



**Quarterly Report September 30, 2011**



**Al Meezan Investment Management Limited**  
A subsidiary of Meezan Bank



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**Our Vision**

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

**Our Mission**

To provide investors, RIBA Free, stable and regular income from a diversified portfolio of equity securities and islamic income instruments.

To offer superior financial services to our valued investors, developing, nurturing and maintaining relationship with them and complying with the code of professional and ethical conduct that sets highest standards in corporate ethics and service to society.

## **FUND INFORMATION**

### **MANAGEMENT COMPANY**

Al Meezan Investment Management Limited  
Ground Floor, Block "B", Finance & Trade Centre,  
Shahrah-e-Faisal, Karachi 74400, Pakistan.  
Phone: (9221) 35630722-6, 111-MEEZAN  
Fax: (9221) 35676143, 35630808  
Web site: www.almeezangroup.com  
E-mail: info@almeezangroup.com

### **BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

Mr. Ariful Islam	Chairman
Mr. Rana Ahmed Humayun	Director
Mr. P. Ahmed	Director
Mr. Salman Sarwar Butt	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. P. Ahmed	Member
Mr. Mazhar Sharif	Member

### **TRUSTEE**

Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi, Pakistan.

### **AUDITORS**

A.F. Ferguson & Co.  
Chartered Accountants  
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716,  
Karachi-74000, Pakistan.

### **BANKERS TO THE FUND**

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

### **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 of Meezan Balanced Fund (MBF) is pleased to present the un-audited financial statements of the fund for the three months ended September 30, 2011.

### **Economic Review**

Since the start of fiscal year, the macroeconomic scenario of Pakistan has witnessed mixed trends. On one hand, the torrential rains and floods in Sindh along with withered Pakistan-US ties created an element of uncertainty that gripped the economy during the first quarter. While, on the other hand, the seemingly positive inflation figures and restricted government borrowing from central bank had supported the start of monetary easing cycle, where State Bank reduced the policy rate by 50bps, effective 1<sup>st</sup> August 2011.

The devastating rains which hit the province of Sindh in the early months of 1QFY12 have caused damage to 1.5mn homes rendering 8.9 mn people shelter less with losses of Rs 270bn. This has raised concerns about achieving the estimated FY12 GDP target of 4.2%. The average inflation figure for Jul-Sept 2011 was recorded on a lower side, at 11.47%, primarily on account of the change in CPI methodology. This can, however, pave way for further ease in monetary policy by State Bank.

On the external front, despite the widened trade deficit, current account in 2MFY12 remained resilient recording a deficit of USD189mn vs. USD1,016mn deficit in the same period last year. One contributing factor remained the healthy inflow of remittances in the first three months which amounted to USD 3.4bn. However the impact of deferred import payments coupled with faltering relations with US and end of IMF program became visible in the form of sharp currency move as rupee lost 1.7% during 1QFY12 to Rs 87.45 per USD, touching an all time low level of Rs 87.60. On the domestic front, tax collection during the quarter stood at Rs 374bn, higher than the initial target, but that too could not give respite to the fiscal slippages resulting in excessive government borrowing from commercial banks cumulating to Rs 247bn during the quarter.

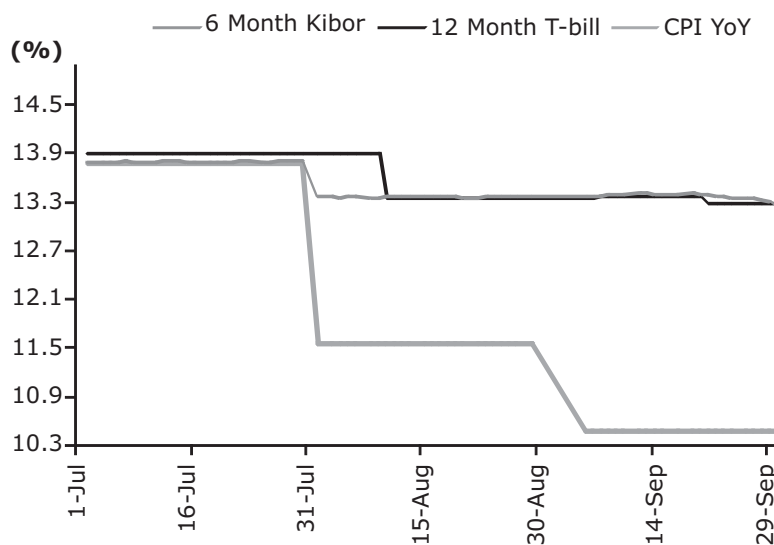
The IMF Standby Arrangement program expired on September 30, 2011 where the government decided not to seek an extension or a new loan due to comfortable balance of payments position. The economic managers of the country also had discussions with the IMF delegation where they assured that the country will continue to follow the path of economic reforms.

### **Money Market Review**

In the first quarter 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. However, a potentially achievable FY12 inflation target of 12% and restricted government borrowing from central bank have supported the start of monetary easing cycle, where central bank reduced the policy rate by 50bps, effective 1st August 2011, after a gap of eight months.

As a result, KIBOR rates also decreased, with six month rate decreasing by 53 bps to close at 13.25%. During the quarter, SBP conducted six T-Bill auctions mopping up Rs 852bn against a target of Rs 750bn with a maturity of Rs 595bn. The cut off rate of six month T-Bill decreased by 53 bps to close at 13.23%. Private sector credit growth remains muted, with banking ADR under 65%. The following graph shows the trend of interest rates and inflation during the quarter under review.

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



Subsequently, in the latest monetary policy announced by the State Bank on October 8, 2011, the discount rate was cut by 150 bps to 12%. Accordingly, the six month KIBOR and six month T-Bill yield were adjusted by 87 and 72 basis points respectively.

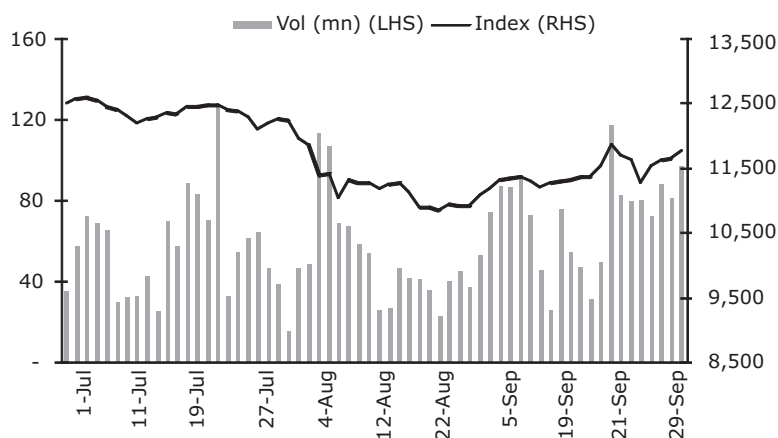
#### Equity Market Review

KSE -100 index posted a negative return of 5.9% during 1QFY12 and closed at a level of 11,762, marking the highest quarterly decline since December 2008. The index followed a range bound trajectory moving within a band of 12,576 and 10,842. However, during the same period, the bench mark index, Karachi Meezan Index (KMI-30) increased by 1.8% to close at the level of 21,313.

With the start of fiscal year, uncertainty regarding US economic slowdown and debt situation of some Euro zone countries resulted in massive selling in global equity markets, and had it repercussions in the local market as well. This coupled with the strained US-Pak relations and deteriorating political scenario in Karachi dampened the investors' sentiments. To improve the situation, the government launched a targeted operation in troubled areas of the city which helped in restoring the law and order situation.

Foreigners who own more than one-third of market free float remained net sellers of USD46mn worth of shares during 1QFY12. This proved to be the highest quarterly selling by foreigners in last nine quarters. Volumes also declined 30% QoQ as average daily volumes were recorded at 59 million shares during 1QFY12 as compared to 74 million shares in 4QFY11.

In addition to currency volatility, the news on the macro front also remained mixed during the quarter. The gradual build up in expectations of monetary easing towards the end of the quarter and improved FY 11 financial results, however, helped in countering the market pressures of international and domestic politics and index closed at the level of 11,762, up 920 points from the lowest level 10,842, it touched in August, 2011.



### Performance Review

During the first three months of fiscal year 2012, Meezan Balanced Fund (MBF) provided a return of 3.01% to its investors as compared to benchmark return of 1.65%. The benchmark of MBF comprises 50% weight of KMI 30 and 50% weight of average return of 3 Islamic banks namely, Meezan Bank, Bank Islami and Dubai Islamic Bank.

The Fund, during the period under consideration earned a total income of Rs.54 million as compared to Rs.39 million in the corresponding period last year. The dividend income for the period was Rs.13 million and income on investment in sukuk certificates and profit on bank deposits was Rs.22 million and Rs. 5 million respectively. The net realized capital gain on sale of investments was Rs. 14 million. All these accounted for a net income of Rs. 44 million which translates into an earning per certificate of Rs.0.37 as on September 30, 2011.

The net assets of the fund as at the period end were Rs.1, 354 million as compared to Rs.1,523 million as at June 30, 2010. The net asset value of the fund as at the period end was Rs. 11.28 per certificate as compared to Rs.12.70 per certificate as on June 30, 2011.

### **Outlook**

Going forward, the key challenge for the government under the 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.

Despite the implementation of capital gain tax which has negatively impacted the volumes, we believe the recent corporate results have shown decent growth, which will act as a trigger for investors to further increase their participation in stock market. On the basis of earnings multiples and dividend yields, Pakistan remains one of the cheapest markets, trading at a P/E multiple of 6.5x, which is almost at a 38% discount to regional markets. This makes KSE an attractive option for both the domestic and international investors.

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

**Mohammad Shoaib, CFA  
Chief Executive**



**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES  
AS AT SEPTEMBER 30, 2011**

	(Un-audited) September 30, 2011	(Audited) June 30, 2011
Note	(Rupees in '000)	
<b>Assets</b>		
Balances with banks	279,847	42,186
Investments	5 1,268,931	1,465,941
Dividend receivable	7,208	3,573
Advances, deposits, prepayments and other receivables	18,763	30,048
Receivable against sale of investment	6,446	-
<b>Total assets</b>	<u>1,581,194</u>	<u>1,541,748</u>
<b>Liabilities</b>		
Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund	6 2,720	2,507
Payable to Central Depository Company of Pakistan Limited (CDC) - trustee of the Fund	133	141
Payable to Securities and Exchange Commission of Pakistan (SECP)	320	1,191
Payable against purchase of investments	-	41
Accrued expenses and other liabilities	3,157	2,868
Unclaimed dividend	221,087	11,568
<b>Total liabilities</b>	<u>227,418</u>	<u>18,316</u>
<b>Net assets</b>	<u>1,353,776</u>	<u>1,523,432</u>
<b>Contingency</b>	7	
<b>Certificate holders' equity (as per statement attached)</b>		
<b>Issued, subscribed and paid-up capital</b>		
120,000,000 ordinary certificates of Rs 10 each	1,200,000	1,200,000
Unappropriated income	70,000	236,138
Surplus on revaluation of available for sale investments	83,776	87,294
	<u>1,353,776</u>	<u>1,523,432</u>
<b>Net assets value per certificate (Rupees)</b>	<u>11.28</u>	<u>12.70</u>

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)**  
FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	September 30,	
	2011	2010
	(Rupees in '000)	
<b>Income</b>		
Net realised gain on sale of investments	14,360	3,383
Dividend income	13,236	13,856
Profit on savings accounts with banks	5,249	6,905
Profit on sukuk certificates	21,688	12,833
	<u>54,533</u>	<u>36,976</u>
Unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss	(712)	4,983
Provision against non-performing debt securities	-	(2,750)
	<u>(712)</u>	<u>2,233</u>
<b>Total income</b>	<u>53,821</u>	<u>39,209</u>
<b>Expenses</b>		
Remuneration to Al Meezan - management company of the Fund	7,530	6,697
Remuneration to CDC - trustee of the Fund	421	384
Annual fee to SECP	320	281
Auditors' remuneration	172	160
Fees and subscription	58	47
Legal & Professional charges	5	-
Sales tax on management fee	1,205	-
Brokerage	80	32
Printing charges	76	35
Bank and settlement charges	91	118
<b>Total expenses</b>	<u>9,958</u>	<u>7,754</u>
<b>Net income for the quarter</b>	<u>43,863</u>	<u>31,455</u>
<b>Other comprehensive (loss) / income for the quarter</b>		
(Deficit) / Surplus on revaluation of available for sale investments	(3,518)	11,540
<b>Total comprehensive income for the quarter</b>	<u>40,345</u>	<u>42,995</u>
<b>Earnings per certificate (Rupees)</b>	<u>0.37</u>	<u>0.26</u>

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

For Al Meezan Investment Management Limited  
(Management Company)

Chief Executive

Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)**  
FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	September 30, 2011      2010 (Rupees in '000)	
Unappropriated income brought forward	236,138	76,119
Reversal of Workers Welfare Fund (WWF)	-	4,967
Less: Final distribution in the form of cash dividend @ 17.5% for the year ended June 30, 2011 (June 30, 2010: @ 5.5%)	<b>(210,000)</b>	-
Net income for the quarter	<b>43,863</b>	31,455
Unappropriated income carried forward	<u><b>70,000</b></u>	<u><b>112,541</b></u>

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

For Al Meezan Investment Management Limited  
(Management Company)

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN  
EQUITY AND RESERVES PER CERTIFICATE (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	September 30, 2011                      2010 (Rupees)	
Net assets per certificate at the beginning of the quarter	12.70	10.65
Reversal of Workers Welfare Fund (WWF)	-	0.04
Net realised gain on sale of investments	0.12	0.03
Dividend income	0.11	0.12
Profit on savings accounts with bank	0.04	0.06
Profit on sukuk certificates	0.18	0.11
Unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss	(0.01)	0.04
Provision against non-performing debt securities	-	(0.02)
Expenses	(0.08)	(0.06)
Net income for the quarter	0.37	0.26
Less: Final distribution in the form of cash dividend @ 17.5% for the year ended June 30, 2011 ( June 30, 2010: @ 5.5%)	(1.75)	-
(Deficit) / Surplus on revaluation of available for sale investments	(0.03)	0.10
Net assets per certificate at the end of the quarter	11.28	11.05

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

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

**Chief Executive**

**Director**

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)**  
FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	September 30,	
	2011	2010
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	43,863	31,455
<b>Adjustments for:</b>		
Dividend income	(13,236)	(13,856)
Profit on savings accounts with banks	(5,249)	(6,905)
Profit on sukuk certificates	(21,688)	(12,833)
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss	712	(4,983)
Provision against non-performing debt securities	-	2,750
Reversal of WWF	-	4,967
	4,402	595
<b>(Increase) / decrease in assets</b>		
Investments - at fair value through profit or loss	192,780	(70,383)
Receivable against sale of investments	(6,446)	449
Advances, deposits, prepayments and other receivables	9,537	(122)
	195,872	(70,056)
<b>Increase / (decrease) in liabilities</b>		
Payable to AI Meezan - management company of the Fund	213	71
Payable to CDC - trustee of the Fund	(8)	-
Payable to SECP	(871)	(812)
Payable against purchase of investments	(41)	(517)
Accrued expenses and other liabilities	289	(4,740)
	(417)	(5,998)
Cash (used in) / generated from operations	199,856	(75,459)
Dividend income received	9,601	8,623
Profit received on savings accounts with banks	5,613	5,631
Profit received on sukuk certificates	23,071	21,281
<b>Net cash (outflow) / inflow from operating activities</b>	238,142	(39,924)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(481)	(9)
<b>Net cash outflow from financing activities</b>	(481)	(9)
Net decrease in cash and cash equivalents	237,661	(39,933)
Cash and cash equivalents at the beginning of the quarter	42,186	292,188
Cash and cash equivalents at the end of the quarter	279,847	252,255

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

## **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

### **1. LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1 Meezan Balanced Fund (the Fund) was established as a closed-end scheme under a trust deed executed between Al Meezan as management company and CDC as Trustee. The trust deed was executed on June 15, 2004 and was approved by the SECP on September 8, 2004 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the management company of the Fund is situated in Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan.
- 1.2 The investment objective of the Fund is to generate long-term capital appreciation as well as current income by creating a balanced portfolio that is invested both in high quality equity securities and islamic income instruments such as term finance certificates, certificates of islamic investment, musharika certificates, islamic sukuk certificates and other Shariah compliant instruments. Under the Trust Deed all the conducts and acts of the Fund are based on Shariah. The management company has appointed Meezan Bank Limited (MBL) as shariah adviser to ensure that the activities of the Fund are in compliance with the principles of Shariah. The management company of the Fund is registered with SECP as a Non-Banking Finance Company under NBFC Rules.
- 1.3 The Fund is a closed-end scheme (mutual fund) and its certificates are listed on the Karachi Stock Exchange. The management company of the Fund has been given quality rating of AM2 by JCR - VIS Credit Rating Company Limited.
- 1.4 The objective of the Fund is to carry on the business of a closed-end mutual fund and to invest its assets in debt securities and in equity securities, which are listed or proposed to be listed on the stock exchanges.
- 1.5 Title to the assets of the Fund are held in the name of CDC as a trustee of the Fund.
- 1.6 According to clause 65 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations), a closed-end fund or an investment company shall, upon expiry of every five years from November 21, 2007 or the date of launch of the fund whichever is later, hold a meeting of shareholders within one month of such period to seek approval of the shareholders (by special resolution), to convert into an open-end scheme or revoke the closed-end scheme or wind up the investment company.

### **2. BASIS OF MEASUREMENT**

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

### 3. STATEMENT OF COMPLIANCE

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

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements and the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied in the preparation of the financial statements as at and for the year ended June 30, 2011.

	<i>Note</i>	(Un-audited) September 30, 2011 (Rupees in '000)	(Audited) June 30, 2011
<b>5. INVESTMENTS</b>			
Investments at fair value through profit or loss	5.1	660,574	847,532
Investments - 'available for sale'	5.2	608,357	618,409
		<u>1,268,931</u>	<u>1,465,941</u>
<b>5.1 Investments at fair value through profit or loss</b>			
Held for trading	5.1.1	286,471	569,393
Investments at fair value through profit or loss - upon initial recognition	5.1.2	374,103	278,139
		<u>660,574</u>	<u>847,532</u>
<b>5.1.1 Held for trading</b>			
Shares of listed companies	5.1.1.1	71,471	79,393
Sukuk certificates	5.1.1.4	215,000	490,000
		<u>286,471</u>	<u>569,393</u>
<b>5.1.2 Investments at fair value through profit or loss upon initial recognition</b>			
Shares of listed companies	5.1.2.1	14,382	43,789
Sukuk Certificates	5.1.2.2	359,722	168,244
		<u>374,103</u>	<u>212,033</u>

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

Name of the investee company	As at July 1, 2011	Purchases during the quarter	Bonus / rights issue	Sales during the quarter	As at September 30, 2011	Carrying value as at September 30, 2011	Market value as at September 30, 2011	Unrealised gain/(loss) as at September 30, 2011	Percentage in relation to		
									Number of shares	Rupees in '000	%
<b>General Industrials</b>											
Thal Limited (note 5.1.1.2)	197,935	-	-	-	197,935	19,999	17,990	(2,009)	1.33	0.32	1.42
Tri-Pack Films Limited	83,400	-	-	-	83,400	14,282	15,054	771	1.11	0.28	1.19
									<b>2.44</b>	<b>0.60</b>	<b>2.61</b>
<b>Construction and Materials</b>											
Attock Cement Pakistan Limited	125,000	-	-	-	125,000	6,066	6,753	686	0.50	0.14	0.53
Lucky cement	35,000	-	-	-	35,000	2,479	2,643	164	0.20	0.01	0.21
									<b>0.70</b>	<b>0.16</b>	<b>0.74</b>
<b>Automobile and Parts</b>											
Pak Suzuki Motor Company Limited	26,800	-	-	-	26,800	1,676	1,837	161	0.14	0.03	0.14
<b>Oil and Gas</b>											
Pakistan Oilfields Limited	44,275	-	-	7,000	37,275	13,382	13,731	349	1.01	0.02	1.08
Pakistan Petroleum Limited	78,440	-	7,844	27,500	58,784	11,066	11,144	78	0.82	0.00	0.88
									<b>1.83</b>	<b>0.02</b>	<b>1.96</b>
<b>Fixed Line and telecommunication</b>											
Pakistan Telecommunication Company Limited	158,365	-	-	-	158,365	2,252	1,840	(412)	0.14	0.00	0.15
<b>Chemical</b>											
ICI Pakistan Limited	3,300	-	-	-	3,300	501	479	(22)	0.04	0.00	0.04
<b>Total</b>						<b>71,705</b>	<b>71,471</b>	<b>(234)</b>			
<b>Total cost of investments</b>									<b>63,056</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 September 30, 2011	Carrying value as at September 30, 2011	Market value as at September 30, 2011	Unrealised gain / (loss) as at September 30, 2011	Percentage in relation to	
										Number of certificates	Rupees in '000
Secured CoP Ijarah Sukuk Certificates - III (note 5.1.1.5)	March 11, 2012	Weighted Average 6 months T-Bills	250	-	-	250	25,000	25,000	-	1.85	1.97
CoP Ijarah Sukuk Certificates - IV (note 5.1.1.5)	September 17, 2012	Weighted Average 6 months T-Bills less 5 basis points	1,880	-	-	1,880	188,000	188,000	-	13.89	14.82
CoP 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
CoP Ijarah Sukuk Certificates - VII (note 5.1.1.5)	March 7, 2014	Weighted Average 6 months T-Bills	750	-	750	-	-	-	-	-	-
<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 is Rs 100,000 each.



### 5.1.2.1 Shares of listed companies

Name of the investee company	As at July 1, 2011	Purchases during the quarter	Bonus / rights issue	Sales during the quarter	As at September 30, 2011	Carrying value as at September 30, 2011	Market value as at September 30, 2011	Unrealised gain/(loss) as at September 30, 2011	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	
									%			
<b>Automobile and Parts</b>												
Indus Motor Company Limited	50,055	-	-	-	50,055	11,012	9,661	(1,351)	0.71	0.06	0.76	
<b>General Industrials</b>												
Packages Limited	2,473	-	-	-	2,473	272	252	(20)	0.02	0.00	0.02	
<b>Banks</b>												
Meezan Bank Limited (an associate of the Fund)	222,297	-	-	-	222,297	3,884	4,468	585	0.33	0.03	0.35	
<b>Total</b>						<b>15,168</b>	<b>14,382</b>	<b>(786)</b>				
<b>Total cost of investments</b>							<b>12,894</b>					

### 5.1.2.2 Sukuk certificates

Name of the investee company	Maturity	Profit rate	As at July 1, 2011	Purchases during the quarter	Sales / redemptions during the quarter	As at September 30, 2011	Carrying value as at September 30, 2011	Market value as at September 30, 2011	Unrealised gain / (loss) as at September 30, 2011	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	
									%			
<b>Engro Fertilizer Limited</b> (note 5.1.2.3)	September 1, 2015	6 months Kibor plus base rate of 1.5%	10,000	-	-	10,000	50,000	50,000	-	3.69	1.68	3.94
Security Leasing Corporation Limited II (note 5.1.2.3)	March 19, 2014	Nil	2,578	-	234	2,344	8,254	8,283	29	0.61	3.23	0.65
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	14,438	14,717	279	1.09	2.12	1.16
Eden Housing Limited (note 5.1.2.3)	September 29, 2014	6 months KIBOR plus base rate of 2.5%	5,000	-	-	5,000	11,722	11,722	-	0.87	1.43	0.92
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)	December 27, 2011	6 months Kibor plus base rate of 1.1%	35,000	-	-	35,000	175,000	175,000	-	12.93	1.99	13.79
Hub Power Company Limited Sukus (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	-	7.39	0.86	7.88
<b>Total</b>							<b>359,414</b>	<b>359,722</b>	<b>308</b>			
<b>Total cost of investments</b>								<b>387,560</b>				

5.1.2.3 The nominal value of these sukuk certificates is Rs 5,000 each except Eden Housing Limited which has a face value of Rs 3,375.

## 5.2 Investments - 'available for sale'

Name of the investee company	As at July 1, 2011	Purchases during the quarter	Bonus / rights issue	Sales during the quarter	As at September 30, 2011	Carrying value as at September 30, 2011	Market value as at September 30, 2011	Unrealised gain/(loss) as at September 30, 2011	Percentage in relation to		
	Number of shares					Rupees in '000			Net assets of the fund on the basis of investments (see note 5.1.3 above)	Paid-up capital of investee company (with face value of investments)	Total market value of investments
									%		
<b>Banks</b>											
Meezan Bank Limited (an associate of the Fund)	312,159	-	-	-	312,159	5,449	6,274	826	0.46	0.04	0.49
<b>Oil and Gas</b>											
Oil and Gas Development Company (note 5.2.1)	332,166	-	-	-	332,166	43,865	43,892	27	3.24	0.01	3.46
Pakistan Oilfields Limited	184,750	10,000	-	-	194,750	48,510	71,738	23,228	5.30	0.08	5.65
Pakistan Petroleum Limited	355,120	5,000	35,512	-	395,632	59,986	75,000	15,014	5.54	0.03	5.91
Pakistan State Oil Company Limited	215,100	-	-	10,500	204,600	54,639	52,087	(2,552)	3.85	0.12	4.1
									17.93	0.24	19.12
<b>Chemical</b>											
Fauji Fertilizer Bin Qasim Company Limited	142,500	142,877	-	282,000	3,377	120	198	78	0.01	0.00	0.02
Fauji Fertilizer Company Limited	1,050,233	42,500	-	161,000	931,733	112,582	150,848	38,266	11.14	0.11	11.89
ICI Pakistan Limited	395,000	-	-	-	395,000	49,810	57,362	7,552	4.24	0.28	4.52
									15.39	0.39	16.43
<b>Construction and Materials</b>											
Lucky Cement	605,421	-	-	-	605,421	39,750	45,721	5,972	3.38	0.19	3.6
Attock Cement	45,000	-	-	5,000	40,000	2,745	2,161	(584)	0.16	0.05	0.17
DG Khan Cement Co. Ltd	673,749	-	-	-	673,749	16,278	13,859	(2,419)	1.02	0.15	1.09
									4.56	0.39	4.86
<b>Electricity</b>											
Hub Power Co. Ltd.	1,209,500	550	-	50,000	1,160,050	42,632	48,142	5,510	3.56	0.10	3.79
<b>Automobile and Parts</b>											
Indus Motor Company Limited	52,375	10,000	-	-	62,375	13,641	12,039	(1,602)	0.89	0.08	0.95
Pak Suzuki Motors Company Limited	11,260	-	-	-	11,260	833	772	(61)	0.06	0.01	0.06
									0.95	0.09	1.01
<b>General Industrials</b>											
Packages Limited	150,000	-	-	-	150,000	17,981	15,300	(2,681)	1.13	0.18	1.21
Tri-Pack Films Limited	10,000	-	-	-	10,000	1,132	1,805	673	0.13	0.03	0.14
									1.26	0.21	1.35
<b>Fixed Line and telecommunication</b>											
Pakistan Telecommunication Company Limited	359,900	600,342	-	-	960,242	14,629	11,158	(3,471)	0.82	0.03	0.88
<b>Total</b>						<b>524,580</b>	<b>608,357</b>	<b>83,776</b>			
<b>Total cost of investments</b>						<b>524,581</b>					

5.2.1 100,000 shares of Oil and Gas Development Company Limited, having market value of Rs 13.21 million as at September 30, 2011, have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

### 6. PAYABLE TO AL MEEZAN

This includes an amount of Rs. 0.36 million against sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

### 7. CONTINGENCIES

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

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 September 30, 2011 amounted to Rs 10.16 million.

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

The connected persons include Al Meezan being the management company, CDC being the trustee, Pakistan Kuwait Investment Company (Private) Limited being the associate company of the fund, MBL being the shariah adviser of the Fund and holding company of the management company, directors and officers of the management company, Meezan Islamic Fund, Meezan Islamic Income Fund, Al Meezan Mutual Fund, Meezan Tahaffuz Pension Fund, Meezan Capital Protected Fund - II, Meezan Cash Fund and Meezan Sovereign 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 quarter are as follows:

	(Un-audited) September 30, 2011	(Audited) June 30, 2011
	(Rupees in '000)	
<b>Al Meezan - management company of the Fund</b>		
Remuneration payable	2,720	2,507
Sindh general sales tax payable	<u>375</u>	<u>-</u>
Investment of 3,821,824 certificates (June 30, 2011: 3,821,824)	<u>34,396</u>	<u>35,925</u>
<b>CDC - trustee of the Fund</b>		
Remuneration payable	<u>133</u>	<u>139</u>
Charges payable	<u>1</u>	<u>2</u>
<b>MBL - shariah adviser of the Fund</b>		
Bank balance	<u>201,391</u>	<u>2,925</u>
Investment in 534,456 shares (June 30, 2011: 534,456 shares)	<u>10,743</u>	<u>9,337</u>
Investment of 16,134,468 certificates (June 30, 2011: 16,134,468 certificates)	<u>145,210</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>99,520</u>	<u>103,943</u>

	(Un-audited) September 30, 2011	(Audited) June 30, 2011
	(Rupees in '000)	
<b>Directors and officers of the management company</b>		
Investment of 32,975 certificates (June 30, 2011: 32,975 certificates)	<u>297</u>	<u>310</u>
	For the Quarter ended September 30	
	2011	2010
	(Rupees in '000)	
<b>Al Meezan - management company of the Fund</b>		
Remuneration for the quarter	<u>7,530</u>	<u>6,697</u>
Sindh sales tax for the quarter	<u>1,205</u>	<u>-</u>
Dividend for the quarter	<u>6,688</u>	<u>-</u>
<b>CDC - trustee of the Fund</b>		
Remuneration for the quarter	<u>421</u>	<u>384</u>
Charges for the quarter	<u>27</u>	<u>37</u>
<b>MBL - shariah adviser of the Fund</b>		
Profit on savings account	<u>-</u>	<u>1</u>
Dividend for the quarter	<u>28,235</u>	<u>-</u>
<b>Pakistan Kuwait Investment Company (Private) Limited</b>		
Dividend for the quarter	<u>19,351</u>	<u>-</u>
<b>Directors and officers</b>		
Dividend for the quarter	<u>58</u>	<u>-</u>

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

These condensed interim financial statements have been authorised on October 24, 2011 by the Board of Directors of the management company of the Fund.

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

**Chief Executive**

**Director**

**STATEMENT OF INCOME & EXPENDITURE OF MANAGEMENT COMPANY  
IN RELATION TO THE FUND  
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

**September 30,**  
2011                      2010  
(Rupees in '000)

**INCOME**

Remuneration from Meezan Balanced Fund	7,530	6,697
Dividend income	6,688	-
	14,218	6,697

**OPERATING EXPENSES**

Salaries and other benefits	1,087	1,485
Motor vehicle running expenses	47	49
Fees and subscription	55	120
Insurance expense	18	20
Printing and stationery	12	17
Communication	82	106
Depreciation	116	208
Entertainment	9	13
Legal and professional charges	18	56
Repair and maintenance	5	11
Office supplies	19	16
Training and development	3	5
Rent, rates and taxes	125	136
Utilities	21	34
Shariah advisory fee	35	59
Miscellaneous expenses	1	9
	<u>1,653</u>	<u>2,345</u>
<b>OPERATING PROFIT</b>	<u><u>12,565</u></u>	<u><u>4,352</u></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.**

(AM2 rating by JCR-VIS)

**Al Meezan Investment Management Ltd.**  
A subsidiary of Meezan Bank

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