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Our Vision

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

Our Mission

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

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

FUND INFORMATION

MANAGEMENT COMPANY

Al Meezan Investment Management Limited
Ground Floor, Block "B", Finance & Trade Centre,
Shahrah-e-Faisal, Karachi 74400, Pakistan.
Phone: (9221) 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

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

LEGAL ADVISOR

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



Balanced Fund

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of Al Meezan Investment Management Limited, the Management Company of Meezan Balanced Fund is pleased to present the audited annual financial statements of Meezan Balanced Fund (MBF) for the year ended June 30, 2008.

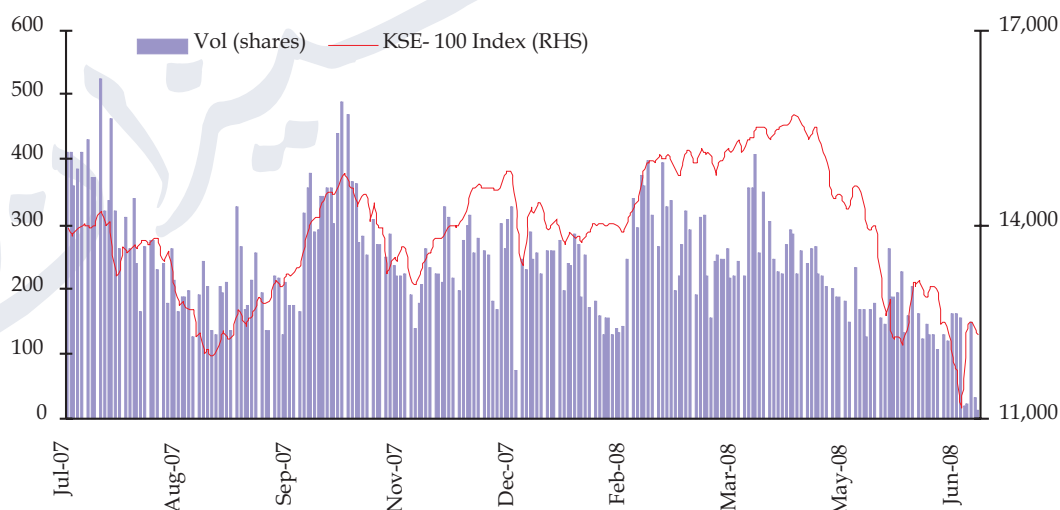
Market Review

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. The market remained volatile during the year due to political uncertainty, judicial crisis, imposition of emergency and assassination of former Prime Minister Benazir Bhutto.

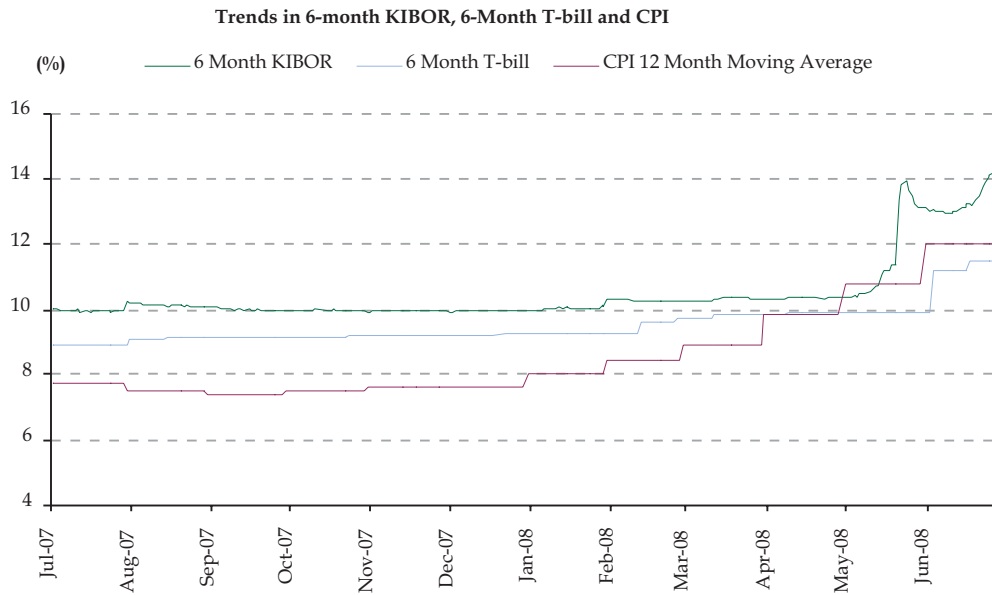
Although peaceful elections and creation of broad based coalition government led to a rebound in the stock market, the situation soon reversed as the country was faced with economic challenges mainly due to hikes in international crude oil and commodity prices, which led to inflationary pressures and 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 by increasing discount rate which resulted in the weakening of the stock market.

The KSE Index touched the lowest level of 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 closed above 12,000 points.

KSE-100 Index Performance during FY08



On the money market front, increasing inflation and central bank's efforts to control it through a combination of interest rate hikes and increased reserve requirements has been the theme of the year. SBP increased the policy rate thrice during the year from 9.5% to 12%. The tight monetary stance resulted in six month t-bill rates to increase from 8.9% in June 2007 to 11.47% by end of June 2008, whereas six month KIBOR during the same period increased by 417 bps to 14.19%.



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 local economy in general and of Meezan Balanced Fund in particular.

Future direction of the economy and stock market is likely to be driven by growth prospects, political stability, improved balance of payments and foreign investment. With value in Pakistani equities and attractive relative valuations of local companies, improved deposit rates on Islamic deposits and the resetting of coupons linked to KIBOR, we expect the yield for the unit holders to improve going forward.

Fund Rating

We are pleased to inform our investors that the Management Company of MBF is rated AM-2 by JCR - VIS, while another leading rating agency operating in Pakistan, Pakistan Credit Rating Agency (PACRA) has assigned the highest possible rating for mutual funds to Meezan Balanced Fund. MBF has been rated 5-Star by PACRA which denotes superior performance of MBF versus its peers. PACRA has awarded 5-Star rating to MBF for its superior short term (trailing 12 month period) and long term (trailing 36 month period) performance as compared to its peers.

Compliance with Code of Corporate Governance

Al Meezan Investment Management 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".
- The sale and repurchase of units of the Fund carried out by the Directors, CEO, CFO and Company Secretary of the Management Company including their spouses and their minor children are as under:

Trades by	Number of Certificates Purchased	Number of Certificates Sold
Mr. Tasnimul Haq Farooqui Director	-	12,370

- Pattern of holding of certificates is given in note no.24 of the financial statements
- Financial highlights since inception are given in note no.22 of the financial statements.

Board Meetings

Please refer to note no.19 provided in the financial statements.

Appointment of Auditors

M/s A.F. Ferguson & Co. Chartered Accountants retire and being eligible offers themselves as the auditors of the Fund for FY 2009. The Board of the Directors' of the Management Company has approved their re-appointment.

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 firm in Pakistan . We also thank the regulator, Securities and Exchange Commission of Pakistan, Meezan Balanced Fund'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 behalf of the Board

Muhammad Shoaib, CFA
Chief Executive

Date: August 7, 2008
Karachi.

**PATTERN OF CERTIFICATE HOLDINGS AS PER REQUIREMENTS
OF THE CODE OF CORPORATE GOVERNANCE
AS AT JUNE 30, 2008**

Certificates held by	Number of investors	No. of Certificates held	Percentage of total investment
Individuals	1,033	22,080,191	18.40
Chief Executive & his spouse			
i) Mr. Mohammad Shoaib	1	11,975	0.01
ii) Mrs. Shabana Mohammad Shoaib	1	500	0.00
Executives	1	10,000	0.01
Associated companies			
i) Meezan Bank Limited	1	9,100,000	7.58
ii) Pakistan Kuwait Investment Co.(Pvt) Ltd.	1	3,900,000	3.25
iii) Pakistan Kuwait Investment Co.(Pvt) Ltd.	1	7,157,791	5.96
iv) Meezan Bank Limited	1	7,034,468	5.86
v) Al-Meezan Investment Management Ltd	1	4,821,824	4.02
Insurance companies	1	300,000	0.25
Banks / DFIs	7	14,500,000	12.08
NBFCs	7	7,899,000	6.58
Retirement funds	32	14,980,347	12.48
Public Limited Companies	27	25,163,404	20.97
Others	6	3,040,500	2.53
Total	1,121	120,000,000	100

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

Meezan Balanced Fund is a closed end balanced fund investing primarily in Shariah compliant listed equity securities and Islamic bonds (Sukuks).

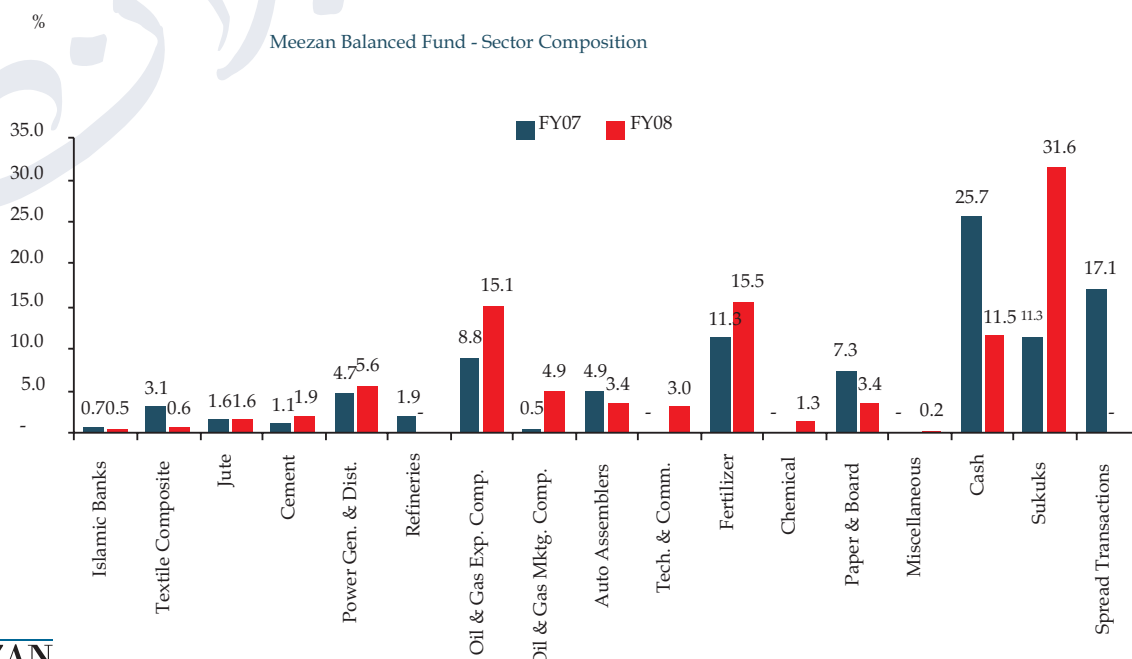
The objective of MBF is to generate long term capital appreciation as well as current income by creating a balanced portfolio that is invested both in high quality equity securities and Islamic income instruments such as Certificates of Investments ("COIs"), Certificates of Musharaka, Islamic Sukuks, Spread transactions, and other such Shariah compatible instruments.

Strategy and Investment policy

Being a balanced fund, MBF's performance is linked proportionately to the performance of the stock market in Pakistan and islamic income instruments. The fund manager, Al Meezan Investments, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. Therefore, the fund manager aims to reduce exposure to equities in times when the market risk increases. Moreover, with the intention to meet capital preservation objectives while maintaining liquidity, the fund manager allocates funds to high quality liquid islamic income instruments.

Implementation - Fund's asset allocation and particulars of significant changes

During the period under review, the equity allocation of the fund maintained a significant exposure to oil and fertilizer sectors in order to benefit from rising international oil and fertilizer stocks. More than 35% 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 54%. In order to meet the objectives of capital preservation, while maintaining a high yield, the fund increased its exposure to Sukuks (Islamic Bonds) during the year to over 31% at the close of FY08.



Equity Market Review

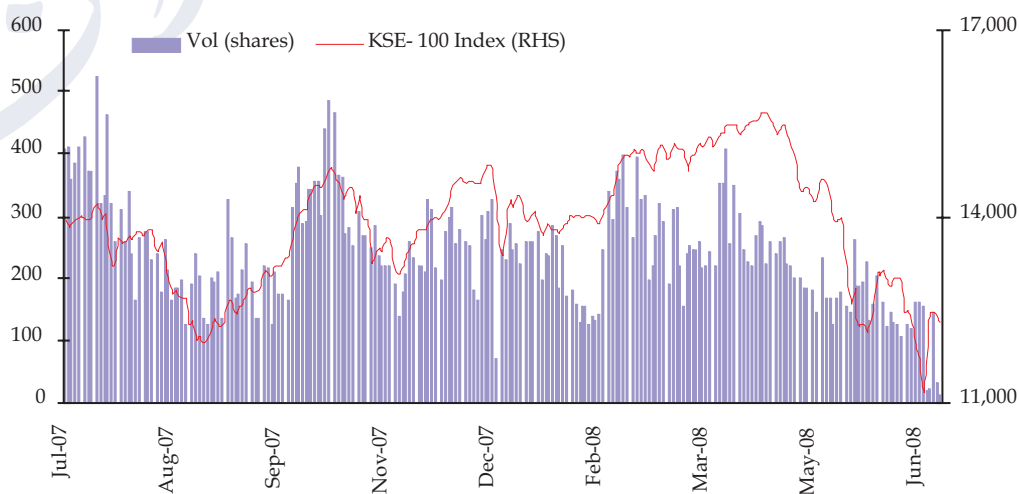
The KSE 100 index, after posting an outstanding average return of 48% per annum for six consecutive years, marked the end of FY08 with a negative return of 11% YoY, closing at 12,289. During the same period, Dow Jones Islamic Market Pakistan Index, an index of Shariah compliant companies listed on Karachi 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 and Money Market Review

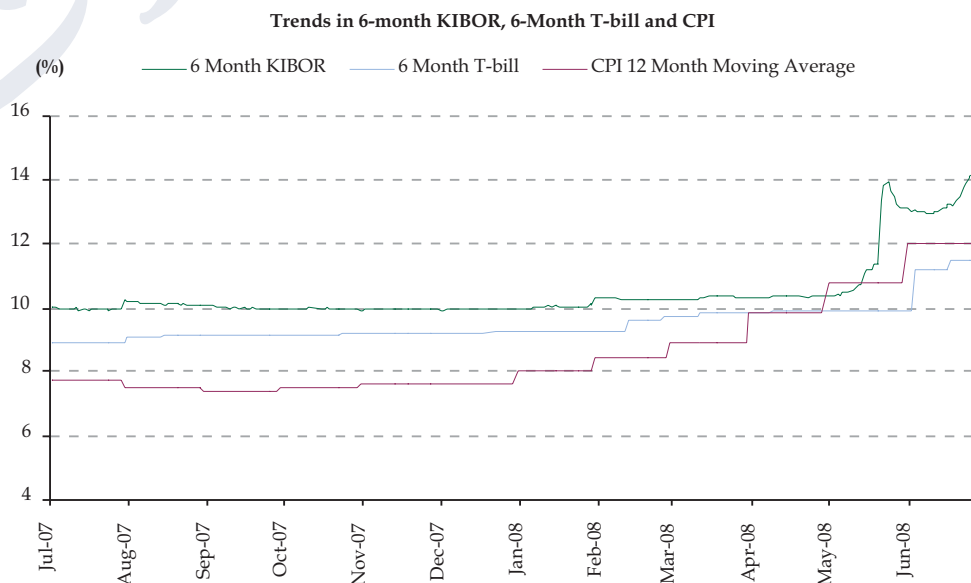
Despite international economic slowdown, Pakistan managed a GDP growth of 5.8% in FY08 as against 7%, a year earlier. The decline in GDP growth this year is mainly attributed to the slow down in key sectors, mainly agriculture and manufacturing. Nonetheless, service sector has again posted an impressive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

The 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\$15.7 bn in July 2007 to US\$11.2 bn 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 \$6.45 bn, 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

Monetary Tightening

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 FY08 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.

The tight monetary stance resulted in 6 month t-bill rates to increase from 8.9% in June 2007 to 11.47% by end of June 2008, an increase of almost 257 bps. The impact of tight monetary policy on KIBOR has been more pronounced with an increase of 417 bps during the same period from 10.01% to 14.19%. Also, with regular mopping up of excess liquidity through OMO's, overnight rates during the last quarter increased further, with banks feeling the pinch of tight monetary environment. The following graph shows the trend in interest rates during the period under review.

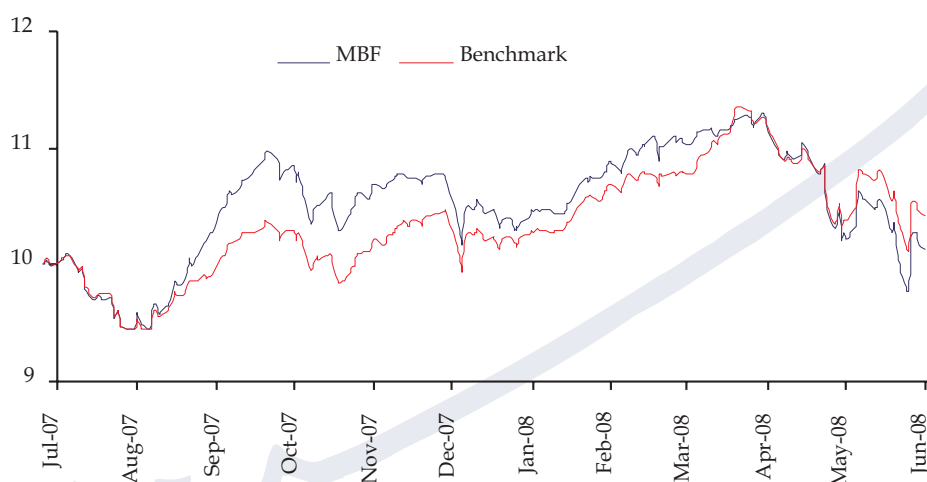


Performance Review

The Fund, during the year ended June 30, 2008 earned a total income of PKR 71 million. The income for the year comprises of capital gains (net) on sale of investments of PKR 68 million and dividend income of PKR 38 million. The un-realized loss on investments at fair value through profit or loss for the year was PKR 88 million. After accounting for expenses of PKR 53 million, the net income for the year was PKR 18 million, which translates into earning of PKR 0.15 per certificate as at June 30, 2008. The net assets of the fund as at June 30, 2008 were PKR 1,424 million as compared to PKR 1,598 million as at June 30, 2007. The net asset value of the fund as at June 30, 2008 was PKR 11.86 per certificate.

In case of MBF, 50% of the performance of DJIMPK and 50% of the rates on deposits with Islamic banks, serve as the performance benchmark.

Comparison of the fund's performance during the period compared with the benchmark:



	30-Jun-08	30-Jun-07	Return
NAV Appreciation			
Meezan Balanced Fund (Dividend Adjusted-30-June-07)	11.86	11.72	1.2% *
Calculation of Benchmark Returns (Inputs)			
DJIMPK	18,097	17,933	0.92%
Average Yeild on Islamic Bank Deposits			5.75%
DJIMPK Return	50%	0.92%	0.46%
Islamic Bank Deposit Return	50%	5.75%	2.88%
Benchmark Return			3.33%
Underperformance			-2.14%

Analysis of the fund's performance

Meezan Balanced Fund	FY08	FY07	FY06
Net Asset Value (PKRmn)	1,423.68	1,598.17	1,513.20
NAV per unit (PKR)	11.86	13.32	12.61
Highest NAV (PKR)	13.65	13.9	13.95
Lowest NAV (PKR)	11.27	10.92	10.83
Distribution Per certificate (PKR)	1.00	1.60	2.00
Distribution Per certificate (%)	10	16	20
Total Return (%)	1.2	26	23

Charity Statement

As per Trust Deed of MBF, Charity refers to the amount paid by the Management Company out of the income of the Scheme to a charitable/welfare organization, in consultation with Shariah Advisor, representing income, which is Haram. During the year ended June 30, 2008 an amount of PKR 0.88mn was accrued as charity payable.

Future 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 local economy in general and of Meezan Balanced Fund in particular.

Future direction of the economy and stock market is likely to be driven by growth prospects, political stability, improved balance of payments and foreign investment. With value in Pakistani equities and attractive relative valuations of local companies, improved deposit rates on Islamic deposits and the resetting of coupons linked to KIBOR, we expect the yield for the unit holders to improve going forward.

Breakdown of holding of certificates by size as on June 30, 2008

Please refer to page no. 45 of the financial statements

Distribution

For the year ended June 30, 2008 the Board of Directors of the Fund have approved a cash dividend of 10% i.e. PKR 1 per certificate. The Net Asset Value per certificate before and after the distribution of the said dividend is PKR 11.86 and PKR 10.86.

TRUSTEE REPORT TO THE CERTIFICATE HOLDERS MEEZAN BALANCED FUND

Report of the Trustee pursuant to Regulation 58(f) and Clause 9 of Schedule IV of the Non-Banking Finance Companies and Notified Entities Regulations, 2007

Meezan Balanced Fund (Fund), a closed-end scheme was established under a trust deed dated June 15, 2004, 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 year ended June 30, 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 Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2007 and the constitutive documents of the Fund.

Muhammad Hanif
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 08, 2008

REPORT OF THE SHARIAH ADVISOR -MEEZAN BALANCED FUND

Karachi

September 10, 2008

In the capacity of Shariah Advisor, 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 MBF in light of Shariah requirements. The following is a list of stock investments of MBF 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) Net Liquid Assets vs. Share Price (B>A)	
				Non-Compliant Income to Gross Revenue (<5%)	% of Non-Shariah Compliant Investments (<33%)	Net Liquid Assets per Share (A)	Share Price (B)
Attock Cement Pakistan Limited	Cement Manufacturer	3.33%	90.67%	0.35%	0.00%	(33.14)	99.70
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

Company Name	(i) Nature of Business	(ii)* Debt to Assets (<40%)	(iii) Illiquid Assets to Total Assets (>20%)	(iv)		(v) Net Liquid Assets vs. Share Price (B>A)	
				Non-Compliant Income to Gross Revenue (<5%)	% of Non-Shariah Compliant Investments (<33%)	Net Liquid Assets per Share (A)	Share Price (B)
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
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				**		
Meezan Islamic Income Fund	Open end Mutual Fund				**		

* 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 and financial products

*** 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 MBF 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 MBF for the year ended June 30, 2008 have been in compliance with the Shariah principles.

During the Year a provision of Rupees 0.875 million was transferred to Charity account and an amount of Rupees 1.669 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 CERTIFICATE HOLDERS

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

Management company's responsibility

Management company of the Fund is responsible for the appointment of Shariah Advisor of the Fund and for compliance with the Shariah guidelines prescribed by the Shariah Advisor. This responsibility includes: designing, implementing and maintaining internal control to ensure compliance with the Shariah guidelines issued by the Shariah Advisor 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 requirements and plan and perform the engagement to obtain reasonable assurance whether the Fund has complied with the guidelines issued by the Shariah Advisor.

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 Advisor of the Fund for the year ended June 30, 2008.

A.F.Ferguson & Co.

Chartered Accountants

Karachi, September 11, 2008

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2008

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 of Listing Regulations of Karachi Stock Exchange 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. The board of directors (the Board) of Al-Meezan Investment Management Limited, the Management Company which is an unlisted public company, manages the affairs of Meezan Balanced Fund (the Fund). The Fund being a closed-end scheme does not have its own board of directors. The Management Company has applied the principles contained in the code to the Fund, whose certificates are listed as a security on the Karachi Stock Exchange, in the following manner:

1. The Management Company encourages representation of non-executive directors. All the directors except the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are 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 Management Company.
3. All the existing resident directors of the Management Company 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 Management Company of the Fund is a member of a stock exchange.
4. Two vacancies occurred during the year on the board which were filled in by the board through resolution by circulation dated April 9, 2008.
5. The board has formulated a Statement of Ethics and Business Practices for the Management Company, which has been signed by the existing directors and employees of the Management Company.
6. The board of the Management Company has developed a vision and mission statement. The investment policy of the Fund has been disclosed in the offering document, while other significant policies have also been formalized and have been adopted by the board.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and terms and conditions of employment of the CEO of the Management Company, have been taken by the board.
8. The meetings of the board were presided over by the Chairman. The board met at least once in every quarter. Written notices of the board 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 Management Company was arranged during the year ended June 30, 2007.

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 Management Company before approval by the Board.
13. The interest of the CEO, Directors and the Executives in the units of the Fund is disclosed in the pattern of unit holdings.
14. The Management Company has complied with all the applicable corporate and financial reporting requirements of the code.
15. The board has formed an audit committee. It comprises of three non-executive directors of the Management Company as its members including chairman of the audit committee. The CFO and the Company Secretary is the Secretary of the audit committee.
16. The meetings of the audit committee were held once in every quarter prior to the approval of interim and final results of the Fund and as required by the Code. The terms of reference of the audit committee have been framed and approved by the Board of the Management Company and advised to the committee for compliance.
17. The board has outsourced the internal audit function of the Fund to 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 (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Management Company or units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
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 Code have been complied with.

Syed Owais Wasti
Chief Financial Officer

Mohammad Shoaib, CFA
Chief Executive

Karachi.
August 07, 2008

REVIEW REPORT TO THE CERTIFICATE HOLDERS ON STATEMENT OF COMPLIANCE WITH THE 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 Investment Management Limited (the Management Company) of Meezan Balanced Fund (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 Management Company 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 Management Company'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 Management Company's personnel and review of various documents prepared by the Management 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 Management Company'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

INDEPENDENT AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the accompanying financial statements of Meezan Balanced Fund, which comprise the statement of assets and liabilities as at June 30, 2008, and the related income statement, distribution statement, statement of movement in equity and reserves per certificate and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations), the directives issued by the Securities and Exchange Commission of Pakistan (the directives) and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2008 and of its financial performance, cash flows and transactions for the year then ended in accordance with the requirements of the Trust Deed, the NBFC Rules and the NBFC Regulations, the directives and approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed and NBFC Rules and NBFC Regulations.

The Fund's financial statements for the year ended June 30, 2007 were audited by another firm of Chartered Accountants whose report dated August 9, 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	10,462	415,628
Placements		-	100,000
Investments	6	1,398,691	951,211
Receivable against sale of investments		-	202,561
Dividend receivable		7,307	2,352
Derivative financial instruments	7	-	19,573
Advances, deposits and other receivables	8	17,012	8,640
Preliminary expenses and floatation costs	9	1,662	3,334
Total assets		1,435,134	1,703,299
Liabilities			
Payable to Al Meezan Investment Management Limited - Management Company of the Fund	10	6,851	47,658
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	11	136	156
Payable to Securities and Exchange Commission of Pakistan	12	1,515	1,445
Payable to Meezan Bank Limited - Shariah Advisor of the Fund		250	250
Payable against purchase of investments		-	45,600
Accrued expenses and other liabilities	13	1,618	2,243
Derivative financial instruments	7	-	4,573
Unclaimed dividend		1,081	3,208
Total liabilities		11,451	105,133
Net assets		1,423,683	1,598,166
Commitments	7		
Certificate holders' equity (as per statement attached)			
Issued, subscribed and paid-up capital			
120,000,000 ordinary certificates of Rs 10 each		1,200,000	1,200,000
Unappropriated income		223,683	398,166
		1,423,683	1,598,166
Net assets value per certificate (Rupees)		11.86	13.32

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

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

Chief Executive

Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2008

	<i>Note</i>	2008 (Rupees in '000)	2007
Income			
Net realised gain on sale of investments		67,904	118,118
Dividend income		38,248	55,009
Profit on savings accounts with banks		22,670	11,790
Profit on placements		14,518	12,838
Profit on term finance certificates		-	198
Profit on sukuk certificates		29,176	13,832
Profit on musharika certificates		1,461	-
Other income		-	221
		<u>173,977</u>	<u>212,006</u>
Unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss (net)		(88,141)	149,823
(Loss) / gain on re-measurement of derivative financial instruments (net)		(15,000)	18,791
		<u>(103,141)</u>	<u>168,614</u>
Total income		70,836	380,620
Expenses			
Remuneration to Al Meezan Investment Management Limited - Management Company of the Fund		45,271	42,656
Remuneration to Central Depository Company of Pakistan Limited - Trustee of the Fund	11	1,688	1,630
Annual fee to Securities and Exchange Commission of Pakistan	12	1,515	1,445
Remuneration to Meezan Bank Limited - Shariah Advisor of the fund		250	250
Auditors' remuneration	14	428	386
Fees and subscription		128	127
Amortisation of preliminary expenses and floatation costs	9	1,672	1,668
Brokerage		1,654	6,076
Printing charges		160	-
Legal and professional charges		165	275
Bank and settlement charges		388	1,145
Total expenses		53,319	55,658
Net income		<u>17,517</u>	<u>324,962</u>
Earnings per certificate (Rupees)	15	<u>0.15</u>	<u>2.71</u>

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

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

Chief Executive

Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2008

	2008 (Rupees in '000)	2007
Unappropriated income brought forward	398,166	313,204
Less: Final distribution in the form of cash dividend @ 16% for the year ended June 30, 2007 (comparative: June 30, 2006 @ 20%)	(192,000)	(240,000)
Net income for the year	17,517	324,962
Unappropriated income carried forward	<u>223,683</u>	<u>398,166</u>

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

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Director

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

	2008 (Rupees in '000)	2007
Net assets per certificate at the beginning of the year	13.32	12.61
Net realised gain on sale of investments	0.57	0.98
Dividend income	0.32	0.46
Profit on savings accounts with banks	0.19	0.10
Profit on placements	0.12	0.11
Profit on sukuk certificates	0.24	0.11
Profit on musharika certificates	0.01	-
Unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss	(0.74)	1.25
(Loss) / gain on re-measurement derivative financial instruments (net)	(0.13)	0.16
Expenses	(0.44)	(0.46)
Net income for the year	0.14	2.71
Dividend declared at Rs 1.6 (June 30, 2006: Rs 2) per certificate for the year ended June 30, 2007	(1.60)	(2.00)
Net assets per certificate at the end of the year	<u>11.86</u>	<u>13.32</u>

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

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

Chief Executive

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2008

	2008	2007
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	17,517	324,962
Adjustments for:		
Dividend income	(38,248)	(55,009)
Profit on savings accounts with banks	(22,670)	(11,790)
Profit on placements	(14,518)	(12,838)
Profit on term finance certificates	-	(198)
Profit on sukuk certificates	(29,176)	(13,832)
Profit on musharika certificates	(1,461)	-
Unrealised loss / (gain) on re-measurement of investments at fair value through profit or loss (net)	88,141	(149,823)
Loss / (gain) on re-measurement derivative financial instruments (net)	15,000	(18,791)
Amortisation of preliminary expenses and floatation costs	1,672	1,668
	<u>16,257</u>	<u>64,349</u>
(Increase) / decrease in assets		
Placements	100,000	(100,000)
Investments - available for sale	-	200,000
Investments - at fair value through profit or loss	(534,160)	434,729
Receivable against sale of investments	202,561	10,035
Deposits and other receivables	(2,500)	-
	<u>(234,099)</u>	<u>544,764</u>
Increase / (decrease) in liabilities		
Payable to Al Meezan Investment Management Limited - Management Company of the Fund	(40,807)	(3,886)
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	(20)	5
Payable to Securities and Exchange Commission of Pakistan	70	(43)
Payable to Meezan Bank Limited - Shariah Advisor of the Fund	-	250
Payable against purchase of investments	(45,600)	(104,365)
Accrued expenses and other liabilities	(625)	1,099
	<u>(86,982)</u>	<u>(106,940)</u>
Cash (used in) / generated from operations	(304,824)	502,173
Dividend income received	33,293	65,292
Profit received on savings accounts with banks	20,608	9,000
Profit received on placements	17,918	9,438
Profit received on term finance certificates	-	237
Profit received on sukuk certificates	21,966	16,243
Net cash (outflow) / inflow from operating activities	<u>(211,039)</u>	<u>602,383</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(194,127)	(239,893)
Net cash outflow from financing activities	<u>(194,127)</u>	<u>(239,893)</u>
Net (decrease) / increase in cash and cash equivalents	(405,166)	362,490
Cash and cash equivalents at the beginning of the year	415,628	53,138
Cash and cash equivalents at the end of the year	<u>10,462</u>	<u>415,628</u>

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

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

Chief Executive

Director

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

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Balanced Fund (the Fund) was established as a closed-end scheme under a trust deed executed between Al Meezan Investment Management Limited (AMIML) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The trust deed was executed on June 15, 2004 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on September 8, 2004 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). On November 21, 2007 Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations) were notified. The registered office of the Management Company 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 Advisor to ensure that the activities of the Fund are in compliance with the principles of islamic shariah. The Management Company of the Fund is registered with the SECP as a Non-Banking Finance Company under NBFC Rules.
- 1.3 The Fund is a closed end scheme (mutual fund) and its certificates are listed on the Karachi Stock Exchange. The Management Company of the Fund has been 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 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 Title to the assets of the Fund are held in the name of CDC as a trustee of the Fund.
- 1.6 During the year, the SECP has notified the NBFC Regulations. According to regulation 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 net assets value within thirty days of the resolution.

The mutual funds industry has taken up the matter of applicability of regulation 75 with the SECP through the forum of the 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 regulation 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 Advisor 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 trust deed, the NBFC Rules and NBFC Regulations and the directives issued by the SECP. Approved accounting standards comprise of such International Accounting Standards (IAS) and International Financial Reporting Standards (IFRSs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the trust deed, the NBFC Rules and NBFC Regulations and the said directives differ with the requirements of these standards, the requirements of the trust deed, the NBFC Rules and NBFC Regulations and the said directives take precedence.

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 certain 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 judgement in the process of applying its accounting policies. The areas involving a higher degree of judgement 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, 4.4, 4.5, 6 and 7)
- (b) Impairment (note 4.3.5)
- (d) Taxation (note 4.9)
- (e) Amortisation of preliminary expenses and floatation costs (note 9)

Estimates and judgements 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 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 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 the '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' 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 marketable securities and derivatives are based on their prices quoted on the Stock Exchange or by Mutual Fund Association of Pakistan at the balance sheet date without any deduction for estimated future selling costs.

The fair value of unlisted or unquoted securities and derivatives are determined by using fair value techniques as allowed under IAS 39.

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 profit or loss 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 expires 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 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years commencing from November 30, 2004 in accordance with the requirements of the trust deed of the Fund.

4.8 Net assets value per certificate

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

4.9 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 certificate holders. 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 certificate holders every year.

4.10 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 assets 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 when the Fund's right to receive dividend is established.
- (v) Profit on savings accounts with banks and investments in debt instruments are recorded on an accrual basis.

4.11 Expenses

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

4.12 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.

4.13 Zakat

Certificates held by resident Pakistani certificate holders, except those exempted, 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 certificates, under the Zakat and Ushr Ordinance, 1980 (XVII of 1980). Zakat is deducted at source from the dividend amount.

4.14 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 16.

4.15 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.

4.16 Dividend and bonus certificates

Dividends declared (including distribution in the form of bonus certificates) subsequent to the balance sheet date are considered as a non-adjusting event and are recognised in the period in which they are authorised or approved.

5. BALANCES WITH BANKS	Note	2008 (Rupees in '000)	2007
On current accounts		925	37
On savings accounts	5.1	9,537	415,591
		<u>10,462</u>	<u>415,628</u>

5.1 The balances in savings accounts bear expected profit which ranges from 5% to 9.50% (2007: 3% to 12.57%) per annum.

6. INVESTMENTS

Investments at fair value through profit or loss	Note	2008 (Rupees in '000)	2007
Loans and receivables originated by the fund	6.1	1,297,230	951,211
	6.2	101,461	-
		<u>1,398,691</u>	<u>951,211</u>

6.1 Investments at fair value through profit or loss

Held for trading	6.1.1	943,558	669,918
Investments at fair value through profit or loss upon initial recognition	6.1.2	353,672	281,293
		<u>1,297,230</u>	<u>951,211</u>

6.1.1 Held for trading

Shares / units of listed companies	6.1.1.1	855,148	644,254
Sukuk certificates	6.1.1.6	88,410	25,664
		<u>943,558</u>	<u>669,918</u>

6.1.1.1 Held for trading - shares of listed companies

Name of the investee company	As at July 01, 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 / (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 6.1.1.3 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												
Meezan Islamic Income Fund (note 6.1.1.2) (an associate of the Fund)	-	3,911,811	-	390,396	3,521,415	180,085	180,754	669	12.70	3.15	12.92	
									12.70		12.92	
Commercial bank												
Bank Islami Pakistan Limited	-	15,131,250	-	15,131,250	-	-	-	-	-	-	-	
Textile composite												
Nishat Mills Limited	378,100	70,000	-	342,500	105,600	12,192	9,079	(3,113)	0.64	0.07	0.65	
									0.64		0.65	
Jute												
Thal Limited (note 6.1.1.2)	88,880	-	26,664	-	115,544	24,798	22,649	(2,149)	1.59	0.19	1.62	
									1.59		1.62	
Cement												
Attock Cement Pakistan Limited	125,000	35,000	-	-	160,000	19,130	12,341	(6,789)	0.87	0.22	0.88	
DG Khan Cement Company Limited	-	310,000	-	130,000	180,000	17,676	12,085	(5,591)	0.85	0.07	0.86	
Cherat Cement Company Limited	48,382	-	-	48,382	2,733	1,311	(1,422)	0.09	0.05	0.09		
Fauji Cement Limited	-	143,500	-	50,000	93,500	1,609	946	(663)	0.07	0.01	0.07	
									1.88		1.90	
Automobile Assembler												
Pak Suzuki Motor Company Limited	56,800	-	-	-	56,800	22,266	6,804	(15,462)	0.48	0.07	0.49	
									0.48		0.49	
Refinery												
National Refinery Limited	89,500	-	7,700	97,200	-	-	-	-	-	-	-	
Power generation and distribution												
Kot Addu Power Company Limited	-	81,000	-	81,000	-	-	-	-	-	-	-	
The Hub Power Company Limited	2,056,500	1,085,000	-	379,500	2,762,000	95,665	78,993	(16,672)	5.55	0.24	5.65	
									5.55		5.65	
Oil and gas marketing companies												
Pakistan State Oil Company Limited	20,600	71,000	-	30,000	61,600	24,117	25,702	1,585	1.81	0.04	1.84	
Sui northern Gas Pipeline Ltd	-	120,100	-	-	120,100	5,843	5,233	(610)	0.37	0.02	0.37	
									2.18		2.21	

Name of the investee company	As at July 01, 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 / (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 6.1.1.3 below)	Paid-up capital of investee company (with face value of investments)	Total market value of investments
					Number of shares			Percentage in relation to			
					(Rupees in '000)			Percentage in relation to			
Oil and gas exploration companies											
Oil and Gas Development Company Limited (note 6.1.1.4)	562,766	335,000	-	305,000	592,766	69,078	73,716	4,638	5.18	0.01	5.27
Pakistan Oilfields Limited	85,500	169,000	-	127,000	127,500	42,980	46,517	3,537	3.27	0.06	3.33
Pakistan Petroleum Limited	176,000	234,000	23,000	51,000	382,000	92,037	93,968	1,931	6.60	0.05	6.72
									15.05		15.32
Technology and communication											
Pakistan Telecommunication Company Limited	-	1,251,400	-	435,900	815,500	41,486	31,511	(9,975)	2.21	0.02	2.25
TRG Pakistan Limited	-	1,708,000	-	-	1,708,000	20,521	10,675	(9,846)	0.75	0.46	0.76
									2.96		3.01
Chemical											
ICI Pakistan Limited	-	145,000	-	30,000	115,000	20,507	18,558	(1,949)	1.30	0.08	1.33
									1.30		1.33
Fertilizer											
Engro Chemical (Pakistan) Limited	247,070	322,710	17,628	295,500	291,908	77,855	81,971	4,116	5.76	0.15	5.86
Fauji Fertilizer Bin Qasim Company Limited	891,000	1,408,000	-	500,000	1,799,000	70,676	64,710	(5,966)	4.55	0.19	4.63
Fauji Fertilizer Company Limited	457,619	153,000	-	50,000	560,619	67,699	74,181	6,482	5.21	0.11	5.30
									15.52		15.79
Miscellaneous											
Tri-Pack Films Limited	-	20,000	-	-	20,000	3,500	3,444	(56)	0.24	0.07	0.25
									0.24		0.25
Securities sold under deferred sale arrangements											
Oil and gas exploration companies											
Oil and Gas Development Company Limited	200,000	-	-	200,000	-	-	-	-	-	-	-
Technology and communication											
Pakistan Telecommunication Company Limited	1,725,500	-	-	1,725,500	-	-	-	-	-	-	-
Fertilizer											
Engro Chemical (Pakistan) Limited	-	63,500	-	63,500	-	-	-	-	-	-	-
Total						912,453	855,148	(57,305)			
Total cost of investments							912,454				

6.1.1.2 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.

6.1.1.3 Net assets are defined in Regulation 2 (xxvi) of NBFC Regulations.

6.1.1.4 70,000 shares of Oil and Gas Development Company Limited, having market value of Rs 8.705 million as at June 30, 2008, have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

6.1.1.5 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 to fifteen percent and thirty percent respectively.

6.1.1.6 Sukuk certificates

Name of the investee company	Maturity	Profit rate	As at July 1, 2007	Purchases during the year	Sales / redemptions during the year	As at June 30, 2008	Carrying value 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 6.1.1.3 above)	total market value of investments
					Number of certificates			Percentage in relation to			
					(Rupees in '000)			Percentage in relation to			
Water and Power Development Authority	October 22, 2012	6 months KIBOR plus base rate of 0.35%	5,000	12,500	-	17,500	89,883	88,410	(1,473)	6.21	6.32
Total cost of investments							89,883				
6.1.1.7	The nominal value of the sukuk certificates is Rs 5,000 each.										
6.1.2	Investments at fair value through profit or loss upon initial recognition										
									Note	2008	2007
										(Rupees in '000)	
Shares of listed companies									6.1.2.1	96,780	191,293
Sukuk Certificates									6.1.2.2	256,892	90,000
										353,672	281,293

6.1.2.1 Shares of listed companies

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 / (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 6.1.1.3 above)	paid-up capital of investee company (with face value of investments)	total market value of investments
					Number of certificates			(Rupees in '000)			
Automobile assembler											
Indus Motor Company Limited	206,100	3,500	-	1,545	208,055	63,640	41,621	(22,019)	2.92	0.26	2.98
Paper and board											
Packages Limited	366,868	318,500	25,105	518,000	192,473	59,805	48,482	(11,323)	3.41	0.23	3.47
Commercial bank											
Meezan Bank Limited (an associate of the Fund)	352,500	-	36,500	170,000	219,000	5,840	6,677	837	0.47	0.05	0.48
						<u>129,285</u>	<u>96,780</u>	<u>(32,505)</u>			
Total cost of investments							<u>129,284</u>				

6.1.2.2 Sukuk certificates

Name of the investee company	Maturity	Profit rate	As at July 1, 2007	Purchases during the year	Sales / redemptions during the year	As at June 30, 2008	Carrying value 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 6.1.1.3 above)	total market value of investments
					Number of certificates			(Rupees in '000)			
Sitara Chemical Industries Limited - II (note 6.1.2.3)	December 17, 2011	3 months KIBOR plus base rate of 1.7%	18,000	-	-	18,000	78,730	79,144	394	5.56	5.66
Engro Chemical Pakistan Limited (note 6.1.2.4)	September 1, 2015	6 months KIBOR plus base rate of 1.5%	-	15,000	-	15,000	75,000	76,628	1,628	5.38	5.48
Security Leasing Corporation Limited II (note 6.1.2.4)	September 19, 2012	6 months KIBOR plus base rate of 1.95%	-	5,000	-	5,000	25,000	25,100	100	1.76	1.79
Century Paper & Board Mills Limited (note 6.1.2.4)	September 25, 2014	6 months KIBOR plus base rate of 1.35%	-	5,000	-	5,000	25,000	25,495	495	1.79	1.82
Eden Housing Limited (note 6.1.2.4)	April 2, 2013	6 months KIBOR plus base rate of 2.5%	-	5,000	-	5,000	25,000	25,275	275	1.78	1.81
Arzoo Textile Mills Limited (note 6.1.2.4)	April 15, 2014	6 months KIBOR plus base rate of 2%	-	5,000	-	5,000	25,000	25,250	250	1.77	1.81
							<u>253,730</u>	<u>256,892</u>	<u>3,142</u>		
Total cost of investments								<u>253,750</u>			

6.1.2.3 The nominal value of the Sitara Chemicals Industries Limited Sukuk certificates is Rs 4,375 each.

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

6.2 Loans and receivables - originated by the Fund

Name of the investee company	Maturity	Profit rate	As at July 1, 2007	Purchases during the year	Sales / during the year	Redemptions during the year	As at June 30, 2008	Amortised cost as at June 30, 2008	Percentage in relation to	
									net assets of the fund on the basis of market value of investments (see note 6.1.1.3 above)	total market value of investments
					Number of certificates			(Rs in '000)		
D.G Khan Cement - Diminishing Musharaka - I	May 8, 2010	6 months KIBOR plus base rate of 0.5%	-	550	-	-	550	55,887	3.93	4.00
D.G Khan Cement - Diminishing Musharaka - II	May 14, 2010	6 months KIBOR plus base rate of 0.5%	-	250	-	-	250	25,365	1.78	1.81
D.G Khan Cement - Diminishing Musharaka - III	June 3, 2010	6 months KIBOR plus base rate of 0.5%	-	200	-	-	200	20,209	1.42	1.44
								<u>101,461</u>		
Total cost of investments								<u>100,000</u>		

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

7. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments outstanding as at June 30, 2008 amounted to Rs nil (June 30, 2007: Rs 15 million).

8. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

	<i>Note</i>	2008 (Rupees in '000)	2007
Advance tax recoverable		10	10
Security deposits		2,800	300
Profit receivable on savings accounts with banks		5,671	3,609
Profit receivable on placements		-	3,400
Profit receivable on sukuk certificates		8,531	1,321
		<u>17,012</u>	<u>8,640</u>

9. PRELIMINARY EXPENSES AND FLOATATION COSTS

Preliminary expenses and floatation costs		3,334	5,002
Less: Amortisation during the year		1,672	1,668
		<u>1,662</u>	<u>3,334</u>

10. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY OF THE FUND

Remuneration for the year	10.1	3,517	42,656
Preliminary expenses and floatation costs		3,334	5,002
		<u>6,851</u>	<u>47,658</u>

10.1 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 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 three percent per annum of the average annual net assets of the Fund for the year ended June 30, 2008.

11. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE OF THE FUND

The trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the trust deed in accordance with the tariff specified therein, based on the daily net assets value of the Fund.

12. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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

	<i>Note</i>	2008 (Rupees in '000)	2007
13. ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		275	275
Charity payable	13.1	1,034	1,828
Legal and professional charges payable		140	140
Others		169	-
		<u>1,618</u>	<u>2,243</u>

- 13.1 According to the instructions of the Shariah Advisor, any income earned by the Fund from investments whereby portion of the investment of such investees has been made in shariah non-compliant avenues, such proportion of income of the Fund from those investees should be given away for charitable purposes directly by the Fund. Accordingly, an amount of Rs 1.034 million (2007: Rs 1.828 million) is outstanding in this regard after making charity payments of Rs 1.669 million (2007: 0.18 million) to renowned charitable institutions. None of the directors of the Management Company were interested in any of the donees.

14. AUDITORS' REMUNERATION

	2008 (Rupees in '000)	2007 (Rupees in '000)
	A. F. Ferguson & Co.	KPMG Taseer Hadi & Co.
Audit fee	175	175
Half yearly review fee	80	75
Other certifications	125	100
Out of pocket expenses	48	36
	<u>428</u>	<u>386</u>

15. EARNINGS PER CERTIFICATE

Net income for the year	<u>17,517</u>	<u>324,962</u>
	(In numbers)	
Number of certificates in issue	<u>120,000,000</u>	<u>120,000,000</u>
	(Rupees in '000)	
Earnings per certificate	<u>0.15</u>	<u>2.71</u>

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

16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include AMIML being the Management Company, CDC being the trustee, MBL being the Shariah Advisor 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.

	2008 (Rupees in '000)	2007 (Rupees in '000)
Al Meezan Investment Management Limited - Management Company of the Fund		
Remuneration payable	<u>3,517</u>	<u>42,656</u>
Preliminary expenses and floatation costs payable	<u>3,334</u>	<u>5,002</u>
Investment of 4,821,824 certificates (June 30, 2007: 5,000,324)	<u>46,048</u>	<u>44,503</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration payable	<u>134</u>	<u>143</u>
Charges payable	<u>2</u>	<u>13</u>

	2008	2007
	(Rupees in '000)	
Meezan Bank Limited - Shariah Advisor of the Fund		
Bank balance and placements	<u>1,804</u>	<u>74,369</u>
Shariah advisory fee payable	<u>250</u>	<u>250</u>
Investment in 219,000 shares (June 30, 2007: 352,500 shares)	<u>6,677</u>	<u>11,280</u>
Investment of 16,134,468 certificates (June 30, 2007: 16,134,468 certificates)	<u>154,084</u>	<u>165,378</u>
Pakistan Kuwait Investment Company (Private) Limited		
Investment of 11,057,791 certificates (June 30, 2007: 11,057,791 certificates)	<u>105,602</u>	<u>113,342</u>
Directors and Officers of the Management Company		
Investment of 21,975 certificates (June 30, 2007: 34,345 certificates)	<u>210</u>	<u>352</u>
Sitara Chemical Industries Limited		
Investment in 18,000 sukuk certificates as at June 30, 2007	<u>-</u>	<u>90,000</u>
	For the year ended June 30	
	2008	2007
	(Rupees in '000)	
Al Meezan Investment Management Limited - Management Company of the fund		
Remuneration for the year	<u>45,271</u>	<u>42,656</u>
Preliminary expenses and floatation costs for the year	<u>1,672</u>	<u>1,668</u>
Dividend for the year	<u>8,001</u>	<u>7,001</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration for the year	<u>1,688</u>	<u>1,630</u>
Charges for the year	<u>197</u>	<u>501</u>
Meezan Bank Limited - Shariah Advisor of the Fund		
Profit on savings accounts with MBL	<u>13,805</u>	<u>20,199</u>
Shariah advisory fee for the year	<u>250</u>	<u>250</u>
Dividend for the year ended June 30, 2007 (comparative: June 30, 2006)	<u>25,815</u>	<u>31,882</u>
Sitara Chemical Industries Limited		
Profit on sukuk certificates	<u>10,250</u>	<u>5,663</u>
Pakistan Kuwait Investment Company (Private) Limited		
Dividend for the year ended June 30, 2007 (comparative: June 30, 2006)	<u>17,692</u>	<u>21,850</u>
Directors and Officers of the Management Company		
Dividend for the year ended June 30, 2007 (comparative: June 30, 2006)	<u>55</u>	<u>80</u>

17. RISK MANAGEMENT

The Fund is a balanced fund which invests both in high quality equity securities and islamic income instruments. Investment in equity securities carries a risk that is considered higher than that of investment in debt securities.

Asset allocation is determined by the Fund's Investment Manager who manages the distribution of the assets to achieve the investment objectives. The Investment Manager invests in diversified securities thus reducing the risk associated with investing in the stock market. The Fund also maintains positions in a variety of derivative financial instruments as dictated by its investment management strategy.

The Fund's investing activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The major types of financial risk to which the Fund is exposed are market risk, credit risk and liquidity risk. The risk management policies employed by the Fund are discussed below.

17.1 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 Fund in which the investment is made, change in business circumstances of the Fund, 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 the maximum return to the certificate holders by maintaining a balance between equity securities and shariah compliant income instruments. The Fund, in addition to equities, deferred sale transaction and riba-free bank deposits, is also permitted to place funds in islamic term finance certificates, islamic sukuk certificates, other islamic investments and other asset backed securities allowed by the SECP and confirmed by the Fund's shariah Advisor. 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 Rules and 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.

17.2 Credit risk and concentration of credit risk

Credit risk is the risk that a counter party of financial instruments will fail to discharge an obligation 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 counter party of credit rating 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 others.

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.

17.3 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.

17.4 Capital risk management

The Fund is a closed-end fund. Its certificates are not redeemable directly with the Fund instead certificates are traded on the stock exchange.

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 certificate holders and to maintain a strong capital base to meet unexpected losses or opportunity.

In accordance with NBFC Regulations, the Fund is required to distribute atleast ninety percent of its income from sources other than capital gain whether realised or unrealised as reduced by such expenses as are chargeable to the Fund. Further, the Fund is also prohibited to lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person.

17.5 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			Non-interest/mark-up bearing			Total 2008	Total 2007
		Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total		
-----Rupees in '000-----									
Financial assets									
Balances with banks	5 - 9.5	9,537	-	9,537	925	-	925	10,462	415,628
Placements		-	-	-	-	-	-	-	100,000
Receivable against sale of investments		-	-	-	-	-	-	-	202,561
Investments	10.73 - 14.44	-	446,763	446,763	951,928	-	951,928	1,398,691	951,211
Dividend receivable		-	-	-	7,307	-	7,307	7,307	2,352
Derivative financial instruments		-	-	-	-	-	-	-	19,573
Advances, deposits and other receivables		-	-	-	17,002	-	17,002	17,002	8,630
2008		<u>9,537</u>	<u>446,763</u>	<u>456,300</u>	<u>977,162</u>	<u>-</u>	<u>977,162</u>	<u>1,433,462</u>	<u>1,699,955</u>
2007		<u>515,591</u>	<u>115,664</u>	<u>631,255</u>	<u>1,068,700</u>	<u>-</u>	<u>1,068,700</u>	<u>1,699,955</u>	
Financial liabilities									
Payable to Al Meezan Investment Management Limited - Management Company of the fund		-	-	-	6,851	-	6,851	6,851	47,658
Payable to Central Depository Company of Pakistan Limited - Limited - trustee of the Fund		-	-	-	136	-	136	136	156
Payable to Meezan Bank Limited - shariah Advisor of the fund		-	-	-	250	-	250	250	250
Payable against purchase of investments		-	-	-	-	-	-	-	45,600
Accrued expenses and other liabilities		-	-	-	1,618	-	1,618	1,618	2,243
Derivative financial instruments		-	-	-	-	-	-	-	4,573
Unclaimed dividend		-	-	-	1,081	-	1,081	1,081	3,208
2008		<u>-</u>	<u>-</u>	<u>-</u>	<u>9,936</u>	<u>-</u>	<u>9,936</u>	<u>9,936</u>	<u>103,688</u>
2007		<u>-</u>	<u>-</u>	<u>-</u>	<u>103,688</u>	<u>-</u>	<u>103,688</u>	<u>103,688</u>	

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

19. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	----- Dates of Board of Directors Meetings and Directors' present there in -----					
		July 10, 2007	August 9, 2007	October 22, 2007	December 4, 2007	February 15, 2008	April 22, 2008
Mr. Ariful Islam	Chairman	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mohammad Shoaib	Chief Executive	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Najmul Hasan**	Director	Yes	No	Yes	No	No	N/A
Mr. Tasnimul Haq Farooqui	Director	Yes	Yes	Yes	Yes	Yes	No
Mr. Muhammad Adrees*	Director	No	No	No	No	No	N/A
Mr. Mazhar Sharif	Director	Yes	Yes	Yes	No	Yes	Yes
Syed Owais Wasti, Esq.	Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Aliuddin Ansari *	Director	N/A	N/A	N/A	N/A	N/A	No
Mr. Rizwan Ata **	Director	N/A	N/A	N/A	N/A	N/A	Yes

* Mr. Aliuddin Ansari appointed in place of Mr. Muhammad Adrees to fill in the causal vacancy by the Board on April 9, 2008

** Mr. Rizwan Ata appointed as Director in place of Mr. Najmul Hasan to fill in the casual vacancy by the Board on April 9, 2008

20. NON ADJUSTING EVENTS

The Board of Directors of the Management Company in its meeting held on August 07, 2008 has announced a cash dividend of 10 % (2007: 16%) amounting to Rs 120 million (2007: Rs 192 million). The financial statements for the year ended June 30, 2008 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending June 30, 2009.

21. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

2008

Broker's Name	%
Ample Securities (Private) Limited	16.98
Invest Capital Investment Bank Limited	10.31
JS Global Capital Limited	10.14
KASB Securities Limited	7.88
Invest & Finance Securities Limited	6.80
Ismail Iqbal Securities (Private) Limited	6.70
AKD Securities Limited	6.12
Al-Hoqani Securities & Investment Corporation (Private) Limited	5.85
First Capital Equities Limited	4.75
Fortune Securities Limited	4.33

Broker's Name	2007 %
JS Global Capital Securities	17.88%
Ample Securities (Private) Limited	12.16%
Foundation Securities (Private) Limited	11.75%
AKD Securities Limited	10.97%
First Capital Equities Limited	10.63%
Orix Investment Bank Pakistan Limited	8.69%
First National Equities Limited	7.02%
Invisor Securities (Private) Limited	5.73%
Invest Capital Investment Bank Limited	5.32%
Arif Habib Securities Limited	3.63%

22. PERFORMANCE TABLE	2008	2007	2006	2005
Net assets (Rs '000) (ex-distribution)	1,423,683	1,406,166	1,273,204	1,226,636
Net assets value per certificate as at June 30 (Rs) (ex-distribution)	11.86	11.72	10.61	10.22
Distribution				
- Interim	-	-	-	-
- Annual	-	16.00%	20.00%	10.00%
Dates of distribution (annual)	-	August 9, 2007	August 15, 2006	August 10, 2005
Distribution (Rs '000')	-	192,000	240,000	120,000
Highest NAV per certificate (Rs)	13.65	13.90	13.95	11.74
Lowest NAV per certificate (Rs)	11.27	10.92	10.83	10.00
Total return	1.19%	25.54%	23.39%	12.20%
Earnings per certificate	0.15	2.71	2.39	1.22
	Four Year	Three Year	Two Year	One Year
Average annual return as at June 30, 2008	15.16%	16.16%	12.71%	1.19%

Investment portfolio composition of the Fund

Investment portfolio composition of the Fund is as described in note 6.

Past performance is not necessarily indicative of future performance and certificate prices and investment returns may fluctuate as described in note 17.

23. INVESTMENT COMMITTEE MEMBERS

23.1 Details of members of investment committee of the Fund are as follow: 2008

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

23.2 The Fund Manager of the Fund is Syed Talal Mehdi, Esq. Other funds being managed by the Fund Manager are as follows:

- Meezan Tahaffuz Pension Fund
- Meezan Capital Protected Fund-I

24. PATTERN OF CERTIFICATE HOLDING AS AT JUNE 30

	-----2008-----		
	Number of investors	Investment amount (Rupees in '000)	% of total
Individuals	1,034	220,902	18.41
Associated companies / directors	7	320,266	26.69
Insurance companies	1	3,000	0.25
Banks / DFIs	7	145,000	12.08
NBFCs	7	78,990	6.58
Retirement funds	32	149,803	12.48
Public limited companies	27	251,634	20.98
Others	6	30,405	2.53
Total	1,121	1,200,000	100.00

	-----2007-----		
	Number of investors	Investment amount (Rupees in '000)	% of total
Individuals	1,049	223,531	18.63
Associated companies / directors	7	322,051	26.84
Insurance companies	1	3,000	0.25
Banks / DFIs	7	148,085	12.34
NBFCs	7	77,780	6.48
Retirement funds	26	143,908	11.99
Public limited companies	19	251,490	20.96
Others	5	30,155	2.51
Total	1,121	1,200,000	100.00

25. CORRESPONDING FIGURES

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

Reclassification from component	Reclassification to component	(Rupees in thousand)
Balances with banks	Placements	100
Accrued expenses and other liabilities	Payable to CDC	13
Profit on savings accounts with banks	Profit on placements	12,838
Fees and subscription	Legal and professional charges	125

Accordingly, reclassifications have also been made in the cash flow statement.

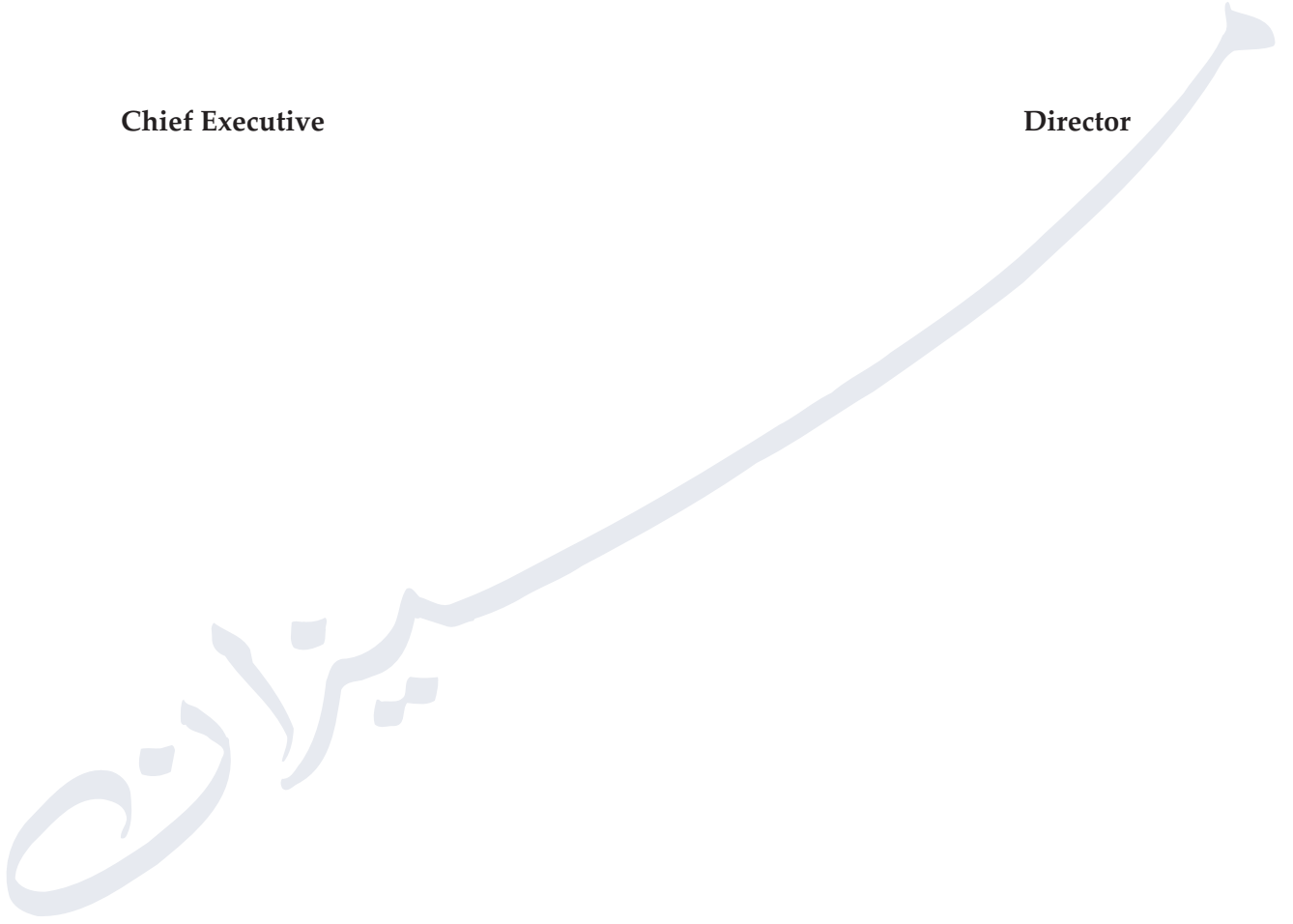
26. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements have been authorised for issue on August 07, 2008 by the Board of Directors of the Management Company.

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

Chief Executive

Director



PATTERN OF CERTIFICATE HOLDING AS OF JUNE 30, 2008

NO. OF CERTIFICATE HOLDERS	HAVING CERTIFICATE		CERTIFICATE HELD	PERCENTAGE
	FROM	TO		
9	1	100	424	
276	101	500	137,160	0.11
87	501	1,000	87,000	0.07
361	1,001	5,000	1,196,500	0.99
152	5,001	10,000	1,443,500	1.20
35	10,001	15,000	465,350	0.39
31	15,001	20,000	582,708	0.49
13	20,001	25,000	315,341	0.26
14	25,001	30,000	387,015	0.32
6	30,001	35,000	199,505	0.17
8	35,001	40,000	304,000	0.25
14	40,001	45,000	586,560	0.49
14	45,001	50,000	688,500	0.57
1	50,001	55,000	52,500	0.04
2	55,001	60,000	117,500	0.10
1	60,001	65,000	65,000	0.05
5	65,001	70,000	334,000	0.28
1	70,001	75,000	71,000	0.06
2	75,001	80,000	155,401	0.13
7	80,001	85,000	574,456	0.48
2	85,001	90,000	174,000	0.15
5	95,001	100,000	500,000	0.42
2	100,001	105,000	202,000	0.17
1	115,001	120,000	120,000	0.11
1	120,001	125,000	121,000	0.10
1	130,001	135,000	135,000	0.11
1	140,001	145,000	141,606	0.11
1	180,001	185,000	183,500	0.15
2	195,001	200,000	397,000	0.33
1	210,001	215,000	212,500	0.18
1	235,001	240,000	239,145	0.20
3	245,001	250,000	750,000	0.63
1	290,001	295,000	295,000	0.25
2	295,001	300,000	600,000	0.50
5	395,001	400,000	1,996,449	1.66
1	420,001	425,000	421,000	0.35
1	445,001	450,000	450,000	0.38
1	460,001	465,000	460,500	0.38
1	465,001	470,000	468,000	0.39
9	495,001	500,000	4,500,000	3.75
1	505,001	510,000	510,000	0.43
1	530,001	535,000	531,000	0.44
1	600,001	605,000	602,000	0.50
2	695,001	700,000	1,400,000	1.16
2	795,001	800,000	1,597,500	1.33
1	925,001	930,000	928,500	0.77
7	995,001	1,000,000	7,000,000	5.83
1	1,015,001	1,020,000	1,019,329	0.85

NO. OF CERTIFICATE HOLDERS	HAVING CERTIFICATE		CERTIFICATE HELD	PERCENTAGE
	FROM	TO		
1	1,025,001	1,030,000	1,029,500	0.86
1	1,080,001	1,085,000	1,082,500	0.90
1	1,090,001	1,095,000	1,094,500	0.91
1	1,135,001	1,140,000	1,139,000	0.95
1	1,635,001	1,640,000	1,635,500	1.36
1	1,815,001	1,820,000	1,816,000	1.51
1	1,880,001	1,885,000	1,882,000	1.56
1	1,995,001	2,000,000	2,000,000	1.66
5	2,495,001	2,500,000	12,500,000	10.41
1	2,595,001	2,600,000	2,599,500	2.17
1	3,535,001	3,540,000	3,536,100	2.94
1	3,895,001	3,900,000	3,900,000	3.25
1	3,950,001	3,955,000	3,952,868	3.29
1	4,820,001	4,825,000	4,821,824	4.01
2	4,995,001	5,000,000	10,000,000	8.33
1	7,030,001	7,035,000	7,034,468	5.86
1	7,155,001	7,160,000	7,157,791	5.96
1	9,095,001	9,100,000	9,100,000	7.58
1	9,995,001	10,000,000	10,000,000	8.33
<u>1,121</u>			<u>120,000,000</u>	<u>100</u>

CATEGORIES OF CERTIFICATE HOLDERS AS AT JUNE 30, 2008

PARTICULARS	CERTIFICATE HOLDERS	CERTIFICATEHOLDING	P E R C E N T A G E
DIRECTORS,CEO & CHILDREN	2	12,475	0.01
ASSOCIATED COMPANIES	5	32,014,083	26.68
BANKS,DFI&NBFI	12	19,331,500	16.11
INSURANCECOMPANIES	1	300,000	0.25
MODARABAS&MUTUALFUNDS	2	3,067,500	2.56
GENERALPUBLIC(LOCAL)	1,024	17,003,691	14.17
GENERALPUBLIC (FOREIGN)	10	5,086,500	4.24
OTHERS	63	41,277,251	34.40
FOREIGN COMPANIES	2	1,907,000	1.59
COMPANY TOTAL	1121	120,000,000	100

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

INCOME	2008 (Rupees in '000)	2007
Remuneration receivable from Meezan Balanced Fund	45,720	42,656
Dividend income	<u>5,681</u>	<u>4,101</u>
	51,401	46,757
OPERATING EXPENSES		
Salaries and other benefits	6,380	7,300
Motor vehicle running expenses	166	192
Fees and subscription	287	152
Insurance expense	60	66
Printing and stationery	135	273
Depreciation	645	767
Travelling and conveyance	169	136
Entertainment	38	37
Legal and professional charges	605	261
Repairs and maintenance	38	34
Office supplies	67	45
Rent, rates and taxes	602	710
Utilities	138	180
Miscellaneous expenses	14	21
	9,344	10,174
Net Income for the year	<u><u>42,057</u></u>	<u><u>36,583</u></u>

Note: The above expenses are allowed 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.