept the market dull as the focus was diverted from large cap to lower tier stocks and Index dipped below 9,000. However, in the end news about unlocking of NIT LOC units brought about rally in the banking sector and approval of 4th tranche of IMF helped market to close at 9,384 on December 31, 2009. During the same period, KMI-30, the benchmark index, appreciated by 29% to close around 13,754.

### Foreign Flows

Imposition of the price floor and exclusion from the MSCI Emerging Markets index along with the global financial crisis had caused a massive exodus (US\$446 mn) of foreign portfolio investments from the equity market in 2008. However, eventually macro recovery and inclusion in MSCI Frontier Market Index encouraged offshore investments to return to Pakistan with a net foreign inflow of US\$ 291 million in the first half of fiscal year 2010. With the interest rates in most developed countries hitting rock bottom and Pakistan stock market trading at a significant discount to the regional markets, it is expected that foreign portfolio investment will continue to flow in the local market.



### Performance Review

During the first six months of the fiscal year 2010, Meezan Balanced Fund earned a gross income of Rs. 247 million. Realized gains on investments contributed Rs. 107 million to the total income, while unrealized gains on investment of Rs. 75 million further beefed up the income figure. Dividend income for the period totalled to Rs. 30 million, while profit on sukuk certificates and profit on Islamic bank deposits was amounted to Rs. 29 million. During the period, the Fund incurred expenses worth 21 million. As such, the net income figure for the Fund aggregated to Rs. 226 million.

The net assets of the Fund witnessed a decent increase of 8.5% during the period to reach a figure of Rs. 1.24 billion on December 31, 2009. The corresponding NAV per certificate of the Fund rose to Rs. 10.34 at the end of the period after being adjusted for payment of Rs. 120 million as interim cash dividend of Re. 1/- per certificate to certificate holders.

### Outlook

After turbulence in the year 2008, Pakistan's economy has seen a steady turnaround in 2009 with all major economic indicators pointing to greater stability ahead. This will bode well for the manufacturing sector profitability and hence would reduce the risk of credits in the economy. Moreover, as the inflation resumes its rising trend, interest rates will likely remain sticky on the higher side for the short term. On the medium to long term, however, as economy improves and the central bank cuts the policy rate, we expect the interest rates to marginally decline going forward.

On the equity market front, the introduction of a margin financing product, that would hopefully be launched soon, is expected to give a boost to the equity market. The other major issue that investors will likely deal with is the introduction of capital gains tax on stocks in the next federal budget. However, Pakistan's capital market is currently trading at a P/E multiple of around 7.2, which is almost at a 47% discount to the regional markets. This makes KSE an attractive option for the foreign investors, who are expected to continue their investment at the local bourse.

### Acknowledgement

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

Date: February 15, 2010  
Karachi

**Mohammad Shoaib, CFA**  
Chief Executive



## TRUSTEE REPORT TO THE CERTIFICATE HOLDERS

### MEEZAN BALANCED FUND

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

Meezan Balanced Fund (the Fund), a closed-end scheme was established under a trust deed dated June 15, 2004, executed between Al Meezan Investment Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the period from July 01, 2009 to December 31, 2009 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**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, February 09, 2010

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

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

**MEEZAN**  
Balanced Fund



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

A member firm of

**PRICEWATERHOUSECOOPERS** 

A.F. Ferguson & Co  
Chartered Accountants  
State Life Building No. 1-C  
I.I. Chundrigar Road, P.O.Box 4716  
Karachi-74000, Pakistan  
Telephone: (021) 32426682-6 / 32426711-5  
Facsimile: (021) 32415007 / 32427938

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

**Introduction**


We have reviewed the accompanying condensed interim statement of assets and liabilities of Meezan Balanced Fund (the Fund) as at December 31, 2009 and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unitholders' funds and condensed interim cash flow statement together with the notes forming part thereof for the six months period then ended (here-in-after referred to as the 'condensed interim financial information'). The Management Company is responsible for the preparation and presentation of this condensed interim financial information in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim financial information for the quarters ended December 31, 2009 and 2008 have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2009.

**Scope of review**

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

**Conclusion**

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

  
Chartered Accountants  
Karachi, February 17, 2010

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**MEEZAN**  
  
Balanced Fund

**CONDENSED INTERIM  
STATEMENT OF ASSETS AND LIABILITIES  
AS AT DECEMBER 31, 2009 (UNAUDITED - NOTE 3)**

	<i>Note</i>	December 31, 2009	June 30, 2009
<b>Assets</b>		(Rupees in '000)	
Balances with banks		55,098	144,241
Investments	6	1,192,221	992,205
Dividend receivable		6,826	6,156
Advances, deposits, prepayments and other receivables		<u>24,394</u>	<u>18,254</u>
<b>Total assets</b>		<b>1,278,539</b>	<b>1,160,856</b>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund		2,111	4,488
Payable to Central Depository Company of Pakistan Limited (CDC) - trustee of the Fund		124	114
Payable to Securities and Exchange Commission of Pakistan (SECP)		545	1,008
Payable to Meezan Bank Limited (MBL)		-	434
Payable against purchase of investments		11	5,702
Accrued expenses and other liabilities		1,148	614
Unclaimed dividend		34,118	5,653
<b>Total liabilities</b>		<b>38,057</b>	<b>18,013</b>
<b>Net assets</b>		<b>1,240,482</b>	<b>1,142,843</b>
<b>Contingencies</b>	7		
<b>Certificate holders' equity (as per statement attached)</b>			
<b>Issued, subscribed and paid-up capital</b>			
120,000,000 ordinary certificates of Rs 10 each		1,200,000	1,200,000
Unappropriated income / (loss)		53,930	(52,208)
Deficit on revaluation of 'available for sale' investments		<u>(13,448)</u>	<u>(4,949)</u>
		<b>1,240,482</b>	<b>1,142,843</b>
Net assets value per certificate (Rupees)		<u>10.34</u>	<u>9.52</u>

The annexed notes 1 to 11 form an integral part of this condensed interim financial report.

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

**Chief Executive**

**Director**

**CONDENSED INTERIM INCOME STATEMENT**  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2009 (UNAUDITED NOTE - 3)

	Note	Six months period ended December 31,		Quarter ended December 31,	
		2009	2008	2009	2008
----- (Rupees in '000) -----					
<b>Income</b>					
Net realised gain on sale of investments		106,792	260	78,365	1,347
Dividend income		29,617	20,539	12,382	10,231
Profit on savings accounts with banks		7,588	2,297	1,761	2,200
Profit on sukuk certificates		22,167	23,324	12,697	13,948
Profit on diminishing musharaka certificates		6,451	6,220	3,404	1,861
		<u>172,615</u>	<u>52,640</u>	<u>108,609</u>	<u>29,587</u>
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss	6	75,343	(517,871)	(67,999)	(286,354)
Gain on re-measurement of derivative financial instruments		-	19	-	19
Provision against profit on sukuk certificates		(828)	-	(828)	-
		<u>74,515</u>	<u>(517,852)</u>	<u>(68,827)</u>	<u>(286,335)</u>
<b>Total income / (loss)</b>		<u>247,130</u>	<u>(465,212)</u>	<u>39,782</u>	<u>(256,748)</u>
<b>Expenses</b>					
Remuneration to Al Meezan - management company of the Fund		18,274	16,971	8,554	7,593
Remuneration to CDC - trustee of the Fund		753	715	381	338
Annual fee to SECP		545	578	277	257
Remuneration to MBL		-	126	-	63
Auditors' remuneration		258	249	148	110
Fees and subscription		209	64	42	32
Amortisation of preliminary expenses and floatation costs		-	840	-	420
Brokerage		565	308	235	70
Printing charges		157	96	157	96
Legal and professional charges		-	25	-	24
Bank and settlement charges		231	114	133	34
<b>Total expenses</b>		<u>20,992</u>	<u>20,086</u>	<u>9,927</u>	<u>9,037</u>
<b>Net income / (loss) for the period</b>		<u>226,138</u>	<u>(485,298)</u>	<u>29,855</u>	<u>(265,785)</u>
<b>Other comprehensive loss for the period</b>					
Deficit on revaluation of 'available for sale' investments		(8,499)	-	(8,499)	-
<b>Total comprehensive income / (loss) for the period</b>		<u>217,639</u>	<u>(485,298)</u>	<u>21,356</u>	<u>(265,785)</u>
Earnings / (loss) per certificate (Rupees)	8	<u>1.88</u>	<u>(4.04)</u>	<u>0.25</u>	<u>(2.21)</u>

The annexed notes 1 to 11 form an integral part of this condensed interim financial report.

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

**Chief Executive**

**Director**

**CONDENSED INTERIM  
DISTRIBUTION STATEMENT**  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2009 (UNAUDITED NOTE - 3)

	Six months period ended December 31,		Quarter ended December 31,	
	2009	2008	2009	2008
	----- (Rupees in '000) -----			
(Loss) / unappropriated income brought forward	(52,208)	223,683	144,074	(115,830)
Less: Final distribution in the form of cash dividend @ nil for the year ended June 30, 2009 (June 30, 2008 @ 10%)	-	(120,000)	-	-
Less: Interim dividend for the year ending June 30, 2010 @ 10% (June 30, 2009 @ nil)	(120,000)	-	(120,000)	-
Net income / (loss) for the period	226,138	(485,298)	29,856	(265,785)
Unappropriated income / (loss) carried forward	53,930	(381,615)	53,930	(381,615)

The annexed notes 1 to 11 form an integral part of this condensed interim financial report.

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

**Chief Executive**

**Director**

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN  
EQUITY AND RESERVES PER CERTIFICATE (UNAUDITED)  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2009 (UNAUDITED NOTE - 3)**

	Six months period ended December 31,		Quarter ended December 31,	
	2009	2008	2009	2008
----- (Rupees) -----				
Net assets per certificate at the beginning of the period	9.52	11.86	11.16	9.03
Net realised gain on sale of investments	0.89	-	0.65	0.01
Dividend income	0.25	0.17	0.11	0.09
Profit on savings accounts with banks	0.06	0.02	0.01	0.02
Profit on sukuk certificates	0.18	0.19	0.10	0.12
Profit on diminishing musharaka certificates	0.05	0.05	0.02	0.02
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss	0.63	(4.31)	(0.56)	(2.39)
Provision against profit on sukuk certificates	(0.01)	-	(0.01)	-
Expenses	(0.16)	(0.16)	(0.07)	(0.08)
Net income / (loss) for the period	1.89	(4.04)	0.25	(2.21)
Interim dividend for the period ending June 30, 2010 @ Re 1 (June 30, 2009 @ nil)	(1.00)	-	(1.00)	-
Final distribution in the form of cash dividend @ nil for the year ended June 30, 2009 (June 30, 2008 @ Re 1)	-	(1.00)	-	-
Other comprehensive loss for the period	(0.07)	-	(0.07)	-
Net assets per certificate at the end of the period	<u>10.34</u>	<u>6.82</u>	<u>10.34</u>	<u>6.82</u>

The annexed notes 1 to 11 form an integral part of this condensed interim financial report.

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

**Chief Executive**

**Director**

**CONDENSED INTERIM  
CASH FLOW STATEMENT**  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2009 (UNAUDITED NOTE - 3)

	Six months period ended December 31,		Quarter ended December 31,	
	2009	2008	2009	2008
----- (Rupees in '000) -----				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income / (loss)	226,138	(485,298)	29,855	(265,785)
<b>Adjustments for:</b>				
Dividend income	(29,617)	(20,539)	(12,382)	(10,231)
Profit on savings accounts with banks	(7,588)	(2,297)	(1,761)	(2,200)
Profit on sukuk certificates	(22,167)	(23,324)	(12,697)	(13,948)
Profit on diminishing musharaka certificates	(6,451)	(6,220)	(3,404)	(1,861)
Unrealised (gain) / loss on re-measurement of investments at fair value through profit or loss	(75,343)	517,871	67,999	286,354
Gain on re-measurement of derivative financial instruments	-	(19)	-	(19)
Amortisation of preliminary expenses and floatation costs	-	840	-	420
	<b>84,972</b>	<b>(18,986)</b>	<b>67,610</b>	<b>(7,270)</b>
<b>(Increase) / decrease in assets</b>	<b>(133,172)</b>	<b>148,736</b>	<b>(13,797)</b>	<b>148,268</b>
Investments - at fair value through profit or loss	<b>1,859</b>	<b>(63)</b>	<b>1,996</b>	<b>534</b>
Advances, deposits, prepayments and other receivables	<b>(131,313)</b>	<b>148,673</b>	<b>(11,801)</b>	<b>148,802</b>
<b>Increase / (decrease) in liabilities</b>	<b>(2,377)</b>	<b>(3,034)</b>	<b>(1,200)</b>	<b>(2,495)</b>
Payable to Al Meezan - management company of the Fund	<b>10</b>	<b>(27)</b>	<b>(2)</b>	<b>(9)</b>
Payable to CDC - trustee of the Fund	<b>(434)</b>	<b>126</b>	<b>-</b>	<b>63</b>
Payable to MBL	<b>(463)</b>	<b>(937)</b>	<b>(732)</b>	<b>256</b>
Payable to SECP	<b>(5,691)</b>	<b>21,435</b>	<b>(180)</b>	<b>21,435</b>
Payable against purchase of investments	<b>534</b>	<b>(310)</b>	<b>(716)</b>	<b>7</b>
Accrued expenses and other liabilities	<b>(8,421)</b>	<b>17,253</b>	<b>(2,830)</b>	<b>19,257</b>
Cash (used in) / generated from operations	<b>(54,762)</b>	<b>146,940</b>	<b>52,979</b>	<b>160,789</b>
Dividend income received	<b>28,947</b>	<b>24,560</b>	<b>15,010</b>	<b>13,374</b>
Profit received on savings accounts with banks	<b>5,772</b>	<b>6,258</b>	<b>2,646</b>	<b>715</b>
Profit received on diminishing musharaka certificates	<b>6,982</b>	<b>-</b>	<b>6,982</b>	<b>-</b>
Profit received on sukuk certificates	<b>15,453</b>	<b>23,116</b>	<b>3,571</b>	<b>13,740</b>
<b>Net cash inflow from operating activities</b>	<b>2,392</b>	<b>200,874</b>	<b>81,188</b>	<b>188,618</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividend paid	<b>(91,535)</b>	<b>(111,408)</b>	<b>(91,116)</b>	<b>(111,408)</b>
Net cash outflow from financing activities	<b>(91,535)</b>	<b>(111,408)</b>	<b>(91,116)</b>	<b>(111,408)</b>
Net (decrease) / increase in cash and cash equivalents	<b>(89,143)</b>	<b>89,466</b>	<b>(9,928)</b>	<b>77,210</b>
Cash and cash equivalents at the beginning of the period	<b>144,241</b>	<b>10,462</b>	<b>65,026</b>	<b>22,718</b>
Cash and cash equivalents at the end of the period	<b>55,098</b>	<b>99,928</b>	<b>55,098</b>	<b>99,928</b>

The annexed notes 1 to 11 form an integral part of this condensed interim financial report.

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

**Chief Executive**

**Director**

**NOTES TO THE CONDENSED  
INTERIM FINANCIAL REPORT**  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2009 (UNAUDITED NOTE - 3)

**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 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). The registered office of the management company of the Fund, is situated in Finance and Trade Centre, 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, musharika 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 MBL as shariah adviser to ensure that the activities of the Fund are in compliance with the principles of Shariah. The management company of the Fund is registered with 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 rating of the Fund has not been conducted as of December 31, 2009.
- 1.4 The objective of the Fund is to carry on the business of a closed-end mutual fund and to invest its assets in securities, which are listed or proposed to be listed on the stock exchanges, a widely used electronic quotation system 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 According to clause 65 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations), a closed-end fund or an investment company shall, upon expiry of every five years from November 21, 2007 or the date of launch of the fund whichever is later, hold a meeting of shareholders within one month of such period to seek approval of the shareholders (by special resolution), to convert into an open-end scheme or revoke the closed-end scheme or wind up the investment company.

**2. BASIS OF MEASUREMENT**

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

### 3. STATEMENT OF COMPLIANCE

- 3.1 This condensed interim financial report has 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 Trust Deed, the NBFC Rules ,the NBFC Regulations and the directives issued by the SECP.

Wherever, the requirements of the Trust Deed, the NBFC rules, the NBFC Regulations or the said directives differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the said directives take precedence. The disclosures made in this condensed interim financial report have, however, been limited based on the requirements of the IAS 34: 'Interim Financial Reporting'.

- 3.2 This condensed interim financial report comprises of the condensed interim statement of assets and liabilities as at December 31, 2009 and the condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in equity and reserves per certificate, condensed interim cash flow statement and notes thereto, for the six months period then ended, which have been subjected to a review but not audited. This condensed interim financial report also includes condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in equity and reserves per certificate, condensed interim cash flow statement and notes thereto for the quarter ended December 31, 2009 which have not been subjected to a review.
- 3.3 The comparative statement of assets and liabilities presented in this condensed interim financial report as at June 30, 2009 has been extracted from the annual audited financial statements of the Fund for the year ended June 30, 2009 whereas the comparative condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in equity and reserves per share and condensed interim cash flow statement have been extracted from the financial statements for the six months period ended December 31, 2008 which were subjected to a review but not audited. The comparative condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in equity and reserves per certificate and condensed interim cash flow statement for the quarter ended December 31, 2008 included in this condensed interim financial report were not subjected to a review.
- 3.4 Standards, amendments and interpretations effective from July 1, 2009:
- a) IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14 and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segment information is therefore reported in a manner that is more consistent with the internal reporting provided to the fund manager.
  - b) IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement,



but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period. The Fund has applied IAS 1 (revised) from July 1, 2009, and has elected to present one statements (the income statement and statement of comprehensive income).

- c) IAS 39 (amendment), 'Financial instruments: Recognition and measurement'. The amendment was part of the IASB's annual improvements project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The adoption of the amendment did not have a significant impact on the Fund's condensed interim financial report.
- d) IFRS 7 (amendment) 'Financial instruments: Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures, which would be detailed in the financial statements for the year ending June 30, 2010, but does not have an impact on the Fund's financial position or performance.

Certain other new standards and interpretations are mandatory for accounting periods beginning on or after July 1, 2009 but are considered not to be relevant or have any significant effect to the Fund's operations and are therefore not disclosed in this condensed interim financial report.

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

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or have any significant effect to the Fund's operations and are therefore not detailed in this condensed interim financial report.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of the financial statements for the year ended June 30, 2009, except for the adoption of a new accounting policy as referred to in note 4.1 and 8 and change in an accounting policy as stated in 5 below.

#### 4.1 Segment reporting

Operating segments are reported in a 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 this committee for taking strategic decisions. The committee considers the investments as two sub-portfolios, equity and debt portfolio.

#### 5. CHANGE IN ACCOUNTING POLICY

IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity.

The Fund has applied IAS 1 (revised) from July 1, 2009, and has elected to present one performance statement. As a result non-owner changes in equity which were previously credited directly in the statement of movement in unitholders' fund and the distribution statement are now shown as other comprehensive income in the performance statement (referred to as income statement in this condensed interim financial report). The change in presentation has not affected the values of the net assets of the Fund for either the current or any of the prior periods and hence restated statement of assets and liabilities has not been presented.

	<i>Note</i>	December 31, 2009	June 30, 2009
<b>6. INVESTMENTS</b>		(Rupees in '000)	
Investments at fair value through profit or loss	6.1	<b>810,122</b>	897,154
Investments - 'available for sale'	6.2	<b>382,099</b>	95,051
		<u><b>1,192,221</b></u>	<u>992,205</u>
<b>6.1 Investments at fair value through profit or loss</b>			
Held for trading	6.1.1	<b>556,419</b>	629,640
Investments at fair value through profit or loss upon initial recognition	6.1.2	<b>253,703</b>	267,514
		<u><b>810,122</b></u>	<u>897,154</u>
<b>6.1.1 Held for trading</b>			
Shares of listed companies	6.1.1.1	<b>340,099</b>	604,640
Sukuk certificates	6.1.1.5	<b>216,320</b>	25,000
		<u><b>556,419</b></u>	<u>629,640</u>

### 6.1.1.1 Held for trading - Shares of listed companies

Name of the investee company	As at July 01, 2009	Purchase during the period	Bonus issue	Sales during the period	As at December 31, 2009	Carrying value as at December 31, 2009	Market value as at December 31, 2009	Unrealised gain / (loss) as at December 31, 2009	Percentage in relation to		
									Net assets of the Fund on the basis of investments (see note 6.1.1.4 below)	Paid-up capital of investee company (with face value of investments)	Total market value of investments
----- Number of shares -----						----- Rupees in '000 -----			%		
<b>Textile Composite</b>											
Nishat Mills Limited	174,400	70,200	-	87,000	157,600	6,150	11,016	4,866	0.89	0.06	0.92
<b>Jute</b>											
Thal Limited (note 6.1.1.2)	161,761	-	32,352	-	194,113	12,528	16,474	3,946	1.33	0.38	1.38
<b>Cement</b>											
Attock Cement Pakistan Limited	160,000	10,000	25,000	70,000	125,000	7,417	6,500	(917)	0.52	0.14	0.55
Cherat Cement Company Limited	3,882	-	-	3,882	-	-	-	-	-	-	-
Lucky Cement Limited	265,000	52,000	-	152,000	165,000	9,829	10,930	1,101	0.88	0.05	0.92
									<b>1.40</b>	<b>0.20</b>	<b>1.47</b>
<b>Automobile Assembler</b>											
Pak Suzuki Motor Company Limited	76,800	-	-	10,000	66,800	4,536	5,943	1,407	0.48	0.08	0.50
<b>Power generation and distribution</b>											
The Hub Power Company Limited	3,420,500	-	-	394,000	3,026,500	81,988	94,064	12,076	7.58	0.26	7.89
<b>Oil and gas marketing companies</b>											
Pakistan State Oil Company Limited	188,500	61,500	-	240,500	9,500	2,117	2,826	709	0.23	0.01	0.24
Sui Northern Gas Pipeline Ltd	98,700	-	-	98,700	-	-	-	-	-	-	-
									<b>0.23</b>	<b>0.01</b>	<b>0.24</b>
<b>Oil and gas exploration companies</b>											
Oil and Gas Development Company Limited (note 6.1.1.3)											
	807,166	92,000	-	899,166	-	-	-	-	-	-	-
Pakistan Oilfields Limited	226,600	30,675	-	98,000	159,275	23,953	36,756	12,803	2.96	0.07	3.08
Pakistan Petroleum Limited	318,500	26,000	65,300	131,000	278,800	43,515	52,858	9,343	4.26	0.03	4.43
									<b>7.22</b>	<b>0.10</b>	<b>7.52</b>
<b>Technology and communication</b>											
Pakistan Telecommunication Company Limited	2,730,500	-	-	1,395,000	1,335,500	23,024	23,572	548	1.90	0.04	1.98
<b>Chemical</b>											
ICI Pakistan Limited	285,300	5,000	-	157,000	133,300	18,704	22,460	3,756	1.81	0.10	1.88
<b>Fertilizer</b>											
Engro Chemical (Pakistan) Limited	283,671	-	-	283,671	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Company Limited	1,688,500	50,000	-	225,000	1,513,500	26,853	39,548	12,695	3.19	0.16	3.32
Fauji Fertilizer Company Limited	1,136,187	125,000	-	1,178,000	83,187	7,272	8,562	1,290	0.69	0.01	0.72
									<b>3.88</b>	<b>0.17</b>	<b>4.04</b>
<b>Miscellaneous</b>											
Tri-Pack Films Limited	83,400	-	-	-	83,400	8,331	8,590	259	0.69	0.28	0.72
<b>Total</b>						<b>276,217</b>	<b>340,099</b>	<b>63,882</b>			
Investment of Nil units (December 31, 2008 910,280 units)											<b>329,993</b>

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.

6.1.1.3 100,000 shares of Oil and Gas Development Company Limited, having market value of Rs 11.06 million as at December 31, 2009, have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

6.1.1.4 Net assets are defined in Regulation 66 of NBFC Regulations.

6.1.1.5 Held for trading - Sukuk Certificates

Name of the investee company	Maturity	Profit rate	As at July 01, 2009	Purchases during the period	Sales / redemptions during the period	As at December 31, 2009	Carrying value as at December 31, 2009	Market value as at December 31, 2009	Unrealised gain / (loss) as at December 31, 2009	Percentage in relation to	
										Net assets of the Fund on the basis of investments (see note 6.1.1.4)	Total market value of investments
----- Number of shares -----						----- Rupees in '000 -----			%		
GoP Ijarah Sukuk Certificates - III (note 6.1.1.6)	March 11, 2012	12.58%	250	-	-	250	25,000	25,500	500	2.06	2.14
GoP Ijarah Sukuk Certificates - IV (note 6.1.1.6)	September 17, 2012	12.53%	-	1,880	-	1,880	188,000	190,820	2,820	15.38	16.00
Wapda First Sukuk Certificates	March 11, 2012	13.61%	-	4,000	4,000	-	-	-	-	-	-
							<u>213,000</u>	<u>216,320</u>	<u>3,320</u>		

Total cost of investments

213,000

6.1.1.6 The nominal value of the sukuk certificates of GoP Ijarah III & IV is Rs 100,000 each.

6.1.2 Investments at fair value through profit or loss upon initial recognition

		December 31, 2009	June 30, 2009
	Note	(Rupees in '000)	
Shares of listed companies / banks	6.1.2.1	58,925	51,659
Sukuk certificates	6.1.2.2	194,778	215,855
		<u>253,703</u>	<u>267,514</u>

6.1.2.1 Shares of listed companies / banks

Name of the investee company	As at July 1, 2009	Purchase during the period	Bonus issue	Sales during the period	As at December 31, 2009	Carrying value as at December 31, 2009	Market value as at December 31, 2009	Unrealised gain / (loss) as at December 31, 2009	Percentage in relation to		
									Net assets of the Fund on the basis of investments (see note 6.1.1.4 below)	Paid-up capital of investee company (with face value of investments)	Total market value of investments
----- Number of shares -----						----- Rupees in '000 -----			%		
<b>Automobile assembler</b>											
Indus Motor Company Limited	188,055	-	-	33,000	155,055	16,703	30,471	13,768	2.46	0.20	2.56
<b>Paper and board</b>											
Packages Limited	177,473	-	-	-	177,473	27,870	25,556	(2,314)	2.06	0.21	2.14
<b>Commercial bank</b>											
Meezan Bank Limited (an associate of the Fund)	321,075	-	-	136,977	184,098	2,025	2,898	873	0.23	0.03	0.24
						<u>46,598</u>	<u>58,925</u>	<u>12,327</u>			

Total cost of investments

80,675

### 6.1.2.2 Sukuk certificates

Name of the investee company	Maturity	profit rate	As at July 01, 2009	Purchase during the period	Sales Redeption during the period	As at December 31, 2009	Carrying Value as at December 31, 2009	Market value as at December 31, 2009	Unrealised gain / (loss) as at December 31, 2009	Percentage in relation to			
			----- Number of certificates -----			----- (Rupees in '000) -----			Net assets of the Fund on the basis of investments (see note 6.1.1.4 above)	Paid-up capital of investee company (with face value of investments)	Total market value of investments	%	
Sitara Chemical Industries Limited- II (note 6.1.2.3)	December 17, 2011	3 months KIBOR plus base rate of 1.7%	11,250	-	2,250	9,000	44,400	44,545	145	3.59	22.05	3.74	
Engro Chemical Pakistan Limited (note 6.1.2.3)	September 1, 2015	6 months KIBOR plus base rate of 1.5%	15,000	-	-	15,000	73,695	71,025	(2,670)	5.73	2.52	5.95	
Security Leasing Corporation Limited II (note 6.1.2.3)	September 19, 2012	6 months KIBOR plus base rate of 1.95%	4,375	-	625	3,750	16,860	16,535	(325)	1.33	5.17	1.39	
Century Paper & Board Mills Limited (note 6.1.2.3)	September 25, 2014	6 months KIBOR plus base rate of 1.35%	5,000	-	-	5,000	24,388	24,044	(344)	1.94	3.54	2.02	
Eden Housing Limited (note 6.1.2.3)	April 2, 2013	6 months KIBOR plus base rate of 2.5%	5,000	-	-	5,000	20,871	21,129	258	1.70	1.43	1.77	
Azoo Textile Mills Limited (note 6.1.2.3 and 6.1.2.4)	April 15, 2014	6 months KIBOR plus base rate of 2%	5,000	-	-	5,000	18,750	17,500	(1,250)	1.41	3.64	1.47	
							198,964	194,778	(4,186)				
Total cost of investments							207,380						

6.1.2.3 The nominal value of these sukuk certificates is Rs 5,000 each except Eden Housing Limited which has a face value of Rs 4,375.

6.1.2.4 The market value of sukuk is net of provision amounting to Rs 1.25 million.

### 6.2 Investments - 'available for sale'

		December 31, 2009	June 30, 2009
	Note	(Rupees in '000)	
Shares of listed companies	6.2.1	283,425	-
Sukuk certificates	6.2.2	98,674	95,051
		<u>382,099</u>	<u>95,051</u>

#### 6.2.1 Shares of listed companies - 'available for sale'

Name of the investee company	As at July 01, 2009	Purchase during the period	Bonus issue	Sales during the period	As at December 31, 2009	Carrying value as at December 31, 2009	Market value as at December 31, 2009	Unrealised gain / (loss) as at December 31, 2009	Percentage in relation to			
	----- Number of shares -----				----- Rupees in '000 -----			Net assets of the Fund on the basis of investments (see note 6.1.1.4 below)	Paid-up capital of investee company (with face value of investments)	Total market value of investments	%	
<b>Oil and gas exploration companies</b>												
Oil and Gas Development Company Limited												
	-	470,000	-	213,834	256,166	28,823	28,335	(488)	2.28	0.01	2.38	
Pakistan Oilfields Limited	-	108,750	-	-	108,750	22,948	25,095	2,147	2.02	0.05	2.10	
Pakistan Petroleum Limited	-	97,400	7,000	-	104,400	19,374	19,792	418	1.60	0.01	1.66	
<b>Fertilizer</b>												
Fauji Fertilizer Bin Qasim Company Limited												
	-	678,000	-	-	678,000	16,533	17,716	1,183	1.43	0.07	1.49	
Fauji Fertilizer Company Limited	-	1,100,000	-	-	1,100,000	118,778	113,223	(5,555)	9.13	0.16	9.50	

Name of the investee company	As at July 01, 2009	Purchase during the period	Bonus issue	Sales during the period	As at December 31, 2009	Carrying value as at December 31, 2009	Market value as at December 31, 2009	Unrealised gain / (loss) as at December 31, 2009	Percentage in relation to			
									Net assets of the Fund on the basis of investments (see note 6.1.1.4 below)	Paid-up capital of investee company (with face value of investments)	Total market value of investments	
					Number of shares	Rupees in '000			%			
<b>Cement</b>												
Lucky Cement Limited	-	21,500	-	-	21,500	1,482	1,424	(58)	0.11	0.01	0.12	
<b>Automobile assembler</b>												
Indus Motor Company Limited	-	10,000	-	-	10,000	1,825	1,965	140	0.16	0.01	0.16	
<b>Technology and communication</b>												
Pakistan Telecommunication Company Limited	-	75,000	-	-	75,000	1,382	1,324	(58)	0.11	0.00	0.11	
<b>Oil and gas marketing companies</b>												
Pakistan State Oil Company Limited	-	194,000	-	-	194,000	66,064	57,702	(8,362)	4.65	0.11	4.84	
<b>Chemical</b>												
ICI Pakistan Limited	-	100,000	-	-	100,000	18,338	16,849	(1,489)	1.36	0.07	1.41	
						295,547	283,425	(12,122)				
Total cost of investments						295,547						

## 6.2.2 Sukuk certificates - 'available for sale'

Name of the investee company	Maturity date	profit rate	As at July 01, 2009	Purchase during the period	Sales / Redemption during the period	As at December 31, 2009	Carrying Value as at December 31, 2009	Market value as at December 31, 2009	Unrealised gain / (loss) as at December 31, 2009	Percentage in relation to		
										Net assets of the Fund on the basis of investments (see note 6.1.1.4 above)	Paid-up capital of investee company (with face value of investments)	Total market value of investments
						Number of certificates	Rupees in '000			%		
D.G Khan Cement - Diminishing Musharaka (note 6.2.2.1)	May 8, 2010	6 months KIBOR plus base rate of 0.5%	1,000	-	-	1,000	95,051	98,674	3,623	7.95	3.29	8.28
Total cost of investments						100,000						

6.2.2.1 The nominal value of the diminishing musharika certificates is Rs 100,000 each.

## 7. CONTINGENCES

Through Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which the West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment it can be construed that all Collective Investment Schemes (CIS) whose income exceeds Rs 0.5 million in a tax year may have been brought within the purview and scope of the WWF Ordinance, thus rendering them liable to pay two percent of their total income (as defined in section 4 of the Workers' Welfare Fund Ordinance, 1971). However, during the period the Mutual Funds Association of Pakistan (MUFAP), of which the Management Company is a member, has filed a constitutional petition in the High Court of Sindh (SHC) praying it to declare that CIS are not liable to pay contribution to the WWF on the grounds that CIS do not have any workers or employees. The legal proceedings in respect of the aforementioned petition are currently in progress and the outcome cannot be reasonably ascertained.

The Management Company based on the advice of the MUFAP's legal counsel, is confident of a favorable decision and accordingly no provision for the aforementioned liability which has an impact of Rs 0.04 per certificate as of December 31, 2009 has been made in this condensed interim financial report.

There were no other contingencies and commitments outstanding as at December 31 and June 30, 2009

## 8. EARNINGS / (LOSS) PER CERTIFICATE - BASIC

	Six months ended		Quarter ended	
	December 31,		December 31,	
	2009	2008	2009	2008
	----- (Rupees in '000) -----			
Net profit / (loss) for the period	<u>226,138</u>	<u>(485,298)</u>	<u>29,855</u>	<u>(265,785)</u>
	----- (Number of certificates) -----			
Weighted average number of ordinary certificates outstanding during the period	<u>120,000,000</u>	<u>120,000,000</u>	<u>120,000,000</u>	<u>120,000,000</u>
	----- (Rupees) -----			
Basic earning / (loss) per certificate (Rupees)	<u>1.88</u>	<u>(4.04)</u>	<u>0.25</u>	<u>(2.21)</u>

## 9. SEGMENT REPORTING

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 fund manager at 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 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 gains on the appreciation in the value of investments.

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

**For the six months period ended December 31, 2009:**

	Equity sub-portfolio	Debt sub-portfolio	Total
	----- (Rupees in '000) -----		
Profit on sukuk certificates and musharaka certificates	-	28,618	28,618
Dividend income	29,617	-	29,617
Capital gains	106,343	449	106,792
Brokerage and FED expense	(652)	-	(652)
Total net segment income	<u>135,308</u>	<u>29,067</u>	<u>164,375</u>
Total segment assets	<u>689,275</u>	<u>525,122</u>	<u>1,214,397</u>
Total segment liabilities	<u>788</u>	<u>-</u>	<u>788</u>
Total segment assets include:			
Financial assets at fair value through profit or loss	399,024	411,098	810,122
Investments - 'available for sale'	283,425	98,674	382,099
Other	6,826	15,350	22,176
	<u>689,275</u>	<u>525,122</u>	<u>1,214,397</u>

**For the six months period ended December 31, 2008:**

	Equity sub- portfolio	Debt sub- portfolio	Total
	----- (Rupees in '000) -----		
Profit on sukuk certificates and musharaka certificates	-	29,544	29,544
Dividend income	20,539	-	20,539
Capital gains	1,170	(910)	260
Brokerage and FED expense	(308)	-	(308)
<b>Total net segment income</b>	<b>21,401</b>	<b>28,634</b>	<b>50,035</b>

**For the year ended June 30, 2009:**

Total segment assets	662,455	347,016	1,009,471
Total segment liabilities	6,013	-	6,013

Total segment assets include:

Financial assets at fair value through profit or loss	656,299	240,855	897,154
Investments - 'available for sale'	-	95,051	95,051
Other	6,156	11,110	17,266
	<b>662,455</b>	<b>347,016</b>	<b>1,009,471</b>

There were no transactions between reportable segments.

A reconciliation of total net segmental income to total income / (loss) is provided as follows.

	<b>For the six months period ended December 31</b>	
	<b>2009</b>	<b>2008</b>
	(Rupees in '000)	
Total net segment income	<b>164,375</b>	50,035
Other fees and expenses	<b>(20,340)</b>	(19,778)
Profit on savings accounts with banks	<b>7,588</b>	2,297
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss	<b>75,343</b>	(517,852)
<b>Income / (loss)</b>	<b>226,966</b>	(485,298)

Reportable segments' assets are reconciled to total assets as follows:

	<b>December 31, 2009</b>	<b>June 30, 2009</b>
	(Rupees in '000)	
Segment assets for reportable segments	<b>1,214,397</b>	1,009,471
Balances with banks	<b>55,098</b>	144,241
Other advances, deposits, prepayments and receivables	<b>9,044</b>	7,144
<b>Total assets</b>	<b>1,278,539</b>	1,160,856



Reportable segments' liabilities are reconciled to total liabilities as follows:

	<b>December 31, 2009</b>	<b>June 30, 2009</b>
	<b>(Rupees in '000)</b>	
Segment liabilities for reportable segments	<b>788</b>	6,013
Accrued expenses	<b>371</b>	303
Other payables	<b>36,898</b>	11,697
<b>Total liabilities</b>	<b>38,057</b>	18,013

#### 10. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include Al Meezan being the management company, CDC being the trustee, Meezan Bank Limited being the shariah adviser of the Fund and 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 Capital Protected Fund - I and Meezan Cash Fund being the funds under the common management of the management company and Pakistan Kuwait Investment Company (Private) Limited.

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

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

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

	<b>December 31, 2009</b>	<b>June 30, 2009</b>
	<b>(Rupees in '000)</b>	
<b>Al Meezan - management company of the Fund</b>		
Remuneration payable	<b>2,111</b>	2,826
Preliminary expenses and floatation costs payable	<b>-</b>	1,662
Investment of 3,821,824 certificates (June 30, 2009: 3,821,824 certificates)	<b>23,313</b>	22,090
<b>CDC - trustee of the Fund</b>		
Remuneration payable	<b>124</b>	114
Charges payable	<b>-</b>	1
<b>MBL</b>		
Bank balance	<b>1,237</b>	856
Shariah advisory fee payable	<b>-</b>	434
Investment in 184,098 shares (June 30, 2009: 321,075 shares)	<b>2,898</b>	3,532
Investment of 16,134,468 certificates (June 30, 2009: 16,134,468 certificates)	<b>98,420</b>	93,257

	<b>December 31, 2009</b>	<b>June 30, 2009</b>
	<b>(Rupees in '000)</b>	
<b>Pakistan Kuwait Investment Company (Private) Limited</b>		
Investment of 11,057,791 certificates (June 30, 2009: 11,057,791 certificates)	<u>67,453</u>	<u>63,914</u>
<b>Directors and officers</b>		
Investment of 43,675 certificates (June 30, 2009: 21,975 certificates)	<u>266</u>	<u>127</u>
	<b>For the six months ended December 31</b>	
	<b>2009</b>	<b>2008</b>
	<b>(Rupees in '000)</b>	
<b>Meezan Islamic Income Fund</b>		
Investment of nil units (December 31, 2008: 910,280 units)	<u>-</u>	<u>39,000</u>
Redemption of nil units (December 31, 2008: 4,431,695 units)	<u>-</u>	<u>223,120</u>
<b>Al Meezan - management company of the Fund</b>		
Remuneration for the period	<u>18,274</u>	<u>16,971</u>
Preliminary expenses and floatation costs for the period	<u>-</u>	<u>840</u>
Dividend for the period	<u>3,822</u>	<u>4,822</u>
<b>CDC - trustee of the Fund</b>		
Remuneration for the period	<u>753</u>	<u>715</u>
Charges for the period	<u>88</u>	<u>69</u>
<b>MBL</b>		
Profit on savings account	<u>9</u>	<u>21</u>
Shariah advisory fee for the period	<u>-</u>	<u>126</u>
Dividend for the period	<u>16,134</u>	<u>16,134</u>
<b>Pakistan Kuwait Investment Company (Private) Limited</b>		
Dividend for the period	<u>11,058</u>	<u>11,058</u>
<b>Directors and officers</b>		
Dividend for the period	<u>44</u>	<u>72</u>

#### 11. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial report was authorised for issue on February 15, 2010 by the Board of Directors of the management company of the Fund.

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

**Chief Executive**

**Director**

**STATEMENT OF INCOME & EXPENDITURE OF  
MANAGEMENT COMPANY IN RELATION TO THE FUND  
FOR THE PERIOD ENDED DECEMBER 31, 2009**

	2009	2008
	(Rupees in '000)	
<b>INCOME</b>		
Remuneration from Meezan Balanced Fund	18,274	16972
Dividend income	<u>3,822</u>	<u>3822</u>
	22,096	20,794
<b>OPERATING EXPENSES</b>		
Salaries and other benefits	4,528	2,446
Motor vehicle running expenses	82	105
Fees and subscription	113	52
Insurance expense	45	15
Printing and stationery	59	123
Communication	325	157
Depreciation	279	370
Travelling and conveyance	43	43
Entertainment	8	8
Legal and professional charges	112	96
Repair and maintenance	20	13
Office supplies	27	8
Training and development	11	32
Rent, rates and taxes	284	321
Utilities	39	64
Shariah advisory fee	125	-
Miscellaneous expenses	10	4
	<u>6,111</u>	<u>3,857</u>
<b>OPERATING PROFIT</b>	<u>15,985</u>	<u>16,937</u>

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

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

**Chief Executive**

**Director**