



Contents

| | |
|--|----|
| Vision Statement & Mission Statement | 03 |
| Fund Information | 04 |
| Report of Directors of the Management Company | 05 |
| Trustee Report to the Unit Holders | 09 |
| Auditors' Report to the Certificate Holders on Review of Condensed Interim Financial Information | 10 |
| Condensed Interim Statement of Assets and Liabilities | 11 |
| Condensed Interim Income Statement | 12 |
| Condensed Interim Distribution Statement | 13 |
| Condensed Interim Statement of Movement in Equity and Reserves-Per Certificate | 14 |
| Condensed Interim Cash Flow Statement | 15 |
| Notes to the Condensed Interim Financial Statements | 16 |
| Statement of Income & Expenditure of Management Company in relation to the Fund | 24 |

Our Vision

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

Our Mission

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

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

FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

| | |
|---------------------------|-----------------|
| Mr. Ariful Islam | Chairman |
| Mr. Mohammad Shoaib, CFA | Chief Executive |
| Mr. Tasnimul Haq Farooqui | Director |
| Mr. Aliuddin Ansari | Director |
| Mr. Rizwan Ata | Director |
| Mr. Mazhar Sharif | Director |
| Syed Owais Wasti | Director |

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE OF THE MANAGEMENT COMPANY

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

TRUSTEE

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

AUDITORS

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

BANKERS TO THE FUND

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

LEGAL ADVISOR

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

TRANSFER AGENT

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

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2008

The Board of Directors of Al Meezan Investment Management Limited, the management company of Meezan Balanced Fund is pleased to present the un-audited financial statements of the fund for the half year ended December 31, 2008.

Market Review

The first half of FY09 witnessed a bearish trend in the stock market with KSE-100 index falling from its high of 12,221 to close the year at 5,865, a decline of 52%. There was a substantial decline in daily average traded volume to 41 million shares as compared to 261 million shares during the corresponding period last year, a decline of 84%.

Economic Review

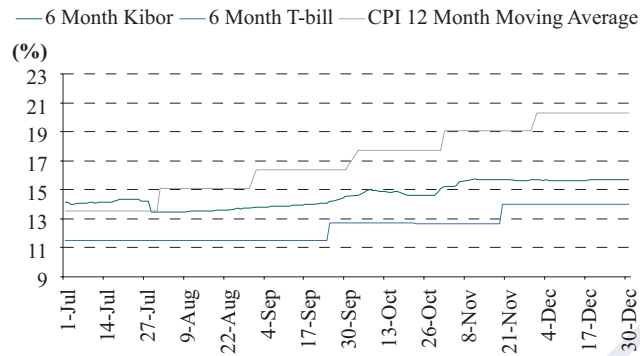
The macroeconomic outlook remained bearish during the initial months of FY09 as inflationary pressures mounted and current account deficit continued to widen unabated. The main reason for widening of the current account deficit was worsening of trade balance. Due to the extraordinary increase in international crude prices, which peaked at US\$ 147 per barrel in mid July, and later hike in food prices, Pakistan's trade deficit continued to rise and reached US\$ 5.84 billion in first four months of FY09. As a result, foreign exchange reserves declined to US \$6.6 billion on November 21, 2008 from the level of US\$ 11.4 billion at the beginning of period. This also created pressure on rupee against US dollar.

Subsequently, government administered much needed macro stabilization measures like subsidy removal, fiscal deficit management, monetary tightening, additional tariff imposition towards luxury items and tightening of forex market regulations. The impact of these decisions along with reversal in global commodity prices helped in bringing down current account deficit and inflationary pressure. Subsequently, a Stand-By Arrangement with IMF for providing US\$ 7.6 billion over 23 month period along with strong remittance inflows helped in reserve replenishment which crossed US\$ 10 billion again and also helped in stabilization in the rupee-dollar parity. On the domestic front, Government of Pakistan remained ahead of its tax collection target during six months and collected Rs. 548 billion which also helped in providing some relief to the burgeoning government borrowing.

Money Market Review - Monetary Tightening

In order to arrest the unabated inflation which hovered around 25% in the initial months and to adhere to IMF conditions, the State Bank of Pakistan (SBP) continued its policy of monetary tightening and raised the discount rate by 1% in July and subsequently 2% in November to 15%. This was the 5th increase in the past one and a half year since the start of monetary tightening. The tight monetary stance resulted in six month T-bill rates to increase from 11.47% in June 2008 to 13.99% in December 2008, an increase of 253 basis points, where as six month KIBOR rate during the same period increased by 151 basis points to close at a record high of 15.7%. The high interest rate environment during the period under review kept the money market highly tight with overnight rates making new highs of over 40% in October when SBP took some steps to ease of the liquidity. These steps included reduction of Cash Reserve Requirement (CRR) from 9% to 5% on deposits of over one year, relaxation of SLR for deposits of over one year and reducing the minimum Capital Adequacy Requirement to 9% from 10%.

To reduce government borrowing from SBP and to promote Islamic mode of financing, SBP conducted two auctions of Ijara sukuks in which it sold Rs. 12.5 billion worth of sukuks against the target of Rs. 20 billion. The coupon rate for the second auction increased by 163 basis points as compared to the first one and stood at 14.76%. The following graph shows the trend in interest rate during the period under review:



Equity Market Review

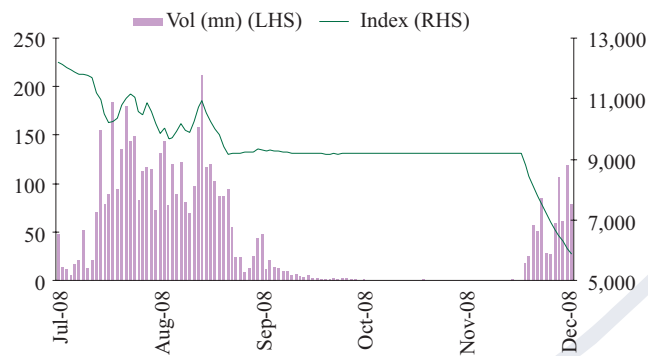
The first half of FY09 witnessed a bearish trend in the stock market with KSE-100 index falling from its high of 12,221 to close the year at 5,865, a decline of 52%. There was a substantial decline in daily average volume to 41 million shares as compared to 261 million shares during the corresponding period last year, a decline of 84%.

The downward trend at KSE that began towards the end of FY08 continued into the first half of FY09. To arrest the sharp decline, Securities and Exchange Commission of Pakistan (SECP) had changed the circuit breakers to a floor of 1% and a cap of 10% at the end of FY08. This measure, however, did not improve the situation and created a problem for margin traders who wanted an exit. Due to the drying up of volumes after the introduction of these circuit breakers, the SECP decided to revert them back to the original 5% level in early July 2008.

Nonetheless, the unabated economic pressures and downgrade of Pakistan's credit rating by Moody from B2 to B3 continued to create further downward pressure. To stem further downside in the market, KSE Board of Directors on August 27, 2008 decided to place a floor on the index at a level of 9,144 based on the closing prices of August 27. As a result, investors decided to stay away from the regular market where the volumes went down to less than a million shares in a day. However, limited trading took place in off the market counter at 20%-50% discount from the floor prices.

Subsequently, after 110 days on December 15, 2008 the floor was finally removed with the KSE-100 Index undergoing heavy correction falling by 36% in last 15 days and closed the half year at the level of 5,865. With the removal of the price floors, the brokers, who got margin calls from the financiers and were on the verge of default, were ultimately bailed out by financiers and government institutions. Initially trading in the ready market was nominal as prices corrected by 5% daily limit for several days. However, towards the end of the month, volumes picked up in scrips of fertilizer, power and gas distribution sectors.

The US subprime mortgage crises, which led to the collapse of many financial giants including Lehman Brothers, resulted in major financial downturn in the world markets. Even after governments' continuous liquidity injections, the bearish trend continued so much so that IMF termed this crisis as the worst after Great Depression. In line with increasing outflows from the emerging markets and with the removal of Pakistan from MSCI Emerging Market Index, foreigners remained net sellers at KSE with total outflow of US\$ 178million in the first half of FY09.



Performance review

The Fund, during the period ended December 31, 2008 incurred a total loss of Rs.465 million. The loss for the period comprises of mainly un-realized loss on re-measurement of investments at fair value through profit & loss of Rs. 518 million and net realized gain on sale of investments of Rs.0.26 million. The dividend income for the period was Rs.21 million and income on debt securities and profit on bank deposits was Rs.32 million. After accounting for expenses of Rs.20 million, the net loss for the period was Rs. 485 million, which translates into a loss per certificate of Rs.4.04 as on December 31, 2008. The net assets of the fund at the period end were Rs. 818 million as compared to Rs.1,424 million as at June 30, 2008. The net asset value of the fund as at December 31, 2008 was Rs.6.82 per certificate as compared to Rs.11.86 per certificate as on June 30, 2008.

Future Outlook

With greater fiscal discipline, tight monetary policy, stabilization of the Rupee and sustained weakness in international commodity prices, the government has now firmed up its grip on underlying economic fundamentals through the help of various multilateral donor agencies, particularly IMF which is spearheading Pakistan's economic revival. We expect that these corrective measures will bring back the country into more stable economic territory. Moreover, as Pakistan has succeeded in meeting all of the IMF targets for December 31, 2008, we expect SBP will not further tighten the monetary policy. Going forward, it is expected that equity market will stabilize since it is currently trading at attractive multiples.

Acknowledgement

We thank all our investors who have placed their confidence in us. We also offer our sincere gratitude to the Securities and Exchange Commission of Pakistan, the Trustee - Central Depository Company of Pakistan Limited and the management of the Karachi Stock Exchange. We also wish to place on record our appreciation for the personnel of the Management Company.

For and behalf of the Board

Date: February 23, 2009
Karachi

Muhammad Shoaib, CFA
Chief Executive

TRUSTEE REPORT TO THE UNIT HOLDERS

Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

Meezan Islamic Fund (the Fund), an open-end scheme was established under a trust deed dated June 16, 2003, executed between Al Meezan Investment Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the period from July 01, 2008 to December 31, 2008 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Muhammad Hanif
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, February 25, 2009

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

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of Meezan Balanced Fund (the Fund) as at December 31, 2008 and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in equity and reserves per certificate and condensed interim cash flow statement together with the notes forming part thereof for the six months period then ended (here-in-after referred to as the 'condensed interim financial information'). Management company is responsible for the preparation and presentation of this condensed interim financial information in accordance with the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, (NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations, 2007), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations, 2008), the directives issued by the Securities and Exchange Commission of Pakistan (the directives) and approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim financial information for the quarters ended December 31, 2008 and 2007 and the notes forming part thereof have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2008.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information for the six months period ended December 31, 2008 is not prepared, in all material respects, in accordance with the requirements of the Trust deed, NBFC Rules, NBFC Regulations, 2007, NBFC Regulations, 2008, the directives and approved accounting standards as applicable in Pakistan.

A. F. Ferguson & Co.
Chartered Accountants
Karachi, February 27, 2009

**CONDENSED INTERIM
STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 2008 (UNAUDITED - NOTE 3)**

| | December 31, 2008 | June 30, 2008 |
|--|----------------------|------------------|
| Note | (Rupees in '000) | |
| Assets | | |
| Balances with banks | 99,928 | 10,462 |
| Investments | 5 738,304 | 1,398,691 |
| Dividend receivable | 3,286 | 7,307 |
| Derivative financial instruments | 6 19 | - |
| Advances, deposits, prepayments and other receivables | 13,322 | 17,012 |
| Preliminary expenses and floatation costs | 822 | 1,662 |
| Total assets | 855,681 | 1,435,134 |
| Liabilities | | |
| Payable to Al Meezan Investment Management Limited - management company of the Fund | 3,817 | 6,851 |
| Payable to Central Depository Company of Pakistan Limited - trustee of the Fund | 109 | 136 |
| Payable to Meezan Bank Limited - shariah adviser of the Fund | 376 | 250 |
| Payable to Securities and Exchange Commission of Pakistan | 578 | 1,515 |
| Payable against purchase of investments | 21,435 | - |
| Accrued expenses and other liabilities | 1,308 | 1,618 |
| Unclaimed dividend | 9,673 | 1,081 |
| Total liabilities | 37,296 | 11,451 |
| Net assets | 818,385 | 1,423,683 |
| Certificate holders' equity (as per statement attached) | | |
| Issued, subscribed and paid-up capital | | |
| 120,000,000 ordinary certificates of Rs 10 each | 1,200,000 | 1,200,000 |
| (Loss) / unappropriated income | (381,615) | 223,683 |
| | 818,385 | 1,423,683 |
| Net assets value per certificate (Rupees) | 6.82 | 11.86 |

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

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

Chief Executive

Director

CONDENSED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2008
(UNAUDITED NOTE - 3)

| | Six months period ended December 31, | | Quarter ended December 31, | |
|--|--|----------------|----------------------------------|-----------------|
| | 2008 | 2007 | 2008 | 2007 |
| ----- (Rupees in '000) ----- | | | | |
| Income | | | | |
| Net realised gain on sale of investments | 260 | 45,659 | 1,347 | 37,739 |
| Dividend income | 20,539 | 20,633 | 10,231 | 15,041 |
| Profit on savings accounts with banks | 2,297 | 21,024 | 2,200 | 8,241 |
| Profit on sukuk certificates | 23,324 | 12,120 | 13,948 | 8,016 |
| Profit on musharaka certificates | 6,220 | - | 1,861 | - |
| | 52,640 | 99,436 | 29,587 | 69,037 |
| Unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss | (517,871) | 5,463 | (286,354) | (28,688) |
| Gain / (loss) on re-measurement of derivative financial instruments | 19 | (15,000) | 19 | - |
| | (517,852) | (9,537) | (286,335) | (28,688) |
| Total income | (465,212) | 89,899 | (256,748) | 40,349 |
| Expenses | | | | |
| Remuneration to Al Meezan Investment Management Limited - management company of the Fund | 16,971 | 22,901 | 7,593 | 11,329 |
| Remuneration to Central Depository Company of Pakistan Limited - trustee of the Fund | 715 | 852 | 338 | 422 |
| Remuneration to Meezan Bank Limited - shariah adviser of the Fund | 126 | 126 | 63 | 63 |
| Annual fee to Securities and Exchange Commission of Pakistan | 578 | 766 | 257 | 378 |
| Auditors' remuneration | 249 | 254 | 110 | 149 |
| Fees and subscription | 64 | 64 | 32 | 32 |
| Amortisation of preliminary expenses and floatation costs | 840 | 840 | 420 | 420 |
| Brokerage | 308 | 1,026 | 70 | 568 |
| Printing charges | 96 | - | 96 | - |
| Legal and professional charges | 25 | 76 | 24 | 38 |
| Bank and settlement charges | 114 | 241 | 34 | 100 |
| Total expenses | 20,086 | 27,146 | 9,037 | 13,499 |
| Net (loss) / income for the period | (485,298) | 62,753 | (265,785) | 26,850 |
| (Loss) / earnings per certificate (Rupees) | 7 | (4.04) | 0.52 | (2.21) |
| | | 0.22 | | 0.22 |

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

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Director

MEEZAN
 مِيزَان
 Balanced Fund

**CONDENSED INTERIM DISTRIBUTION STATEMENT
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2008
(UNAUDITED NOTE - 3)**

| | Six months period ended December 31, | | Quarter ended December 31, | |
|---|--|-----------|----------------------------------|---------|
| | 2008 | 2007 | 2008 | 2007 |
| | ----- (Rupees in '000) ----- | | | |
| Unappropriated income / (loss) brought forward | 223,683 | 398,166 | (115,830) | 242,069 |
| Less: Final distribution in the form of cash dividend @ 10% for the year ended June 30, 2008 (comparative: June 30, 2007 @ 16%) | (120,000) | (192,000) | - | - |
| Net (loss) / income for the period | (485,298) | 62,753 | (265,785) | 26,850 |
| (Loss) / unappropriated income carried forward | (381,615) | 268,919 | (381,615) | 268,919 |

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

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

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN
EQUITY AND RESERVES PER CERTIFICATE
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2008 (UNAUDITED NOTE - 3)**

| | Six months period ended December 31, | | Quarter ended December 31, | |
|---|--|--------------|----------------------------------|--------------|
| | 2008 | 2007 | 2008 | 2007 |
| | ----- (Rupees in '000) ----- | | | |
| Net assets per certificate at the beginning of the period | 11.86 | 13.32 | 9.03 | 12.02 |
| Net realised gain on sale of investments | - | 0.38 | 0.01 | 0.31 |
| Dividend income | 0.17 | 0.17 | 0.09 | 0.12 |
| Profit on savings accounts with banks | 0.02 | 0.18 | 0.02 | 0.07 |
| Profit on sukuk certificates | 0.19 | 0.10 | 0.12 | 0.07 |
| Profit on musharaka certificates | 0.05 | - | 0.02 | - |
| Unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss | (4.31) | 0.04 | (2.39) | (0.24) |
| Gain / (loss) on re-measurement of derivative financial instruments | - | (0.12) | - | - |
| Expenses | (0.16) | (0.23) | (0.08) | (0.11) |
| Net (loss) / income for the period | (4.04) | 0.52 | (2.21) | 0.22 |
| Dividend declared at Re.1 (June 30, 2007: Rs 1.6) per certificate for the year ended June 30, 2008 | (1.00) | (1.60) | - | - |
| Net assets per certificate at the end of the period | <u>6.82</u> | <u>12.24</u> | <u>6.82</u> | <u>12.24</u> |

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

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

Chief Executive

Balanced Fund

Director

CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2008
(UNAUDITED NOTE - 3)

| | Six months period ended | | Quarter ended | |
|--|----------------------------|------------------|----------------------|------------------|
| | December 31, 2008 | 2007 | December 31, 2008 | 2007 |
| ----- (Rupees in '000) ----- | | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net (loss) / income | (485,298) | 62,753 | (265,785) | 26,850 |
| Adjustments for: | | | | |
| Dividend income | (20,539) | (20,633) | (10,231) | (15,041) |
| Profit on savings accounts with banks | (2,297) | (21,024) | (2,200) | (8,241) |
| Profit on sukuk certificates | (23,324) | (12,120) | (13,948) | (8,016) |
| Profit on musharika certificates | (6,220) | - | (1,861) | - |
| Unrealised loss / (gain) on re-measurement of investments at fair value through profit or loss | 517,871 | (5,463) | 286,354 | 28,688 |
| (Gain) / loss on re-measurement of derivative financial instruments | (19) | 15,000 | (19) | - |
| Amortisation of preliminary expenses and floatation costs | 840 | 840 | 420 | 420 |
| | (18,986) | 19,353 | (7,270) | 24,660 |
| (Increase) / decrease in assets | | | | |
| Placements | - | (75,000) | - | - |
| Investments - at fair value through profit or loss | 148,736 | (123,839) | 148,268 | 46,328 |
| Receivable against sale of investments | - | 202,561 | - | 61,870 |
| Advances, deposits, prepayments and other receivables | (63) | (2,564) | 534 | (2,468) |
| | 148,673 | 1,158 | 148,802 | 105,730 |
| Increase / (decrease) in liabilities | | | | |
| Payable to Al Meezan Investment Management Limited - management company of the Fund | (3,034) | (40,575) | (2,495) | (9,492) |
| Payable to Central Depository Company of Pakistan Limited - trustee of the Fund | (27) | (12) | (9) | (3) |
| Payable to Meezan Bank Limited - shariah adviser of the Fund | 126 | (124) | 63 | (187) |
| Payable to Securities and Exchange Commission of Pakistan | (937) | (679) | 256 | (1,068) |
| Payable against purchase of investments | 21,435 | (45,561) | 21,435 | (4,653) |
| Accrued expenses and other liabilities | (310) | (480) | 7 | 209 |
| | 17,253 | (87,431) | 19,257 | (15,194) |
| Cash generated from / (used in) operations | 146,940 | (66,920) | 160,789 | 115,196 |
| Dividend income received | 24,560 | 19,137 | 13,374 | 17,618 |
| Profit received on savings accounts with banks | 6,258 | 20,134 | 715 | 10,185 |
| Profit received on sukuk certificates | 23,116 | 7,512 | 13,740 | 7,342 |
| Net cash inflow / (outflow) from operating activities | 200,874 | (20,137) | 188,618 | 150,341 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Dividend paid | (111,408) | (187,790) | (111,408) | (187,807) |
| Net cash outflow from financing activities | (111,408) | (187,790) | (111,408) | (187,807) |
| Net increase / (decrease) in cash and cash equivalents | 89,466 | (207,927) | 77,210 | (37,466) |
| Cash and cash equivalents at the beginning of the period | 10,462 | 415,628 | 22,718 | 245,167 |
| Cash and cash equivalents at the end of the period | <u>99,928</u> | <u>207,701</u> | <u>99,928</u> | <u>207,701</u> |

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

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Director



**NOTES TO THE CONDENSED
INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2008 (UNAUDITED NOTE - 3)**

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Balanced Fund (the Fund) was established as a closed-end scheme under a Trust Deed executed between Al Meezan Investment Management Limited (AMIML) as management company and Central Depository Company of Pakistan Limited (CDC) as trustee. The Trust Deed was executed on June 15, 2004 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on September 8, 2004 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). On November 21, 2007 the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations, 2007) were notified which are now superseded by the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations, 2008) issued through S.R.O. 1203(I)/2008 on November 21, 2008. The registered office of the management company of the Fund, is situated in Finance and Trade Centre, Sharah-e-Faisal, Karachi, Pakistan.
- 1.2 The investment objective of the Fund is to generate long-term capital appreciation as well as current income by creating a balanced portfolio that is invested both in high quality equity securities and islamic income instruments such as term finance certificates, certificates of islamic investment, musharika certificates, islamic sukuk certificates and other Shariah compliant instruments. Under the Trust Deed all the conducts and acts of the Fund are based on Shariah. The management company has appointed Meezan Bank Limited (MBL) as shariah adviser to ensure that the activities of the Fund are in compliance with the principles of Shariah. The management company of the Fund is registered with SECP as a Non-Banking Finance Company under NBFC Rules.
- 1.3 The Fund is a close-end scheme (mutual fund) listed on the Karachi Stock Exchange.
- 1.4 The objective of the Fund is to carry on the business of a closed-end mutual fund and to invest its assets in securities, which are listed or proposed to be listed on the stock exchanges or Mutual Funds Association of Pakistan (MUFAP). The Fund has been given a normal rating of five star by Pakistan Credit rating Agency.
- 1.5 During the period, SECP has notified the NBFC Regulations, 2008. According to clause 65 of the NBFC Regulations, 2008, a closed end fund or an investment company shall, upon expiry of every five years from November 21, 2008 or the date of launch of the fund whichever is later, hold a meeting of shareholders within one month of such period to seek approval of the shareholders (by special resolution), to convert into an open end scheme or revoke the closed end scheme or wind up the investment company.
- 1.6 Title to the assets of the Fund are held in the name of CDC as a trustee of the Fund.

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 condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, the Trust Deed, NBFC Rules, NBFC Regulations, 2007, NBFC Regulations, 2008 and the directives issued by SECP. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Trust Deed, NBFC Rules, NBFC Regulations, 2007, NBFC Regulations, 2008 and the said directives differ with requirements of these standards, the requirements of the Trust Deed, NBFC Rules, NBFC Regulations, 2007, NBFC Regulations, 2008 and the said directives take precedence. The disclosures made in these condensed interim financial statements have, however been limited based on the requirements of the IAS 34: 'Interim Financial Reporting'.
- 3.2 These condensed interim financial statements comprise of the condensed interim statement of assets and liabilities as at December 31, 2008 and the condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in equity and reserves per certificate, condensed interim cash flow statement and notes thereto, for the six months period then ended, which have been subjected to a review but not audited. These condensed interim financial statements also include condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in equity and reserves per certificate, condensed interim cash flow statement and notes thereto for the quarter ended December 31, 2008 which have not been subjected to a review.
- 3.3 The comparative statement of assets and liabilities presented in these condensed financial statements as at June 30, 2008 has been extracted from the annual audited financial statements of the Fund for the year ended June 30, 2008 whereas the comparative condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in equity and reserves per share and condensed interim cash flow statement have been extracted from the financial statements for the six months period ended December 31, 2007 which were subjected to a review but not audited. The comparative condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in equity and reserves per share and condensed interim cash flow statement for the quarter ended December 31, 2007 included in these condensed interim financial statements were not subjected to a review.
- 3.4 Standards, amendments and interpretations effective from July 1, 2008:
- During the period, IFRS 7 'Financial instruments: Disclosures' became effective. Adoption of such standard would require certain additional disclosures to the complete set of financial statements. However, in accordance with paragraph 18 of IAS 34 such disclosures have not been made in these condensed interim financial statements.
- Certain other new standards and interpretations 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 disclosed in these condensed interim financial statements.
- 3.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:
- Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on or after July 1, 2009 but are considered not to be relevant or have any significant effect to the Fund's operations and are therefore not detailed in these condensed interim financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements and the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied in the preparation of the financial statements as at and for the year ended June 30, 2008.

| | Note | December 31, 2008 | June 30, 2008 |
|---|---------|----------------------|------------------|
| (Rupees in '000) | | | |
| 5. INVESTMENTS | | | |
| Investments at fair value through profit or loss | 5.1 | 635,918 | 1,297,230 |
| Loans and receivables originated by the Fund | 5.2 | 102,386 | 101,461 |
| | | <u>738,304</u> | <u>1,398,691</u> |
| 5.1 Investments at fair value through profit or loss | | | |
| Held for trading | 5.1.1 | 371,251 | 943,558 |
| Investments at fair value through profit or loss upon initial recognition | 5.1.2 | <u>264,667</u> | <u>353,672</u> |
| | | <u>635,918</u> | <u>1,297,230</u> |
| 5.1.1 Held for trading | | | |
| Shares / units of listed companies / funds | 5.1.1.1 | 371,251 | 855,148 |
| Sukuk certificates | 5.1.1.7 | - | 88,410 |
| | | <u>371,251</u> | <u>943,558</u> |

5.1.1.1 Held for trading - Shares / units of listed companies / funds

| Name of the investee company | As at July 1, 2008 | Purchase during the period | Bonus / rights issue | Sales during the period | As at December 31, 2008 | Carrying value as at December 31, 2008 | Market value as at December 31, 2008 (see note 5.1.1.6 below) | Unrealised loss as at December 31, 2008 | Percentage in relation to | | | |
|---|--------------------|----------------------------|----------------------|-------------------------|-------------------------|--|---|---|---|--|-----------------------------------|------|
| | | | | | | | | | net assets of the Fund on the basis of market value of investments (see note 5.1.1.3 below) | paid-up capital of investee company (with face value of investments) | total market value of investments | |
| | | | | | | Number of shares | | Rupees in '000 | | | | |
| Open end mutual fund | | | | | | | | | | | | |
| Mezzan Islamic Income Fund (note 5.1.1.2) (an associate of the Fund) | 3,521,415 | 910,280 | - | 4,431,695 | - | - | - | - | - | - | - | - |
| Textile composite | | | | | | | | | | | | |
| Nishat Mills Limited | 105,600 | 50,000 | - | - | 155,600 | 12,120 | 3,517 | (8,603) | 0.43 | 0.10 | 0.48 | 0.48 |
| Jute | | | | | | | | | | | | |
| Thal Limited (note 5.1.1.2) | 115,544 | - | - | - | 115,544 | 22,649 | 13,234 | (9,415) | 1.62 | 0.27 | 1.79 | 1.79 |
| Cement | | | | | | | | | | | | |
| Attock Cement Pakistan Limited | 160,000 | - | - | - | 160,000 | 12,341 | 6,029 | (6,312) | 0.74 | 0.22 | 0.82 | 0.82 |
| DG Khan Cement Company Limited | 180,000 | 395,000 | - | - | 575,000 | 34,992 | 12,230 | (22,762) | 1.49 | 0.23 | 1.65 | 1.65 |
| Cherat Cement Company Limited | 48,382 | - | - | - | 48,382 | 1,311 | 552 | (739) | 0.07 | 0.05 | 0.07 | 0.07 |
| Fauji Cement Limited | 93,500 | 140,000 | - | - | 233,500 | 2,041 | 1,097 | (944) | 0.13 | 0.03 | 0.15 | 0.15 |
| | | | | | | | | | 2.43 | | 2.69 | 2.69 |
| Automobile Assembler | | | | | | | | | | | | |
| Pak Suzuki Motor Company Limited | 56,800 | 20,000 | - | - | 76,800 | 8,905 | 6,114 | (2,791) | 0.75 | 0.09 | 0.83 | 0.83 |
| | | | | | | | | | 0.75 | | 0.83 | 0.83 |
| Refinery | | | | | | | | | | | | |
| Pakistan Refinery Limited | - | 25,000 | - | 25,000 | - | - | - | - | - | - | - | - |
| Power generation and distribution | | | | | | | | | | | | |
| The Hub Power Company Limited | 2,762,000 | 1,126,000 | - | - | 3,888,000 | 95,693 | 54,782 | (40,911) | 6.69 | 0.34 | 7.42 | 7.42 |
| | | | | | | | | | 6.69 | | 7.42 | 7.42 |

| Name of the investee company | As at July 1, 2008 | Purchase during the period | Bonuses / rights issue | Sales during the period | As at December 31, 2008 | Carrying value as at December 31, 2008 | Market value as at December 31, 2008 (see note 5.1.1.4 below) | Unrealised loss as at December 31, 2008 | Percentage in relation to | | |
|--|--------------------|----------------------------|------------------------|-------------------------|-------------------------|--|---|---|---|--|-----------------------------------|
| | | | | | | | | | net assets of the Fund on the basis of market value of investments (see note 5.1.1.3 below) | paid-up capital of investee company (with face value of investments) | total market value of investments |
| ----- Number of shares ----- | | | | | | ----- Rupees in '000 ----- | | | | | |
| Oil and gas marketing companies | | | | | | | | | | | |
| Pakistan State Oil Company Limited | 61,600 | 12,500 | - | 13,000 | 61,100 | 24,849 | 8,834 | (16,015) | 1.08 | 0.04 | 1.20 |
| Sui northern Gas Pipeline Limited | 120,100 | 78,600 | - | - | 198,700 | 8,375 | 4,264 | (4,111) | 0.52 | 0.04 | 0.58 |
| | | | | | | | | | 1.60 | | 1.78 |
| Oil and gas exploration companies | | | | | | | | | | | |
| Oil and Gas Development Company Limited (note 5.1.1.4) | 592,766 | 38,400 | - | 88,000 | 543,166 | 67,058 | 27,153 | (39,905) | 3.32 | 0.01 | 3.68 |
| Pakistan Oilfields Limited | 127,500 | - | 21,900 | 18,000 | 131,400 | 39,950 | 13,467 | (26,483) | 1.64 | 0.06 | 1.82 |
| Pakistan Petroleum Limited | 382,000 | 185,000 | 40,000 | 67,000 | 540,000 | 105,797 | 54,335 | (51,462) | 6.64 | 0.07 | 7.36 |
| | | | | | | | | | 11.60 | | 12.86 |
| Technology and communication | | | | | | | | | | | |
| Pakistan Telecommunication Company Limited | 815,500 | 275,000 | - | - | 1,090,500 | 42,253 | 18,418 | (23,835) | 2.25 | 0.03 | 2.49 |
| TRG Pakistan Limited | 1,708,000 | 100,000 | - | - | 1,808,000 | 11,158 | 3,218 | (7,940) | 0.39 | 0.48 | 0.43 |
| | | | | | | | | | 2.64 | | 2.92 |
| Chemical | | | | | | | | | | | |
| ICI Pakistan Limited | 115,000 | - | - | - | 115,000 | 18,558 | 7,902 | (10,656) | 0.97 | 0.08 | 1.07 |
| | | | | | | | | | 0.97 | | 1.07 |
| Fertilizer | | | | | | | | | | | |
| Engro Chemical (Pakistan) Limited | 291,908 | 220,000 | - | - | 511,908 | 128,138 | 49,379 | (78,759) | 6.03 | 0.24 | 6.69 |
| Fauji Fertilizer Bin Qasim Company Limited | 1,799,000 | 200,000 | - | - | 1,999,000 | 70,530 | 25,787 | (44,743) | 3.15 | 0.21 | 3.49 |
| Fauji Fertilizer Company Limited | 560,619 | 300,000 | - | - | 860,619 | 91,392 | 50,544 | (40,848) | 6.18 | 0.17 | 6.85 |
| | | | | | | | | | 15.36 | | 17.03 |
| Miscellaneous | | | | | | | | | | | |
| Tri-Pack Films Limited | 20,000 | 63,400 | - | - | 83,400 | 13,257 | 10,395 | (2,862) | 1.27 | 0.28 | 1.41 |
| | | | | | | | | | 1.27 | | 1.41 |
| Total | | | | | | 811,367 | 371,251 | (440,116) | | | |
| Total cost of investments | | | | | | | 833,557 | | | | |

5.1.1.2 All shares have a face value of Rs 10 each except for the shares of Thal Limited which have a face value of Rs 5 each and units of Meezan Islamic Income Fund which have a face value of Rs 50 each.

5.1.1.3 Net assets are defined in Regulation 66 of NBFC Regulations, 2008.

5.1.1.4 123,500 shares of Oil and Gas Development Company Limited, having market value of Rs 6.714 million as at December 31, 2008, have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

5.1.1.5 The SECP through its letter No. NBFC-II/AD/AMIML/97/2008 dated February 22, 2008 has relaxed the investment limits prescribed in Regulation 64(5) and (8) of NBFC Regulations, 2007 to fifteen percent and thirty percent respectively. However, Regulations 55(6) and (9) of NBFC Regulations, 2008 has prescribed the investment limits to be fifteen percent and thirty percent respectively.

5.1.1.6 During the period, the Karachi Stock Exchange (Guarantee) Limited (KSE) placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the "Floor Mechanism", the individual security price of equity security could vary within the normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008. Consequent to the introduction of the above measures by the KSE the market volume declined significantly. The "Floor Mechanism" was subsequently removed by KSE on December 15, 2008. Subsequent to the removal of the "Floor Mechanism" the KSE 100 index declined from 9,187.10 points at December 15, 2008 to 5,865.01 points at December 31, 2008 and the market remained generally inactive during this period due to low trading volumes.

SECP through its circular No. Enf/D-III/Misc/1/2008 dated January 29, 2009 has clarified that the market prices quoted on stock exchange on December 31, 2008 may be used as the fair value of securities as of that date for the purpose of preparation of financial statements for the six months period ended December 31, 2008. Accordingly, equity securities have been valued at the market prices as quoted on the stock exchange on December 31, 2008.

5.1.1.7 Held for trading - Sukuk certificates

| Name of the investee company | Maturity | profit rate | As at July 1, 2008 | Purchase during the period | Sales/Redemption during the period | As at December 31, 2008 | Carrying Value as at December 31, 2008 | Market value as at December 31, 2008 (see note 5.1.2.5 below) | Unrealised loss as at December 31, 2008 | Percentage in relation to | | |
|---------------------------------------|------------------|--|--------------------|----------------------------|------------------------------------|-------------------------|--|---|---|---|-------------------------------------|-----------------------------------|
| | | | | | | | | | | net assets of the Fund on the basis of market value of investments (see note 5.1.1.3 above) | paid up capital of investee company | total market value of investments |
| Water and Power Development Authority | October 22, 2012 | 6 months KIBOR plus base rate of 0.35% | 17,500 | | | 17,500 | | | | | | |
| ----- Number of certificates ----- | | | | | | | ----- (Rupees in '000) ----- | | | | | |

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

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

| | Note | December 31, 2008 | June 30, 2008 |
|----------------------------|---------|-------------------|----------------|
| Shares of listed companies | 5.1.2.1 | 46,302 | 96,780 |
| Sukuk Certificates | 5.1.2.2 | 218,365 | 256,892 |
| | | <u>264,667</u> | <u>353,672</u> |

5.1.2.1 Shares of listed companies

| Name of the investee company | As at July 1, 2008 | Purchase during the period | Bonuses / rights issue | Sales during the period | As at December 31, 2008 | Carrying Value as at December 31, 2008 | Market value as at December 31, 2008 (see note 5.1.1.5 above) | Unrealised loss as at December 31, 2008 | Percentage in relation to | | | |
|--|--------------------|----------------------------|------------------------|-------------------------|-------------------------|--|---|---|---|--|-----------------------------------|--|
| | | | | | | | | | net assets of the Fund on the basis of market value of investments (see note 5.1.1.3 above) | paid-up capital of investee company (with face value of investments) | total market value of investments | |
| Automobile assembler | | | | | | | | | | | | |
| Indus Motor Company Limited | 208,055 | - | - | - | 208,055 | 41,621 | 25,566 | (16,055) | 3.12 | 0.26 | 3.46 | |
| Paper and board Packages Limited | 192,473 | - | - | - | 192,473 | 48,482 | 15,627 | (32,855) | 1.91 | 0.23 | 2.12 | |
| Commercial bank | | | | | | | | | | | | |
| Meezan Bank Limited (an associate of the Fund) | 219,000 | - | 18,834 | - | 237,834 | 6,677 | 5,109 | (1,568) | 0.62 | 0.05 | 0.69 | |
| | | | | | | <u>96,780</u> | <u>46,302</u> | <u>(50,478)</u> | | | | |
| Total cost of investments | | | | | | 129,284 | | | | | | |

5.1.2.2 Sukuk certificates

| Name of the investee company | Maturity | profit rate | As at July 1, 2008 | Purchase during the period | Sales/redemption during the period | As at December 31, 2008 | Carrying Value as at December 31, 2008 | Market value as at December 31, 2008 (see note 5.1.2.5 below) | Unrealised loss as at December 31, 2008 | Percentage in relation to | | |
|--|--------------------|--|--------------------|----------------------------|------------------------------------|-------------------------|--|---|---|---|-------------------------------------|-----------------------------------|
| | | | | | | | | | | net assets of the Fund on the basis of market value of investments (see note 5.1.1.3 above) | paid up capital of investee company | total market value of investments |
| Sitara Chemical Industries Limited - II (note 5.1.2.3) | December 17, 2011 | 3 months KIBOR plus base rate of 1.7% | 18,000 | | | 18,000 | 67,894 | 63,269 | (4,625) | 7.73 | 3.31 | 8.57 |
| Engro Chemical Pakistan Limited (note 5.1.2.4) | September 1, 2015 | 6 months KIBOR plus base rate of 1.5% | 15,000 | | | 15,000 | 76,628 | 71,248 | (5,380) | 8.71 | 0.04 | 9.65 |
| Security Leasing Corporation Limited II (note 5.1.2.4) | September 19, 2012 | 6 months KIBOR plus base rate of 1.95% | 5,000 | | | 5,000 | 25,100 | 21,336 | (3,764) | 2.61 | 0.07 | 2.89 |
| Century Paper & Board Mills Limited (note 5.1.2.4) | September 23, 2014 | 6 months KIBOR plus base rate of 1.35% | 5,000 | | | 5,000 | 25,495 | 21,629 | (3,866) | 2.64 | 0.04 | 2.93 |
| Eden Housing Limited (note 5.1.2.4) | April 2, 2013 | 6 months KIBOR plus base rate of 2.5% | 5,000 | | | 5,000 | 25,275 | 22,133 | (3,142) | 2.70 | 0.00 | 3.00 |
| Arzoo Textile Mills Limited (note 5.1.2.4) | April 15, 2014 | 6 months KIBOR plus base rate of 2% | 5,000 | | | 5,000 | 25,250 | 18,750 | (6,500) | 2.29 | 0.04 | 2.54 |
| | | | | | | | <u>245,642</u> | <u>218,365</u> | <u>(27,277)</u> | | | |
| Total cost of investments | | | | | | | 242,500 | | | | | |

5.1.2.3 The nominal value of Sitara Chemicals Industries Limited sukuk certificates is Rs 3,750 each.

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

5.1.2.5 As a basis for valuation of unlisted debt security was not prescribed in relation to a closed end collective investment scheme by December 31, 2008 the Fund has for the purpose of ascertaining the fair values, as required by International Accounting Standard 39 'Financial Instruments: Recognition and Measurement', used the valuation model prescribed by the SECP through its circular No. NBFCD/MF/Circular/2009-31 January 6, 2009.

5.2 Loans and receivables - originated by the Fund

| Name of the investee company | Maturity | profit rate | As at July 1, 2008 | Purchase during the period | Sales during the period | Redemptions during the period | As at December 31, 2008 | Amortised cost as at December 31, 2008 | Percentage in relation to | | |
|---|-------------|---------------------------------------|--------------------|----------------------------|-------------------------|-------------------------------|-------------------------|--|---|-------------------------------------|-----------------------------------|
| | | | | | | | | | net assets of the Fund on the basis of market value of investments (see note 5.1.1.3 above) | paid up capital of investee company | total market value of investments |
| Number of certificates | | | | | | | | (Rupees in '000) | | | |
| D.G Khan Cement - Diminishing Musharaka | May 8, 2010 | 6 months KIBOR plus base rate of 0.5% | 1,000 | - | - | - | 1,000 | 102,386 | 12.51 | 0.04 | 13.87 |
| | | | | | | | | 102,386 | | | |
| Total cost of investments | | | | | | | | 100,000 | | | |

5.2.1 The nominal value of the diminishing musharika certificates is Rs 100,000 each.

6. DERIVATIVE FINANCIAL INSTRUMENTS

| Type of derivative | Number of shares | Settlement | Underlying | Notional amount | Fair value Assets | Fair value Liabilities |
|--------------------------|------------------|-------------------|------------|-----------------|-------------------|------------------------|
| (Rupees in '000) | | | | | | |
| Rights entitlement | | | | | | |
| Nishat Mills Limited | 77,800 | February 12, 2009 | Equity | - | 19 | - |
| December 31, 2008 | | | | | 19 | - |
| June 30, 2008 | | | | | - | - |

7. (LOSS) / EARNINGS PER CERTIFICATE - BASIC

| | Six months period ended | | Quarter ended | |
|--|-------------------------|---------|-------------------|---------|
| | December 31, 2008 | 2007 | December 31, 2008 | 2007 |
| (Rupees in '000) | | | | |
| Net (loss) / profit for the period (Rupees in '000) | (485,298) | 62,753 | (265,785) | 26,850 |
| Weighted average number of ordinary certificates outstanding during the period | 120,000 | 120,000 | 120,000 | 120,000 |
| (Rupees) | | | | |
| Basic (loss) / earning per certificate (Rupees) | (4.04) | 0.52 | (2.21) | 0.22 |

8. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include AMIML being the management company, CDC being the trustee, Meezan Bank Limited being the shariah adviser of the Fund and holding company of the management company, directors and officers of the management company, Meezan Islamic Fund, Meezan Islamic Income Fund, Al Meezan Mutual Fund, Meezan Tahaffuz Pension Fund 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 trustee is determined in accordance with the provision of NBFC Rules, NBFC Regulations, 2007 and NBFC Regulations, 2008 and the Trust Deed respectively.

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

| | December 31, 2008 | June 30, 2008 |
|---|------------------------------|--------------------------|
| | (Rupees in '000) | |
| Al Meezan Investment Management Limited | | |
| - management company of the Fund | | |
| Remuneration payable | <u>2,154</u> | <u>3,517</u> |
| Preliminary expenses and floatation costs payable | <u>1,663</u> | <u>3,334</u> |
| Investment of 4,821,824 certificates (June 30, 2008: 4,821,824) | <u>19,143</u> | <u>46,048</u> |
| Central Depository Company of Pakistan Limited | | |
| - trustee of the Fund | | |
| Remuneration payable | <u>109</u> | <u>134</u> |
| Charges payable | <u>-</u> | <u>2</u> |
| Meezan Bank Limited - shariah adviser of the Fund | | |
| Bank balance and placements | <u>1,909</u> | <u>1,804</u> |
| Shariah advisory fee payable | <u>376</u> | <u>250</u> |
| Investment in 237,834 shares (June 30, 2008: 219,000 shares) | <u>5,109</u> | <u>6,677</u> |
| Investment of 16,134,468 certificates (June 30, 2008: 16,134,468 certificates) | <u>64,054</u> | <u>154,084</u> |
| Pakistan Kuwait Investment Company (Private) Limited | | |
| Investment of 11,057,791 certificates (June 30, 2008: 11,057,791 certificates) | <u>43,899</u> | <u>105,602</u> |
| Directors and officers of the management company | | |
| Investment of 71,975 certificates (June 30, 2008: 21,975 certificates) | <u>286</u> | <u>210</u> |

| | For the six months period ended | |
|---|--|------------------------------|
| | December 31, 2008 | December 31, 2007 |
| | (Rupees in '000) | |
| Meezan Islamic Income Fund | | |
| Investment of 910,280 units (December 31, 2007 Nil units) | <u>39,000</u> | <u>-</u> |
| Redemption of 4,431,695 units (December 31, 2007 Nil units) | <u>223,120</u> | <u>-</u> |
| Al Meezan Investment Management Limited - management company of the Fund | | |
| Remuneration for the period | <u>16,971</u> | <u>22,901</u> |
| Preliminary expenses and floatation costs for the period | <u>840</u> | <u>840</u> |
| Dividend for the period | <u>4,822</u> | <u>7,715</u> |
| Central Depository Company of Pakistan Limited - trustee of the Fund | | |
| Remuneration for the period | <u>715</u> | <u>852</u> |
| Charges for the period | <u>69</u> | <u>107</u> |
| Meezan Bank Limited - shariah adviser of the Fund | | |
| Profit on savings account | <u>21</u> | <u>8,240</u> |
| Shariah advisory fee for the period | <u>126</u> | <u>126</u> |
| Dividend for the period | <u>16,134</u> | <u>25,815</u> |
| Pakistan Kuwait Investment Company (Private) Limited | | |
| Dividend for the period | <u>11,058</u> | <u>17,692</u> |
| Directors and officers of the management company | | |
| Dividend for the period | <u>72</u> | <u>55</u> |

9. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These condensed interim financial statements have been authorised on February 23, 2009 by the Board of Directors of the management company of the Fund.

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

Chief Executive

Director

**STATEMENT OF THE INCOME & EXPENDITURE OF THE
MANAGEMENT COMPANY IN RELATION TO THE FUND
FOR THE SIX MONTHS ENDED DECEMBER 31, 2008**

| | 2008 | 2007 |
|---|------------------|---------------|
| | (Rupees in '000) | |
| INCOME | | |
| Remuneration receivable from Meezan Balanced Fund | 16,972 | 22,901 |
| Dividend income | <u>3,822</u> | <u>5,681</u> |
| | 20,794 | 28,582 |
| OPERATING EXPENSES | | |
| Salaries and other benefits | 2,446 | 3,556 |
| Motor vehicle running expenses | 105 | 65 |
| Fees and subscription | 52 | 209 |
| Insurance expense | 15 | 23 |
| Printing and stationery | 123 | 73 |
| Audit Fee | - | 6 |
| Financial charges | 881 | 572 |
| Telephone, fax, postage & stamps | 157 | 173 |
| Depreciation | 370 | 341 |
| Travelling and conveyance | 43 | 119 |
| Entertainment | 8 | 18 |
| Legal and professional charges | 96 | 393 |
| Training and development | 32 | 39 |
| Repairs and maintenance | 13 | 21 |
| Office supplies | 8 | 29 |
| Rent, rates and taxes | 321 | 260 |
| Utilities | 64 | 73 |
| Miscellaneous expenses | 4 | 4 |
| | <u>4,738</u> | <u>5,974</u> |
| Net income for the period | <u>16,056</u> | <u>22,608</u> |

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

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

Chief Executive

Director