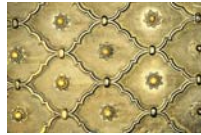




Balanced Fund



**Half Yearly Report December 31, 2010**



**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, 4<sup>th</sup> Floor, Beaumont Plaza, 6-CL-10  
Beaumont Road, Civil Lines  
Karachi - 75530

### TRANSFER AGENT

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

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of Al Meezan Investment Management Limited, 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, 2010.

### Brief Overview

During the first half of fiscal year 2011, Meezan Balanced Fund (MBF) provided a return of 15.78% to its investors as compared to benchmark return of 16.90%. The benchmark of MBF comprises 50% weight of KMI 30 and 50% weight of average return of 3 Islamic banks namely, Meezan Bank, BankIslami and Dubai Islamic Bank.

### Economic Review

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

Floods caused a sharp increase in food inflation which led CPI to touch a 16-month high of 15.7% in September, 2010. To counter spiraling inflationary expectations, SBP proactively raised discount rate by a cumulative 150bps in 1HFY11 from 12.5% to 14.0%.

Floods and delay in structural reforms are likely to have an adverse impact on fiscal deficit which is now expected to cross 6.0% of GDP for fiscal year 2011 against IMF target of 4.7% of GDP. To finance increasing fiscal deficit, government borrowing from SBP has increased to approximately Rs. 272 billion while borrowing from commercial banks has increased to Rs. 178 billion during the period under review. However, tax revenue collection during 1FY11 (provisional) stood at Rs. 642 billion, up 10% year on year, short of target by about Rs. 11 billion.

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

During the entire period, government faced major resistance while addressing key structural issues in economy such as low tax to GDP ratio, higher subsidies, and excessive borrowings from central bank and

implementation of Reformed GST. As a result, IMF delayed dates for fifth and sixth reviews to August 2011. With upward rally in crude price putting pressure on forex reserves and weak fiscal position, IMF's timely release of final payments would play a key role in fiscal stability of the economy.

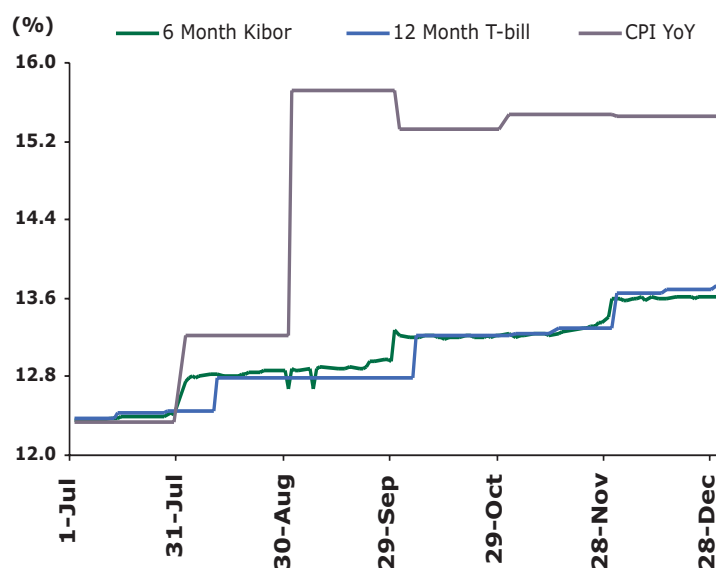
### Money Market Review

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

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

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

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



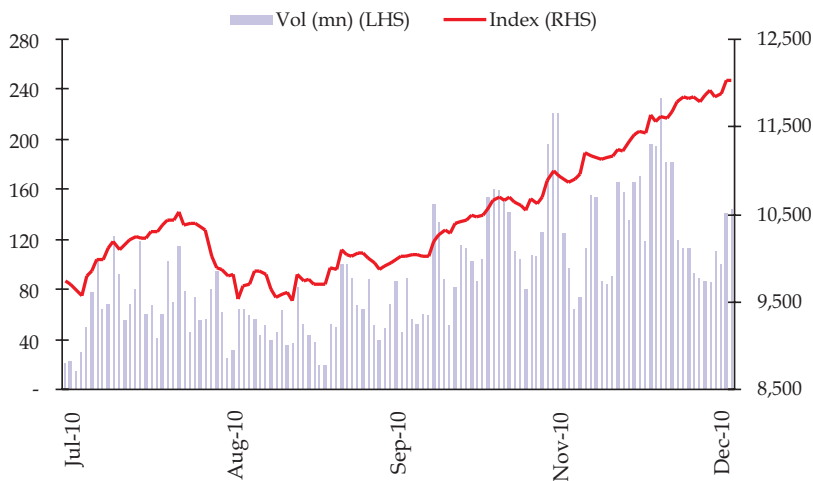
## Equity Market Review

Stock market performed exceptionally well during the first half of financial year 2011 with the benchmark KSE-100 index rising by 24% to close at 12,022. However, trading volumes remained low due to imposition of capital gains tax (CGT) from 1st July and absence of leverage. Average daily trading volume in the first half declined by 47% to 92 million shares as compared to 173 million shares in the corresponding period last year.

Despite concerns related to CGT, the fiscal year started on a bullish note 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 turned bullish due to news about European Union allowing duty free import of textile related goods from Pakistan, above expectation corporate results with no negative impact of floods and increase in cement prices. As a result market crossed 11,000 level in November 2010. Further 50 bps hike in the discount rate at the end of November did not break the momentum of the market.

Towards the end of the period under review, sale of British Petroleum assets to United Energy Group at a better than expected price created excitement in oil and gas sector. Fertilizers also exhibited a bull run on the back of news of urea price hike. Moreover, continuous foreign interest, with net inflow of US\$ 249 million for the period under review, helped the KSE-100 to close at 12,022 and KMI-30 at 19,072.



### Performance Review

The Fund, during the period under consideration earned a total income of Rs.115 million as compared to Rs. 247 million in the corresponding period last year. The dividend income for the period was Rs.29.34 million and income on debt securities and profit on bank deposits was Rs.39.68 million. All these accounted for a net income of Rs. 104.23 million which translates into an earning per certificate of Rs.0.87 as on December 31, 2010. After accounting for surplus on revaluation of available for sale investments, the comprehensive income of the Fund was Rs. 202 million as compared to Rs. 218 million in the corresponding period last year.

The net assets of the fund as at the period end were Rs.1, 413 million as compared to Rs.1,278 million as at June 30, 2010. The net asset value of the fund as at December 31, 2010 was Rs.11.78 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 introduce the reforms demanded by IMF. It is expected that inflation will remain on the higher side because of supply side shortage and hence State Bank may likely go for further monetary tightening in this fiscal year which will positively impact the return of the fixed income portion of portfolio of MBF.

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 the investors back to the equity market. On the basis of earnings multiples and dividend yields, Pakistan remains one of the cheapest market. Pakistan's stock market is trading at a P/E multiple of 8.3x, which is almost at 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.

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

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

**Mohammad Shoaib, CFA  
Chief Executive**





**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

CDC House, 99-B, Block 'B'  
S.M.C.H.S. Main Shakra-e-Faisal  
Karachi - 74400. Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
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Email: info@cdcpak.com

**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, 2010 to December 31, 2010 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund; and
- (ii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, February 07, 2011



**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, 2010 and the related 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 the notes forming part thereof for the six month 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 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, 2010 and 2009 have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2010.

**Scope of review**

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

**Conclusion**

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

  
Chartered Accountants  
Karachi, February 10, 2011

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Islamabad Office: PIA Building, 3<sup>rd</sup> Floor, 49 Blue Area, Fazi-ul-Haq Road, P.O.Box 3021, Islamabad-44000, Pakistan Tel: (92-51) 2273457-60 Fax: (92-51) 2277924  
Kabul Office: House No. 1916, Street No. 1, Behind Cinema Bariqoi, Nahar-e-Darsan, Karte-4, Kabul, Afghanistan. Tel: +93-779-315320, +93-799-315320

**MEEZAN**  
Balanced Fund

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

AS AT DECEMBER 31, 2010 (UNAUDITED - NOTE 3)

	Note	December 31, 2010	June 30, 2010
		(Rupees in '000)	
<b>Assets</b>			
Balances with banks		87,184	292,188
Investments	5	1,316,411	985,810
Dividend receivable		182	2,909
Receivable against sale of investments		1,945	449
Advances, deposits, prepayments and other receivables		27,054	20,460
<b>Total assets</b>		<u>1,432,776</u>	<u>1,301,816</u>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund		2,405	2,112
Payable to Central Depository Company of Pakistan Limited (CDC) - trustee of the Fund		134	126
Payable to Securities and Exchange Commission of Pakistan (SECP)		569	1,093
Payable against purchase of investments		85	658
Accrued expenses and other liabilities		2,139	6,566
Dividend payable		14,069	13,550
<b>Total liabilities</b>		<u>19,401</u>	<u>24,105</u>
<b>Net assets</b>		<u>1,413,375</u>	<u>1,277,711</u>
<b>Contingency</b>	6		
<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		114,352	76,119
Surplus on revaluation of available for sale investments		99,023	1,592
		<u>1,413,375</u>	<u>1,277,711</u>
Net assets value per certificate (Rupees)		<u>11.78</u>	<u>10.65</u>

The annexed notes 1 to 10 form an integral part of this condensed interim financial report.

For Al Meezan Investment Management Limited  
(Management Company)

Mohammad Shoaib, CFA  
Chief Executive

Mazhar Sharif  
Director

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

Note	Six months period ended December 31,		Quarter ended December 31,	
	2010	2009	2010	2009
	----- (Rupees in '000) -----			
<b>Income</b>				
	23,144	106,792	19,762	78,365
	29,346	29,617	15,490	12,382
	10,818	7,588	3,913	1,761
	28,866	22,167	16,033	12,697
	-	6,451	-	3,404
	<u>92,174</u>	<u>172,615</u>	<u>55,198</u>	<u>108,609</u>
	Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss (net) 5			
	34,720	75,343	29,737	(67,999)
	(11,500)	-	(8,750)	-
	-	(828)	-	(828)
	<u>23,220</u>	<u>74,515</u>	<u>20,987</u>	<u>(68,827)</u>
	<b>Total income</b>	<b>115,394</b>	<b>247,130</b>	<b>76,185</b>
	<b>115,394</b>	<b>247,130</b>	<b>76,185</b>	<b>39,782</b>
<b>Expenses</b>				
	13,556	18,274	6,859	8,554
	775	753	391	381
	569	545	288	277
	285	258	125	148
	105	209	58	42
	293	565	261	235
	310	157	275	157
	235	231	117	133
	(4,967)	-	-	-
	<u>11,161</u>	<u>20,992</u>	<u>8,374</u>	<u>9,927</u>
	<b>Total expenses</b>	<b>11,161</b>	<b>20,992</b>	<b>8,374</b>
	<b>11,161</b>	<b>20,992</b>	<b>8,374</b>	<b>9,927</b>
	<b>Net income for the period</b>	<b>104,233</b>	<b>226,138</b>	<b>67,811</b>
	<b>104,233</b>	<b>226,138</b>	<b>67,811</b>	<b>29,855</b>
<b>Other comprehensive income / (loss) for the period</b>				
	Surplus / (deficit) on revaluation of available for sale investments (net)			
	97,431	(8,499)	85,891	(8,499)
	<u>201,664</u>	<u>217,639</u>	<u>153,702</u>	<u>21,356</u>
	<b>Total comprehensive income for the period</b>	<b>201,664</b>	<b>217,639</b>	<b>153,702</b>
	<b>201,664</b>	<b>217,639</b>	<b>153,702</b>	<b>21,356</b>
	Earnings per certificate (Rupees) 7			
	<u>0.87</u>	<u>1.88</u>	<u>0.57</u>	<u>0.25</u>

The annexed notes 1 to 10 form an integral part of this condensed interim financial report.

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

**Mohammad Shoab, CFA**  
Chief Executive

**Mazhar Sharif**  
Director

**MEEZAN**  
Balanced Fund



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

	Six months period ended December 31,		Quarter ended December 31,	
	2010	2009	2010	2009
	----- (Rupees in '000) -----			
Unappropriated income / (accumulated loss) brought forward	76,119	(52,208)	112,541	144,074
Less: Final distribution in the form of cash dividend @ 5.5% for the year ended June 30, 2010 ( June 30, 2009: nil)	(66,000)	-	(66,000)	-
Less: Interim dividend @ nil % ( June 30, 2010: 10% )	-	(120,000)	-	(120,000)
Net income for the period	104,233	226,138	67,811	29,856
Unappropriated income carried forward	<u>114,352</u>	<u>53,930</u>	<u>114,352</u>	<u>53,930</u>

The annexed notes 1 to 10 form an integral part of this condensed interim financial report.

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

**Mohammad Shoaib, CFA**  
**Chief Executive**

**Mazhar Sharif**  
**Director**

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN  
EQUITY AND RESERVES PER CERTIFICATE**  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2010 (UNAUDITED NOTE - 3)

	Six months period ended December 31,		Quarter ended December 31,	
	2010	2009	2010	2009
	----- (Rupees) -----			
Net assets per certificate at the beginning of the period	10.65	9.52	11.05	11.16
Net realised gain on sale of investments	0.20	0.89	0.17	0.65
Dividend income	0.24	0.25	0.13	0.11
Profit on savings accounts with banks	0.09	0.06	0.03	0.01
Profit on sukuk certificates	0.24	0.18	0.13	0.10
Profit on diminishing musharaka certificates	-	0.05	-	0.02
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss (net)	0.29	0.63	0.25	(0.56)
Provision against non performing debt securities	(0.10)	(0.01)	(0.08)	(0.01)
Reversal for WWF	0.04	-	-	-
Expenses	(0.13)	(0.16)	(0.06)	(0.07)
Net income for the period	0.87	1.89	0.57	0.25
Interim dividend for the period ending December 31, 2010 @ nil (June 30, 2010: 10%)	-	(1.00)	-	(1.00)
Final distribution in the form of cash dividend @ 5.5% for the year ended June 30, 2010 (June 30, 2009: nil)	(0.55)	-	(0.55)	-
Surplus / (deficits) on revaluation of available for sale investments (net)	0.81	(0.07)	0.71	(0.07)
Net assets per certificate at the end of the period	<u>11.78</u>	<u>10.34</u>	<u>11.78</u>	<u>10.34</u>

The annexed notes 1 to 10 form an integral part of this condensed interim financial report.

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

**Mohammad Shoaib, CFA  
Chief Executive**

**Mazhar Sharif  
Director**

## CONDENSED INTERIM CASH FLOW STATEMENT

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

	Six months period ended		Quarter ended	
	December 31,		December 31,	
	2010	2009	2010	2009
----- (Rupees in '000) -----				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income	104,233	226,138	67,811	29,855
<b>Adjustments for:</b>				
Dividend income	(29,346)	(29,617)	(15,490)	(12,382)
Profit on savings accounts with banks	(10,818)	(7,588)	(3,913)	(1,761)
Profit on sukuk certificates	(28,866)	(22,167)	(16,033)	(12,697)
Profit on diminishing musharaka certificates	-	(6,451)	-	(3,404)
Unrealised (gain) / loss on re-measurement of investments at fair value through profit or loss	(34,720)	(75,343)	(29,737)	67,999
Provision against non performing debt securities	11,500	-	8,750	-
Reversal for WWF	(4,967)	-	-	-
	<u>7,016</u>	<u>84,972</u>	<u>11,388</u>	<u>67,610</u>
<b>(Increase) / decrease in assets</b>				
Investments	(209,950)	(133,172)	(139,567)	(13,797)
Receivable against sale of investments	(1,496)	-	(1,945)	-
Advances, deposits, prepayments and other receivables	(113)	1,859	9	1,996
	<u>(211,559)</u>	<u>(131,313)</u>	<u>(141,503)</u>	<u>(11,801)</u>
<b>Increase / (decrease) in liabilities</b>				
Payable to Al Meezan - management company of the Fund	293	(2,377)	222	(1,200)
Payable to CDC - trustee of the Fund	8	10	8	(2)
Payable to MBL	-	(434)	-	-
Payable to SECP	(524)	(463)	288	(732)
Payable against purchase of investments	(573)	(5,691)	(56)	(180)
Accrued expenses and other liabilities	540	534	313	(716)
	<u>(256)</u>	<u>(8,421)</u>	<u>775</u>	<u>(2,830)</u>
Cash (used in) / generated from operations	<u>(204,799)</u>	<u>(54,762)</u>	<u>(129,340)</u>	<u>52,979</u>
Dividend income received	32,073	28,947	23,450	15,010
Profit received on savings accounts with banks	7,884	5,772	2,253	2,646
Profit received on diminishing musharaka certificates	-	6,982	-	6,982
Profit received on sukuk certificates	25,319	15,453	4,038	3,571
<b>Net cash (outflow) / inflow from operating activities</b>	<u>(139,523)</u>	<u>2,392</u>	<u>(99,599)</u>	<u>81,188</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividend paid	(65,481)	(91,535)	(65,472)	(91,116)
<b>Net cash outflow from financing activities</b>	<u>(65,481)</u>	<u>(91,535)</u>	<u>(65,472)</u>	<u>(91,116)</u>
Net decrease in cash and cash equivalents	<u>(205,004)</u>	<u>(89,143)</u>	<u>(165,071)</u>	<u>(9,928)</u>
Cash and cash equivalents at the beginning of the period	292,188	144,241	252,255	65,026
Cash and cash equivalents at the end of the period	<u>87,184</u>	<u>55,098</u>	<u>87,184</u>	<u>55,098</u>

The annexed notes 1 to 10 form an integral part of this condensed interim financial report.

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

**Mohammad Shoab, CFA**  
Chief Executive

**Mazhar Sharif**  
Director

## NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2010 (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 Meezan Bank Limited (MBL) as its shariah adviser to ensure that the activities of the Fund are in compliance with the principles of islamic shariah. The management company of the Fund is registered with the SECP as a Non-Banking Finance Company under NBFC Rules.
- 1.3 The Fund is a closed-end scheme (mutual fund) and its certificates are listed on the Karachi Stock Exchange. The management company of the Fund has been given 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

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

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, 2010 and the condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in equity and reserves per share, condensed interim statement of changes in equity and condensed interim cash flow statement, for the six months period ended December 31, 2010, 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 share, condensed interim statement of changes in equity and condensed interim cash flow statement for the quarter ended December 31, 2010 which is not subject to a review.
- 3.3 The comparative statement of the condensed interim statement of assets and liabilities presented in this condensed interim financial report as at June 30, 2010 has been extracted from the audited financial statements of the Fund for the year ended June 30, 2010 whereas the condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in equity and reserves per share, condensed interim statement of changes in equity and condensed interim cash flow statement, for the six months period ended December 31, 2009 were subject to review but not audited. The comparative condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in equity and reserves per share and condensed interim cashflow statement for the quarter ended December 31, 2009 included in this condensed interim financial report were not subjected to a review.
- 3.4 Standards, amendments to published approved accounting standards and interpretations effective from July 1, 2010:

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the period and are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or have any significant effect on the

Fund's operations and are therefore, not disclosed in this condensed interim financial report.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

	Note	December 31, 2010	June 30, 2010
		(Rupees in '000)	
<b>5. INVESTMENTS</b>			
Investments at fair value through profit or loss	5.1	745,435	604,036
Investments - 'available for sale'	5.2	570,976	381,774
		<u>1,316,411</u>	<u>985,810</u>
<b>5.1 Investments at fair value through profit or loss</b>			
Held for trading	5.1.1	613,233	392,003
Investments at fair value through profit or loss upon initial recognition	5.1.2	132,202	212,033
		<u>745,435</u>	<u>604,036</u>
<b>5.1.1 Held for trading</b>			
Shares of listed companies	5.1.1.1	147,868	174,288
Sukuk certificates	5.1.1.4	465,365	217,715
		<u>613,233</u>	<u>392,003</u>

## 5.1.1.1 Held for trading - Shares of listed companies

Name of the investee company	As at July 1, 2010	Bonus issue	Sales during the period	As at December 31, 2010	Carrying value as at December 31, 2010	Market value as at December 31, 2010	Unrealised gain / (loss) as at December 31, 2010	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			%		
<b>General Industrials</b>										
Thal Limited (note 5.1.1.2)	194,113	38,822	15,000	217,935	17,242	28,385	11,143	2.01	0.36	2.16
Tri-Pack Films Limited	83,400	-	-	83,400	8,134	10,188	2,054	0.72	0.28	0.77
								2.73	0.64	2.93
<b>Construction and Materials</b>										
Attock Cement Pakistan Limited	125,000	-	-	125,000	8,188	7,889	(299)	0.56	0.14	0.60
Lucky Cement Limited	135,000	-	100,000	35,000	2,175	2,653	478	0.19	0.01	0.20
								0.75	0.15	0.80
<b>Automobile and Parts</b>										
Pak Suzuki Motor Company Limited	66,800	-	40,000	26,800	2,124	1,871	(253)	0.13	0.03	0.15
<b>Oil and Gas</b>										
Pakistan Oilfields Limited	159,275	-	30,000	129,275	27,910	38,260	10,350	2.71	0.05	2.91
Pakistan Petroleum Limited	221,200	44,240	132,500	132,940	20,397	28,867	8,470	2.04	0.01	2.19
								4.75	0.06	5.10
<b>Fixed Line and telecommunication</b>										
Pakistan Telecommunication Company Limited	1,285,500	-	422,135	863,365	15,368	16,767	1,399	1.19	0.02	1.27
<b>Chemicals</b>										
ICI Pakistan Limited	3,300	-	-	3,300	391	476	85	0.03	-	0.04
Fauji Fertilizer Bin Qasim Company Limited	725,500	-	376,000	349,500	9,101	12,488	3,387	0.88	0.04	0.95
Fauji Fertilizer Company Limited	83,187	-	83,000	187	20	24	4	-	-	-
								0.91	0.04	0.99
<b>Total</b>					111,050	147,868	36,818			
<b>Total cost of investments</b>						122,803				

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	As at December 31, 2010	Carrying value as at December 31, 2010	Market value as at December 31, 2010	Unrealised loss as at December 31, 2010	Percentage in relation to	
									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		%		
<b>Secured</b>										
GoP Ijarah Sukuk Certificates - III	March 11, 2012	12.69%	250	-	250	25,485	25,485	-	1.80	1.94
GoP Ijarah Sukuk Certificates - IV	September 17, 2012	12.64%	1,880	-	1,880	192,230	189,880	(2,350)	13.43	14.42
GoP Ijarah Sukuk Certificates - V	November 15, 2013	13.11%	-	2,500	2,500	250,000	250,000	-	17.69	19.00
<b>Total</b>						467,715	465,365	(2,350)		
<b>Total cost of investments</b>						463,000				

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

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

		December 31, 2010	June 30, 2010
	Note	(Rupees in '000)	
Shares of listed companies	5.1.2.1	16,222	43,789
Sukuk certificates	5.1.2.2	115,980	168,244
		<u>132,202</u>	<u>212,033</u>

#### 5.1.2.1 Shares of listed companies and a bank

Name of the investee company	As at July 1, 2010	Sales during the period	As at December 31, 2010	Carrying value as at December 31, 2010	Market value as at December 31, 2010	Unrealised gain / (loss) as at December 31, 2010	Percentage in relation to		
	----- Number of shares -----			----- Rupees in '000 -----			Net assets of the Fund on the basis of investments (see note 5.1.1.3 above)	Paid-up capital of investee company (with face value of investments)	Total market value of investments
							%		
<b>Automobiles and Parts</b>									
Indus Motor Company Limited	155,055	105,000	50,055	13,133	12,637	(496)	0.89	0.06	0.96
<b>General Industrials</b>									
Packages Limited	2,473	-	2,473	293	318	25	0.02	-	0.02
<b>Bank</b>									
Meezan Bank Limited (an associate of the Fund)	193,302	-	193,302	2,813	3,267	454	0.23	0.03	0.25
<b>Total</b>				<u>16,239</u>	<u>16,222</u>	<u>(17)</u>			

Total cost of investments

12,894

#### 5.1.2.2 Sukuk certificates

Name of the investee company	Maturity Date	Profit rate	As at July 1, 2010	Sales / redemptions during the period	As at December 31, 2010	Carrying value as at December 30, 2010	Provision for the period	Market value as at December 31, 2010 net of provision (if any)	Unrealised gain / (loss) as at December 31, 2010	Percentage in relation to		
			----- Number of certificates -----			----- Rupees in '000 -----			Net assets of the Fund on the basis of investments (see note 5.1.1.3 above)	Paid-up capital of investee company (with face value of investments)	Total market value of investments	
									%			
Sitara Chemical Industries Limited - II (note 5.1.2.3)	December 17, 2011	3 months KIBOR plus base rate of 1.7%	6,750	2,250	4,500	22,417	-	22,444	27	1.59	11.02	1.70
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	3.54	1.68	3.80
Security Leasing Corporation Limited II (note 5.1.2.3)	March 19, 2014	3% on cash basis 3% on accrual basis	3,516	469	3,047	11,426	-	11,426	-	0.81	4.20	0.87
Century Paper & Board Mills Limited (note 5.1.2.3)	September 25, 2014	6 months KIBOR plus base rate of 1.35%	4,500	500	4,000	19,157	-	19,515	358	1.38	2.83	1.48
Eden Housing Limited (note 5.1.2.4 & 5.1.2.6)	September 29, 2014	3 months KIBOR plus base rate of 2.5%	5,000	-	5,000	13,711	-	12,595	(1,116)	0.89	1.04	0.96
Arzoo Textile Mills Limited (note 5.1.2.5)	April 15, 2014	6 months KIBOR plus base rate of 2%	5,000	-	5,000	11,500	11,500	-	-	-	3.64	-
<b>Total</b>						<u>127,211</u>	<u>11,500</u>	<u>115,980</u>	<u>269</u>			
<b>Total cost of investments</b>								<u>144,925</u>				

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

5.1.2.4 The nominal value of sukuk certificates of Eden Housing Limited has a face value of Rs 3,656 (June 30, 2010: Rs 3,969).

5.1.2.5 The total cost of investment in Arzoo Textile Mills Limited is Rs 18.750 million against which a provision of Rs 7.250 million was made upto June 30, 2010. Further provision of Rs 11.500 million was made during the six months period ended December 31, 2010 in accordance with Circular No.1 and the Fund's provisioning policy.

5.1.2.6 As at June 30, 2010, principal repayment aggregating Rs 1.094 million i.e. 35% of the principal due on March 3, 2010 was received by the Fund on July 16, 2010 and accordingly the sukuk certificates were classified as performing as per Circular No.1 of 2009 dated January 6, 2009 (Circular No. 1) and circular No. 3 dated January 20, 2010 (Circular No. 3) issued by the SECP. On October 15, 2010 a master addendum (effective from September 29, 2010) was signed between Eden Housing Limited and the investment agent of the sukuk certificates whereby certain terms included in the original Investment Agency Agreement dated December 13, 2007 were amended, including the repayment period which was extended from April 2, 2013 to September 29, 2014.

## 5.2 Investments - 'available for sale'

**December 31,    June 30,**  
**2010                    2010**  
**Note                    (Rupees in '000)**

Shares of listed companies 5.2.1    570,976    381,774

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

Name of the investee company	As at July 01, 2010	Purchase during the period	Bonus issue	Sales during the period	As at December 31, 2010	Carrying value (cost) as at December 31, 2010	Market value as at December 31, 2010	Unrealised gain / (loss) as at December 31, 2010	Percentage in relation to		
									Net assets of the Fund on the basis of investments (see note 5.1.1.3 above)	Paid-up capital of investee company (with face value of investments)	Total market value of investments
	Number of shares				Rupees in '000			%			
<b>Oil and Gas</b>											
Oil and Gas Development Company Limited (note 5.2.1.1)	183,166	95,000	-	157,000	121,166	14,933	20,698	5,765	1.46	-	1.57
Pakistan Oilfields Limited	145,750	-	-	-	145,750	32,078	43,136	11,058	3.05	0.06	3.28
Pakistan Petroleum Limited	215,100	30,000	49,020	-	294,120	45,918	63,868	17,950	4.52	0.02	4.85
Pakistan State Oil Company Limited	243,100	137,000	-	145,000	235,100	62,784	69,397	6,613	4.91	0.14	5.26
National Refinery Limited	63,000	91,376	-	39,000	115,376	22,979	31,589	8,610	2.23	0.14	2.40
									<b>16.17</b>	<b>0.36</b>	<b>17.36</b>
<b>Chemicals</b>											
Fauji Fertilizer Bin Qasim Company Limited	678,000	-	-	-	678,000	16,436	24,225	7,789	1.71	0.07	1.84
Fauji Fertilizer Company Limited	1,100,000	-	-	64,000	1,036,000	107,785	130,391	22,606	9.23	0.15	9.90
ICI Pakistan Limited	230,000	125,000	-	-	355,000	42,604	51,205	8,601	3.62	0.26	3.89
Lotte Pakistan PTA Limited	-	932,500	-	532,500	400,000	5,212	5,480	268	0.39	0.03	0.42
									<b>14.95</b>	<b>0.51</b>	<b>16.05</b>

Name of the investee company	As at July 01, 2010	Purchase during the period	Bonus issue	Sales during the period	As at December 31, 2010	Carrying value (cost) as at December 31, 2010	Market value as at December 31, 2010	Unrealised gain / (loss) as at December 31, 2010	Percentage in relation to				
									Net assets of the Fund on the basis of investments (see note 5.1.1.3 above)	Paid-up capital of investee company (with face value of investments)	Total market value of investments		
					Number of shares			Rupees in '000			%		
<b>Construction and Materials</b>													
Attock Cement Pakistan Limited	-	45,000	-	-	45,000	3,088	2,840	(248)	0.20	0.05	0.22		
Lucky Cement Limited	355,421	250,000	-	-	605,421	39,750	45,885	6,135	3.25	0.19	3.48		
D.G. Khan Cement Company Limited	-	125,000	-	125,000	-	-	-	-	-	-	-		
									3.45	0.24	3.70		
<b>Automobile and Parts</b>													
Indus Motor Company Limited	10,000	22,213	-	-	32,213	7,097	8,133	1,036	0.58	0.04	0.62		
<b>General Industrials</b>													
Packages Limited	175,000	15,000	-	10,000	180,000	21,577	23,150	1,573	1.64	0.21	1.76		
Tri-Pack Films Limited	10,000	-	-	-	10,000	1,132	1,222	90	0.09	0.03	0.09		
									1.73	0.24	1.85		
<b>Electricity</b>													
The Hub Power Company Limited	-	974,500	-	-	974,500	35,346	36,456	1,110	2.58	0.08	2.77		
<b>Fixed Line and telecommunication</b>													
Pakistan Telecommunication Company Limited	295,000	440,000	-	50,100	684,900	13,234	13,301	67	0.94	0.02	1.01		
<b>Total</b>						<u>471,953</u>	<u>570,976</u>	<u>99,023</u>					
<b>Total cost of investments</b>						<u>471,953</u>							

5.2.1.1 100,000 shares of Oil and Gas Development Company Limited (June 30, 2010: 100,000 shares), having market value of Rs 17.083 million as at December 31, 2010 (June 30, 2010: 14.170 million), have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

## 6. CONTINGENCY

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication. 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 December 31, 2010 amounted to Rs 6.952 million.

7. EARNINGS PER CERTIFICATE - BASIC	Six months period ended		Quarter ended	
	December 31,		December 31,	
	2010	2009	2010	2009
	----- (Rupees in '000) -----			
Net income for the period	<u>104,233</u>	<u>226,138</u>	<u>67,811</u>	<u>29,855</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 per certificate (Rupees)	<u>0.87</u>	<u>1.88</u>	<u>0.57</u>	<u>0.25</u>

## 8. 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, 2010**

	Equity sub- portfolio	Debt sub- portfolio	Total
	----- (Rupees in '000) -----		
Profit on sukuk certificates	-	28,866	28,866
Provision against non performing debt securities	-	(11,500)	(11,500)
Dividend income	29,346	-	29,346
Capital gains	21,521	1,623	23,144
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss (net)	36,801	(2,081)	34,720
Brokerage and FED expense	(288)	(5)	(293)
<b>Total net segment income</b>	<b>87,380</b>	<b>16,903</b>	<b>104,283</b>
<b>Total segment assets</b>	<b>737,193</b>	<b>597,211</b>	<b>1,334,404</b>
<b>Total segment liabilities</b>	<b>1,846</b>	<b>-</b>	<b>1,846</b>

Total segment assets include:

Financial assets at fair value through profit or loss	164,090	581,345	745,435
Investments - 'available for sale'	570,976	-	570,976
Receivable against sale of investments	1,945	-	1,945
Other	182	15,866	16,048
	<b>737,193</b>	<b>597,211</b>	<b>1,334,404</b>

**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
Provision against profit on sukuk certificates	-	(828)	(828)
Dividend income	29,617	-	29,617
Capital gains	106,343	449	106,792
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss (net)	76,209	(866)	75,343
Brokerage and FED expense	(652)	-	(652)
<b>Total net segment income</b>	<b>211,517</b>	<b>27,373</b>	<b>238,890</b>

**For the year ended  
June 30, 2010**

	Equity sub- portfolio	Debt sub- portfolio	Total
	----- (Rupees in '000) -----		
<b>Total segment assets</b>	<b>603,209</b>	<b>398,278</b>	<b>1,001,487</b>
<b>Total segment liabilities</b>	<b>1,907</b>	<b>-</b>	<b>1,907</b>
<b>Total segment assets include:</b>			
Financial assets at fair value through profit or loss	218,077	385,959	604,036
Investments - 'available for sale'	381,774	-	381,774
Receivable against sale of investments	449	-	449
Other	2,909	12,319	15,228
	<b>603,209</b>	<b>398,278</b>	<b>1,001,487</b>

There were no transactions between reportable segments.

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





	For the six months period ended December 31,	
	2010	2009
	(Rupees in '000)	
Total net segment income	104,283	238,890
Other fees and expenses	(10,868)	(20,340)
Profit on savings accounts with banks	10,818	7,588
<b>Income</b>	<b>104,233</b>	<b>226,138</b>
	<b>December 31,</b>	<b>June 30,</b>
	<b>2010</b>	<b>2010</b>
	(Rupees in '000)	
Segment assets for reportable segments	1,334,404	1,001,487
Balances with banks	87,184	292,188
Other advances, deposits, prepayments and receivables	11,188	8,141
<b>Total assets</b>	<b>1,432,776</b>	<b>1,301,816</b>
Reportable segments' liabilities are reconciled to total liabilities as follows:		
Segment liabilities for reportable segments	1,846	1,907
Accrued expenses	378	5,317
Other payables	17,177	16,881
<b>Total liabilities</b>	<b>19,401</b>	<b>24,105</b>

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

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

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

Remuneration payable to the management company and the trustee is determined in accordance with the 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:

	December 31, 2010	June 30, 2010
	(Rupees in '000)	
<b>Al Meezan - management company of the Fund</b>		
Remuneration payable	<u>2,405</u>	<u>2,112</u>
Investment of 3,821,824 certificates (June 30, 2010: 3,821,824 certificates)	<u>28,664</u>	<u>23,886</u>
<b>CDC - trustee of the Fund</b>		
Remuneration payable	<u>134</u>	<u>124</u>
Charges payable	<u>-</u>	<u>2</u>
<b>MBL</b>		
Bank balance	<u>2,196</u>	<u>1,738</u>
Investment in 193,302 shares (June 30, 2010: 193,302 shares)	<u>3,267</u>	<u>2,813</u>
Investment of 16,134,468 certificates (June 30, 2010: 16,134,468 certificates)	<u>121,009</u>	<u>100,840</u>
<b>Pakistan Kuwait Investment Company (Private) Limited</b>		
Investment of 11,057,791 certificates (June 30, 2010: 11,057,791 certificates)	<u>82,933</u>	<u>69,111</u>
<b>Directors and officers of the management company</b>		
Investment of 32,975 certificates (June 30, 2010: 31,975 certificates)	<u>246</u>	<u>200</u>
<b>For the six months period ended December 31</b>		
	2010	2009
	(Rupees in '000)	
<b>Al Meezan - management company of the Fund</b>		
Remuneration for the period	<u>13,556</u>	<u>18,274</u>
Dividend for the period	<u>2,102</u>	<u>3,822</u>
<b>CDC - trustee of the Fund</b>		
Remuneration for the period	<u>775</u>	<u>753</u>
Charges for the period	<u>82</u>	<u>88</u>
<b>MBL</b>		
Profit on savings account	<u>6</u>	<u>9</u>
Dividend for the period	<u>8,874</u>	<u>16,134</u>



For the six months period ended  
December 31  
2010          2009  
(Rupees in '000)

**Pakistan Kuwait Investment  
Company (Private) Limited**  
Dividend for the period

6,082          11,058

**Directors and officers of the  
management company**  
Dividend for the period

18          44

#### 10. DATE OF AUTHORISATION

This condensed interim financial report was authorised for issue on January 24, 2011 by the Board of Directors of the management company of the Fund.

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

**Mohammad Shoab, CFA  
Chief Executive**

**Mazhar Sharif  
Director**

**STATEMENT OF THE INCOME & EXPENDITURE OF THE  
MANAGEMENT COMPANY IN RELATION TO THE FUND  
FOR THE PERIOD ENDED DECEMBER 31, 2010**

	December 31,	
	2010	2009
	(Rupees in '000)	
<b>INCOME</b>		
Remuneration from Meezan Balanced Fund	13,556	18,274
Dividend income	<u>2,102</u>	<u>3,822</u>
	15,658	22,096
<b>OPERATING EXPENSES</b>		
Salaries and other benefits	3,524	4,528
Motor vehicle running expenses	83	82
Fees and subscription	71	113
Insurance expense	49	45
Printing and stationery	65	59
Communication	158	325
Depreciation	224	279
Travelling and conveyance	11	43
Entertainment	18	8
Legal and professional charges	110	112
Repair and maintenance	71	20
Office supplies	29	27
Training and development	9	11
Rent, rates and taxes	193	284
Utilities	46	39
Shariah advisory fee	83	125
Miscellaneous expenses	8	10
	<u>4,754</u>	<u>6,111</u>
<b>OPERATING PROFIT</b>	<u>10,904</u>	<u>15,985</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 have not been included in the above statement.



**Pure. Profit.**

**Registered Office**

**Al Meezan Investment Management Limited**

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