

Contents

Vision & Mission Statements	02
Fund Information	03
Notice of Annual General Meeting	04
Directors' Report	05
Report of the Fund Manager	08
Pattern of Share Holding as per requirement of the Code of Corporate Governance	12
Statement of Compliance with Best Practices of the Code of Corporate Governance	13
Review Report to the Members on the Statement of Compliance with Best Practices of the Code of Corporate Governance	15
Report of the Shariah Adviser	16
Independent Assurance Provider's Report on Shariah Compliance to the Members	19
Auditor's Report to the Members	20
Statement of Assets and Liabilities	21
Income Statement	22
Distribution Statement	23
Statement of Movement in Equity and Reserves Per Share	24
Statement of Changes in Equity	25
Cash Flow Statement	26
Notes to the Financial Statements	27
Pattern of Shareholding	43
Categories of Shareholders	45
Statement of Income & Expenditure of the Management Company in relation to the Fund	46
Form of Proxy	47

Our Vision

To set standards of best practices and performance for the industry through efficient asset allocation & security selection.

Our Mission

To be the leading mutual fund in the industry, outperforming the benchmark on a consistent basis, and providing shareholders with the best combination of current income and future growth on a risk adjusted basis.

FUND INFORMATION

BOARD OF DIRECTORS

Mr. Irfan Siddiqui
Mr. Mohammad Shoaib, CFA
Mr. Ariful Islam
Mr. Farhan Malik
Mr. Muhammad Asad
Mr. Imran Iqbal Panjwani
Syed Owais Wasti

Chairman
Chief Executive

AUDIT COMMITTEE

Mr. Ariful Islam
Mr. Imran Iqbal Panjwani
Mr. Muhammad Asad

Chairman

CFO & COMPANY SECRETARY

Syed Owais Wasti

MANAGEMENT COMPANY

Al Meezan Investment Management Limited

AUDITORS

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

SHARIAH ADVISOR

Meezan Bank Limited.

CUSTODIAN

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

BANKERS

AlBaraka Islamic Bank
Bank AL Habib Limited
Bank Alfalah Limited
BankIslami Pakistan Limited
Habib Metropolitan Bank Limited
Meezan Bank Limited
MCB Bank Limited
National Bank of Pakistan

REGISTERED OFFICE

Ground Floor, Block "B", Finance & Trade Centre,
Shahrah-e-Faisal, Karachi 74400, Pakistan
Phone: (9221) 563 0722-26, 111 MEEZAN
Fax: (9221) 567 6143, 563 0808
Web site: www.almeezangroup.com
E-mail: marketing@almeezangroup.com

SHARE REGISTRAR

THK Associates (Pvt.) Limited
Ground Floor, State Life Building-3,
Dr. Ziauddin Ahmed Road, Karachi 75530
P.O. Box No. 8533
Phone: (9221) 111-000-322
Fax: (9221) 565 5595

AL MEEZAN MUTUAL FUND LIMITED NOTICE OF 13th ANNUAL GENERAL MEETING

Notice is hereby given that the 13th Annual General Meeting of the Company will be held at 9:30 am on Monday October 27, 2008 at the registered office of the Company, situated at Ground Floor, Block "B", Finance & Trade Centre, Shahrah-e-Faisal, Karachi, to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the audited accounts of the company together with the reports of Directors and Auditors thereon for the year ended June 30, 2008.
2. To approve the payment of Cash Dividend @ 10% i.e. Re. 1/- per share of Rs.10/- each for the year ended June 30, 2008 as recommended by the Directors.
3. To appoint Auditors and fix their remuneration for the year 2008-2009. The present auditors Messrs. A.F. Ferguson & Co., Chartered Accountants retire and being eligible, offer themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

By order of the Board

Syed Owais Wasti
Company Secretary

Karachi: August 04, 2008

NOTES:

1. The share transfer books of the Company will remain closed from Monday October 20, 2008 to Monday October 27, 2008 (both days inclusive) to determine the entitlement to cash dividend, as declared by the Board of Directors. Transfers received at THK Associates (Pvt) Limited, Ground Floor, State Life Building-3, Dr. Ziauddin Ahmed Road, Karachi, Pakistan at the close of business on Saturday October 18, 2008 will be treated in time for these entitlements.
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. A Corporation may appoint a person, who is not a member, as proxy.
3. Proxy forms in order to be effective must be received at the Company's registered office, situated at Ground Floor, Block "B", Shahrah-e-Faisal, Karachi - 74400, duly stamped and signed not less than 48 hours before the meeting.
4. If a member appoints more than one proxy and/ or deposits more than one instrument of proxy, all such instruments shall be rendered invalid.
5. Accountholders/sub-accountholders holding book entry securities of the Company in Central Depository System (CDS) of Central Depository Company of Pakistan Limited (CDC) who wish to attend the AGM are requested to please bring their original CNIC/original passport with a photocopy duly attested by their bankers for identification purposes. In case of corporate entity, the Board of Directors resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
6. Members are requested to promptly communicate to the Company any change in their address to ensure prompt deliver of mail.

DIRECTORS' REPORT

The Board of Directors of Al Meezan Mutual Fund Limited is pleased to present the audited annual financial statements of the Fund for the year ended June 30, 2008.

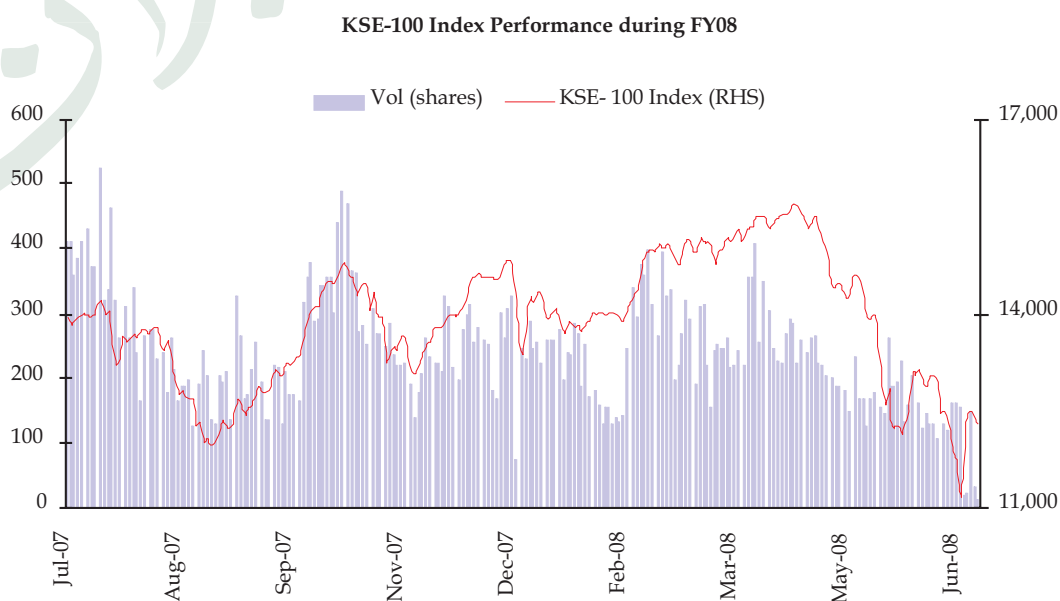
Economic and Equity Market Review

Despite international economic slowdown, Pakistan managed a GDP growth of 5.8% in FY08 as against 7%, a year earlier. The decline in GDP growth this year is mainly attributed to the slow down in key sectors, mainly agriculture and manufacturing. Nonetheless, service sector has again posted an impressive growth of 8.6%, which accounts for 53% of GDP growth.

The KSE 100 index, after posting an outstanding average return of 48% per annum for six consecutive years, marked the end of FY08 with a negative return of 11% YoY, closing at 12,289. Market capitalization during the year declined by 17% to US\$ 55.3bn while the average daily turnover for the year stood at 241mn shares, an increase of 14% YoY. The market remained volatile during the year due to political uncertainty, judicial crisis, imposition of emergency and the assassination of former prime minister Benazir Bhutto.

Although peaceful elections and creation of broad based coalition government led to a rebound in the stock market, the situation soon reversed as the country was faced with economic challenges mainly due to hikes in international crude oil and commodity prices, which led to inflationary pressures and widening current account deficit. Moreover, concerns regarding the deteriorating balance of payment position and the weakening of rupee led to a further tightening of monetary policy, resulting in the weakening of the stock market.

The KSE 100 Index touched the lowest level of the year at 11,162 as on June 23, 2008. To arrest the free fall of the market near year end, SECP took market stabilization measures. The market responded positively recording the highest single day increase of 960 points (9.6%), and eventually managed to close above 12,000 points.



Outlook

Pakistan economy is facing an uphill task. However, we are optimistic about the long term growth trend in the economy. Therefore we remain confident about the future prospects of the stock market in general and of Al Meezan Mutual Fund in particular. Future direction of the market is likely to be driven by growth prospects, political stability, improved balance of payment and foreign investment. We continue to see the value in Pakistani equities and remain positive on the basis of relative attractive valuations and continuing double-digit earnings growth of listed companies.

Fund Rating

Pakistan Credit Rating Agency (PACRA) has assigned 5-Star normal rating which denotes superior performance and 4-Star long term rating to AMMF which denotes good performance of the fund versus its peers. The management of the fund is striving to improve this rating further in the future.

Compliance with Code of Corporate Governance

Al Meezan Mutual Fund Limited always strives to maintain the highest standards of corporate governance. In compliance with the Code of Corporate Governance, the Board of Directors declares that:

- These financial statements, prepared by the management of the management company of the Fund, present fairly the state of affairs of the Fund, the result of its operations, cash flows and changes in equity.
- The Fund has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards and International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Fund's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the Karachi Stock Exchange (KSE) listing regulations.
- The Board of Directors and employees of the management company have signed "Statement of Ethics and Business Practices".
- There have had been no trading in the shares of the Fund carried out by the Directors, CEO, CFO and Company Secretary of the management company including their spouses and their minor children.

- Pattern of shareholding is given on page no. 12 of the financial statements.
- Financial highlights for the last ten years are given under the heading of "Performance Review" in the Fund Managers Report.

Board Meetings

Please refer to note no. 22 in the financial statements.

Appointment of Auditors

The present auditors, M/s. A.F. Ferguson & Co., Chartered Accountants retire and being eligible, offer themselves for reappointment. The Board of Directors has recommended their appointment as auditors for the year ending June 30, 2009.

Acknowledgement

We take this opportunity to thank our valued investors for reposing faith in Al Meezan Investments and making it the largest Shariah compliant asset management company in Pakistan. We also thank the regulator, Securities and Exchange Commission of Pakistan, AMMF's trustee, Central Depository Company of Pakistan and 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

Karachi.
August 4, 2008

Mohammad Shoaib, CFA
Chief Executive

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2008

Al Meezan Mutual Fund (AMMF) is a listed closed end equity Fund, investing primarily in Shariah compliant listed equity securities.

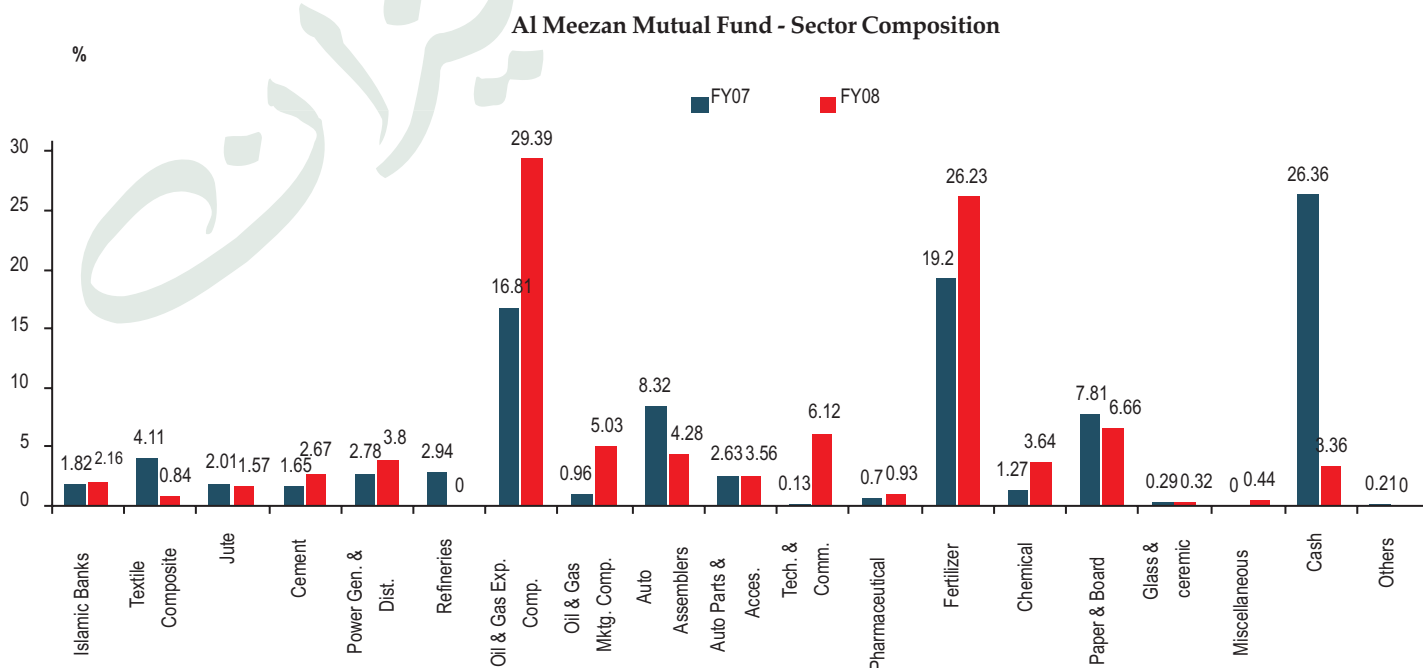
The objective of AMMF is to provide the maximum total return to the share holders from investment in Shariah compliant investments for the given level of risk, while abiding by "Non-Banking Finance Companies Rules, 2003" and "Non-Banking Finance Companies and Notified Entities Regulations, 2007", and any other prevailing rules and regulations. Total return refers to returns from capital gains, realized and unrealized, and dividend income (from investment in secondary and primary equities - Musharaka), rental income (from operating leases - Ijara), mark-up (from cost-plus sales - Murabaha), and other Shariah compliant investments.

Strategy and Investment policy

Being an equity fund, AMMF's performance is linked directly to the performance of the stock market in Pakistan. The Fund manager, Al Meezan Investment Management Limited, actively manages the Fund with an aim to provide maximum risk adjusted total return to the investors. This involves a combination of stock selection, sector allocation and asset allocation. Therefore, the Fund manager aims to reduce exposure to equities in times when the market risk increases. While this may result in temporary underperformance as exposure is increased in a rising market, it pays off when the market corrects.

Implementation & Sector Allocation

During the period under review the Fund maintained significant exposure in oil and fertilizer sectors in order to benefit from rising international oil and fertilizer prices. More than 55% of the Fund's net assets were invested in oil and fertilizer sectors at the close of the financial year 2008. Average equity exposure in the fund during the period under review was maintained at 88%. Since, the equity market has taken a correction; therefore, the Fund has increased exposure in equity over 95% at the close of financial year 2008.



Equity Market Review

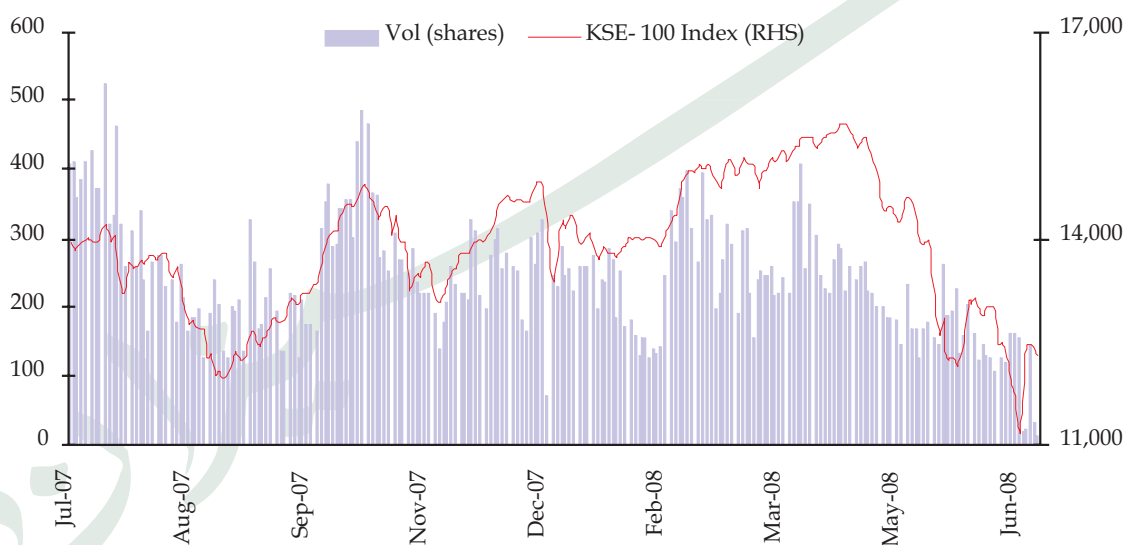
The KSE 100 index, after posting an outstanding average return of 48% per annum for six consecutive years, marked the end of FY08 with a negative return of 11% YoY, closing at 12,289. During the same period, Dow Jones Islamic Market Pakistan Index, an index of Shariah compliant companies listed on Karachi Companies, registered an increase of 0.92%. Market Capitalization during the year declined by 17% to US\$ 55.3bn. Average daily turnover for the year stood at 241mn shares, 14% higher than previous year's average of 211mn shares.

The market started with positive momentum but soon sentiments turned bearish as political uncertainty and judicial issue started to impact the market. Later, President's re-election led to stock market recovery which was short lived by the news of imposition of emergency and subsequently the assassination of former prime minister Benazir Bhutto; both events were followed by stock market losing over 600 points. Turn of the calendar year brought some relief to the market. Peaceful elections and creation of broad based coalition government led to a rebound in the stock market post elections with the index reaching its all time high of 15,676 on April 18, 2008.

After elections, the country was faced with economic challenges mainly due to hikes in international crude oil and commodity prices, which led to inflationary pressures. Moreover, concerns regarding the deteriorating balance of payment position and the weakening rupee led to a further tightening of monetary policy by increasing discount rate and reserve requirements. This resulted in the weakening of the stock market.

In early June, the news that capital gains tax was postponed for two more years helped in rebound of the market, but, the rally could not sustain in the backdrop of rising inflation and interest rate worries. The KSE Index touched the lowest level for the year of 11,162 as on June 23, 2008. To arrest the free fall of the market near year end, SECP took market stabilization measures. The market responded positively recording the highest single day increase of 960 points (9.6%), and eventually managed to close above 12,000 points. Overall during the year, the KSE 100 index was down 11%, to close at 12,289.

KSE-100 Index Performance during FY08



Economic Review

Despite international economic slowdown, Pakistan managed a GDP growth of 5.8% in FY08 as against 7%, a year earlier. The decline in GDP growth this year is mainly attributed to the slow down in key sectors, mainly agriculture and manufacturing. Nonetheless, service sector has again posted an impressive growth of 8.6%, which accounts for 53% of GDP growth.

The current account deficit has reached US \$ 14.01bn for FY08, almost twice as much as in the previous year. The main reason for widening current account deficit is the worsening of trade balance. Due to the extraordinary increase in international crude oil and food prices, Pakistan's trade deficit for FY08 reached US\$20.7 bn resulting in reduction of foreign exchange reserves from US\$15.7bn in July 2007 to US\$11.2bn in June 2008. This created further pressure on PKR value against US dollar, thus depreciating PKR by 12.7%. The economy was further hurt by the uncertain political situation as foreign investors remained cautious during the year, resulting in a decline in Foreign Direct and Portfolio investment. However, the inflows of remittances remained strong and provided some support to the balance of payment situation, recording the highest ever amount of US\$6.45bn, 18% more than last year. More importantly, Government of Pakistan successfully achieved its unprecedented tax collection target of PKR 1 trillion, which also helped in providing some relief to the burgeoning budget deficit.

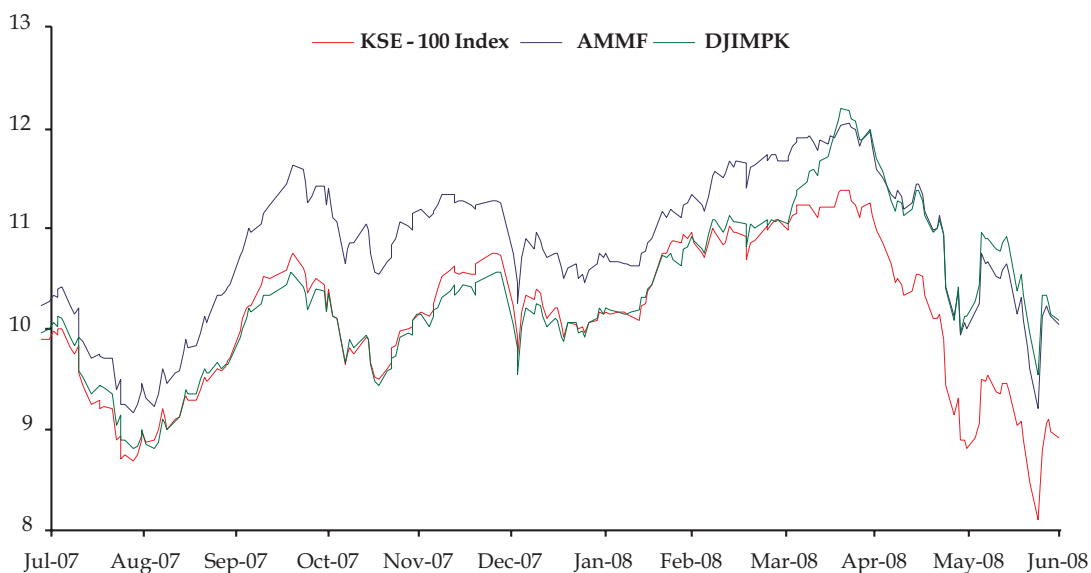
These are challenging times for the monetary authority. The inflation continues to inch upward primarily at the back of surging oil and food prices. The FY 08 inflation is 12% which is 5.4% more than the target of 6.6%. In order to curb inflation, State Bank of Pakistan (SBP) continued its monetary tightening to arrest the inflationary effect and increased the discount rate thrice in last one year from 9.5% to 12%, pushed up CRR from 7% to 9% and raised SLR from 18% to 19% during the year. Going forward, in order to ensure a conservative budget deficit and curtail its borrowings, the government aims to phase out subsidies through price adjustment of fuel. The concerted measures by GoP and central bank will have positive spill over effects on economy.

Dow Jones JS Islamic Market Pakistan Index (DJIMPK) serves as the performance benchmark of AMMF.

Performance Review

Al Meezan Mutual Fund (AMMF) yielded an NAV based return of 0.46% during the year under review as against an increase of 0.92% in the bench mark, DJIMPK. This resulted in an underperformance of 46 basis points by AMMF. The fund's returns are net of all expenses, whereas index return is gross (i.e it does not account for expenses that need to be incurred while investing directly in the market). On gross basis, the fund's return works out 2.46%. During the same period, KSE 100 Index was down by 10.77%.

For the year ended June 30, 2008, the Fund earned gross income of PKR 38.615 mn, main contributors of which were capital gains of PKR 141.851 mn and dividend income of PKR 84.385 mn. After accounting for expenses of PKR 50.152 mn and revaluation loss of PKR 211.615 mn the fund recorded a net loss of PKR 11.538 mn for the financial year 07-08. This translates into loss per share of PKR 0.08. The net assets of AMMF as at June 30, 2008 stood at PKR 1.906 bn which translates into net asset value per share of PKR 13.86.



PERFORMANCE TABLE

Year ended	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
	----- (Rupees in '000) -----									
Investment Income	250,230	277,596	567,613	380,873	274,149	151,930	51,049	36,104	64,203	(9,389)
Operating Expenses	50,152	47,917	56,843	32,395	23,646	9,127	6,683	6,454	8,359	5,632
Surplus / (Deficit) on investments 'at fair value through profit or loss' and 'derivative financial instruments'	(211,615)	317,078	(70,567)	82,015	10,701	52,180	(518)	-	-	-
Reversal/(provision) for diminution in the value of marketable securities	-	-	-	-	-	-	-	(11,376)	33,228	57,730
Net loss / (income)	(11,537)	546,757	440,203	430,493	261,204	194,982	43,746	18,273	89,072	42,709
Earnings per share (Rs.)	(0.08)	3.98	3.68	4.33	2.80	4.21	1.75	0.73	3.65	1.62
Earning per share (Rs.) from capital growth	(0.59)	3.36	2.83	-	-	-	-	-	-	-
Earning per share (Rs.) from income distribution	0.51	0.62	0.85	-	-	-	-	-	-	-
Cash dividend	137,540	299,000	358,800	178,825	77,500	50,000	40,000	16,500	52,500	16,000
Rate of cash dividend (%)	10.00	25.00	30.00	17.50	10.00	20.00	16.00	6.60	21.00	6.40
Rate of stock dividend (%)	-	15.00	-	10.00	15.00	10.00	-	-	-	-
Net Assets Value per Share (Rs.)	13.86	18.55	16.96	13.97	14.55	18.63	10.68	9.84	10.55	8.22
KSE 100 Index	12,289.03	13,772.46	9,989.00	7,450.12	5,279.18	3,402.48	1,770.12	1,366.44	1,520.74	1,054.67
DJIMPK*	18,097.44	17,933.17	15,305.97	12,206.50	10,000.00	-	-	-	-	-
Total return (%) (A)	(0.59)	26.99	28.37	45.43	34.33	93.16	24.80	(0.47)	53.89	22.38
Appreciation/(depreciation) in KSE 100 Index (%) (B)	(10.77)	37.90	34.08	41.12	55.16	92.22	29.54	(10.15)	44.19	19.90
Appreciation/(depreciation) in DJIMPK (%) (C)	0.92	17.16	25.39	22.07	-	-	-	-	-	-
Outperformance / (underperformance) in comparison to KSE (%) (A-B)	10.18	(10.91)	(5.71)	4.31	(20.83)	0.94	(4.74)	9.68	9.70	2.48
Outperformance / (underperformance) in comparison to DJIMPK (%) (A-C)	(1.51)	9.83	2.98	23.37	-	-	-	-	-	-
Total Net Assets Value	1,906,307	2,218,592	2,028,970	1,670,878	1,204,812	465,777	267,087	245,978	244,204	205,511
Highest NAV	19.37	18.62	20.52	-	-	-	-	-	-	-
Lowest NAV	12.72	11.81	13.52	-	-	-	-	-	-	-

Charity Statement

As per Memorandum of Association of AMMF, where some haram income accrues to the Fund, it will be donated to an approved charity that is unconnected with the Fund, management company, its Directors, Officers, Shariah adviser, Auditors or Sponsors. This will be done in consultation with the Shariah adviser. During the year ended June 30, 2008 an amount of PKR 2.06mn was accrued as charity payable.

Future Outlook

The economic outlook remains very challenging. However, we are optimistic about the long term growth trend in the economy. Future direction of the market is likely to be driven by developments on the economic front. We continue to see the value in Pakistani equities and remain positive on the basis of relative attractive valuations and continuing double-digit earnings growth of listed companies.

Distribution

For the year ended June 30, 2008 the Board of Directors of the Fund has proposed a cash dividend of 10% i.e. PKR 1 per share. The Net Asset Value per share before and after the distribution of the said dividend shall be PKR 13.86 and PKR 12.86.

Breakdown of share holdings by size

Breakdown of share holding by size as on June 30, 2008 has been given on page no. 43 of the financial statements.

**PATTERN OF SHARE HOLDING AS PER REQUIREMENT OF
THE CODE OF CORPORATE GOVERNANCE
AS AT JUNE 30, 2008**

Shares held by	Number of shares
Individuals	44,590,434
Non-resident	5,154,447
Associated companies	
-Al Meezan Investment Management Limited	22,755,693
-Meezan Bank Limited	5,561,607
-Pakistan Kuwait Investment Company (Private) Limited	16,895,690
-Meezan Islamic Fund	19,570,700
Chief Executive & spouse	
-Mr. Mohammad Shoaib, CFA	348,278
-Mrs. Shabana Shoaib	7,438
Directors and their spouses	
-Mr. Irfan Siddiqui	1,162
-Ms. Shabnam Hasan (w/o Mr. Muhammad Asad)	35,441
Public sector companies and corporations	11,027,817
Banks	4,196,934
Development financial institutions	228,000
Insurance companies	5,106,820
Modarabas	19,500
Mutual funds	2,040,025
Total	137,539,986

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the provisions of the Code of Corporate Governance ("CCG") contained in Regulation No. 37 of Listing Regulations of Karachi Stock Exchange (G) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

Al Meezan Mutual Fund Limited ("The Fund") has applied the principles contained in the CCG in the following manner:

1. The Fund encourages representation of independent non-executive directors. At present the Board of Directors (BoD) of the Fund includes four non-executive directors.
2. The existing directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Fund.
3. All the resident directors of the Fund are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs. None of the directors of the Fund is a member of a stock exchange.
4. A vacancy occurred during the year on the BoD which was filled in by the directors through resolution by circulation dated April 18, 2008 within thirty days of its falling vacant.
5. The BoD has formulated a Statement of Ethics and Business Practices which has been signed by all the directors of the Fund and employees of the management company.
6. The BoD of the Fund has developed a vision and mission statement. Significant policies have been formalized and maintained by the Fund.
7. All the powers of the BoD have been duly exercised and decisions on material transactions, including appointment and terms and conditions of employment and determination of employment of the CEO and an executive director have been taken by the BoD. The CEO and the executive director are remunerated for services by the management company of the Fund.
8. The meetings of the BoD were presided over by the Chairman. The BoD met at least once in every quarter. Written notices of the BoD meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The orientation course for the directors of the Fund was arranged during the year ended June 30, 2007.
10. The BoD of the management company has approved the appointments of the CFO/ Company Secretary including his remuneration and terms and conditions of the employment as determined by the CEO.
11. The directors' report relating to the Fund for the year ended June 30, 2008 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Fund were duly endorsed by the CEO and the CFO of the Fund before approval of the BoD.
13. The directors and CEO do not hold any interest in the shares of the Fund, other than those disclosed in the pattern of shareholding (included in the Directors' Report).
14. The Fund has complied with all the applicable corporate and financial reporting requirements of the CCG.
15. The BoD has formed an audit committee. It comprises of three members, of whom two are non-executive directors of the Fund including the chairman of the audit committee. The CFO and the Company Secretary is also the secretary of the audit committee.
16. The meetings of the audit committee were held once in every quarter after its formation prior to the approval of interim and final results of the Fund as required by the CCG. The terms of reference of the audit committee have been framed and approved by the BoD of the Fund and advised to the committee for compliance.
17. The BoD has outsourced the internal audit function to a firm of Chartered Accountants.
18. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Fund and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the CCG have been complied with.

Mohammad Shoaib, CFA
Chief Executive

Syed Owais Wasti
CFO & Company Secretary

Karachi
August 4, 2008

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Al Meezan Mutual Fund Limited (the Fund) to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Fund's personnel and review of various documents prepared by the Fund to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2008.

A.F.Ferguson & Co.
Chartered Accountants
Karachi, September 11, 2008

REPORT OF THE SHARIAH ADVISER

Karachi

September 10, 2008 / Ramadan 09, 1429

In the capacity of Shariah Adviser, we have prescribed five criteria for Shariah compliance of equity investments which relate to (i) Nature of business, (ii) Debt to total assets, (iii) Illiquid assets to total assets, (iv) Investment in non-Shariah compliant activities and income from non-compliant investments, and (v) Net liquid assets per share vs. share price.

It is the responsibility of the management company of the Fund to establish and maintain a system of internal controls to ensure Shariah compliance with the Shariah guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. A review is limited primarily to inquiries of the management company's personnel and review of various documents prepared by the management company to comply with the prescribed criteria.

- i. We have reviewed and approved the modes of investments of AMMF in light of Shariah requirements. The following is a list of stock investments of AMMF as on June 30, 2008 and their evaluation according to the screening criteria established by us. (The latest accounts of the investee companies available as on March 31, 2008 have been used for the following calculations):

Company Name	(i) Nature of Business	(ii)* Debt to Assets (<40%)	(iii) Illiquid Assets to Total Assets (>20%)	(iv)		(v)	
				Non-Compliant Income to Gross Revenue (<5%)	% of Non-Shariah Compliant Investments (<33%)	Net Liquid Assets per Share (A)	Share Price (B)
Agriauto Industries Limited	Manufacturers of Automobile Parts and Accessories	0.97%	64%	0.83%	7.88%	11.93	82.95
Attock Cement Pakistan Limited	Cement Manufacturer	3.33%	90.67%	0.35%	0.00%	(33.14)	99.70
Century Papers and Board Mills Limited	Manufacturers of Paper and Board	37.48	95.28%	0.07%	0.00%	(120.22)	76.15
Cherat Cement Company Limited	Cement Manufacturer	22.68%	98%	0.34%	0.16%	(16.47)	44.40
D.G. Khan Cement Company Limited	Cement Manufacturer	30.42%	98%	4.86%	4.74%	(72.86)	94.70
Engro Chemical Pakistan Limited	Manufacturers of Fertilizers and Chemicals	38.94%	82%	1.56%	8.45%	(118.18)	323.9
Fauji Cement Company Limited	Cement Manufacturer	32.72%	96.18%	0.45%	0.00%	(6.52)	14.9

Fauji Fertilizer Bin Qasim Limited	Manufacturers of Fertilizers	27.92%	81.31%	4.26%	13.1%	(16.18)	42.05
Fauji Fertilizer Company Limited	Manufacturers of Fertilizers	24.00%	78%	0.91%	5.88%	(20.39)	118.75
Ghani Glass	Manufacturers of glass used in construction	0.00%	78.22%	0.00%	0.00%	(10.42)	80.30
GlaxoSmithKline Limited	Manufacturers of Pharmaceutical Products	0.00%	49.53%	4.04%	4.18%	12.04	181.6
ICI Pakistan Limited	Manufacturers of Paints, Soda Ash, Staple Fibre and Chemicals	0.00%	64.05%	0.17%	0.01%	2.63	196.65
Indus Motors Company Limited	Automobile Assembling	0.01%	55.74%	2.21%	0.00%	11.49	319.2
Kot Addu Power Company Limited	Producer of Power & Energy	43.46%***	57.95%	1.70%	0.00%	(6.42)	48.45
National Refinery Limited	Refines crude oil to petroleum products	0.00%	37.54%	0.41%	5.76%	(15.76)	361
Nishat Mills Limited	Manufacturers of Textile Products	23.79%	94.69%	1857%	4.61%	(58.68)	105.2
Oil & Gas Development Company Limited	Exploration and Production of Oil & Gas	0.00%	63%	1.73%	2.02%	3.06	119.45
Packages Limited***	Manufacturers of Paper and Board	41.58%	91.87%	4.00%	19.83%	(173.04)	377.25
Pak Suzuki Motors Limited	Automobile Assembling	0.00%	66.73%	1.64%	0.50%	(2.07)	329.65
Pakistan Oilfields Limited	Exploration and Production of Oil & Gas	0.00%	69.34%	2.23%	2.21%	8.77	367.40
Pakistan Petroleum Limited	Exploration and Production of Oil & Gas	0.21%	75.82%	4.41%	3.93%	1.27	261.05
Pakistan State Oil Company Limited	Distribution of Oil & Gas	5.21%	50.76%	0.00%	0.00%	(144.83)	406.60
Pakistan Telecommunication Company Limited	Telecom	1.90%	59.5%	3.45%	0.00%	(1.59)	42.05
Shell Pakistan Limited	Distribution of Oil & Gas	28.17%	53.37%	0.00%	0.01%	(167.34)	406.30
Sitara Chemical Industries Limited	Manufacturers of Soda Ash and Chemicals	0.00%	75.77%	0.04%	0.00%	(165.34)	336
Sui Northern Gas Pipeline Limited	Distribution of Gas	6.44%	61.8%	1.02%	0.00%	(21.02)	65.55
Thal Limited	Manufacturers of Jute bags and Acs and Wire Harness of Cars	12.53%	62.79%	1.04%	0.01%	34.94	245.25
The Hub Power Company Limited	Producer of Power & Energy	36.26%	68.38%	0.11%	0.00%	(5.41)	30.50
TRG Pakistan Limited	Information Technology Management	0.06%	99.16%	0.00%	0.00%	0.01	14.55
Tri - Pack Films	Manufacture of Biaxially Oriented Polypropylene	23.23%	73.09%	0.17%	1.51%	(39.66)	203.30

BankIslami Pakistan Limited	Islamic Commercial Bank	**
Meezan Bank Limited	Islamic Commercial Bank	**

* All interest based debts

** These ratios are for the calculation of non-Shari'ah Compliant Element in the business and are not relevant for Islamic Banks

*** The scrip became non-compliant on the basis of latest accounts and will be disinvested if it continues to remain non compliant on the basis of half/full year accounts.

In light of the above, we hereby certify that all the provisions of the Scheme and investments made on account of AMMF by AMIM are Shariah compliant and in accordance with the criteria established by us.

ii. On the basis of information provided by the management, all operations of AMMF for the year ended June 30, 2008 have been in compliance with the Shariah principles.

During the Year a provision of Rupees 2.064 million was transferred to Charity account and an amount of Rupees 2.50 million was disbursed.

May Allah bless us with best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

Dr. Muhammad Imran Ashraf Usmani
For and on Behalf of Meezan Bank Limited

INDEPENDENT ASSURANCE PROVIDER'S REPORT ON SHARIAH COMPLIANCE TO THE MEMBERS

We have performed our independent assurance engagement of Al Meezan Mutual Fund Limited (the Fund) to assess the Fund's compliance with the Shariah guidelines prescribed by the Shariah Adviser of Al Meezan Mutual Fund Limited for the year ended June 30, 2008.

Management company's responsibility

Management company of the Fund is responsible for the appointment of Shariah Adviser of the Fund and for compliance with the Shariah guidelines prescribed by the Shariah Adviser. This responsibility includes: designing, implementing and maintaining internal control to ensure compliance with the Shariah guidelines issued by the Shariah Adviser of the Fund.

Responsibility of independent assurance providers

Our responsibility is to express our conclusion on the compliance based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we comply with ethical requirement and plan and perform the engagement to obtain reasonable assurance whether the Fund has complied with the guidelines issued by the Shariah Adviser.

The procedures selected depend on our judgement, including the assessment of the risks of material non-compliances with the Shariah guidelines. In making those risk assessments, we have considered internal controls relevant to the entity's compliance with the guidelines in order to design our procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the guidelines. Our engagement was not for the purpose of expressing an opinion on the effectiveness of entity's internal control.

Conclusion

In our opinion, the Fund was, in all material respect, in compliance with the Shariah guidelines issued by the Shariah Adviser of the Fund for the year ended June 30, 2008.

A.F. Ferguson & Co.
Chartered Accountants
Karachi, September 11, 2008

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of assets and liabilities of Al Meezan Mutual Fund Limited as at June 30, 2008 and the related income statement, distribution statement, statement of movement in equity and reserves per share, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the management company to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards, the requirements of the Companies Ordinance, 1984, and the Non-Banking Finance Companies and Notified Entities Regulations, 2007. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984 and the Non-Banking Finance Companies and Notified Entities Regulations, 2007;
- (b) in our opinion:
 - (i) the statement of assets and liabilities and income statement together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and the Non-Banking Finance Companies and Notified Entities Regulations, 2007 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the statement of assets and liabilities, income statement, distribution statement, statement of movement in equity and reserves per share, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984 and the Non-Banking Finance Companies and Notified Entities Regulations, 2007, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2008 and of the loss, its distributions, movement in equity and reserves per share, changes in equity and cash flows for the year then ended; and
- (d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The company's financial statements for the year ended June 30, 2007 were audited by another firm of Chartered Accountants whose report dated August 1, 2007 expressed an unqualified opinion thereon.

A.F. Ferguson & Co.
Chartered Accountants
Karachi, September 11, 2008

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2008

	Note	2008 (Rupees in '000)	2007
Assets			
Balances with banks	5	63,366	590,523
Investments - available for sale	6	52,764	55,179
Investments at fair value through profit or loss	7	1,770,335	1,551,853
Receivable against sale of investments		-	42,978
Dividend receivable		18,398	5,999
Derivative financial instruments	8	-	17,418
Advances, deposits and other receivables	9	10,832	12,557
Total assets		1,915,695	2,276,507
Liabilities			
Payable to Al Meezan Investment Management Limited - management company of the Fund	10	3,221	38,340
Payable to the Central Depository Company of Pakistan Limited - custodian of the Fund	11	86	113
Payable to the Securities and Exchange Commission of Pakistan	12	2,067	1,741
Payable to Meezan Bank Limited - Shariah adviser of the fund		250	250
Payable against purchase of investments		-	14,377
Accrued expenses and other liabilities	13	1,747	1,975
Unclaimed dividend		1,908	1,119
Total liabilities		9,279	57,915
Net assets		1,906,416	2,218,592
 Commitments	 8		
Shareholders' Equity			
Authorised share capital 150,000,000 (June 30, 2007: 150,000,000) ordinary shares of Rs 10 each		1,500,000	1,500,000
Issued, subscribed and paid-up share capital	14	1,375,400	1,196,000
Unappropriated income		487,925	977,863
Surplus on revaluation of investments		43,091	44,729
		1,906,416	2,218,592
Net assets value per share (Rupees)		13.86	18.55

The annexed notes 1 to 26 form an integral part of these financial statements.

Mohammad Shoaib, CFA
Chief Executive

Farhan Malik
Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 (Rupees in '000)	2007
Income			
Net realised gain on sale of investments		141,851	176,243
Dividend income		84,386	79,505
Profit on savings accounts with banks		23,646	21,276
Profit on term finance certificates		347	572
		250,230	277,596
Unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss (net)	7	(194,197)	314,974
(Loss) / gain on re-measurement of derivative financial instruments (net)		(17,418)	2,104
		(211,615)	317,078
Total income		38,615	594,674
Expenses			
Remuneration to Al Meezan Investment Management Limited - management company of the Fund	10	41,339	38,340
Remuneration to Central Depository Company of Pakistan Limited - custodian of the Fund	11	1,076	1,308
Annual fee to the Securities and Exchange Commission of Pakistan	12	2,067	1,741
Shariah advisory fee to Meezan Bank Limited - Shariah adviser of the fund		250	250
Auditors' remuneration	15	526	516
Fees and subscription		486	60
Brokerage		3,599	5,013
Legal and professional charges		265	235
Bank and settlement charges		370	454
Printing expenses		175	-
Total expenses		50,153	47,917
Net (loss) / income		(11,538)	546,757
		(Rupees)	
(Loss) / earnings per share (Rupees) - restated	16	(0.08)	3.98

The annexed notes 1 to 26 form an integral part of these financial statements.

Mohammad Shoaib, CFA
Chief Executive

Farhan Malik
Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2008

	2008 (Rupees in '000)	2007
Unappropriated income brought forward	977,863	789,906
Less: Final distribution in the form of cash dividend for the year ended June 30, 2007 @ 25% (comparative: June 30, 2006 @ 30%)	(299,000)	(358,800)
Less: Issue of bonus shares for the year ended June 30, 2007 @ 15%	(179,400)	-
Net (loss) / income for the year	(11,538)	546,757
Unappropriated income carried forward	<u>487,925</u>	<u>977,863</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

Mohammad Shoaib, CFA
Chief Executive

Farhan Malik
Director

STATEMENT OF MOVEMENT IN EQUITY AND RESERVES PER SHARE FOR THE YEAR ENDED JUNE 30, 2008

	2008	2007
	(Rupees)	
Net assets value per share at the beginning of the year	18.55	16.96
Dilution due to issue of bonus shares @ 15% (2007: nil)	<u>(2.42)</u>	<u>-</u>
	16.13	16.96
Net realised gain on sale of investments	1.03	1.47
Dividend income	0.61	0.68
Profit on savings accounts with banks	0.17	0.18
Profit on term finance certificates	-	-
Unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss (net)	(1.41)	2.63
(Loss) / gain on re-measurement of derivative financial instruments (net)	(0.12)	0.02
Operating expenses	(0.36)	(0.40)
Net (loss) / income for the year (based on weighted average number of shares outstanding)	(0.08)	4.58
Dividend declared and paid @ 25% (2007: 30%)	(2.18)	(3.00)
Net changes in surplus on revaluation of available for sale investments	(0.01)	0.01
Net assets value per share at the end of the year	<u><u>13.86</u></u>	<u><u>18.55</u></u>

The annexed notes 1 to 26 form an integral part of these financial statements.

Mohammad Shoaib, CFA
Chief Executive

Farhan Malik
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2008

	Share capital	Unappropriated profit	Surplus on revaluation of available-for- sale financial assets	Total
	------(Rupees in '000)-----			
Balance as at July 1, 2006	1,196,000	789,906	43,064	2,028,970
Final dividend for the year ended June 30, 2006 @ 30%	-	(358,800)	-	(358,800)
Net income for the year ended June 30, 2007	-	546,757	-	546,757
Surplus on revaluation of available for sale investments	-	-	1,665	1,665
Balance as at June 30, 2007	<u>1,196,000</u>	<u>977,863</u>	<u>44,729</u>	<u>2,218,592</u>
Final dividend for the year ended June 30, 2007 @ 25%	-	(299,000)	-	(299,000)
Issue of bonus shares for the year ended June 30, 2007 @ 15%	179,400	(179,400)	-	-
Net loss for the year ended June 30, 2008	-	(11,538)	-	(11,538)
Surplus on revaluation of available for sale investments	-	-	7,215	7,215
Surplus realised on available for sale investments transferred to income statement on disposal	-	-	(8,853)	(8,853)
Balance as at June 30, 2008	<u><u>1,375,400</u></u>	<u><u>487,925</u></u>	<u><u>43,091</u></u>	<u><u>1,906,416</u></u>

The annexed notes 1 to 26 form an integral part of these financial statements.

Mohammad Shoaib, CFA
Chief Executive

Farhan Malik
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2008

	2008	2007
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) / income	(11,538)	546,757
Adjustments for non-cash items		
Dividend income	(84,386)	(79,505)
Profit on savings accounts with banks	(23,646)	(21,276)
Profit on term finance certificates	(347)	(572)
Unrealised loss / (gain) on re-measurement of investments at fair value through profit or loss (net)	194,197	(314,974)
Loss / (gain) on re-measurement of derivative financial instruments (net)	17,418	(2,104)
Surplus realised on sale of available for sale investments	(8,853)	-
	94,383	(418,431)
	82,845	128,326
(Increase) / decrease in assets		
Investments - available for sale	9,630	-
Investments at fair value through profit or loss	(412,679)	461,388
Receivable against sale of investments	42,978	207,134
Advances, deposits and other receivables	(2,500)	-
	(362,571)	668,522
Increase / (decrease) in liabilities		
Payable to Al Meezan Investment Management Limited - management company of the fund	(35,119)	(1,588)
Payable to Central Depository Company of Pakistan Limited - custodian of the fund	(27)	28
Payable to the Securities and Exchange Commission of Pakistan	326	(256)
Payable to Meezan Bank Limited - Shariah adviser of the fund	-	250
Payable against purchase of investments	(14,377)	14,377
Accrued expenses and other liabilities	(228)	1,447
	(49,425)	14,258
Cash (used in) / generated from operations	(329,151)	811,106
Dividend received	71,987	93,722
Profit received on savings accounts with banks	28,006	14,194
Profit received on term finance certificates	347	575
Taxes withheld	(135)	-
Net cash (outflow) / inflow from operating activities	(228,946)	919,597
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(298,211)	(358,456)
Net cash outflow on financing activities	(298,211)	(358,456)
Net (decrease)/increase in cash and cash equivalents during the year	(527,157)	561,141
Cash and cash equivalents at the beginning of the year	590,523	29,382
Cash and cash equivalents at the end of the year - note 5	63,366	590,523

The annexed notes 1 to 26 form an integral part of these financial statements.

Mohammad Shoaib, CFA
Chief Executive

Farhan Malik
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Al Meezan Mutual Fund Limited (the Fund) was incorporated in Pakistan on July 13, 1995 as a public limited company under the Companies Ordinance, 1984 having its registered office at Finance and Trade Centre, Shahrah-e-Faisal, Karachi. The Fund is listed on the Karachi Stock Exchange.
- 1.2 The Fund is registered as an 'investment company' under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) vide License no. NBFC -II\11 AMMFL-IC-04\05 issued by the Securities and Exchange Commission of Pakistan (SECP). On November 21, 2007 Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations) were notified.
- 1.3 The Fund has an agreement with Al Meezan Investment Management Limited (AMIML), an associated undertaking, to provide asset management services. AMIML has been rated AM 2 by JCR-VIS.
- 1.4 The objective of the Fund is to carry on the business as a closed-end mutual fund and to invest its assets in securities, which are listed or proposed to be listed on the stock exchanges. The Fund has been rated five star and four star for normal and long-term rating respectively by Pakistan Credit Rating Agency.
- 1.5 During the year, the SECP has notified the NBFC Regulations. According to clause 75 of the NBFC Regulations, a closed end fund shall upon expiry of five years from the date of the launch of the fund hold a meeting of shareholders (by special resolution) to continue as a closed end fund or convert into an open ended scheme or wind up the investment company. In case of the continuation of the closed end fund, the resolution among other things shall provide that those who are not in favour of continuation as closed end fund shall be entitled to sell their holding to the fund at a discount not exceeding three percent of the prevailing NAV within thirty days of the resolution.

The mutual funds industry has taken up the matter of applicability of clause 75 with the SECP through the forum of the Mutual Funds Association of Pakistan (MUFAP). The management believes that the regulation cannot be enforced retrospectively and hence the expiry date of five years should be determined from the date of promulgation of NBFC Regulations and not from the date of the launch of the fund. An amendment / clarification in respect of the applicability of clause 75 is expected to be issued shortly by the SECP as advised by MUFAP.

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 These financial statements have been prepared in accordance with the requirements of approved accounting standards as applicable in Pakistan, the Companies Ordinance, 1984, the NBFC Rules and NBFC Regulations and the directives issued by the SECP. Approved accounting standards comprise of such International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, the NBFC Rules and NBFC Regulations and the said directives differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, the NBFC Rules and NBFC Regulations and the said directives take precedence.

3.2 Standards, amendments and interpretations effective during the year ended June 30, 2008:

There are certain new standards and interpretations that were mandatory for accounting period beginning on or after July 1, 2007 but are considered not to be relevant or have any significant effect on the Fund's operations and are therefore not disclosed in these financial statements.

3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

IFRS 7, 'Financial instruments: Disclosures' (effective from July 1, 2008) introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the financial instruments.

There are other standards, interpretations and amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after July 1, 2008 but are considered not to be relevant or have any significant effect to the Fund's operations and are therefore not detailed in these financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments which are carried at fair value in accordance with the criteria laid down in the International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement'.

4.2 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires the use of critical accounting estimates. It also requires the management company to exercise its judgment in the process of applying its accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the financial statements are as follows:

- (a) Classification and valuation of financial instruments (notes 4.3, 6 and 7)
- (b) Impairment (note 4.3.5)
- (c) Taxation (note 4.8)

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

4.3 Financial instruments

4.3.1 Consistent with prior years, the Fund classifies its financial instruments in the following categories:

(a) Investments 'at fair value through profit or loss'

- *Financial instruments 'held for trading'*

These include financial instruments acquired principally for the purpose of generating profit from short-term fluctuations in prices or dealers' margins or are securities included in a portfolio in which a pattern of short-term profit taking exists.

- *Financial instruments designated 'at fair value through profit or loss upon initial recognition'*

These include investments that are designated as investments 'at fair value through profit or loss upon initial recognition'.

(b) Held to maturity

These are securities acquired by the Fund with the intention and ability to hold them upto maturity.

(c) Loans and receivables originated by the enterprise

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as 'at fair value through profit or loss' or 'available for sale'.

(d) Available for sale

These financial assets are non-derivatives that are either designated in this category or are not classified in any of the other categories.

4.3.2 Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

The Fund follows trade date accounting for purchase and sale of investments. Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

4.3.3 Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial asset or financial liability not 'at fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities 'at fair value through profit or loss' are expensed immediately.

Subsequent to initial recognition, instruments classified as financial assets 'at fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising, from changes in the fair value of financial assets 'at fair value through profit or loss' are recognised in the income statement. Changes in the fair value of instruments classified as 'available for sale' are recognised in equity until derecognised or impaired when the accumulated fair value adjustments recognised in equity are included in the income statement.

Financial assets classified as 'loans and receivables' and 'held to maturity' are carried at amortised cost using the effective yield method, less impairment losses, if any.

Financial liabilities, other than those 'at fair value through profit or loss', are measured at amortised cost using the effective yield method.

4.3.4 Fair value measurement principles

The fair value of investments, derivatives and financial instruments sold on deferred settlement basis is based on their price quoted on the Karachi Stock Exchange at the balance sheet date without any deduction for estimated future selling costs. Financial assets and financial liabilities are priced at their fair market value.

4.3.5 Impairment

Impairment loss on investment other than 'available for sale' is recognised in the income statement whenever the carrying amount of investment exceeds its recoverable amount. If in a subsequent period, the amount of an impairment loss recognised decreases, the impairment is reversed through the income statement.

In case of investment 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. If any such evidence exists for 'available for sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement is removed from equity and recognised in the income statement. However, the decrease in impairment loss on equity securities classified as 'available for sale' is recognised in equity.

4.3.6 Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

The Fund uses the weighted average method to determine realised gains and losses on derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

4.4 Transactions involving outright purchase of security in the ready market and sale of that security on deferred settlement basis.

Consistent with prior years, the Fund enters into certain transactions involving purchase of security in the ready market and sale of the same security on deferred settlement basis. Securities purchased by the Fund in the ready market are carried on the balance sheet, till eventual disposal, in accordance with the accounting policy specified in note 4.3 above, and sale of those securities in the futures market is accounted for separately as financial instruments sold on deferred settlement basis.

4.5 Financial instruments sold on deferred settlement basis

Consistent with prior years, financial instruments sold on deferred settlement basis are initially recognised at fair value on the date on which a deferred sale contract is entered into and are subsequently remeasured at their fair value. All financial instruments sold on deferred settlement basis are carried as assets when fair value is positive and as liabilities when fair value is negative.

4.6 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of that obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

4.7 Net assets value per share

The net assets value (NAV) per share is calculated by dividing the net assets of the Fund by the number of shares in issue.

4.8 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I to the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the period, as reduced by capital gains, whether realised or unrealised, is distributed amongst the shareholders. Accordingly, the Fund has not recorded a tax liability in respect of income relating to the current year as the Fund intends to avail this exemption.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11 of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that these will be available for set off against future taxable profits. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least 90 percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised to its shareholders every year.

4.9 Revenue recognition

- (i) Gains / (losses) arising on sale of investments are included in income currently and are recognised on the date when the transaction takes place.
- (ii) Unrealised gains / (losses) arising on revaluation of securities classified as financial asset 'at fair value through profit or loss' are included in the income statement in the period in which they arise.

- (iii) Gains / (losses) arising on the revaluation of the derivatives to the fair value are taken to the income statement.
- (iv) Dividend income is recognised at the time of closure of shares transfer books of the investee company.
- (v) Profit on savings accounts with banks and investments in debt instruments are recorded on an accrual basis.

4.10 Expenses

All expenses, including management fee and custodian fee, are recognised in the income statement on an accrual basis.

4.11 Offsetting of financial instruments

A financial asset and financial liability is set off and the net amount is reported in the statement of assets and liabilities if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.12 Zakat

Shares held by resident Pakistani shareholders are subject to zakat at 2.5% of the nominal value or the market value based on the closing rate at the Karachi Stock Exchange, whichever is lower, of share under the Zakat and Ushr Ordinance, 1980 (XVII of 1980), except those exempted. Zakat is deducted at source from the dividend amount.

4.13 Transactions with connected persons

Transactions between the Fund and its connected persons, as defined in NBFC Regulations are carried out on an arm's length basis substantiated in a manner set out in note 17.

4.14 Cash and cash equivalents

Consistent with prior years, cash and cash equivalents are carried in the balance sheet at cost. Cash comprises current and savings accounts with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

4.15 Dividend and bonus shares

Consistent with prior years, dividend declared (including distribution in the form of bonus shares) subsequent to the balance sheet date is recognised as a liability in the period in which it is approved by the directors / shareholders as appropriate.

5. BALANCES WITH BANKS		2008	2007
		(Rupees in '000)	
	On current accounts	2,273	1,150
	On savings accounts	5.1 <u>61,093</u>	<u>589,373</u>
		<u><u>63,366</u></u>	<u><u>590,523</u></u>

- 5.1 The balances in savings accounts bear expected profit which ranges from 3% to 9.5% (2007: 3% to 9.5%) per annum.

**6. INVESTMENT IN MARKETABLE SECURITIES
- classified as investments 'available-for-sale'**

Name of the investee company	As at July 1, 2007	Purchases during the year	Bonus/ rights issue	Sales during the year	As at June 30, 2008	Carrying value as at June 30, 2008	Market value as at June 30, 2008	Unrealised gain as at June 30, 2008	Percentage in relation to		
									net assets of the Fund on the basis of market value of investments (see note 7.3 below)	paid-up capital of investee company (with face value of investments)	total market value (carrying value of investments)
-----Number of shares-----						-----Rupees in 000-----					
Sector / companies											
Refinery											
National Refinery Limited	20,000	-	4,000	24,000	-	-	-	-	-	-	-
Oil and gas marketing company											
Pakistan State Oil Company Limited	1,043	-	-	-	1,043	408	435	27	0.02	0.00	0.02
Fertilizer											
Fauji Fertilizer Company Limited	395,469	-	-	-	395,469	47,951	52,329	4,378	2.74	0.08	2.87
Total						48,359	52,764	4,405			
Total cost of investments - available for sale									9,673		

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

7.1 Shares of listed companies - held for trading

Name of the investee company	As at July 1, 2007	Purchases during the year	Bonus/ rights issue	Sales during the year	As at June 30, 2008	Carrying Cost as at June 30, 2008	Market value as at June 30, 2008	Unrealised gain/loss as at June 30, 2008	Percentage in relation to		
									Net assets of the Fund on the basis of market value of investments (see note 7.3 below)	Paid-up capital of investee company (with face value of investments)	Total market value (carrying value of investments)
-----Number of shares-----						-----Rupees in 000-----					
Commercial Banks											
BankIslami Pakistan Limited	-	300,000	78,125	378,125	-	-	-	-	-	-	-
Meezan Bank Limited (an associate of the Fund)	1,261,700	-	224,940	137,000	1,349,640	35,990	41,150	5,160	2.16	0.36	2.26
Textile composite											
Nishat Mills Limited	698,770	244,500	-	757,100	186,170	22,326	16,005	(6,321)	0.84	0.12	0.87
Jute											
Thal Limited (note 7.2)	160,000	-	48,000	55,000	153,000	32,836	29,991	(2,845)	1.57	1.00	1.65
Cement											
Attock Cement Pakistan Limited	299,800	70,800	-	-	370,600	44,437	28,584	(15,853)	1.50	0.51	1.57
D.G. Khan Cement Company Limited	-	540,000	-	225,000	315,000	31,420	21,149	(10,271)	1.11	0.12	1.16
Fauji Cement Company Limited	-	200,000	57,855	133,500	124,355	2,132	1,259	(873)	0.07	0.02	0.07
									2.68		2.80
Refinery											
National Refinery Limited	171,300	-	11,460	182,760	-	-	-	-	-	-	-
Power generation & distribution											
The Hub Power Company Limited	1,680,000	1,483,500	-	630,000	2,533,500	87,102	72,458	(14,644)	3.80	0.22	3.97
Kot Addu Power Company Limited	-	105,000	-	105,000	-	-	-	-	-	-	-
Oil & gas marketing companies											
Pakistan State Oil Company Limited	53,200	376,300	-	225,000	204,500	91,272	85,326	(5,946)	4.48	0.12	4.68
Sui Northern Gas Pipelines Limited	-	232,200	-	-	232,200	11,227	10,117	(1,110)	0.53	0.04	0.55
									5.01		5.23
Oil & gas exploration companies											
Oil & Gas Development Company Limited (note 7.5)	1,379,000	971,000	-	642,000	1,708,000	200,764	212,407	11,643	11.14	0.04	11.65
Pakistan Oilfields Limited	204,000	395,000	-	287,000	312,000	105,908	113,830	7,922	5.97	0.16	6.24
Pakistan Petroleum Limited	545,100	567,000	54,510	215,000	951,610	235,219	234,087	(1,132)	12.28	0.13	12.84
									29.39		30.73

Name of the investee company	As at July 1, 2007	Purchases during the year	Bonus/ rights issue	Sales during the year	As at June 30, 2008	Carrying Cost as at June 30, 2008	Market value as at June 30, 2008	Unrealised gain as at June 30, 2008	Percentage in relation to		
									Net assets of the Fund on the basis of market value of investments (see note 7.3 above)	Paid-up capital of investee company (with face value of investments)	Total market value (carrying value of investments)
-----Number of shares-----						-----Rupees in 000-----					
Automobile assembler											
Indus Motor Company Limited	313,100	30,000	-	147,008	196,092	59,793	39,228	(20,565)	2.06	0.25	2.15
Pak Suzuki Motor Company Limited	226,680	-	-	40,700	185,980	72,904	22,279	(50,625)	1.17	0.23	1.22
									3.23		3.37
Automobile parts & accessories											
Agriauto Industries Limited (note 7.2)	590,800	-	-	-	590,800	58,430	48,889	(9,541)	2.56	4.92	2.69
Technology & communication											
Pakistan Telecommunication Company Limited "A"	50,000	3,342,000	-	1,035,000	2,357,000	119,174	91,074	(28,100)	4.78	0.06	5.00
TRG Pakistan Limited - Class 'A'	-	4,095,000	-	-	4,095,000	50,681	25,594	(25,087)	1.34	1.10	1.40
									6.12		6.40
Fertilizer											
Engro Chemical Pakistan Limited	633,700	562,800	180,538	708,000	669,038	197,176	187,873	(9,303)	9.85	0.35	10.31
Fauji Fertilizer Company Limited	771,086	357,000	-	220,000	908,086	110,812	120,158	9,346	6.30	0.18	6.59
Fauji Fertilizer Bin Qasim Limited	2,388,000	2,689,500	-	1,192,500	3,885,000	155,593	139,743	(15,850)	7.33	0.42	7.67
									23.48		24.57
Pharmaceutical											
GlaxoSmithKline (Pakistan) Limited	83,125	-	20,781	-	103,906	15,586	17,664	2,078	0.93	0.06	0.97
Chemicals											
ICI Pakistan Limited	-	436,600	-	100,000	336,600	60,337	54,317	(6,020)	2.85	0.24	2.98
Sitara Chemical Industries Limited	177,100	-	5,860	120,500	62,460	9,042	15,768	6,726	0.83	0.31	0.86
									3.68		3.84
Paper & Board											
Packages Limited	571,250	136,000	65,737	269,000	503,987	141,977	126,949	(15,028)	6.66	0.60	6.96
Glass & Ceramics											
Ghani Glass Limited	83,250	4,162	-	33,200	54,212	3,942	6,118	2,176	0.32	0.06	0.34
Miscellaneous											
Tri-Pack Films Limited	-	48,300	-	-	48,300	8,452	8,318	(134)	0.44	0.16	0.46
Securities sold under deferred sale arrangements											
Textile composite											
Nishat Mills Limited	-	8,500	-	8,500	-	-	-	-	-	-	-
Total						<u>1,964,532</u>	<u>1,770,335</u>	<u>(194,197)</u>			
Total cost of investments - held for trading							<u>1,742,821</u>				

7.2 All shares have a nominal value of Rs 10 each except for the shares of Agriauto Industries Limited and Thal Limited which have a face value of Rs 5 each.

7.3 Net assets are as defined in regulation 2(xxvi) of NBFC Regulations.

7.4 The SECP through its letter No. NBFC-II/AD/AMIML/97/2008 dated February 22, 2008 has relaxed the investment limits prescribed in regulations 64(5) and (8) of NBFC Regulations to fifteen percent and thirty percent respectively.

7.5 100,000 shares of Oil and Gas Development Company Limited, having market value of Rs 12.436 million as at June 30, 2008, have been pledged as collateral in favour of National Clearing Company of Pakistan Limited (NCCPL) against exposure margins and mark-to-market losses.

8. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments outstanding as at June 30, 2008 amounted to Rs nil (June 30, 2007: Rs 17.418 million).

9. DEPOSITS AND OTHER RECEIVABLES

	2008	2007
	(Rupees in '000)	
Security deposits	2,638	138
Profit receivable on savings accounts with banks	2,935	7,295
Advance income tax	5,259	5,124
	<u>10,832</u>	<u>12,557</u>

10. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - management company of the Fund

Under the provisions of NBFC Regulations, the management company is entitled to a remuneration of an amount not exceeding three percent of the average annual net assets of the Fund during the first five years of the Fund's existence, and thereafter, of an amount equal to two percent of such assets of the Fund. The remuneration of the management company has been charged at the rate of two percent per annum for the year ended June 30, 2008.

11. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - custodian of the Fund

The custodian is entitled to a monthly remuneration for services rendered to the Fund under the provisions of a custodial services agreement in accordance with the tariff specified therein.

12. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

This represents annual fee at the rate of one tenth of one percent of the average annual net assets of the Fund, payable to the SECP under regulation 71 of NBFC Regulations.

		2008	2007
		(Rupees in '000)	
13. ACCRUED EXPENSES AND OTHER LIABILITIES	Note		
Auditors' remuneration		360	250
Legal and professional charges payable		40	-
Charity payable	13.1	1,209	1,644
Printing charges payable		138	-
Others		-	81
		<u>1,747</u>	<u>1,975</u>

13.1 According to the instructions of the Shariah adviser, any income earned by the Fund from investments whereby portion of the investment of investee company has been made in Shariah non-compliant avenues, such proportion of income of the Fund from those investments should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs 1.209 million (2007: Rs 1.644 million) is outstanding in this regard after making charity payments of Rs 2.500 million (2007: Rs nil) to renowned charitable institutions. None of the directors of the management company of the Fund were interested in any of donees.

14. SHARE CAPITAL

A summary of the movement in ordinary share capital is given below:

	Ordinary shares	
	Number	Amount (Rupees in '000)
Issued, subscribed and paid-up share capital		
As at July 1, 2006 and June 30, 2007	119,599,988	1,196,000
Issue of bonus shares	17,939,998	179,400
As at June 30, 2008	137,539,986	1,375,400

15. AUDITORS' REMUNERATION

	2008	2007
	(Rupees in '000)	
	A.F.Ferguson & Co.	KPMGTaseer Hadi & Co.
Audit fee	225	200
Half yearly review fee	105	100
Other certifications	140	145
Out of pocket expenses	56	71
	<u>526</u>	<u>516</u>

16. (LOSS) / EARNINGS PER SHARE

Net (loss) / income for the year	<u>(11,538)</u>	<u>546,757</u>
	In numbers	
Weighted average number of ordinary shares outstanding during the year - restated"	<u>137,539,986</u>	<u>137,539,986</u>
	(Rupees in '000)	
(Loss) / earnings per share (Rupees) - restated	<u>(0.08)</u>	<u>3.98</u>

A diluted earnings per share has not been presented as the Fund does not have any convertible instruments as at June 30, 2007 and 2008 which would have any effect on the earnings per share if the option to convert is exercised.

17. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include AMIML being the management company, CDC being the custodian, MBL being the Shariah adviser and holding company of the management company, Meezan Islamic Fund, Meezan Islamic Income Fund, Meezan Balanced Fund, Meezan Tahaffuz Pension Fund and Meezan Capital Protected Fund - I, being the funds under the common management of the management company and Pakistan Kuwait Investment Company (Private) Limited.

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

Remuneration payable to the management company and the custodian is determined in accordance with the provisions of NBFC Rules and Regulations.

	2008	2007
Al Meezan Investment Management Limited		
- management company of the Fund		
Remuneration payable	<u>3,221</u>	<u>38,340</u>
Investment of 22,755,692 shares (June 30, 2007: 19,787,559 shares)	<u>311,753</u>	<u>300,771</u>
Meezan Bank Limited - Shariah adviser of the Fund		
Balance with bank	<u>2,262</u>	<u>2,735</u>
Investment of 5,561,607 shares (June 30, 2007: 4,836,180 shares)	<u>76,194</u>	<u>73,510</u>
Investment in 1,349,640 shares (June 30, 2007 : 1,261,700 shares)	<u>41,150</u>	<u>40,374</u>
Meezan Islamic Fund		
Investment of 19,570,700 shares (June 30, 2007: 17,018,000 shares)	<u>268,119</u>	<u>258,674</u>
Pakistan Kuwait Investment Company (Private) Limited		
Investment of 16,895,690 shares (June 30, 2007: 18,627,122 shares)	<u>231,471</u>	<u>283,132</u>
Central Depository Company of Pakistan Limited		
- custodian of the Fund		
Remuneration payable	<u>86</u>	<u>113</u>
Directors and officers		
Investment of 349,440 shares (June 30, 2007: 303,862 shares)	<u>4,787</u>	<u>4,619</u>
	For the year ended	
	June 30	
	2008	2007
Al Meezan Investment Management Limited		
- management company of the Fund		
Remuneration for the year	<u>41,339</u>	<u>38,340</u>
Dividend for the year	<u>49,469</u>	<u>58,671</u>
Meezan Bank Limited - Shariah adviser of the Fund		
Profit on deposit accounts with bank	<u>193</u>	<u>3,993</u>
Shariah advisory fee for the year	<u>250</u>	<u>250</u>
Dividend for the year	<u>12,090</u>	<u>12,342</u>
Meezan Islamic Fund		
Dividend for the year	<u>42,545</u>	<u>51,054</u>
Pakistan Kuwait Investment Company (Private) Limited		
Dividend for the year	<u>46,568</u>	<u>55,229</u>
Central Depository Company of Pakistan Limited		
- custodian of the Fund		
Remuneration for the year	<u>1,076</u>	<u>1,308</u>
Directors and officers		
Dividend for the year	<u>760</u>	<u>890</u>

18. RISK MANAGEMENT

The Fund is primarily an equity fund which invests both in high quality equity securities and in Islamic income instruments. Investment in equity securities carries a risk that is considered higher than that of investment in debt securities. The risk emanates from various factors that include, but are not limited to market, credit, liquidity and interest rate risks.

18.1 Market Risk

Market risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The value of investments may fluctuate due to change in business cycles affecting the business of the company in which the investment is made, change in business circumstances of the company, industry environment and / or the economy in general.

The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The primary objective of the Fund is to provide maximum return to the shareholders by maintaining a balance between equity securities and Shariah compliant income instruments. The Fund, in addition to equities, deferred sale transactions and riba-free bank deposits, is also permitted to place funds in Islamic TFCs, Islamic sukuk certificates, other Islamic investments and other asset backed securities allowed by the SECP and confirmed by the Fund's Shariah adviser. Funds are allocated among various asset classes based on the attractiveness of the particular asset class.

The Fund follows a policy of value investing, in which major emphasis is placed on the investee company's growth prospects and / or dividend yield. The market risk is managed by monitoring exposure to marketable securities, following the internal risk management policies and regulations laid down in NBFC Regulations. The risk is also mitigated by investing consistently in dividend paying companies having growth prospects and securities which are actively traded in the stock exchange.

18.2 Credit risk and concentration of credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund Manager has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Credit risk arising on debt instruments is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of at least "A". The Fund receives a monthly rating update, against which investments are reviewed. Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties.

Concentration of credit risk exists when changes in economic and industry factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit worthy counter parties thereby mitigating any significant concentrations of credit risk.

18.3 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Fund manages the liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

18.4 Capital Risk Management

The Fund's objective when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and to maintain a strong capital base to meet unexpected losses or opportunity. In accordance with NBFC Regulations, the Fund is required to distribute at least ninety percent of its income from sources other than capital gain as reduced by such expenses as are chargeable to the Fund.

In order to maintain or adjust the capital structure, the Fund may adjust dividends paid to shareholders or issue new shares.

18.5 Yield / interest rate risk

Yield / interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Fund is exposed to an insignificant yield / interest rate risk as it makes investments in equity securities.

	Interest rate %	Interest/ mark-up bearing		Sub-total	Non-interest/ mark-up bearing		Sub-total	Total 2008	Total 2007
		Maturity upto one year	Maturity after one year		Maturity upto one year	Maturity after one year			
Financial assets									
Balances with banks	3 - 9.5	61,093	-	61,093	2,273	-	2,273	63,366	590,523
Investments - available for sale		-	-	-	52,764	-	52,764	52,764	55,179
Investment at fair value through profit or loss		-	-	-	1,770,335	-	1,770,335	1,770,335	1,551,853
Receivable against sale of investments		-	-	-	-	-	-	-	42,978
Dividend receivable		-	-	-	18,398	-	18,398	18,398	5,999
Derivative financial instruments		-	-	-	-	-	-	-	17,418
Advances, deposits and other receivables		-	-	-	2,935	-	2,935	2,935	7,295
2008		61,093	-	61,093	1,846,705	-	1,846,705	1,907,798	2,271,245
2007		589,373	-	589,373	1,681,872	-	1,681,872	2,271,245	
Financial liabilities									
Payable to Al Meezan Investment Management Limited - management company of the Fund		-	-	-	3,221	-	3,221	3,221	38,340
Payable to the Central Depository Company of Pakistan Limited - custodian of the Fund		-	-	-	86	-	86	86	113
Payable to Meezan Bank Limited - Shariah adviser of the Fund		-	-	-	250	-	250	250	250
Payable against purchase of investments		-	-	-	-	-	-	-	14,377
Accrued expenses and other liabilities		-	-	-	1,747	-	1,747	1,747	1,975
Unclaimed dividend		-	-	-	1,908	-	1,908	1,908	1,119
2008		-	-	-	7,212	-	7,212	7,212	56,174
2007		-	-	-	56,174	-	56,174	56,174	

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of financial assets and liabilities either equal or approximate their fair values.

20. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

%

2008

Broker's Name

Ample Securities (Private) Limited	19.42
InvestCapital Investment Bank Limited	12.98
KASB Securities Limited	9.33
JS Global Capital Limited	8.75
Al - Hoqani Securities and Investment Corporation (Private) Limited	6.24
Invest and Finance Securities Limited	6.20
Ismail Iqbal Securities (Private) Limited	5.94
First Capital Equities Limited	4.58
Invisor Securities (Private) Limited	4.40
AKD Securities Limited	4.11

2007

%

Ample Securities (Private) Limited	14.94
KASB Securities Limited	13.58
InvestCapital Investment Bank Limited	11.38
Invisor Securities (Private) Limited	8.78
Foundation Securities (Private) Limited	8.42
AKD Securities Limited	8.25
Orix Investment Bank Pakistan Limited	7.63
JS Global Capital Limited	7.45
First National Equities Limited	4.84
Elixir Securities Pakistan (Private) Limited	4.76

21. INVESTMENT COMMITTEE MEMBERS

21.1 Details of members of investment committee of the Fund are as follow:

	Designation	2008	
		Qualification	Experience in years
1. Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	Eighteen years
2. Mr. Muhammad Asad	Chief Investment Officer/ Fund Manager	MBA	Twelve years
3. Mr. Zaheeruddin Khalid	Head of Research and Product Development Department	CFA / MBA	Six years

21.2 Other funds being managed by the Fund Manager are as follows:

- Meezan Islamic Fund
- Meezan Islamic Income Fund

22. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors' meetings and directors present there in			
		August 1, 2007	October 11, 2007	February 13, 2008	April 25, 2008
Mr. Irfan Siddiqui *	Chairman / Director	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib	Chief Executive	Yes	Yes	Yes	Yes
Mr. Ariful Islam	Director	Yes	Yes	Yes	No
Mr. Farhan Malik	Director	Yes	Yes	Yes	Yes
Mr. Muhammad Asad	Director	Yes	Yes	Yes	Yes
Syed Owais Wasti, Esq.	Director	Yes	Yes	Yes	Yes
Mr. Salim Yusuf **	Director	N/A	N/A	N/A	Yes
Mr. Istaqbal Mehdi ***	Ex - chairman	Yes	Yes	Yes	N/A

* Mr. Irfan Siddiqui appointed as Chairman in place of Mr. Istaqbal Mehdi to fill in the casual vacancy on April 25, 2008.

* Mr. Salim Yusuf appointed in place of Mr. Istaqbal Mehdi to fill in the causal vacancy on April 18, 2008.

*** Mr. Istaqbal Mehdi resigned from the Board on February 21, 2008.

23. NON ADJUSTING EVENT

The board of directors have proposed a cash dividend of 10% (2007: 25%) amounting to Rs 137.540 million (2007: Rs 299.000 million) for the year ended June 30, 2008 at their meeting held on August 04, 2008 subject to the approval of the members at the annual general meeting to be held on October 27, 2008. The board of directors had approved an issue of 15% bonus representing 17.940 million shares at nominal value of Rs 10 each).

These financial statements do not recognise the appropriations as these have been proposed subsequent to the balance sheet date.

24. PATTERN OF SHAREHOLDING

	Number of investors	2008	
		Investment amount Rupees in '000	% of total investment
Individuals	2,865	461,281	33.54
Associated companies / directors	4	231,051	16.80
Insurance companies	2	51,068	3.71
Banks / DFIs	3	264,520	19.23
NBFCs	6	247,851	18.02
Retirement funds	19	64,727	4.71
Public limited companies	4	6,454	0.47
Others	48	48,448	3.52
Total	2,951	1,375,400	100
		2007	
Individuals	2,065	287,902	24.07
Associated companies / directors	2	200,914	16.80
Insurance companies	1	37,803	3.16
Banks / DFIs	4	276,460	23.12
NBFCs	2	185,435	15.50
Retirement funds	7	71,087	5.94
Public limited companies	8	53,657	4.49
Others	43	82,742	6.92
Total	2,132	1,196,000	100

25. CORRESPONDING FIGURES

The following items have been reclassified for the purpose of better presentation. Accordingly prior year figures have been reclassified.

Reclassification from	Reclassification to component	(Rupees in thousand)
Fees and subscription	Legal and professional	125
Annual audit fee - note 15	Half yearly review fee - note 15	100
Annual audit fee - note 15	Other certification - note 15	50

26. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements have been authorised for issue on **August 04, 2008** by the Board of Directors of the company.

Mohammad Shoaib, CFA
Chief Executive

Farhan Malik
Director

PATTERN ON SHARE HOLDING BY SIZE AS AT JUNE 30, 2008

No. of Shareholders	Having Shares		Share held	Percentage
	From	To		
169	1	100	8,706	0.0063
450	101	500	127,648	0.0928
321	501	1,000	266,167	0.1935
880	1,001	5,000	2,278,340	1.6565
390	5,001	10,000	2,929,418	2.1299
208	10,001	15,000	2,544,645	1.8501
116	15,001	20,000	2,076,203	1.5095
73	20,001	25,000	1,648,806	1.1988
54	25,001	30,000	1,512,251	1.0995
33	30,001	35,000	1,084,525	0.7885
29	35,001	40,000	1,089,343	0.7920
18	40,001	45,000	768,464	0.5587
29	45,001	50,000	1,399,206	1.0173
16	50,001	55,000	833,738	0.6062
23	55,001	60,000	1,327,296	0.9650
10	60,001	65,000	628,400	0.4569
15	65,001	70,000	1,024,165	0.7446
6	70,001	75,000	433,330	0.3151
6	75,001	80,000	462,579	0.3363
5	80,001	85,000	413,214	0.3004
3	85,001	90,000	260,545	0.1894
4	90,001	95,000	366,907	0.2668
11	95,001	100,000	1,091,150	0.7933
5	100,001	105,000	504,800	0.3670
3	105,001	110,000	322,904	0.2348
9	110,001	115,000	1,018,727	0.7407
2	115,001	120,000	235,700	0.1714
1	120,001	125,000	121,653	0.0884
1	125,001	130,000	126,211	0.0918
2	130,001	135,000	265,927	0.1933
1	135,001	140,000	135,075	0.0982
1	140,001	145,000	145,000	0.1054
1	150,001	155,000	150,025	0.1091
1	155,001	160,000	156,000	0.1134
3	160,001	165,000	488,743	0.3553
2	180,001	185,000	365,125	0.2655
1	185,001	190,000	186,208	0.1354
1	195,001	200,000	200,000	0.1454
1	210,001	215,000	211,740	0.1539
1	215,001	220,000	217,000	0.1578
2	225,001	230,000	453,486	0.3297
1	230,001	235,000	233,450	0.1697
2	235,001	240,000	475,264	0.3455

No. of Shareholders	Having Shares		Share held	Percentage
	From	To		
1	240,001	245,000	240,075	0.1745
1	245,001	250,000	246,769	0.1794
2	265,001	270,000	532,278	0.3870
1	270,001	275,000	275,000	0.1999
1	290,001	295,000	292,000	0.2123
1	295,001	300,000	300,000	0.2181
1	300,001	305,000	304,865	0.2217
1	305,001	310,000	308,500	0.2243
1	310,001	315,000	313,344	0.2278
1	315,001	320,000	317,400	0.2308
1	340,001	345,000	345,000	0.2508
1	390,001	395,000	393,000	0.2857
1	405,001	410,000	409,500	0.2977
1	450,001	455,000	454,940	0.3308
1	495,001	500,000	500,000	0.3635
1	515,001	520,000	517,263	0.3761
1	525,001	530,000	528,273	0.3841
2	605,001	610,000	1,214,400	0.8829
1	625,001	630,000	630,000	0.4580
1	630,001	635,000	631,500	0.4591
1	755,001	760,000	759,500	0.5522
1	860,001	865,000	863,349	0.6277
1	950,001	955,000	952,407	0.6925
1	1,065,001	1,070,000	1,067,535	0.7762
1	1,145,001	1,150,000	1,150,000	0.8361
1	1,420,001	1,425,000	1,421,125	1.0332
1	1,910,001	1,915,000	1,914,750	1.3921
1	2,040,001	2,045,000	2,040,025	1.4832
1	2,235,001	2,240,000	2,238,575	1.6276
1	2,690,001	2,695,000	2,691,500	1.9569
1	2,865,001	2,870,000	2,866,385	2.0840
1	2,950,001	2,955,000	2,952,614	2.1467
1	3,990,001	3,995,000	3,994,715	2.9044
1	4,150,001	4,155,000	4,154,306	3.0204
1	4,345,001	4,350,000	4,347,320	3.1608
1	5,560,001	5,565,000	5,561,607	4.0436
1	16,895,001	16,900,000	16,895,690	12.2842
1	19,570,001	19,575,000	19,570,700	14.2291
1	22,755,001	22,760,000	22,755,692	16.5448
2951			137,539,986	100.0000

CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2008

Particulars	Share holders	Share holding	Percentage
Individuals	2,827	44,982,753	32.71
Insurance companies	2	5,106,820	3.71
Joint stock companies	1	22,755,692	16.54
Financial institutions	11	54,331,455	39.50
Modarabas	-	-	-
Others	67	5,208,819	4.00
Leasing companies	-	-	-
Non residents	43	5,154,447	3.75
Total	2,951	137,539,986	100.00

**STATEMENT OF THE INCOME & EXPENDITURE OF THE MANAGEMENT COMPANY
IN RELATION TO THE FUND.
FOR THE YEAR ENDED JUNE 30, 2008**

	2008	2007
	(Rupees in '000)	
		Restated
INCOME		
Remuneration receivable from Al Meezan Mutual Fund Limited	41,399	38,340
Dividend income	49,469	58,671
	90,868	97,011
OPERATING EXPENSES		
Salaries and other benefits	2,592	10,174
Motor vehicle running expenses	67	267
Fees and subscription	116	212
Insurance expense	24	91
Printing and stationery	55	380
Financial charges	0	27
Communication	133	451
Depreciation	262	1,070
Travelling and conveyance	69	190
Entertainment	15	51
Legal and professional charges	246	364
Training and development	31	-
Repairs and maintenance	15	48
Office supplies	27	62
Rent, rates and taxes	245	990
Utilities	56	251
Miscellaneous expenses	6	29
	3,960	14,657
OPERATING PROFIT	86,908	82,354

Note: Other revenue and expenditure not related to the Fund has not been included in the above statement.

FORM OF PROXY THIRTEENTH ANNUAL GENERAL MEETING

I/We _____ of _____ being a member(s) of Al Meezan Mutual Fund Limited and holders of _____ Ordinary Shares as per Share Register Folio No. _____
(For beneficial owners as per CDC List)

CDC Participant I.D. No. _____ **Sub-Account No.** _____

CNIC NO. or Passport No. _____

hereby appoint _____ of _____
or failing him / her _____ of _____
as my / our proxy to vote and act for me / our behalf at the Thirteenth Annual General Meeting of the Company to be held on Monday October 27, 2008 or at any adjournment thereof.

Signed on
Rs. 5/-
Revenue Stamp

(Signatures should agree with the specimen signature registered with the Company)

Signature of Shareholder _____

Dated this _____ day of _____ 2008

Signature of Proxy _____

For beneficial owners as per CDC list

1. WITNESS

Signature: _____

Name: _____

Address: _____

CNIC No.

or Passport No. _____

2. WITNESS

Signature: _____

Name: _____

Address: _____

CNIC No.

or Passport No. _____

Note:

1. Proxies, in order to be effective, must be received at the Registered Office of the Company at Ground Floor, Block "B", Finance & Trade Centre, Shahrah-e-Faisal, Karachi-74400 not less than 48 hours before the meeting.
2. CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their CNIC or Passport with the proxy form before submission to the Company (Original CNIC / Passport is required to be produced at the time of the meeting).
3. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.