



CONTENTS

Mission Statement & Vision Statement	03
Fund Information	04
Report of Directors of the Management Company	05
Report of the Trustee.....	08
Auditors' Report to the Certificate Holders on Review of Condensed Interim Financial Information	09
Condensed Interim Statement of Assets and Liabilities	10
Condensed Interim Income Statement	11
Condensed Interim Distribution Statement	12
Condensed Interim Statement of Movement in Equity and Reserves-Per Certificate	13
Condensed Interim Cash Flow Statement	14
Notes to the Condensed Interim Financial Statements.....	15
Statement of Income & Expenditure of Management Company in relation to the Fund	23



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.

Our Vision

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

FUND INFORMATION

MANAGEMENT COMPANY

Al Meezan Investment Management Limited
Ground Floor, Block "B", Finance & Trade Centre,
Shahrah-e-Faisal, Karachi 74400, Pakistan.
Phone: (9221) 5630722-6, 111-MEEZAN
Fax: (9221) 5676143, 5630808
Web site: www.almeezangroup.com
E-mail: info@almeezangroup.com

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. Najmul Hassan	Director
Mr. Tasnimul Haq Farooqui	Director
Mr. Mazhar Sharif	Director
Mr. Muhammad Adrees	Director
Syed Owais Wasti	Director
Mr. Mohammad Shoab, CFA	Chief Executive

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

Mr. Ariful Islam	Chairman
Mr. Tasnimul Haq Farooqui	Member
Mr. Mazhar Sharif	Member

TRUSTEE

Central Depository Company of Pakistan Limited
Suite # M 13-16, Mezzanine Floor, Progressive Plaza,
Beaumont Road, Karachi.

AUDITORS

A.F. Fergusons & 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
Bank Al Habib Limited
MCB Bank Limited - Islamic Banking Branch
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
Dubai Islamic Bank Pakistan Limited
Prime Commercial Bank Ltd. Islamic Branch
UBL Ameen - Islamic Banking Branch

LEGAL ADVISOR

Bawany & Partners
404, 4th Floor, Beaumont Plaza, 6-CL-10
Beaumont Road, Civil Lines
Karachi - 75530
Phone: (9221) 565 7658-59
Fax: (9221) 565 7673
E-mail: bawaney@cyber.net.pk

TRANSFER AGENT

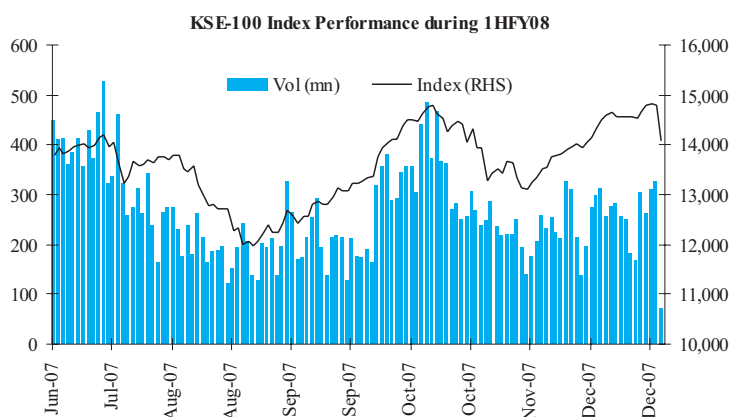
THK Associates (Pvt.) Limited
Ground Floor, State Life Building-3
Dr. Ziauddin Ahmed Road, Karachi-75536
Phone : (9221) 111-000-322
Fax : (9221) 5655595
P.O. Box No. 8533

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, is pleased to present the unaudited accounts of Meezan Balanced Fund (MBF) for the half year ended December 31, 2007.

Market Review

Stock Market's performance during first half of the financial year was marked by volatility both in price trend and turnover. KSE 100 index started the half year at 13,772 and ended higher at 14,077, showing an appreciation of 305 points or 2.2%. Issues related to political instability in the backdrop of reinstatement of Supreme Court Chief Justice, presidential election and imposition of emergency mainly explained market's volatility during 1HFY08. Moreover, sub prime mortgage crisis in the US led to persistent sell off in global equity markets which further contributed to weak market sentiment and volatility domestically.

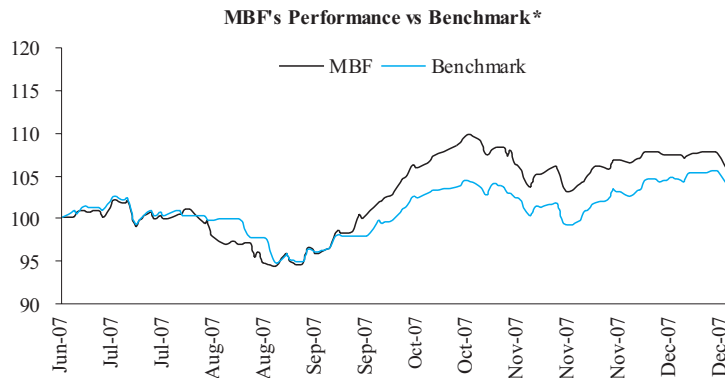


The Money market at large was guided by concerns about inflation which continued to be the dominant pressurizing force on the economy. With oil on the boil and surging staple prices, inflation remained on a constant rise. Developing countries like Pakistan are facing a dilemma to control inflation without curtailing economic growth. With burgeoning fiscal deficit and inflation, SBP was under a lot of pressure to tighten the money supply which is exactly what it did. Discount rate saw a hike of 50 basis points in July and there was no sign of easing the monetary policy. The SBP, in addition to increasing the rate, also abolished CRR rates on long term deposits over 12 months to encourage savings growth, however the impact on the KIBOR was only trivial. The change in discount rate did cause an increase of 25-30bps in the KIBOR, but this movement only lasted for a couple of weeks after which the KIBOR went back to its previous levels. 6 month KIBOR finished 1HFY08 at 10%. However, the discount rate hike pushed up the treasury yields which were further supported by high government borrowing.

Operational Review

The Fund, during the half year ended December 31, 2007 earned a total gross income of Rs. 90 million. The income mainly comprises of capital gains (net) on sale of investments of Rs. 46 million and dividend income of Rs.21 million. The un-realized gain on investments for the half year was Rs. 5 million. After accounting for expenses of Rs. 27 million, the net profit for the half year was Rs. 63 million, which translates into earning per certificate of Rs. 0.52. The net assets of the Fund as at December 31, 2007 were Rs. 1,469 million as compared to Rs. 1,598 million as at June 30, 2007. The net asset value of the Fund as at December 31, 2007 was Rs. 12.24 per certificate.

In accordance with the provision of the Trust Deed of the Fund, an amount of Rs.0.44 million was set aside as charity to purify the income earned from Shariah non-complaint avenues by the investee companies.



* Benchmark represents 50% return of Dow Jones JS Pakistan Islamic Index and 50% return on 6-month t-bill

Investment Policy

MBF is a Shariah-complaint Balanced Fund. The investment objective of Meezan Balanced 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 TFCs, Certificates of Islamic Investments, Certificates of Musharika, Islamic Sukuk, Shariah compliant spread transactions and other such Shariah compliant instruments.

Mutual Fund Rating

Investors of MBF would be pleased to know that Pakistan Credit Rating Agency (PACRA) has assigned its highest possible rating for mutual funds to Meezan Balanced Fund. MBF has been rated 5-Star which denotes superior performance of MBF versus its peers. We believe that this has been possible due to the untiring efforts of the management of Al Meezan Investments, the Fund Manager / Management Company of MBF.

Future Outlook

We remain hopeful of the future prospects of the stock and money markets in general and of Meezan Balanced Fund in particular. We expect the market to be volatile at the beginning of 2008 due to uncertainty relating to outcome of February 18 elections. However, once a new government is formed, political stability should lead to improved investor confidence and foreign inflows in the market. We continue to see value in Pakistani equities and remain positive on the basis of relative attractive valuations and continuing double-digit earnings growth of listed companies.

In light of the persistent inflationary pressures on the economy SBP has further tightened its monetary stance with 50 bps increase in discount rate coupled with 100 bps increase in CRR for longer term deposits. These measures are likely to keep money market rates high in the coming months.

Acknowledgment

We take this opportunity to thank our valuable investors for reposing faith in Al Meezan Investments and making it the largest Shariah Compliant asset management firm in Pakistan and for making MIF the largest Open End equity fund in the private sector. We also thank the regulator, Securities and Exchange Commission of Pakistan, MBF's trustee, Central Depository Company of Pakistan and the management of Karachi Stock Exchange for all their support and guidance. Last but not the least, we would like to place on record our gratitude for Justice (Retd.) Muhammad Taqi Usmani, in special and other members of the Shariah Board of Meezan Bank in general, for their continued guidance on Shariah aspects of fund management.

For and on behalf of the Board

February 15, 2008
Karachi.

Mohammad Shoaib, CFA
Chief Executive

REPORT OF THE TRUSTEE TO THE CERTIFICATE HOLDERS MEEZAN BALANCED FUND

Report of the Trustee Pursuant to Regulation 58(f) of the Non-Banking Finance Companies and Notified Entities Regulation, 2007

Meezan Balanced Fund (Fund), a closed-end fund established under a trust deed executed between Al Meezan Investment Management Limited as the Management Company and Central Depository Company of Pakistan Limited as Trustee on June 15, 2004. The Fund was authorized by the Securities and Exchange Commission of Pakistan (SECP) on September 08, 2004.

In our opinion, the Management Company has in all material respects managed the Fund during the six months period ended December 31, 2007 in accordance with the provisions of the constitutive documents of the Fund (and the modifications authorized by the SECP from time to time) and the Non-Banking Finance Companies and Notified Entities Regulation, 2007.

Mohammad Hanif
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, Dated: February 22, 2008

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

Introduction

We have reviewed the accompanying condensed statement of assets and liabilities of Meezan Balanced Fund as at December 31, 2007 and the related condensed income statement, condensed distribution statement, condensed statement of movement in equity and reserves per certificate, condensed statement of changes in equity and condensed cash flow statement together with the notes forming part thereof for the six months period ended December 31, 2007 (here-in-after referred to as the 'condensed interim financial information'). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

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 this 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 for the six months period ended December 31, 2007 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

The financial statements of Meezan Balanced Fund for the six months period ended December 31, 2006 and the year ended June 30, 2007 were respectively reviewed and audited by another firm of Chartered Accountants whose reports dated February 15, 2007 and August 9, 2007 expressed an unqualified conclusion and opinion respectively on those financial statements.

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Date : 22 February 2008

**CONDENSED INTERIM
STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 2007 (UNAUDITED - NOTE 3)**

	December 31, 2007	June 30, 2007
Note	----- (Rupees in '000) -----	
Assets		
Balances with banks	207,701	415,628
Placements	175,000	100,000
Investments at fair value through profit or loss	5 1,080,513	951,211
Receivable against sale of investments	-	202,561
Dividend receivable	3,848	2,352
Derivative financial instruments	6 -	19,573
Deposits, prepayments and other receivables	16,702	8,640
Preliminary expenses and floatation costs	2,494	3,334
Total assets	<u>1,486,258</u>	<u>1,703,299</u>
Liabilities		
Payable to Al Meezan Investment Management Limited - Management Company of the fund	7,083	47,658
Payable to Central Depository Company of Pakistan Limited - trustee of the fund	144	156
Payable to Securities and Exchange Commission of Pakistan	766	1,445
Payable to Meezan Bank Limited - shariah adviser of the fund	126	250
Payable against purchase of investments	39	45,600
Accrued expenses and other liabilities	1,763	2,243
Derivative financial instruments	6 -	4,573
Unclaimed dividend	7,418	3,208
Total liabilities	<u>17,339</u>	<u>105,133</u>
Net assets	<u>1,468,919</u>	<u>1,598,166</u>
Deferred sale commitments	6 -	-
Certificate holders' equity (as per statement attached)		
Issued, subscribed and paid-up capital		
120,000,000 ordinary certificates of Rs 10 each	1,200,000	1,200,000
Unappropriated income	268,919	398,166
	<u>1,468,919</u>	<u>1,598,166</u>
Net assets value per certificate (Rupees)	<u>12.24</u>	<u>13.32</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
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2007
(UNAUDITED - NOTE 3)**

	Six months period ended		Quarter ended	
	December 31,		December 31,	
	2007	2006	2007	2006
----- (Rupees in '000) -----				
Income				
Net realised gain on sale of investments	45,659	42,798	37,739	8,615
Dividend income	20,633	36,007	15,041	15,431
Profit on deposit accounts with banks	21,024	9,755	8,241	6,662
Profit on term finance certificates	-	238	-	118
Profit on sukuk certificates	12,120	4,350	8,016	580
	<u>99,436</u>	<u>93,148</u>	<u>69,037</u>	<u>31,406</u>
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss (net)	5,463	(16,510)	(28,688)	(17,200)
(Loss) / gain on re-measurement of derivative financial instruments (net)	(15,000)	6,843	-	9,681
	<u>(9,537)</u>	<u>(9,667)</u>	<u>(28,688)</u>	<u>(7,519)</u>
Total income	<u>89,899</u>	<u>83,481</u>	<u>40,349</u>	<u>23,887</u>
Expenses				
Remuneration to Al Meezan Investment Management Limited - Management Company of the fund	22,901	20,888	11,329	10,048
Remuneration to Central Depository Company of Pakistan Limited - trustee of the fund	852	819	422	390
Annual fee to Securities and Exchange Commission of Pakistan	766	726	378	340
Remuneration to Meezan Bank Limited - Shariah adviser of the fund	126	-	63	-
Auditors' remuneration	254	213	149	106
Fees and subscription	64	64	32	32
Amortisation of preliminary expenses and floatation costs	840	834	420	414
Brokerage	1,026	3,810	568	1,627
Legal and professional charges	76	76	38	38
Bank and settlement charges	241	642	100	296
Total expenses	<u>27,146</u>	<u>28,072</u>	<u>13,499</u>	<u>13,291</u>
Net income	<u>62,753</u>	<u>55,409</u>	<u>26,850</u>	<u>10,596</u>
Basic earnings per certificate (Rupees)	<u>0.52</u>	<u>0.46</u>	<u>0.22</u>	<u>0.09</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 SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2007**

	Six months period ended December 31,		Quarter ended December 31,	
	2007	2006	2007	2006
	(Rupees in '000)			
Unappropriated income brought forward	398,166	313,204	242,069	118,017
Less: Final distribution in the form of cash dividend for the year ended June 30, 2007 (comparative: June 30, 2006)	(192,000)	(240,000)	-	-
Net income for the period	62,753	55,409	26,850	10,596
Unappropriated income carried forward	268,919	128,613	268,919	128,613

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 FOR
THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2007
(UNAUDITED - NOTE 3)**

	Six months period ended		Quarter ended	
	December 31,		December 31,	
	2007	2006	2007	2006
	----- (Rupees in '000) -----			
Net assets per certificate at the beginning of the period	13.32	12.61	12.02	10.98
Net realised gain on sale of investments	0.38	0.35	0.31	0.07
Dividend income	0.17	0.30	0.12	0.13
Profit on deposit accounts with banks	0.18	0.08	0.07	0.06
Profit on Sukuk certificates	0.10	0.04	0.07	0.01
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss	0.04	(0.14)	(0.24)	(0.15)
(Loss) / gain on re-measurement derivative financial instruments (net)	(0.12)	0.06	-	0.08
Expenses	(0.23)	(0.23)	(0.11)	(0.11)
Net income for the period	0.52	0.46	0.22	0.09
Dividend declared of Rs 1.6 (June 30, 2006: Rs 2) per certificate for the year ended June 30, 2007	(1.60)	(2.00)	-	-
Net assets per certificate at the end of the period	<u>12.24</u>	<u>11.07</u>	<u>12.24</u>	<u>11.07</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
CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2007**

	Six months period ended		Quarter ended	
	December 31, 2007	2006	2007	2006
	----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	62,753	55,409	26,850	10,596
Adjustments for:				
Dividend income	(20,633)	(36,007)	(15,041)	(15,431)
Profit on deposit accounts with banks	(21,024)	(9,755)	(8,241)	(6,662)
Profit on term finance certificates	-	(238)	-	(118)
Profit on Sukuk certificates	(12,120)	(4,350)	(8,016)	(580)
Unrealised (gain) / loss on re-measurement of investments at fair value through profit or loss	(5,463)	16,510	28,688	17,200
Loss / (gain) on re-measurement derivative financial instruments (net)	15,000	(6,843)	-	(9,681)
Amortisation of preliminary expenses and floatation costs	840	834	420	414
	19,353	15,560	24,660	(4,262)
(Increase) / decrease in assets				
Placements	(75,000)	-	-	160,000
Investments - available for sale	-	200,000	-	40,000
Investments at fair value through profit or loss	(123,839)	50,127	46,328	(89,068)
Receivable against sale of investments	202,561	207,791	61,870	206,351
Deposits, prepayments and other receivables	(2,564)	(104)	(2,468)	32
	1,158	457,814	105,730	317,315
Increase / (decrease) in liabilities				
Payable to Al Meezan Investment Management Limited - Management Company of the fund	(40,575)	(25,432)	(9,492)	10,049
Payable to Central Depository Company of Pakistan Limited - trustee of the fund	(12)	(7)	(3)	(7)
Payable to Securities and Exchange Commission of Pakistan	(679)	726	(1,068)	340
Payable to Meezan Bank Limited - shariah adviser of the fund	(124)	-	(187)	-
Payable against purchase of investments	(45,561)	(149,925)	(4,653)	(112,917)
Accrued expenses and other liabilities	(480)	690	209	455
	(87,431)	(173,948)	(15,194)	(102,080)
Cash (used in) / generated from operations	(66,920)	299,426	115,196	210,973
Dividend income received	19,137	45,850	17,618	36,948
Profit received on deposit accounts with banks	20,134	8,438	10,185	5,957
Profit received on term finance certificates	-	237	-	237
Profit received on sukuk certificates	7,512	7,009	7,342	1,267
Net cash (outflow) / inflow from operating activities	(20,137)	360,960	150,341	255,382
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	(187,790)	(231,224)	(187,807)	(231,224)
	(187,790)	(231,224)	(187,807)	(231,224)
Net cash outflow from financing activities	(187,790)	(231,224)	(187,807)	(231,224)
Net (decrease) / increase in cash and cash equivalents	(207,927)	129,736	(37,466)	24,158
Cash and cash equivalents at the beginning of the period	415,628	53,138	245,167	158,716
Cash and cash equivalents at the end of the period	207,701	182,874	207,701	182,874

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



**NOTES TO THE CONDENSED INTERIM
FINANCIAL STATEMENTS
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2007
(UN-AUDITED 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 Investment Management Limited (AMIML) as Management Company and Central Depository Company of Pakistan Limited (CDC) as trustee. The Trust Deed was executed on June 15, 2004 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on September 8, 2004 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). On November 21, 2007 Non Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations) were notified. The registered office of the Management Company 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, musharaka 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 as 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 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.

2. BASIS OF PRESENTATION

- 2.1 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.

3. STATEMENT OF COMPLIANCE

- 3.1 These condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, the Trust Deed, the NBFC Rules and NBFC Regulations and the directives issued by the SECP. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Trust Deed, the NBFC Rules and NBFC Regulations and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules and NBFC Regulations 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'.

3.2 The condensed interim financial statements comprise of the condensed statement of assets and liabilities as at December 31, 2007 and the condensed income statement, condensed distribution statement, condensed statement of movement in equity and reserves per certificate, condensed cashflow statement and notes thereto for the period ended December 31, 2007, which have been subject to a review but not audited.

3.3 The comparative balance sheet presented in these condensed financial statements as at June 30, 2007 has been extracted from the audited financial statements of the fund for the year ended June 30, 2007 whereas the comparative income statement, distribution statement, statement of movement in equity and reserves per certificate and the cashflow statement have been extracted from the financial statements for the six months period ended December 31, 2006 and were subject to review but not audited.

3.4 New accounting standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations that are not yet effective:

The following standard and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2008 and are not relevant to the fund operations or are not expected to have significant impact on the Fund's financial statements other than certain increased disclosures in certain cases:

- i. IAS 23 - Borrowing Costs (effective from January 1, 2009)
- ii. IFRIC 12 - Service Concession Agreements (effective from January 1, 2008)
- iii. IFRIC 13 - Customer Loyalty Programmes (effective from July 1, 2008)
- iv. IFRIC 14 - IAS 19- The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective from January 1, 2008)

4. SUMMARY OF ACCOUNTING POLICIES AND ESTIMATES

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, 2007.

	Note	December 31, 2007 ----- (Rupees in '000) -----	June 30, 2007
5 INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS			
Held for trading	5.1	738,621	669,918
Investments at fair value through profit or loss upon initial recognition	5.2	341,892	281,293
		1,080,513	951,211
5.1 Held for trading			
Shares of listed companies	5.1.1	647,183	644,254
Sukuk certificates	5.1.5	91,438	25,664
		738,621	669,918

5.1.1 Held for trading - shares of listed companies

Name of the investee company	As at July 01, 2007	Purchases during the period	Bonus/ rights issue	Sales during the period	As at December 31, 2007	Carrying Value as at December 31, 2007	Market value as at December 31, 2007	Unrealised gain/(loss) as at December 31, 2007	Percentage in relation to			
									Net assets of the Fund on the basis of market value of investments (see note 5.1.3)	Paid-up capital of investee company (with face value of investments)	Total market value (carrying value of investments)	
-----Number of shares of listed companies-----						Rupees in '000						
Commercial banks												
Bank Islami Pakistan Limited	-	15,131,250	-	15,030,000	101,250	1,238	1,640	402	0.11	0.03	0.15	
									0.11		0.15	
Textile composite												
Nishat Mills Limited	378,100	25,000	-	56,000	347,100	44,651	36,515	(8,136)	2.49	0.22	3.38	
									2.49		3.38	
Jute												
Thal Limited (note 5.1.2)	88,880	-	26,664	-	115,544	24,798	32,861	8,063	2.24	0.38	3.04	
									2.24		3.04	
Cement												
Attock Cement Pakistan Limited	125,000	-	-	-	125,000	15,306	12,463	(2,843)	0.85	0.17	1.15	
DG Khan Cement Company Limited	-	100,000	-	100,000	-	-	-	-	-	-	-	
Cherat Cement Company Limited	48,382	-	-	-	48,382	2,733	1,921	(812)	0.13	0.05	0.18	
Fauji Cement Limited	-	100,000	-	50,000	50,000	913	745	(168)	0.05	0.01	0.07	
									1.03		1.40	
Automobile Assembler												
Pak Suzuki Motor Company Limited	56,800	-	-	-	56,800	22,266	18,724	(3,542)	1.27	0.07	1.73	
									1.27		1.73	
Refinery												
National Refinery Limited	89,500	-	7,700	97,200	-	-	-	-	-	-	-	

Name of the investee company	As at July 01, 2007	Purchases during the period	Bonus/ rights issue	Sales during the period	As at December 31, 2007	Carrying Value as at December 31, 2007	Market value as at December 31, 2007	Unrealised gain/(loss) as at December 31, 2007	Percentage in relation to		
									Net assets of the Fund on the basis of market value of investments (see note 5.1.3)	Paid-up capital of investee company (with face value of investments)	Total market value (carrying value of investments)
-----Number of shares of listed companies-----						Rupees in '000					
Power generation and distribution											
Kot Addu Power Company Limited	-	81,000	-	80,300	700	34	34	-	-	-	-
The Hub Power Company Limited	2,056,500	585,000	-	-	2,641,500	94,385	80,566	(13,819)	5.48	0.23	7.46
									5.48		7.46
Oil and gas marketing companies											
Pakistan State Oil Company Limited	20,600	71,000	-	30,000	61,600	24,117	25,047	930	1.71	0.04	2.32
									1.71		2.32
Oil and gas exploration companies											
Oil and Gas Development Company Limited	562,766	335,000	-	125,000	772,766	90,054	92,307	2,253	6.28	0.02	8.54
Pakistan Oilfields Limited	85,500	47,000	-	76,000	56,500	18,306	18,894	588	1.29	0.03	1.75
Pakistan Petroleum Limited	176,000	156,000	23,000	22,000	333,000	78,623	81,602	2,979	5.56	0.04	7.55
									13.13		17.84
Technology and communication											
Pakistan Telecommunication Company Limited	-	1,079,500	-	435,900	643,600	33,742	27,063	(6,679)	1.84	0.02	2.50
TRG Pakistan Limited	-	383,000	-	-	383,000	4,887	5,362	475	0.37	0.10	0.50
									2.21		3.00
Chemical											
ICI Pakistan Limited	-	65,000	-	30,000	35,000	5,313	6,883	1,570	0.47	0.03	0.64
									0.47		0.64
Fertilizer											
Engro Chemical (Pakistan) Limited	247,070	203,710	-	199,000	251,780	50,689	66,910	16,221	4.56	0.13	6.19
Fauji Fertilizer Bin Qasim Company Limited	891,000	908,000	-	250,000	1,549,000	62,901	65,135	2,234	4.43	0.17	6.03
Fauji Fertilizer Company Limited	457,619	153,000	-	-	610,619	73,736	72,511	(1,225)	4.94	0.12	6.71
									13.93		18.93
"Securities sold under deferred sale arrangements"											
Oil and gas exploration companies											
Oil and Gas Development Company Limited	200,000		-	200,000	-	-	-	-	-	-	-
Technology and communication											
Pakistan Telecommunication Company Limited	1,725,500		-	1,725,500	-	-	-	-	-	-	-
Total						648,692	647,183	(1,509)			
Total cost of investments						646,693					

5.1.2 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.

5.1.3 Net assets are defined in Regulation 2 (xxvi) of Non Banking Finance Companies and Notified Entities Regulations, 2007.

5.1.4 SECP through its letter No.SEC/NBFC-DD-I/476/2004 dated May 26, 2004 had relaxed the investment limits prescribed in rule 49(3) and (4) of NBFC Rules, 2003 to fifteen percent and thirty percent respectively. However, the said rules have been replaced by regulations 64 (5) and (8) of the NBFC Regulations issued on November 21, 2007.

5.1.5 Sukuk Certificates

Name of the investee company	As at July 01, 2007	Purchases during the period	Sales during the period	Redemption during the period	As at December 31, 2007	Carrying Value as at December 31, 2007	Market value as at December 31, 2007	Unrealised gain/(loss) as at December 31, 2007	Percentage in relation to	
									Net assets of the Fund on the basis of market value of investments (see note 5.1.3)	Total market value (carrying value of investments)
-----Number of shares of listed companies-----						Rupees in '000				
Water and Power Development Authority	5,000	12,500	-	-	17,500	89,883	91,438	1,555	6.22	8.46
Total cost of investments						89,883				

5.1.6 The nominal value of the Sukuk certificates are Rs. 5,000 each.

5.1.7 These certificates carry a return at the rate of 10.53% to 10.88% receivable on a semi annual basis with principal redeemable on maturity.

5.2 Investments 'at fair value through profit or loss upon initial recognition'

		December 31, 2007	June 30, 2007
	Note	(Rupees in '000)	
Shares of listed companies	5.2.1	151,892	191,293
Sukuk certificates	5.2.2	190,000	90,000
		341,892	281,293

5.2.1 Shares of listed companies

Name of the investee company	As at July 01, 2007	Purchases during the period	Bonus/ rights issue	Sales during the period	As at December 31, 2007	Carrying Value as at December 31, 2007	Market value as at December 31, 2007	Unrealised gain/(loss) as at December 31, 2007	Percentage in relation to			
									Net assets of the Fund on the basis of market value of investments (see note 5.1.3)	Paid-up capital of investee company (with face value of investments)	Total market value (carrying value of investments)	
-----Number of shares of listed companies-----						Rupees in '000						
Automobile assembler												
Indus Motor Company Limited	206,100	-	-	-	206,100	62,964	65,787	2,823	4.48	0.26	6.09	
Paper and board												
Packages Limited	366,868	318,500	-	468,000	217,368	77,671	79,079	1,408	5.38	0.31	7.32	
Commercial banks												
Meezan Bank Limited	352,500	-	-	170,000	182,500	5,840	7,026	1,186	0.48	0.05	0.65	
						146,475	151,892	5,417				
Total cost of investments						146,475						

5.2.2 Sukuk certificates

Name of the investee company	As at July 01, 2007	Purchases during the period	Sales during the period	Redemption during the period	As at December 31, 2007	Carrying Value as at December 31, 2007	Market value as at December 31, 2007	Unrealised gain/(loss) as at December 31, 2007	Percentage in relation to	
									Net assets of the Fund on the basis of market value of investments (see note 5.1.3)	Total market value (carrying value of investments)
----- Number of shares of listed companies -----						Rupees in '000				
Sitara Chemical Industries Limited	18,000	-	-	-	18,000	90,000	90,000	-	6.13	8.33
Engro Chemical Pakistan Limited	-	15,000	-	-	15,000	75,000	75,000	-	5.11	6.94
Security Leasing Corporation Limited	-	5,000	-	-	5,000	25,000	25,000	-	1.70	2.31
						190,000	190,000	-		
Total cost of investments						190,000				

*This represents cost as their rates were not quoted as of December 31, 2007, however, according to the management's estimate their fair value would not be materially different from the cost.

5.2.3 The nominal value of the sukuk certificates is Rs 5,000 each.

5.2.4 These certificates carry a return at the rate of 11.42 % to 11.95 % receivable on a semi annual basis with principal redeemable on maturity.

6. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments outstanding as at December 31, 2007 amounted to Rs nil (June 30, 2007: Rs 15 million).

7. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include Al Meezan Investment Management Limited being the Management Company, Central Depository Company Limited being the trustee, Meezan Bank Limited being the shariah adviser of the fund and holding company of the Management Company, Sitara Chemical Industries Limited, Pak Kuwait Investment Company (Private) Limited, directors and officers of the Management Company and funds under management of the Management Company.

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

	December 31 2007	June 30 2007
	(Rupees in '000)	
Al Meezan Investment Management Limited		
- Management Company of the Fund		
Remuneration payable	3,749	42,656
Preliminary expenses and floatation costs payable	3,334	5,002
Central Depository Company of Pakistan Limited		
- trustee of the Fund		
Remuneration payable	143	143
Charges payable	1	13

	December 31 2007	June 30 2007
	(Rupees in '000)	
Meezan Bank Limited - shariah adviser of the fund		
Bank balance and placements	179,690	74,369
Shariah advisory fee payable	126	250
Investment in 182,500 shares (June 30, 2007: 352,500 shares)	7,026	11,280
Investment of 16,134,468 certificates (June 30, 2007: 16,134,468 certificates)	135,530	165,378
Sitara Chemical Industries Limited		
Investment in 18,000 sukuk certificates (June 30, 2007: 18,000 certificates)	90,000	90,000
Pak Kuwait Investment Company (Private) Limited		
Investment of 11,057,791 certificates (June 30, 2007: 11,057,791 certificates)	92,885	113,342
Directors and officers of the Management Company		
Investment of 34,345 certificates (June 30, 2007: 34,345 certificates)	288	352
	Six months period ended	
	December 31 2007	December 31 2006
	(Rupees in '000)	
Al Meezan Investment Management Limited - Management Company of the Fund		
Remuneration for the period	22,901	20,888
Preliminary expenses and floatation costs for the period	840	834
Central Depository Company of Pakistan Limited - trustee of the Fund		
Remuneration for the period	852	819
Charges for the period	107	132
Meezan Bank Limited (MBL) - shariah adviser of the fund		
Profit on deposit accounts with MBL	8,240	6,936
Shariah advisory fee for the period	126	-
Dividend for the period	25,815	32,269

	Six months period ended	
	December 31 2007	December 31 2006
(Rupees in '000)		
Sitara Chemical Industries Limited		
Profit on sukuk certificates	5,133	-
Pak Kuwait Investment Company (Private) Limited		
Dividend for the period	17,692	22,116
Directors and officers of the Management Company		
Dividend for the period	55	69

8. CORRESPONDING FIGURES

'Placements' have been shown separately in the condensed interim balance sheet and condensed interim cash flow statement for better presentation. Previously, these were included in 'balances with banks'.

9. DATE OF AUTHORISATION

These condensed interim financial statements have been authorised on February 15, 2008 by the board of directors of the Management Company of the fund.

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

Chief Executive

Director

**STATEMENT OF THE INCOME & EXPENDITURE OF THE
MANAGEMENT COMPANY IN RELATION TO THE FUND
FOR THE SIX MONTHS ENDED 31 DECEMBER 2007**

	2007	2006
	(Rupees in '000)	
INCOME		
Remuneration receivable from MBF	22,901	21,109
Dividend income	5,681	4,100
	28,582	25,209
OPERATING EXPENSES		
Salaries and other benefits	3,556	4,072
Motor vehicle running expenses	65	90
Fees and subscription	209	131
Insurance expense	23	48
Printing and stationery	73	116
Audit fee	6	145
Financial charges	572	-
Telephone, fax, postage & stamps	173	145
Depreciation	341	446
Travelling and conveyance	119	80
Entertainment	18	19
Legal and professional charges	393	175
Training and development	39	21
Repairs and maintenance	21	6
Office supplies	29	26
Transfer agency fees	180	182
Rent, rates and taxes	260	466
Utilities	73	68
Miscellaneous expenses	4	18
	6,152	6,254
Net income for the period	22,430	18,955

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