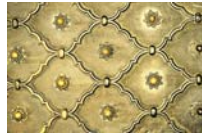




Balanced Fund



Quarterly Report March 31, 2011



Al Meezan Investment Management Limited
A subsidiary of Meezan Bank



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

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

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

TRUSTEE

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block B, S.M.C.H.S.,
Main 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
UBL Ameen - Islamic Banking Branch
Askari Bank Limited - Islamic Banking

SHARIAH ADVISER

Meezan Bank Limited

LEGAL ADVISER

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

SHARE REGISTRAR

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

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of Al Meezan Investment Management Limited, the management company of Meezan Balanced Fund (MBF) is pleased to present the un-audited financial statements of the fund for the nine months ended March 31, 2011.

Brief Overview

During the first nine months of fiscal year 2011, Meezan Balanced Fund (MBF) provided a return of 20.59% to its investors as compared to benchmark return of 20.80%. The benchmark of MBF comprises 50% weight of KMI 30 and 50% weight of average return of three Islamic banks namely, Meezan Bank, Bank Islami and Dubai Islamic Bank.

Economic Review

The economic performance of the country improved significantly after the devastating floods in the first quarter of the fiscal year as most of the macro economic targets which were expected to slump in the aftermath of the floods showed signs of recovery. The revised GDP target for FY11 now stands at ~2.5-3% as compared to the initial target of 1.5%-2%. Inflation pressure eased off with CPI touching a low of 12.91% in February 2011 after recent respite in food inflation. Moreover, the government's commitment to reduce borrowing from SBP did materialize to some extent, where during the eight months total amount borrowed stood at Rs 76 billion and Rs 204 billion from SBP and commercial banks respectively. On account of these favourable developments, the SBP decided to keep the discount rate unchanged at 14% in the last two monetary policy statements against a total increase of 1.5% in the previous three monetary policy statements.

On the external front, the country's current account position showed a healthy picture with an overall deficit of USD 98 million in the eight months as compared to a massive deficit of USD 3 billion in the same period last year. The overall figure was bolstered by remittances (↑20.3% YoY) and exports which crossed USD 2 billion each for four consecutive months. These positive developments helped the country's FX reserves to hit an all time high of USD 17.9 billion as the currency showed a steady trend during the period under review.

On the fiscal side, the government's revenue collection crossed the Rs 1 trillion mark for the nine months of the fiscal year. To ensure the collection of the revised target of Rs 1,588 billion, some new tax measures were introduced for the remaining months of fiscal year including 15% flood surcharge, increase in special excise duty (SED) from 1% to 2.5% and withdrawal of zero rating facility to some key sectors including fertilizers. During the period under review, a single round of talks was held between government of Pakistan (GoP) and International Monetary Fund (IMF), where the parties principally agreed to enhance the fiscal deficit target to 5.3% of GDP for FY11.

Despite the government's effort to increase the tax base, implement RGST from the next fiscal year and limit the fiscal deficit, the talks with IMF regarding the release of last two tranches remained inconclusive with the next meeting likely in May 2011.

Money Market Review

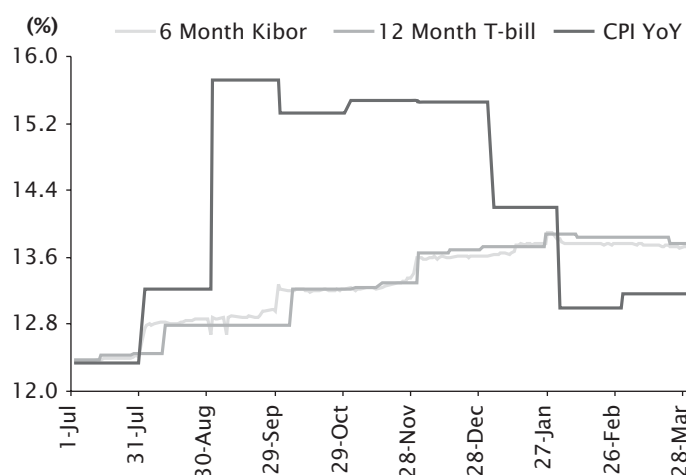
During the first nine months of fiscal year 2011, the money market remained highly volatile and to normalize the liquidity situation, State Bank of Pakistan (SBP) regularly conducted Open market operations. With the resurgence of inflation, SBP changed its monetary policy stance after 20 months and increased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

Further hike in inflation occurred as the country was hit by one of the worst floods in its history. Thus to curb the inflationary pressures, SBP went for further monetary tightening increasing the policy rate to 14%, with consecutive 50 bps hikes in September and November. Subsequently, Inflation pressure eased off with CPI touching a low of 12.91% in February 2011 after decent respite in food inflation. Moreover, the government's commitment to reduce the borrowing from the SBP did materialize to some extent. On account of these positive developments, the SBP decided to keep the discount rate unchanged at 14% in the last two monetary policy statements.

As a result, KIBOR rates also increased, with six month rate increasing by 86 bps to close the nine months at 13.73%. During this period, SBP conducted 15 T-Bill auctions in which it accepted Rs. 1,875 billion against a target of Rs. 1,815 billion with a maturity of Rs. 1,749 billion. The cut off rate of six month T-Bill also increased by 98 bps to close the period at 13.64%.

Apart from borrowing from SBP, government also tapped other avenues to meet government expenditure. During the period, SBP conducted three auctions of Ijarah Sukuks worth Rs. 137 billion at coupon rate of six month T-Bill.

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



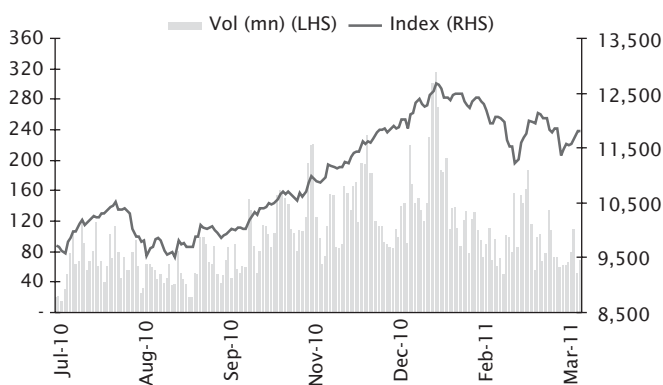
Equity Market Review

The stock market performed well during the first nine months of fiscal year 2011 primarily due to improved corporate earnings and continuing foreign inflows with the KSE-100 index rising by 21.47% to close at 11,810 points despite some correction seen in the last quarter. However, trading volumes remained low due to imposition of capital gains tax (CGT) from July and absence of a leveraged product. Average daily trading volume during the period under review declined by 51% to 85 million shares as compared to 172 million shares in the corresponding period last year.

The start of the fiscal year was initially bullish on the back of expectations of positive corporate results along with foreign interest, which helped the market to post an extraordinary return of 8.2% for the month of July. However, this rally was arrested by the unexpected 50 bps increase in the discount rate by State Bank in its bimonthly monetary policy statement at the end of July. Later, the market performance was further derailed by the devastating floods in the country which adversely affected major sectors of the economy leading to 1-2% cut in the GDP growth target of 4.5%. However, even after another 50 bps increase in discount rate in September, the investors shunned macroeconomic concerns and the sentiments remained bullish due to positive flows and positive corporate results. Since then the market witnessed a broad-based rally which was extended in the new calendar year as positive developments inched up investors' hopes of good result and payout expectations. Foreigners' net buying position boosted optimism in market as the third hike in the discount rate of 50bps in this fiscal year did not break the momentum of the market and KSE-100 rallied to year's peak of 12,768 points in mid of January, 2011.

The market underwent a correction of 12% since then as there was profit taking activity initiated by institutional investors. This was seen due to heightened political noise and strained foreign relations due to the Raymond Davis case in courts along with the uprising in the MENA region and the natural calamity in Japan. Subsequently, foreign investment which was the major trigger of the market rally in last few quarters remained at subdued levels of USD 52.5 million in third quarter of FY11, slightly thinning the fiscal year to date inflow to USD 302 million, while registering first monthly negative number of USD 16.2 million since May 09 in March FY 11.

Towards the end of the period under review, introduction of Margin Trading System (MTS) coupled with better than expected corporate results gave some support to the market and eventually helped the KSE 100 index to close at 11,810.



Performance Review

The Fund, during the period under consideration earned a total income of Rs.174.23 million as compared to Rs. 308.44 million in the corresponding period last year. Realized gains on investments contributed Rs.68.78 million as compared to Rs. 123.89 million in the corresponding period last year. The dividend income for the period was Rs.43.24 million and income on debt securities and profit on bank deposits was Rs.63.19 million. All these accounted for a net income of Rs. 154.86 million which translates into an earning per certificate of Rs.1.29 as on March 31, 2011. After accounting for surplus on revaluation of available for sale investments, the comprehensive income of the Fund was Rs. 263.09 million as compared to Rs. 291.05 million in the corresponding period last year.

The net assets of the Fund as at the period end were Rs.1,475 million as compared to Rs.1,278 million as at June 30, 2010. The net asset value of the fund as at March 31, 2011 was Rs.12.29 per certificate as compared to Rs.10.65 per certificate as on June 30, 2010.

Outlook

Going forward, the key challenge for the government under the current political environment would be to implement the reforms demanded by IMF. In line with the government's commitment to keep SBP borrowing within limits, and as inflation has tapered off from its peak, we are of the view that the government will continue its 'wait and watch' policy before increasing the discount rate in the last quarter of the fiscal year.

Although the implementation of capital gain tax has negatively impacted volumes, we believe that the introduction of the leverage product in the market will improve the liquidity position and attract investors back to the equity market. On the basis of earnings multiples and dividend yields, Pakistan remains one of the cheapest markets. Pakistan's stock market is trading at a P/E multiple of 7.7x, which is almost at a 38% discount to other frontier markets. This makes KSE an attractive option for foreign investors, who are expected to continue to make investments at the local bourses.

Acknowledgement

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

For and on behalf of the Board

Date: April 21, 2011
Karachi.

Mohammad Shoaib, CFA
Chief Executive

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2011

	Note	(Un-audited) March 31, 2011	(Audited) June 30, 2010
(Rupees in '000)			
Assets			
Balances with banks		159,213	292,188
Investments	5	1,303,400	985,810
Dividend receivable		7,056	2,909
Advances, deposits, prepayments and other receivables		22,775	20,460
Receivable against sale of investment		-	449
Total assets		<u>1,492,444</u>	<u>1,301,816</u>
Liabilities			
Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund		2,474	2,112
Payable to Central Depository Company of Pakistan Limited (CDC) - trustee of the Fund		139	126
Payable to Securities and Exchange Commission of Pakistan (SECP)		873	1,093
Payable against purchase of investments		92	658
Accrued expenses and other liabilities		2,485	6,566
Unclaimed dividend		11,578	13,550
Total liabilities		<u>17,640</u>	<u>24,105</u>
Net assets		<u>1,474,804</u>	<u>1,277,711</u>
Contingency	6		
Certificate holders' equity (as per statement attached)			
Issued, subscribed and paid-up capital			
120,000,000 ordinary certificates of Rs 10 each		1,200,000	1,200,000
Unappropriated income		164,976	76,119
Surplus on revaluation of available for sale investments		109,828	1,592
		<u>1,474,804</u>	<u>1,277,711</u>
Net assets value per certificate (Rupees)		<u>12.29</u>	<u>10.65</u>

The annexed notes 1 to 8 form an integral part of this condensed interim financial statements.

For Al Meezan Investment Management Limited
(Management Company)

CONDENSED INTERIM INCOME STATEMENT

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011 (UN-AUDITED)

	Note	Nine months period ended March 31,		Quarter ended March 31,	
		2011	2010	2011	2010
----- (Rupees in '000) -----					
Income					
Net realised gain on sale of investments		68,778	123,892	45,635	17,100
Dividend income		43,238	50,988	13,892	21,371
Profit on savings accounts with banks		15,013	7,997	4,195	409
Profit on sukuk certificates		48,177	35,437	19,311	13,270
Profit on musharaka certificates		-	9,720	-	3,269
		<u>175,206</u>	<u>228,034</u>	<u>83,032</u>	<u>55,419</u>
Unrealised gain on re-measurement of investments at fair value through profit or loss	5	<u>10,528</u>	<u>81,229</u>	<u>(24,192)</u>	<u>5,886</u>
Provision against non-performing debt securities		<u>(11,500)</u>	<u>(828)</u>	<u>-</u>	<u>-</u>
		<u>(972)</u>	<u>80,401</u>	<u>(24,192)</u>	<u>5,886</u>
Total income		<u>174,234</u>	<u>308,435</u>	<u>58,840</u>	<u>61,305</u>
Expenses					
Remuneration to Al Meezan - management company of the Fund		<u>20,586</u>	<u>24,640</u>	<u>7,031</u>	<u>6,366</u>
Remuneration to CDC - trustee of the Fund		<u>1,178</u>	<u>1,123</u>	<u>403</u>	<u>370</u>
Annual fee to SECP		<u>873</u>	<u>814</u>	<u>304</u>	<u>269</u>
Auditors' remuneration		<u>371</u>	<u>358</u>	<u>85</u>	<u>100</u>
Fees and subscription		<u>162</u>	<u>251</u>	<u>57</u>	<u>42</u>
Brokerage		<u>405</u>	<u>614</u>	<u>153</u>	<u>49</u>
Printing charges		<u>384</u>	<u>197</u>	<u>74</u>	<u>40</u>
Bank and settlement charges		<u>385</u>	<u>-</u>	<u>110</u>	<u>-</u>
Reversal of WWF	6	<u>(4,967)</u>	<u>329</u>	<u>-</u>	<u>98</u>
Total expenses		<u>19,377</u>	<u>28,326</u>	<u>8,216</u>	<u>7,334</u>
Net income for the period		<u>154,857</u>	<u>280,110</u>	<u>50,624</u>	<u>53,972</u>
Other comprehensive income for the period					
Surplus on revaluation of available for sale investments		<u>108,236</u>	<u>10,942</u>	<u>10,805</u>	<u>19,441</u>
Total comprehensive income for the period		<u>263,093</u>	<u>291,052</u>	<u>61,429</u>	<u>73,413</u>
Earnings per certificate (Rupees)		<u>1.29</u>	<u>2.33</u>	<u>0.42</u>	<u>0.45</u>

The annexed notes 1 to 8 form an integral part of this condensed interim financial statements.

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

Chief Executive

Director

MEEZAN
Balanced Fund



CONDENSED INTERIM DISTRIBUTION STATEMENT
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011 (UN-AUDITED)

	Nine months period ended March 31,		Quarter ended March 31,	
	2011	2010	2011	2010
	----- (Rupees in '000) -----			
Unappropriated income / (accumulated loss) brought forward	76,119	(52,208)	114,352	53,930
Less: Final distribution in the form of cash dividend @ 5.5% for the year ended June 30, 2010 (June 30, 2009: nil)	(66,000)	-	-	-
Less: Interim dividend @ nil % (June 30, 2010: 10%)	-	(120,000)	-	-
Net income for the period	154,857	280,110	50,624	53,972
Unappropriated income carried forward	<u>164,976</u>	<u>107,902</u>	<u>164,976</u>	<u>107,902</u>

The annexed notes 1 to 8 form an integral part of this condensed interim financial statements.

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

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN
EQUITY AND RESERVES PER CERTIFICATE**
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011 (UN-AUDITED)

	Nine months period ended March 31,		Quarter ended March 31,	
	2011	2010	2011	2010
	----- (Rupees) -----			
Net assets per certificate at the beginning of the period	10.65	9.52	11.78	11.16
Net realised gain on sale of investments	0.57	1.03	0.38	0.79
Dividend income	0.36	0.42	0.12	0.28
Profit on savings accounts with banks	0.13	0.07	0.03	0.02
Profit on sukuk certificates	0.40	0.30	0.16	0.22
Profit on musharaka certificates	-	0.08	-	0.05
Unrealised gain on re-measurement of investments at at fair value through profit or loss	0.09	0.68	(0.20)	(0.51)
Provision against non-performing debt securities	(0.10)	(0.01)	-	(0.01)
Reversal of Workers Welfare Fund (WWF)	0.04			
Expenses	(0.20)	(0.24)	(0.07)	(0.15)
Net income for the period	1.29	2.33	0.42	0.69
Less: Interim dividend for the period ending December 31, 2010 @ nil (June 30, 2010: 10%)	-	(1.00)	-	(1.00)
Less: Final distribution in the form of cash dividend @ 5.5% for the year ended June 30, 2010 (June 30, 2009: nil)	(0.55)	-	-	-
Surplus on revaluation of available for sale investments	0.90	0.13	0.09	0.13
Net assets per certificate at the end of the period	<u>12.29</u>	<u>10.99</u>	<u>12.29</u>	<u>10.99</u>

The annexed notes 1 to 8 form an integral part of this condensed interim financial statements.

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

Chief Executive

Director

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011 (UN-AUDITED)

	Nine months period ended March 31,		Quarter ended March 31,	
	2011	2010	2011	2010
----- (Rupees in '000) -----				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	154,857	280,110	50,624	53,972
Adjustments for:				
Dividend income	(43,238)	(50,988)	(13,892)	(21,371)
Profit on savings accounts with banks	(15,013)	(7,997)	(4,195)	(409)
Profit on sukuk certificates	(48,177)	(35,437)	(19,311)	(13,270)
Profit on musharika certificates	-	(9,720)	-	(3,269)
Unrealised gain on re-measurement of investments at fair value through profit or loss	(10,528)	(81,229)	24,192	(5,886)
Provision for accrued profit on an investment	-	-	-	-
Provision against non-performing debt securities	11,500	-	-	-
Reversal of WWF	(4,967)	-	-	-
	<u>44,435</u>	<u>94,738</u>	<u>37,419</u>	<u>9,766</u>
(Increase) / decrease in assets				
Investments - at fair value through profit or loss	(210,326)	(166,251)	(376)	(33,079)
Receivable against sale of investments	449	-	1,860	-
Advances, deposits, prepayments and other receivables	(58)	(42)	57	(1,901)
	<u>(209,935)</u>	<u>(166,293)</u>	<u>1,541</u>	<u>(34,980)</u>
Increase / (decrease) in liabilities				
Payable to Al Meezan - management company of the Fund	362	(2,244)	69	133
Payable to CDC - trustee of the Fund	13	15	5	5
Payable to SECP	(220)	(194)	303	240
Payable to MBL	-	(434)	-	29
Payable against purchase of investments	(566)	685	92	6,376
Accrued expenses and other liabilities	885	699	345	165
	<u>474</u>	<u>(1,473)</u>	<u>815</u>	<u>6,948</u>
Cash (used in) / generated from operations	(165,026)	(73,027)	39,774	(18,265)
Dividend income received	39,091	41,047	7,018	12,100
Profit received on savings accounts with banks	16,338	11,327	8,453	5,555
Profit received on sukuk certificates	44,594	40,766	19,276	33,784
Profit received on Diminishing Musharika certificates	-	6,270	-	(9,183)
Net cash (outflow) / inflow from operating activities	<u>(65,003)</u>	<u>26,383</u>	<u>74,521</u>	<u>23,991</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	(67,972)	(108,070)	(2,491)	(16,535)
Net cash outflow from financing activities	<u>(67,972)</u>	<u>(108,070)</u>	<u>(2,491)</u>	<u>(16,535)</u>
Net decrease in cash and cash equivalents	(132,975)	(81,687)	72,030	7,456
Cash and cash equivalents at the beginning of the period	292,188	144,241	87,184	55,098
Cash and cash equivalents at the end of the period	<u>159,213</u>	<u>62,554</u>	<u>159,213</u>	<u>62,554</u>

The annexed notes 1 to 8 form an integral part of this condensed interim financial statements.

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

MEEZAN
Balanced Fund

Chief Executive

Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011 (UN-AUDITED)

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 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, Shahrah-e-Faisal, Karachi, Pakistan.
- 1.2 The investment objective of the Fund is to generate long-term capital appreciation as well as current income by creating a balanced portfolio that is invested both in high quality equity securities and islamic income instruments such as term finance certificates, certificates of islamic investment, 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 Meezan Bank Limited (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 management company of the Fund has been given quality rating of AM2 by JCR - VIS Credit Rating Company Limited.
- 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 debt securities and in equity securities, which are listed or proposed to be listed on the stock exchanges.
- 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

These condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, the Trust Deed, NBFC Rules, NBFC Regulations, 2008 and the directives issued by SECP. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Trust Deed, NBFC Rules, NBFC Regulations, 2008 and the said directives differ with requirements of these standards, the requirements of the Trust Deed, NBFC Rules, NBFC Regulations, 2008 and the said directives take precedence. The disclosures made in these condensed interim financial statements have, however been limited based on the requirements of the IAS 34: 'Interim Financial Reporting'.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements and the significant judgements made by management in applying the 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, 2010.

	Note	March 31, 2011	June 30, 2010
		(Rupees in '000)	
5. INVESTMENTS			
Investments at fair value through profit or loss	5.1	762,279	604,036
Investments - 'available for sale'	5.2	541,121	381,774
		<u>1,303,400</u>	<u>985,810</u>
5.1 Investments at fair value through profit or loss			
Held for trading	5.1.1	641,378	392,003
Investments at fair value through profit or loss upon initial recognition	5.1.2	120,901	212,033
		<u>762,279</u>	<u>604,036</u>
5.1.1 Held for trading			
Shares of listed companies	5.1.1.1	88,378	174,288
Sukuk certificates	5.1.1.4	553,000	217,715
		<u>641,378</u>	<u>392,003</u>
5.1.2 Investments at fair value through profit or loss upon initial recognition			
Shares of listed companies	5.1.2.1	14,597	43,789
Sukuk Certificates	5.1.2.2	106,303	168,244
		<u>120,901</u>	<u>212,033</u>

5.1.1.1 Held for trading - Shares of listed companies

Name of the investee company	As at July 1, 2010	Purchases during the period	Bonus / rights issue	Sales during the period	As at March 31, 2011	Carrying value as at March 31, 2011	Market value as at March 31, 2011	Unrealised gain / (loss) as at March 31, 2011	Percentage in relation to		
									Net assets of the Fund on the basis of investments (see note 5.1.1.3 below)	Paid-up capital of investee company (with face value of investments)	Total market value of investments
	Number of shares				Rupees in '000			%			
General Industrials											
Thal Limited (note 5.1.1.2)	194,113	-	38,822	35,000	197,935	15,660	21,274	5,614	1.44	0.32	1.63
Tri-Pack Films Limited	83,400	-	-	-	83,400	8,134	12,677	4,543	0.86	0.28	0.97
									2.30	0.60	2.60
Construction and Materials											
Attock Cement Pakistan Limited	125,000	-	-	-	125,000	8,188	6,555	(1,633)	0.44	0.14	0.5
Lucky cement	135,000	-	-	100,000	35,000	2,175	2,362	187	0.16	0.01	0.18
									0.60	0.16	0.68
Automobile and Parts											
Pak Suzuki Motor Company Limited	66,800	-	-	40,000	26,800	2,124	1,862	(263)	0.13	0.03	0.14
Oil and Gas											
Pakistan Oilfields Limited	159,275	-	-	115,000	44,275	9,559	14,393	4,834	0.98	0.02	1.1
Pakistan Petroleum Limited	221,200	-	44,240	187,000	78,440	12,035	16,583	4,548	1.12	0.01	1.27
									2.10	0.03	2.37
Fixed Line and telecommunication											
Pakistan Telecommunication Company Limited	1,285,500	-	-	572,135	713,365	12,698	12,127	(571)	0.82	0.02	0.93
Chemical											
Fauji Fertilizer Bin Qasim Company Limited	725,500	-	-	725,500	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	83,187	-	-	83,187	-	-	-	-	0.04	0.00	0.04
ICI Pakistan Limited	3,300	-	-	-	3,300	391	545	154	0.04	0.00	0.04
									0.04	0.00	0.04
Total						70,964	88,378	17,414			
Total cost of investments							82,939				

5.1.1.2 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.

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

5.1.1.4 Held for trading - Sukuk certificates

Name of the investee company	Maturity	Profit rate	As at July 1, 2010	Purchases during the period	Sales / redemptions during the period	As at March 31, 2011	Carrying value as at March 31, 2011	Market value as at March 31, 2011	Unrealised loss as at March 31, 2011	Percentage in relation to	
										Net assets of the Fund on the basis of investments (see note 5.1.1.3 above)	Total market value of investments
			Number of certificates			Rupees in '000					
Secured											
GoP Ijarah Sukuk Certificates - III (note 5.1.1.5)	March 11, 2012	13.65%	250	-	-	250	25,485	25,000	(485)	1.70	1.92
GoP Ijarah Sukuk Certificates - IV (note 5.1.1.5)	September 17, 2012	13.60%	1,880	-	-	1,880	192,230	188,000	(4,230)	12.75	14.42
GoP Ijarah Sukuk Certificates - V (note 5.1.1.5)	November 15, 2013	13.11%	-	2,500	-	2,500	250,000	250,000	-	16.95	19.18
GoP Ijarah Sukuk Certificates - VII (note 5.1.1.5)	March 7, 2014	13.68%	-	900	-	900	90,000	90,000	-	6.10	6.91
Total							557,715	553,000	(4,715)		
Total cost of investments							553,000				

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

5.1.2.1 Shares of listed companies

Name of the investee company	As at July 1, 2010	Purchases during the period	Bonus / rights issue	Sales during the period	As at March 31, 2011	Carrying value as at March 31, 2011	Market value as at March 31, 2011	Unrealised gain / (loss) as at March 31, 2011	Percentage in relation to		
									Number of shares	Rupees in '000	%
Automobile and Parts											
Indus Motor Company Limited	155,055	-	-	105,000	50,055	13,133	10,527	(2,607)	0.71	0.06	0.81
General Industrials											
Packages Limited	2,473	-	-	-	2,473	293	292	(1)	0.02	0.00	0.02
Banks											
Meezan Bank Limited (an associate of the Fund)	193,302	-	28,995	-	222,297	2,813	3,779	967	0.26	0.03	0.29
Total						16,239	14,597	(1,642)			
Total cost of investments							12,894				

5.1.2.2 Sukuk certificates

Name of the investee company	Maturity	Profit rate	As at July 1, 2010	Purchases during the period	Sales / redemptions during the period	As at March 31, 2011	Carrying value as at March 31, 2011	Market value as at March 31, 2011	Unrealised loss as at March 31, 2011	Percentage in relation to		
										Number of certificates	Rupees in '000	%
Sitara Chemical Industries Limited - II (note 5.1.2.3)	December 17, 2011	3 months KIBOR plus base rate of 1.7%	6,750	-	3,375	3,375	16,813	16,856	43	1.14	8.27	1.29
Engro Chemical Pakistan Limited (note 5.1.2.3)	September 1, 2015	6 months KIBOR plus base rate of 1.5%	15,000	-	5,000	10,000	49,000	50,000	1,000	3.39	1.68	3.84
Security Leasing Corporation Limited II (note 5.1.2.3)	September 19, 2012	6 months KIBOR plus base rate of 1.95%	3,516	-	703	2,813	10,547	9,905	(642)	0.67	3.87	0.76
Century Paper & Board Mills Limited (note 5.1.2.3)	September 25, 2014	6 months KIBOR plus base rate of 1.35%	4,500	-	1,000	3,500	16,762	16,844	82	1.14	2.48	1.29
Eden Housing Limited (note 5.1.2.3)	April 2, 2013	6 months KIBOR plus base rate of 2.5%	5,000	-	-	5,000	13,711	12,699	(1,012)	0.86	1.43	0.97
Arzoo Textile Mills Limited (note 5.1.2.3)	April 15, 2014	6 months KIBOR plus base rate of 2%	5,000	-	-	5,000	11,500	-	(11,500)	-	3.64	-
Total							118,333	106,303	(12,029)			
Total cost of investments								135,816				

5.1.2.3 The nominal value of these sukuk certificates is Rs 5,000 each except Eden Housing Limited which has a face value of Rs 3,656.

5.2 Investments - 'available for sale'

Name of the investee company	As at July 1, 2010	Purchases during the period	Bonus / rights issue	Sales during the period	As at March 31, 2011	Carrying value as at March 31, 2011	Market value as at March 31, 2011	Unrealised gain / (loss) as at March 31, 2011	Percentage in relation to		
									Number of shares	Rupees in '000	%
Oil and Gas											
Oil and Gas Development Company (note 5.2.1)	183,166	165,000	-	177,000	171,166	22,673	23,222	549	1.57	0.00	1.78
Pakistan Oilfields Limited	145,750	-	-	-	145,750	32,078	47,382	15,304	3.21	0.06	3.64
Pakistan Petroleum Limited	215,100	30,000	49,020	-	294,120	45,918	62,180	16,262	4.22	0.02	4.77
Pakistan State Oil Company Limited	243,100	137,000	-	165,000	215,100	57,443	59,692	2,249	4.05	0.13	4.58
National Refinery Limited	63,000	91,376	-	154,376	-	-	-	-	-	-	-
									13.05	0.22	14.77
Chemical											
Fauji Fertilizer Bin Qasim Company Limited	678,000	-	-	535,500	142,500	3,454	5,902	2,448	0.40	0.02	0.45
Fauji Fertilizer Company Limited	1,100,000	-	214,046	263,813	1,050,233	87,412	144,806	57,394	9.82	0.12	11.11
ICI Pakistan Limited	230,000	125,000	-	25,000	330,000	39,604	54,509	14,906	3.70	0.24	4.18
Lotte Pakistan PTA Ltd.	-	1,082,500	-	1,082,500	-	-	-	-	-	-	-
									13.92	0.38	15.74
Construction and Materials											
Lucky cement	355,421	250,000	-	-	605,421	39,750	40,854	1,104	2.77	0.19	3.13
Attock Cement	-	45,000	-	-	45,000	3,088	2,360	(728)	0.16	0.05	0.18
DG Khan Cement Co. Ltd	-	125,000	-	125,000	-	-	-	-	-	-	-
									2.93	0.24	3.31
Electricity											
Hub Power Co. Ltd.	-	1,209,500	-	-	1,209,500	44,394	45,526	1,131	3.09	0.10	3.49
Textile Composite											
Nishat Mills Limited	-	250,000	-	-	250,000	15,201	16,248	1,047	1.10	0.07	1.25
Automobile and Parts											
Indus Motor Company Limited	10,000	24,073	-	-	34,073	7,492	7,166	(326)	0.49	0.04	0.55
General Industrials											
Packages Limited	175,000	15,000	-	40,000	150,000	17,981	17,687	(294)	1.20	0.18	1.36
Tri-Pack Films Limited	10,000	-	-	-	10,000	1,132	1,520	388	0.10	0.03	0.12
									1.30	0.21	1.48
Fixed Line and telecommunication											
Pakistan Telecommunication Company Limited	295,000	465,000	-	50,100	709,900	13,673	12,068	(1,604)	0.82	0.02	0.93
Total						431,293	541,121	109,828			
Total cost of investments						431,293					

5.2.1 100,000 shares of Oil and Gas Development Company Limited, having market value of Rs 13.57 million as at March 31, 2011, have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

6. CONTINGENCIES

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.

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

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

However, the Management Company believes that the aforementioned constitutional petition pending in the Court has strong grounds for decision in favour of the mutual funds. Accordingly, the management has reversed the liability recognised as at June 30, 2010 amounting to Rs 4.967 million, during the current period. The aggregate unrecognised amount of WWF as at March 31, 2011 amounted to Rs 7.906 million.

7. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include AMIML 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 Cash Fund, Meezan Sovereign Fund, Meezan Tahaffuz Pension Fund and Meezan Capital Protected Fund - I, 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, 2007 and NBFC Regulations, 2008 and the Trust Deed respectively.

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

	March 31, 2011	June 30, 2010
	(Rupees in '000)	
Al Meezan Investment Management Limited		
- management company of the Fund		
Remuneration payable	<u>2,474</u>	<u>2,112</u>
Investment of 3,821,824 certificates (June 30, 2010: 3,821,824)	<u>35,314</u>	<u>22,886</u>
Central Depository Company of Pakistan Limited		
- trustee of the Fund		
Remuneration payable	<u>139</u>	<u>124</u>
Charges payable	<u>3</u>	<u>2</u>
Meezan Bank Limited - shariah adviser of the Fund		
Bank balance and placements	<u>2,865</u>	<u>1,738</u>
Investment in 222,297 shares (June 30, 2010: 321,075 shares)	<u>3,779</u>	<u>2,813</u>
Investment of 16,134,468 certificates (June 30, 2010: 16,134,468 certificates)	<u>149,082</u>	<u>100,840</u>
Pakistan Kuwait Investment Company (Private) Limited		
Investment of 11,057,791 certificates (June 30, 2010: 11,057,791 certificates)	<u>102,174</u>	<u>69,111</u>
Directors and officers of the management company		
Investment of 32,975 certificates (June 30, 2010: 31,975 certificates)	<u>305</u>	<u>200</u>



	For the Nine months period ended	
	2011	2010
(Rupees in '000)		
Al Meezan Investment Management Limited		
- management company of the Fund		
Remuneration for the period	<u>20,586</u>	<u>24,640</u>
Dividend for the period	<u>2,102</u>	<u>3,822</u>
Central Depository Company of Pakistan Limited		
- trustee of the Fund		
Remuneration for the period	<u>1,178</u>	<u>1,123</u>
Charges for the period	<u>115</u>	<u>128</u>
Meezan Bank Limited - shariah adviser of the Fund		
Profit on savings account	<u>6</u>	<u>17</u>
Dividend for the period	<u>8,874</u>	<u>16,134</u>
Pakistan Kuwait Investment Company (Private) Limited		
Dividend for the period	<u>6,082</u>	<u>11,058</u>
Directors and officers		
Dividend for the period	<u>18</u>	<u>44</u>

8. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These condensed interim financial statements have been authorised on April 21, 2011 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 THE INCOME & EXPENDITURE OF THE
MANAGEMENT COMPANY IN RELATION TO THE FUND
FOR THE PERIOD ENDED MARCH 31, 2011**

	March 31, 2011	March 31, 2010
	(Rupees in '000)	
INCOME		
Remuneration from Meezan Balanced Fund	20,586	24,640
Dividend income	2,102	3,822
	22,688	28,462
OPERATING EXPENSES		
Salaries and other benefits	5,597	6,162
Motor vehicle running expenses	144	115
Fees and subscription	105	130
Insurance expense	59	48
Printing and stationery	79	61
Communication	220	380
Depreciation	344	399
Travelling and conveyance	13	45
Entertainment	28	19
Legal and professional charges	138	227
Repair and maintenance	115	31
Office supplies	51	43
Training and development	12	16
Rent, rates and taxes	303	404
Utilities	66	54
Shariah advisory fee	126	188
Miscellaneous expenses	11	11
	7,412	8,334
OPERATING PROFIT	15,276	20,128

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 have not been included in the above statement.



Pure. Profit.

Registered Office

Al Meezan Investment Management Limited

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