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### **Our Vision**

"To promote professional fund management through development and implementation of Shariah compliant investment products, policies and practices designed to meet the investment objectives of the investors".

### **Our Mission**

"To be the leading Shariah compliant asset management company providing quality service to institutional and individual investors utilizing modern techniques of portfolio management, proactive asset allocation and prudent security selection while maintaining high standards of ethical and professional conduct".

## **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. Mazhar Sharif	Director
Mr. P. Ahmed	Director
Mr. Rana Ahmed Humayun	Director
Mr. Salman Sarwar Butt	Director
Syed Amir Ali	Director
Mr. Tasnimul Haq Farooqui	Director
Mr. Mohammad Shoaib, CFA	Chief Executive

### **CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY**

Syed Owais Wasti

### **AUDIT COMMITTEE**

Mr. P. Ahmed	Chairman
Syed Amir Ali	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**

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

### **SHARIAH ADVISER**

Meezan Bank Limited

### **LEGAL ADVISER**

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

### **TRANSFER AGENT**

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

## **REPORT OF THE DIRECTORS' OF THE MANAGEMENT COMPANY**

The Board of Directors of Al Meezan Investment Management Limited, the management company is pleased to present the un-audited financial statements of Meezan Balanced Fund under its management for the half year ended December 31, 2011.

### **Economic Review**

From the macroeconomic perspective, the first half of fiscal year 2012 depicted a mixed picture. The year started on a stark note with torrential rains hitting the province of Sindh, but positivity was brought in with inflation pressures easing off. Consumer Price Index (CPI) for the month of December 2011, touched a single digit figure, to post a twenty four month low of 9.75% taking the first half fiscal year 2012 average inflation to 10.9%. In addition to this, with the start of fiscal year, SBP initiated the process of monetary easing, cutting the policy rate by 200 basis points in two phases, to help in reviving the private sector credit off-take. But infrastructural issues and energy crisis continue to plague the economy and thereby no noticeable improvement was observed by the rate cut. The tax collection during the period under review stood at Rs 840 billion, which was up 27% year on year. Moreover, S&P affirmed its sovereign debt rating at B- for the country, reflecting adequate external liquidity in medium term supported by donor support.

On the other hand, country's current account (CA) deficit widened to USD 2.1 billion in six months as against a surplus of USD 8 million in the same period last year. The major reason for the weakness on the external front was the increasing trade gap in the first half of fiscal year, where the country's import bill surged by 17% as against 9% increase in export earnings. Remittances, however, remained robust totaling USD 6.3 billion in first half of fiscal year 2012, which was a 20% growth year on year. However, the impact of deferred import payments coupled with growing tension between Pak-US post NATO attack and end of IMF program, became visible in the form of sharp currency move as rupee lost 4.5% during first half of fiscal year to Rs 89.95/USD. The underlying unease in currency market was also led by the fact that loan repayment to IMF is due to start in February 2012 where cumulative USD 1.2 billion is scheduled to be repaid in the second half of fiscal year 2012. This also leads to concerns over further decline in forex reserves which currently stand at USD16.9 billion.

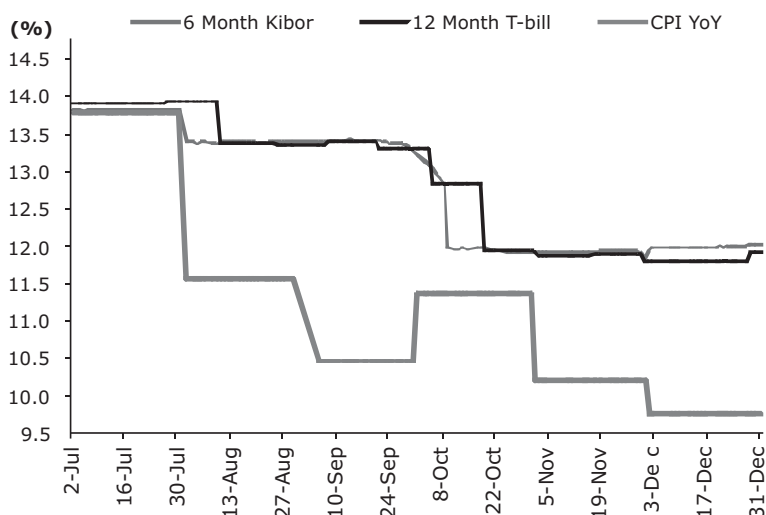
The government on its part remained engaged in talks with the IMF in November under Article IV Consultative meetings where the two sides agreed on policy measures to contain fiscal year 2012 fiscal deficit, a cautious monetary policy, and a responsive exchange rate to contain inflation and protect forex reserves.

### Money Market Review

In the first half of fiscal year 2012, the money market remained highly illiquid. To normalize the liquidity situation, State Bank of Pakistan (SBP) regularly conducted open market operations (OMOs). During the period, SBP conducted thirteen T-Bill auctions, five PIB auctions and one Ijarah Sukuk auction. Cumulatively, SBP accepted Rs 1,664 billion and Rs 70 billion in T-Bills and PIBs. In the Ijarah Sukuk auction, SBP accepted Rs 70 billion at par against the total participation of Rs 84 billion. The target of the auction was Rs 50 billion and first rental of the issue was set at 11.94%.

Moreover, lower inflation figures and limited government borrowing from banking sources forced the State Bank to adopt a soft monetary stance reducing the discount rate by a cumulative 200 basis points, in two phases. As a result, the cutoff rates of T-Bill and PIBs declined by 209 basis points and 139 basis points respectively to close at 11.67% and 12.7% as on December 31, 2011. In line with that, six month KIBOR also declined by 176 basis points to close the half year at 12.02%.

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



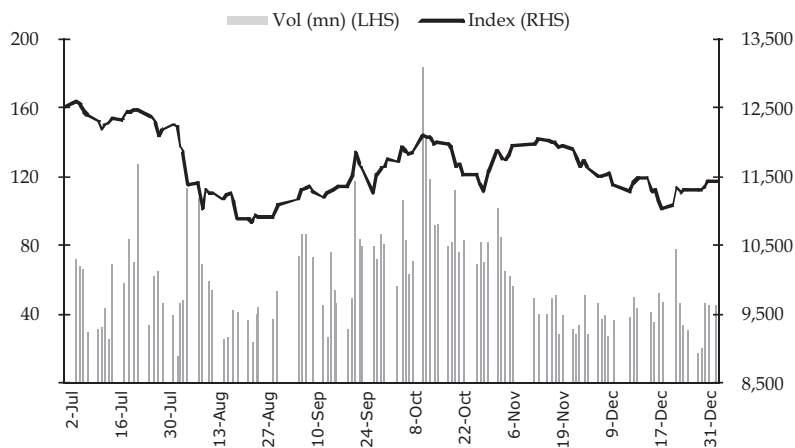
### Equity Market Review

The first half of the fiscal year 2012 proved to be a challenging period for the market as KSE-100 posted a negative return of 9.2% to close at the level of 11,348. Along with that, the average daily turnover hit a thirteen years low to 60 million shares, as compared to 92 million shares in the previous year, declining 35% year on year. The major underlying reason for the dismal market performance remained the net foreign portfolio outflow, weak economic numbers of the country, political uncertainty, strained Pak US relations and lack of clarity about Capital gain Tax (CGT) deduction. The index followed a range bound trajectory moving within a wide band of 12,576 and 10,842. On the other hand, Karachi Meezan Index (KMI-30) declined by 3.9% and closed at the level of 20,138.

The fiscal year started on an uncertain ground as the US economic slowdown and debt situation of some Euro zone countries resulted in massive selling in global equity markets with its repercussions on the local market as well. The lackluster market got some support from the monetary policy where the discount rate was revised downwards by a cumulative 200 basis points to 12%. However, the momentum in the market was short lived as the already strained Pak - US relationship took a further hit after NATO attacks along with uncertainty on political canvas arising from 'Memo gate Scandal' and NRO cases. The ramifications of all these events thus downplayed the investors' confidence.

The tense political situation and strained ties with US resulted in lack of materialization of capital inflows which exerted pressure on the balance of payment situation. This led to significant depreciation in the value of rupee which shed 4% against the USD during the period under review. As a result, the market reaction to the unexpected 200 basis points rate cut was largely muted and KSE-100 went down below the psychological level of 11,000 and made a low of 10,842. Later, news of correspondence between SECP and FBR regarding simplification of Capital Gain Tax (CGT) rules provided much needed respite to the market with the index marginally recovering and closing at the level of 11,347 on December 31, 2011. Foreigners were net sellers during the period under review, offloading USD 152 million worth of shares as against a net purchase of shares worth USD 238 million in the same period last year.

Fertilizer sector led by FFC, FFBL and Fatima remained in limelight on account of issue of gas curtailment and the resultant product price increase. The companies were among the top gainers appreciating by 6%, 11% and 38% respectively during the period. The only exception was Engro whose price depreciated by 41%. On the other hand, banking and telecom sectors were the major underperformers.



**Performance Review**

Meezan Balanced Fund (MBF) is a closed end balanced fund that invests in Shariah compliant listed equity securities and listed or unlisted Islamic fixed income products. As per policy, the fund can invest upto 60% in listed equities. During the period, MBF provided a return of 1 % to its investors compared to its bench mark return of -0.7%.

The Fund, during the period ended December 31, 2011 earned a total income of Rs.105 million, which was mainly from realized gain on sale of investments of Rs.33 million, profit on sukuku certificates of Rs. 42 million and dividend income of Rs. 26 million. Profit on bank deposits was Rs.6 million. The unrealized loss on re-measurement of investments at fair value was Rs.3 million. After accounting for expenses of Rs.32 million, the net income for the period was Rs. 73 million, which translates into earnings per certificate of Rs.0.61 as on December 31, 2011.

The net assets of the fund as at the period end were Rs.1,327 million as compared to Rs.1,523 million as at June 30, 2011. The net asset value of the fund as at December 31, 2011 was Rs.11.06 per certificate as compared to Rs.12.70 per certificate as on June 30, 2011.

### **Outlook**

Going forward, key challenge for the government under current political environment would be to implement the reforms and fiscal discipline. 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 this decline in inflation will ease the pressure on interest rates and improve liquidity position. Hence, we expect the interest rates to ease off further in future.

On the equity side, simplification of CGT rules remains a key issue as the meeting between SECP and FBR is expected in early Jan. Politics will also play a role where domestic stability will face headwinds from Memogate and Senate Elections in March 2012. On a policy level, the question of how the government deals with gas shortage will be the driving factor of sector wise trends. On the international front, if better relations with US can be supported by a positive report from IMF in end Jan, we are of the view that external account concerns could ease off to an extent.

### **Acknowledgement**

We take this opportunity to thank our valued investors for reposing faith in Al Meezan Investments making it the largest Islamic 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 for their support. Furthermore, we would 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: February 23, 2012  
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 Shahra-e-Faisal  
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**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**

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Balanced Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2011 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 09, 2012





## A. F. FERGUSON & CO.

### 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, 2011 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, 2011 and 2010 have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2011.

#### 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.

#### Emphasis of matter paragraphs

We draw attention to the following:

- note 1.6 to the accompanying condensed interim financial information which inter alia states that as per clause 65 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a closed-end fund, upon expiry of five years from November 21, 2007 or the date of launch of the fund whichever is later, convert into an open-end scheme or revoke the closed-end scheme; and
- note 6 to the accompanying condensed interim financial information which refers to an uncertainty relating to the future outcome of the litigation regarding contribution to the Workers Welfare Fund which is currently pending adjudication at the Honorable High Court of Sindh.

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

Chartered Accountants  
Karachi, February 24, 2012


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Kabul: House No. 1916, Street No. 1, Behind Cinema Bariqot, Nohar-e-Darsan, Karte-4, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES**  
AS AT DECEMBER 31, 2011 (UNAUDITED - NOTE 3)

	December 31, 2011	June 30, 2011
<b>Assets</b>	<b>Note</b>	<b>(Rupees in '000)</b>
Balances with banks		42,186
Investments	5	1,465,941
Dividend receivable		3,573
Advances, deposits, prepayments and other receivables		30,048
<b>Total assets</b>		<u>1,541,748</u>
<b>Liabilities</b>		
Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund		2,507
Payable to Central Depository Company of Pakistan Limited (CDC) - trustee of the Fund		141
Payable to Securities and Exchange Commission of Pakistan (SECP)		1,191
Payable against purchase of investments		41
Accrued expenses and other liabilities		2,868
Unclaimed dividend		11,568
<b>Total liabilities</b>		<u>18,316</u>
<b>Net assets</b>		<u>1,523,432</u>
<b>Contingency</b>	<b>6</b>	
<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
Unappropriated income		236,138
Surplus on revaluation of 'available for sale' investments		87,294
		<u>1,523,432</u>
<b>Net assets value per certificate (Rupees)</b>		<u>12.70</u>

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

  
Mohammad Shoib, CFA  
Chief Executive

For Al Meezan Investment Management Limited  
(Management Company)

  
Syed Amir Ali  
Director

**CONDENSED INTERIM INCOME STATEMENT**  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2011 (UNAUDITED NOTE - 3)

	Six months period ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
<b>Note</b>	..... (Rupees in '000) .....			
<b>Income</b>				
Net realised gain on sale of investments	33,204	23,144	18,844	19,762
Dividend income	26,480	29,346	13,244	15,490
Profit on savings accounts with banks	6,165	10,818	916	3,913
Profit on sukuk certificates	41,890	28,866	20,202	16,033
Other income	52	-	52	-
	<u>107,791</u>	<u>92,174</u>	<u>53,258</u>	<u>55,198</u>
Unrealised (loss) / gain on re-measurement of investments - 'fair value through profit or loss' (net) 5	(3,009)	34,720	(2,297)	29,737
Provision against non performing debt securities	-	(11,500)	-	(8,750)
	<u>(3,009)</u>	<u>23,220</u>	<u>(2,297)</u>	<u>20,987</u>
<b>Total income</b>	<u>104,782</u>	<u>115,394</u>	<u>50,961</u>	<u>76,185</u>
<b>Expenses</b>				
Remuneration to Al Meezan - management company of the Fund	14,398	13,556	6,868	6,859
Sindh sales tax on management fee	2,304	-	1,099	-
Remuneration to CDC - trustee of the Fund	815	775	394	391
Annual fee to SECP	612	569	292	288
Auditors' remuneration	301	285	129	125
Fees and subscription	176	105	118	58
Brokerage	202	293	122	261
Printing charges	152	310	76	275
Legal and professional charges	5	-	-	-
Bank and settlement charges	163	235	72	117
Reversal for Workers' Welfare Fund (WWF)	-	(4,967)	-	-
Impairment loss on 'available for sale' investments 5.2.1.2	12,942	-	12,942	-
<b>Total expenses</b>	<u>32,070</u>	<u>11,161</u>	<u>22,112</u>	<u>8,374</u>
<b>Net income for the period</b>	<u>72,712</u>	<u>104,233</u>	<u>28,849</u>	<u>67,811</u>
<b>Other comprehensive income / (loss) for the period</b>				
Deficit realised on impairment of 'available for sale' investments transferred to income statement	12,942	-	12,942	-
(Deficit) / surplus on revaluation of 'available for sale' investments (net)	(71,987)	97,431	(68,469)	85,891
<b>Total comprehensive income / (loss) for the period</b>	<u>13,667</u>	<u>201,664</u>	<u>(26,678)</u>	<u>153,702</u>
Earnings per certificate (Rupees) 7	<u>0.61</u>	<u>0.87</u>	<u>0.24</u>	<u>0.57</u>

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

  
Mohammad Shoab, CFA  
Chief Executive


For Al Meezan Investment Management Limited  
(Management Company)

  
Syed Amir Ali  
Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT**  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2011 (UNAUDITED NOTE - 3)

	Six months period ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
	..... (Rupees in '000) .....			
Unappropriated income brought forward	236,138	76,119	70,001	112,541
Less: Final distribution in the form of cash dividend @ 17.5% for the year ended June 30, 2011 (June 30, 2010: 5.5%)	(210,000)	(66,000)	-	(66,000)
Net income for the period	72,712	104,233	28,849	67,811
Unappropriated income carried forward	<u>98,850</u>	<u>114,352</u>	<u>98,850</u>	<u>114,352</u>

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

  
Mohammad Shoaib, CFA  
Chief Executive

For Al Meezan Investment Management Limited  
(Management Company)


  
Syed Amir Ali  
Director

## CONDENSED INTERIM STATEMENT OF MOVEMENT IN EQUITY AND RESERVES PER CERTIFICATE

FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2011 (UNAUDITED NOTE - 3)

	Six months period ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
	..... (Rupees) .....			
Net assets per certificate at the beginning of the period	12.70	10.65	11.28	11.05
Net realised gain on sale of investments	0.28	0.20	0.16	0.17
Dividend income	0.22	0.24	0.11	0.13
Profit on savings accounts with banks	0.05	0.09	0.01	0.03
Profit on sukuk certificates	0.35	0.24	0.17	0.13
Unrealised (loss) / gain on re-measurement of investments - 'fair value through profit or loss' (net)	(0.02)	0.29	(0.01)	0.25
Provision against non performing debt securities	-	(0.10)	-	(0.08)
Reversal for WWF	-	0.04	-	-
Expenses	(0.27)	(0.13)	(0.19)	(0.06)
Net income for the period	0.61	0.87	0.25	0.57
Final distribution in the form of cash dividend @ 17.5% for the year ended June 30, 2011 (June 30, 2010: 5.5%)	(1.75)	(0.55)	-	(0.55)
(Deficits) / surplus on revaluation of 'available for sale' investments (net)	(0.50)	0.81	(0.47)	0.71
Net assets per certificate at the end of the period	<u>11.06</u>	<u>11.78</u>	<u>11.06</u>	<u>11.78</u>

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

  
Mohammad Shoab, CFA  
Chief Executive


For Al Meezan Investment Management Limited  
(Management Company)

  
Syed Amir Ali  
Director

**CONDENSED INTERIM CASH FLOW STATEMENT**  
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2011 (UNAUDITED NOTE - 3)

	Six months period ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
..... (Rupees in '000) .....				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income	72,712	104,233	28,849	67,811
<b>Adjustments for:</b>				
Dividend income	(26,480)	(29,346)	(13,244)	(15,490)
Profit on savings accounts with banks	(6,165)	(10,818)	(916)	(3,913)
Profit on sukuk certificates	(41,890)	(28,866)	(20,202)	(16,033)
Unrealised loss / (gain) on re-measurement of investments - 'fair value through profit or loss'	3,009	(34,720)	2,297	(29,737)
Provision against non performing debt securities	-	11,500	-	8,750
Reversal for WWF	-	(4,967)	-	-
Impairment loss on 'available for sale' investments	12,942	-	12,942	-
	<u>14,128</u>	<u>7,016</u>	<u>9,726</u>	<u>11,388</u>
<b>Decrease / (increase) in assets</b>				
Investments	107,194	(209,950)	(85,586)	(139,567)
Receivable against sale of investments	-	(1,496)	6,446	(1,945)
Advances, deposits, prepayments and other receivables	(173)	(113)	(9,710)	9
	<u>107,021</u>	<u>(211,559)</u>	<u>(88,850)</u>	<u>(141,503)</u>
<b>Increase / (decrease) in liabilities</b>				
Payable to Al Meezan - management company of the Fund	135	293	(78)	222
Payable to CDC - trustee of the Fund	(10)	8	(2)	8
Payable to SECP	(579)	(524)	292	288
Payable against purchase of investments	(41)	(573)	-	(56)
Accrued expenses and other liabilities	471	540	182	313
	<u>(24)</u>	<u>(256)</u>	<u>394</u>	<u>775</u>
Cash generated from / (utilised in) operations	<u>121,125</u>	<u>(204,799)</u>	<u>(78,730)</u>	<u>(129,340)</u>
Dividend income received	29,497	32,073	19,896	23,450
Profit received on savings accounts with banks	9,101	7,884	3,488	2,253
Profit received on sukuk certificates	46,532	25,319	23,461	4,038
<b>Net cash inflow / (outflow) from operating activities</b>	<u>206,255</u>	<u>(139,523)</u>	<u>(31,885)</u>	<u>(99,599)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividend paid	(204,271)	(65,481)	(203,790)	(65,472)
<b>Net cash outflow from financing activities</b>	<u>(204,271)</u>	<u>(65,481)</u>	<u>(203,790)</u>	<u>(65,472)</u>
Net increase / (decrease) in cash and cash equivalents	1,984	(205,004)	(235,675)	(165,071)
Cash and cash equivalents at the beginning of the period	42,186	292,188	279,845	252,255
Cash and cash equivalents at the end of the period	<u>44,170</u>	<u>87,184</u>	<u>44,170</u>	<u>87,184</u>

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

  
Mohammad Shoaib, CFA  
Chief Executive

For Al Meezan Investment Management Limited  
(Management Company)

  
Syed Amir Ali  
Director

## **NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2011 (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 certificateholders within one month of such period to seek approval of the certificateholders (by special resolution), to convert into an open-end scheme or revoke the closed-end scheme or wind up the investment company. The expiry of the aforementioned five years falls on November 20, 2012, on which date the certificate holders are required to hold the meeting as stated above. This gives rise to an uncertainty regarding the Fund's ability to continue on a going concern basis.

### **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, 2011 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, 2011, 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, 2011 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, 2011 has been extracted from the audited financial statements of the Fund for the year ended June 30, 2011 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, 2010 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, 2010 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, 2011:

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, 2011 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:

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or do not have any significant effect on 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, 2011.

		December 31, 2011	June 30, 2011
	<i>Note</i>	(Rupees in '000)	
<b>5. INVESTMENTS</b>			
Investments - 'fair value through profit or loss'	5.1	653,046	847,532
Investments - 'available for sale'	5.2	630,705	618,409
		<u>1,283,751</u>	<u>1,465,941</u>
<b>5.1 Investments - 'fair value through profit or loss'</b>			
Held for trading	5.1.1	279,767	569,393
Investments at fair value through profit or loss upon initial recognition	5.1.2	373,279	278,139
		<u>653,046</u>	<u>847,532</u>
<b>5.1.1 Held for trading</b>			
Shares of listed companies	5.1.1.1	64,767	79,393
Sukuk certificates	5.1.1.4	215,000	490,000
		<u>279,767</u>	<u>569,393</u>

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

Name of the investee company	As at July 1, 2011	Purchases during the period	Bonus issue	Sales during the period	As at December 31, 2011	Carrying value as at December 31, 2011	Market value as at December 31, 2011	Unrealised (loss) / gain	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)	197,935	-	39,587	-	237,522	19,999	19,429	(570)	1.46	0.39	1.51	
Tri-Pack Films Limited	83,400	-	-	-	83,400	14,282	13,369	(913)	1.01	0.28	1.04	
									2.47	0.67	2.55	
<b>Construction and Materials</b>												
Attock Cement Pakistan Limited	125,000	-	-	-	125,000	6,066	6,375	309	0.48	0.14	0.50	
Lucky Cement Limited	35,000	-	-	-	35,000	2,479	2,626	147	0.20	0.01	0.20	
									0.68	0.15	0.70	
<b>Automobile and Parts</b>												
Pak Suzuki Motor Company Limited	26,800	-	-	-	26,800	1,676	1,582	(94)	0.12	0.03	0.12	
<b>Oil and Gas</b>												
Pakistan Oilfields Limited	44,275	-	-	17,000	27,275	9,792	9,449	(343)	0.71	0.01	0.74	
Pakistan Petroleum Limited	78,440	-	7,844	27,500	58,784	11,066	9,895	(1,171)	0.75	-	0.77	
									1.46	0.01	1.51	
<b>Fixed Line and telecommunication</b>												
Pakistan Telecommunication Company Limited "A"	158,365	-	-	-	158,365	2,252	1,645	(607)	0.12	-	0.13	
<b>Chemicals</b>												
ICI Pakistan Limited	3,300	-	-	-	3,300	501	397	(104)	0.03	-	0.03	
<b>Total</b>						<b>68,113</b>	<b>64,767</b>	<b>(3,346)</b>				
<b>Total cost of investments</b>							<b>61,280</b>					

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, 2011	Purchases during the period	Sales / redemptions during the period	As at December 31, 2011	Carrying value as at December 31, 2011	Market value as at December 31, 2011	Unrealised (loss) / gain	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 (note 5.1.1.5)	March 11, 2012	Weighted Average 6 months T-Bills	250	-	-	250	25,000	25,000	-	1.88	1.95	
December 31,												
GoP Ijarah Sukuk Certificates - IV (note 5.1.1.5)	September 17, 2012	Weighted Average 6 months T-Bills less 5 basis points	1,880	-	950	930	93,000	93,000	-	7.01	7.24	
GoP Ijarah Sukuk Certificates - V (note 5.1.1.5)	November 15, 2013	Weighted Average 6 months T-Bills	2,020	-	2,000	20	2,000	2,000	-	0.15	0.16	
GoP Ijarah Sukuk Certificates - VII (note 5.1.1.5)	March 7, 2014	Weighted Average 6 months T-Bills	750	-	750	-	-	-	-	-	-	
GoP Ijarah Sukuk Certificates - IX (note 5.1.1.5)	December 26, 2014	6 months PKRV	-	950	-	950	95,000	95,000	-	7.16	7.40	
<b>Total</b>							<b>215,000</b>	<b>215,000</b>	<b>-</b>			
<b>Total cost of investments</b>							<b>215,000</b>					

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

December 31, 2011      June 30, 2011

Note      (Rupees in '000)

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

Shares of listed companies	5.1.2.1	14,332	15,168
Sukuk certificates	5.1.2.2	358,947	262,971
		<u>373,279</u>	<u>278,139</u>

5.1.2.1 Shares of listed companies

Name of the investee company	As at July 1, 2011	Purchases during the period	Bonus issue	Sales during the period	As at December 31, 2011	Carrying value as at December 31, 2011	Market value as at December 31, 2011	Unrealised loss	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 certificates						Rupees in '000			%			
<b>Automobiles and Parts</b>												
Indus Motor Company Limited	50,055	-	-	-	50,055	11,012	10,263	(749)	0.77	0.06	0.80	
<b>General Industrials</b>												
Packages Limited	2,473	-	-	-	2,473	272	205	(67)	0.02	-	0.02	
<b>Bank</b>												
Meezan Bank Limited (an associate of the Fund)	222,297	-	-	-	222,297	3,884	3,864	(20)	0.29	0.03	0.30	
<b>Total</b>						<u>15,168</u>	<u>14,332</u>	<u>(836)</u>				
<b>Total cost of investments</b>						<u>12,894</u>						

5.1.2.2 Sukuk certificates

Name of the investee company	Maturity Date	Profit rate	As at July 1, 2011	Purchases during the period	Sales / redemptions during the period	As at December 31, 2011	Carrying value as at December 31, 2011	Market value as at December 31, 2011 - net of provision (if any)	Unrealised gain	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 certificates						Rupees in '000			%			
Engro Fertilizer Limited (note 5.1.2.3)	September 1, 2015	6 months Kibor plus base rate of 1.5%	10,000	-	-	10,000	50,000	50,750	750	3.82	1.68	3.95
Security Leasing Corporation Limited II (note 5.1.2.3)	March 19, 2014	Nil	2,578	-	469	2,109	7,429	7,455	26	0.56	2.90	0.58
Century Paper & Board Mills Limited (note 5.1.2.3)	September 25, 2014	6 months Kibor plus base rate of 1.35%	3,500	-	500	3,000	14,437	14,834	3.97	1.12	2.12	1.16
Eden Housing Limited (note 5.1.2.4 & 5.1.2.5)	September 29, 2014	6 months Kibor plus base rate of 2.5%	5,000	-	-	5,000	10,908	10,908	-	0.82	1.43	0.85
Arzoo Textile Mills Limited (note 5.1.2.3)	April 15, 2014	6 months Kibor plus base rate of 2%	5,000	-	-	5,000	-	-	-	-	-	-
Kot Addu Power Company Limited (note 5.1.2.3)	June 26, 2012	6 months Kibor plus base rate of 1.1%	35,000	35,000	35,000	35,000	175,000	175,000	-	13.19	1.99	13.63
Hub Power Company Limited Sukuk (note 5.1.2.3)	February 4, 2012	6 months Kibor plus base rate of 1.1%	-	20,000	-	20,000	100,000	100,000	-	7.54	0.86	7.79
<b>Total</b>						<u>357,774</u>	<u>358,947</u>	<u>1,173</u>				
<b>Total cost of investments</b>						<u>385,687</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 3,141 (June 30, 2011: Rs 3,656).

5.1.2.5 On May 6, 2011, Eden Housing sukuk certificates have been classified as non-performing by MUFAP. Accordingly, fund has valued the sukuk at the price last quoted by MUFAP. Although, the fund has received all the installments due as per the restructured terms, accrual of profit has been stopped and income have been recognised on cash basis from September 30, 2011.

	<b>December 31, 2011</b>	<b>June 30, 2011</b>
	<b>Note</b>	<b>(Rupees in '000)</b>
<b>5.2 Investments - 'available for sale'</b>		
Shares of listed companies	5.2.1	<u>630,705</u> <u>618,409</u>

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

Name of the investee company	As at July 1, 2011	Purchases during the period	Bonus issue	Sales during the period	As at December 31, 2011	Carrying value (cost) as at December 31, 2011 (before impairment)	Impairment during the period	Carrying value (cost) as at December 31, 2011 (after impairment)	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		
											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)	332,166	38,500	-	-	370,666	49,812	-	49,812	56,200	6,388	4.23	0.01	4.38
Pakistan Oilfields Limited	184,750	10,000	-	-	194,750	48,510	-	48,510	67,471	18,961	5.08	0.08	5.26
Pakistan Petroleum Limited	355,120	5,000	35,512	-	395,632	54,528	-	54,528	60,533	6,005	4.56	0.03	4.72
Pakistan State Oil Company Limited	215,100	35,000	-	23,500	226,600	60,749	-	60,749	51,486	(9,263)	3.88	0.13	4.01
											17.75	0.25	18.37
<b>Chemicals</b>													
Fauji Fertilizer Bin Qasim Company Limited	142,500	142,877	-	282,000	3,377	120	-	120	143	23	0.01	-	0.01
Fauji Fertilizer Company Limited	1,050,233	42,500	-	380,000	712,733	86,120	-	86,120	106,582	20,462	8.03	0.08	8.30
ICI Pakistan Limited	395,000	-	-	-	395,000	49,810	-	49,810	47,507	(2,303)	3.58	0.28	3.70
											11.62	0.36	12.01
<b>Construction and Materials</b>													
Attock Cement Pakistan Limited	45,000	-	-	5,000	40,000	2,745	705	2,040	2,040	-	0.15	0.20	0.16
Lucky Cement Limited	605,421	171,200	-	115,000	661,621	45,532	-	45,532	49,648	4,116	3.74	0.05	3.87
D.G. Khan Cement Company Limited	673,749	902,000	-	-	1,575,749	37,338	-	37,338	29,987	(7,351)	2.26	0.36	2.34
											6.15	0.61	6.37
<b>Automobile and Parts</b>													
Indus Motor Company Limited	52,375	10,000	-	-	62,375	13,641	-	13,641	12,789	(852)	0.96	0.08	1.00
Pak Suzuki Motor Company Limited	11,260	-	-	-	11,260	833	-	833	665	(168)	0.05	0.01	0.05
<b>General Industrials</b>													
Packages Limited	150,000	70,000	-	-	220,000	24,689	6,491	18,198	18,198	-	1.37	0.26	1.42
Tri-Pack Films Limited	10,000	-	-	-	10,000	1,132	-	1,132	1,603	471	0.12	0.03	0.12
											1.49	0.29	1.54
<b>Electricity</b>													
The Hub Power Company Limited	1,209,500	2,186,550	-	425,000	2,971,050	109,826	-	109,826	101,610	(8,216)	7.66	0.26	7.92
<b>Fixed line and telecommunication</b>													
Pakistan Telecommunication Company Limited "A"	359,900	1,451,058	-	-	1,810,958	24,562	5,746	18,816	18,816	-	1.42	0.05	1.47
<b>Banks</b>													
Meezan Bank Limited (an associate of the Fund)	312,159	-	-	-	312,159	5,449	-	5,449	5,425	(24)	0.41	0.04	0.42
BankIslami Pakistan Limited	-	500	-	-	500	2	-	2	2	-	-	0.01	-
<b>Total</b>						<u>615,398</u>	<u>12,942</u>	<u>602,456</u>	<u>630,705</u>	<u>28,249</u>			
<b>Total cost of investments</b>									<u>615,398</u>				

5.2.1.1 100,000 shares of Oil and Gas Development Company Limited (June 30, 2011: 100,000 shares), having market value of Rs 15.160 million as at December 31, 2011 (June 30, 2011: 15.299 million), have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

5.2.1.2 As per IAS 39 'Financial Instruments', where the investment is classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. Since the recoverable amount of the securities of Packages Limited, Pakistan Telecommunication Company Limited "A" and Attock Cement Limited had significantly declined as at period end, the cumulative loss measured as the difference between the carrying cost and the current fair value has been reclassified from other comprehensive income to the income statement as impairment loss.

## 6. CONTINGENCY

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, during the year ended June 30, 2010, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

During the year ended June 30, 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. In December 2010 the ministry filed its responses against the Constitutional Petition requesting the Court to dismiss the same, whereafter, show cause notices were issued by the Federal Board of Revenue (FBR) to several mutual funds for the collection of WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honorable Sindh High Court (SHC) on the basis of the pending constitutional petition as referred above. No such notice was received by the fund.

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

The Management Company believes that the aforementioned constitutional petition pending in the Court has strong grounds for decision in favour of the mutual funds. The aggregate unrecognised amount of WWF as at December 31, 2011 amounted to Rs 10.726 million.

## 7. EARNINGS PER CERTIFICATE - BASIC

	Six months ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
	..... (Rupees in '000) .....			
Net income for the period	72,712	104,233	28,849	67,811
	----- (Number of certificates) -----			
Weighted average number of ordinary certificates outstanding during the period	120,000,000	120,000,000	120,000,000	120,000,000
	----- (Rupees) -----			
Basic earning per certificate (Rupees)	0.61	0.87	0.24	0.57

A diluted earnings per share has not been presented as the Fund does not have any convertible instruments as at December 31, 2010 and 2011 which would have any effect on the earnings per share if the option to convert is exercised.

## 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 that 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, 2011			
	Equity sub-portfolio	Debt sub-portfolio	Total
..... (Rupees in '000) .....			
Profit on sukuk certificates	-	41,890	41,890
Dividend income	26,480	-	26,480
Capital gains	31,916	1,288	33,204
Unrealised (loss) / gain on re-measurement of investments - 'fair value through profit or loss' (net)	(4,182)	1,173	(3,009)
Brokerage	(197)	(5)	(202)
Total net segment income	<u>54,017</u>	<u>44,346</u>	<u>98,363</u>
Total segment assets	<u>710,360</u>	<u>587,989</u>	<u>1,298,349</u>
Total segment liabilities	<u>2,919</u>	<u>-</u>	<u>2,919</u>
Total segment assets include:			
Financial assets - 'fair value through profit or loss'	79,099	573,947	653,046
Investments - 'available for sale'	630,705	-	630,705
Other	556	14,042	14,598
	<u>710,360</u>	<u>587,989</u>	<u>1,298,349</u>

For the six months period ended December 31, 2010			
Equity sub-portfolio	Debt sub-portfolio	Total	
..... (Rupees in '000) .....			
Profit on sukuk certificates and musharaka certificates	-	28,866	28,866
Provision against profit on sukuk certificates	-	(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 - '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>

For the year ended June 30, 2011			
Equity sub-portfolio	Debt sub-portfolio	Total	
..... (Rupees in '000) .....			
Total segment assets	716,543	771,655	1,488,198
Total segment liabilities	2,372	-	2,372

Total segment assets include:

Financial assets - 'fair value through profit or loss'	94,561	752,971	847,532
Investments - 'available for sale'	618,409	-	618,409
Other	3,573	18,684	22,257
<b>Total</b>	<b>716,543</b>	<b>771,655</b>	<b>1,488,198</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	
	2011	2010
	(Rupees in '000)	
Total net segment income	98,363	104,283
Other fees and expenses	(31,868)	(10,868)
Profit on savings accounts with banks	6,165	10,818
Other income	52	-
<b>Income</b>	<b>72,712</b>	<b>104,233</b>

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

	December 31, 2011	June 30, 2011
	(Rupees in '000)	
Segment assets for reportable segments	1,298,349	1,488,198
Balances with banks	44,170	42,186
Other advances, deposits, prepayments and receivables	8,601	11,364
<b>Total assets</b>	<u>1,351,120</u>	<u>1,541,748</u>

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

Segment liabilities for reportable segments	2,919	2,372
Accrued expenses	420	537
Other payables	20,682	15,407
<b>Total liabilities</b>	<u>24,021</u>	<u>18,316</u>

#### 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, 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 - II, Meezan Cash Fund, Meezan Sovereign Fund, Al Meezan Mutual Fund and Meezan Islamic Fund being the funds under the common management of the management company and Pakistan Kuwait Investment Company (Private) Limited being the associated company of the management company.

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

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

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



	December 31, 2011	June 30, 2011
	(Rupees in '000)	
<b>Al Meezan - management company of the Fund</b>		
Remuneration payable	<u>2,278</u>	<u>2,507</u>
Sindh sales tax payable on management fee	<u>364</u>	<u>-</u>
Investment of 3,821,824 certificates (June 30, 2011: 3,821,824 certificates)	<u>34,779</u>	<u>35,925</u>
<b>CDC - trustee of the Fund</b>		
Remuneration payable	<u>131</u>	<u>139</u>
Charges payable	<u>-</u>	<u>2</u>
<b>MBL</b>		
Bank balance	<u>14,449</u>	<u>2,925</u>
Investment in 534,456 shares (June 30, 2011: 534,456 shares)	<u>9,289</u>	<u>9,337</u>
Investment of 16,134,468 certificates (June 30, 2011: 16,134,468 certificates)	<u>146,824</u>	<u>151,664</u>
<b>Pakistan Kuwait Investment Company (Private) Limited</b>		
Investment of 11,057,791 certificates (June 30, 2011: 11,057,791 certificates)	<u>100,626</u>	<u>103,943</u>
<b>Directors and officers of the management company</b>		
Investment of 32,975 certificates (June 30, 2011: 32,975 certificates)	<u>300</u>	<u>310</u>
	For the six months period ended December 31	
	2011	2010
	(Rupees in '000)	
<b>Al Meezan - management company of the Fund</b>		
Remuneration for the period	<u>14,398</u>	<u>13,556</u>
Sindh sales tax on management fee	<u>2,304</u>	<u>-</u>
Dividend for the period	<u>6,688</u>	<u>2,102</u>
<b>CDC - trustee of the Fund</b>		
Remuneration for the period	<u>815</u>	<u>775</u>
Charges for the period	<u>59</u>	<u>82</u>
<b>MBL</b>		
Profit on savings account	<u>21</u>	<u>6</u>
Dividend for the period	<u>28,235</u>	<u>8,874</u>




For the six months period  
ended December 31  
2011                      2010  
(Rupees in '000)

<b>Pakistan Kuwait Investment Company (Private) Limited</b>		
Dividend for the period	<u>19,351</u>	<u>6,082</u>
<b>Directors and officers of the management company</b>		
Dividend for the period	<u>58</u>	<u>18</u>

**10. DATE OF AUTHORISATION**

This condensed interim financial report was authorised for issue on February 23, 2012 by the Board of Directors of the management company of the Fund.

  
**Mohammad Shoaib, CFA**  
Chief Executive

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

  
**Syed Amir Ali**  
Director

**STATEMENT OF THE INCOME & EXPENDITURE OF THE MANAGEMENT COMPANY  
IN RELATION TO THE FUND  
FOR THE PERIOD ENDED DECEMBER 31, 2011**

	<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>
	<b>(Rupees in '000)</b>	
<b>INCOME</b>		
Remuneration from Meezan Balanced Fund	14,398	13,556
Dividend income	6,688	2,102
	<b>21,086</b>	<b>15,658</b>
<b>OPERATING EXPENSES</b>		
Salaries and other benefits	2,330	3,524
Motor vehicle running expenses	85	83
Fees and subscription	87	71
Insurance expense	35	49
Printing and stationery	21	65
Communication	122	158
Depreciation	202	224
Travelling and conveyance	2	11
Entertainment	15	18
Legal and professional charges	47	110
Repair and maintenance	56	71
Office supplies	32	29
Training and development	5	9
Rent, rates and taxes	211	193
Utilities	38	46
Shariah advisory fee	60	83
Miscellaneous expenses	7	8
	<b>3,354</b>	<b>4,754</b>
<b>OPERATING PROFIT</b>	<b><u>17,732</u></b>	<b><u>10,904</u></b>

**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.