



Balanced Fund

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Our Vision

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

Our Mission

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

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

FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. 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
CDC House, 99-B, Block B, S.M.C.H.S.,
Main Shahrah-e-Faisal, Karachi, Pakistan.

AUDITORS

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

BANKERS TO THE FUND

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

SHARIAH ADVISER

Meezan Bank Limited

LEGAL ADVISER

Bawaney & Partners
404, 4th Floor, Beaumont Plaza, 6-CL-10
Beaumont Road, Civil Lines
Karachi - 75530
Phone: (9221) 3565 7658-59
Fax: (9221) 3565 7673
E-mail: bawaney@cyber.net.pk

TRANSFER AGENT

THK Associates (Pvt.) Limited
Ground Floor, State Life Building-3
Dr. Ziauddin Ahmed Road, Karachi-75536
Phone : (9221) 111-000-322
Fax : (9221) 35655595
P.O. Box No. 8533

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of Al Meezan Investment Management Limited, the management company of Meezan Balanced Fund (MBF) is pleased to present the audited annual financial statements of the fund for the year ended June 30, 2009.

Market Review

The fiscal year 2009 was one of the most volatile for global economy with challenges involving sub-prime default, financial market crisis, stock market crashes and souring commodity prices including food inflation. The economic fundamental for Pakistan were also negatively impacted by global economic downturn and led to various economic imbalances including growing fiscal and trade deficit, rising inflation, declining foreign exchange reserves etc. In all, Pakistan managed an economic growth of 2% as against a target of 5%.

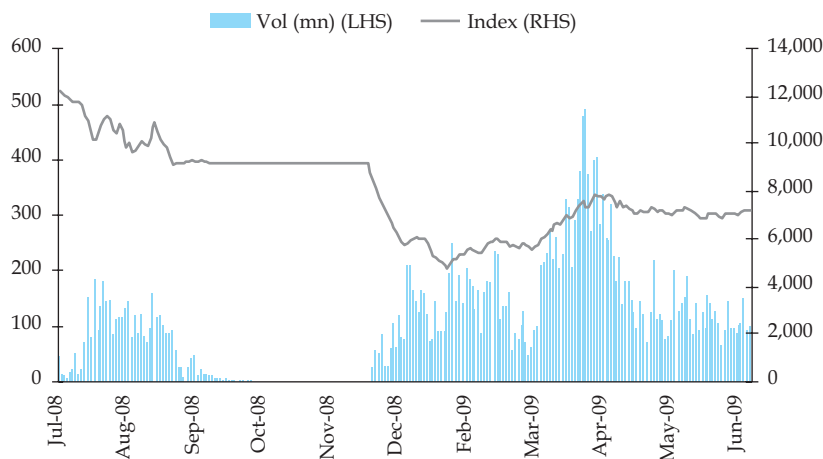
Subsequently, tight monetary stance adopted by SBP and lower commodity prices helped in easing pressure and economy steadily recovered. Lower commodity prices have continued to reduce pressure on external accounts, which alongwith a Stand-By Arrangement with IMF and other inflows, have lent some degree of stability to economy. Moreover, rescinding inflation paved the way for decline in interest rates which helped in bringing overall stability.

For the equity market, fiscal year 2009 began on a bearish note in continuation of its decline in the previous year. To arrest the sharp decline, Securities and Exchange Commission of Pakistan (SECP) had changed circuit breakers to a floor of 1% and a cap of 10% at the end of fiscal year 2008. After introduction of these new limits, market volumes dried up completely, forcing SECP to revert them back to the original 5% level in early July 2008. However, unabated economic pressures continued to deteriorate investor sentiments and, to stem further downside, KSE Board of Directors on the close of August 27, 2008 (9,144 points) decided to place a floor on the index. Thus investors limited their trading to off-market counter at a 20%-50% discount from floor prices.

When the index floor was removed on December 15, 2008, KSE 100 Index took a heavy correction, falling to the lowest level of 4,815 by the end of January 2009.

Apart from government administered macro stabilization measures, restoration of judges in March and consequent anticipation of political stability in the country gave a major impetus to the market and KSE 100 index began on its recovery path. Other factors contributing to the bull run were inclusion of KSE in MSCI Frontier Index, declining interest rates, incentive driven petroleum policy, and encouraging prospects of funding from the Friends of Democratic Pakistan meeting in April 2009.

Overall, KSE 100 Index ended the fiscal year 2009 at 7,162 posting a 42% decline YoY with the average trading volume of 109.1 million shares as compared to 241 million shares, a year earlier. While the DJIMPK declined by 35.4% during the period under review.

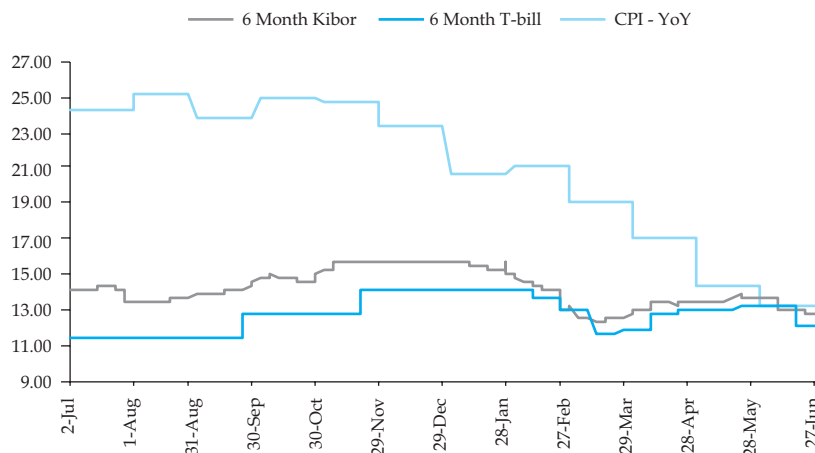


Fiscal year 2009 was a difficult year as far as monetary governance is concerned. Measures like subsidy removal, fiscal deficit management, monetary tightening and strict forex market regulations were some of the many steps taken by the government to stabilize economy. Despite all these steps, rupee remained under pressure vis-à-vis the dollar, especially in the first half, and closed the fiscal year 2009 at Rs. 81.5, depreciating 16% during the year.

To arrest unabated inflation which reached an alarming level of 25% in first four months of fiscal year 2009 and to meet IMF conditions, the State Bank of Pakistan (SBP) maintained a tight stance in its monetary policy and raised the discount rate by 1% in July and subsequently 2% to 15% in November. The tight monetary stance resulted in six month KIBOR and T-bill rates to peak at 15.71% and 14.01% respectively. Later, however, money supply relaxing measures by SBP like reducing Cash Reserve Requirement (CRR) and Statutory Liquidity Requirement (SLR) for commercial banks helped to ease off liquidity crunch in the economy.

In March 2009, SBP further eased its monetary stance by reducing the discount rate by 100bps to 14%. The effect of these measures resulted in a significant drop in six month KIBOR and T-bill rates which declined from their peak by 245bps and 200bps to close at 12.76% and 12.01% respectively on June 30, 2009.

The following graph shows the trend in interest rates during the period under review:



Apart from this, to reduce government borrowing from SBP and promote Islamic mode of financing, SBP conducted three auctions of Ijara sukuks, three year Islamic bonds, selling a cumulative amount Rs.27.5 billion worth of sukuks against the target of Rs.30 billion. Moreover, SECP, with the assistance of Mutual Fund Association of Pakistan MUFAP, has introduced new method of valuation of fixed income securities. According to this method, prices of the instruments are revised on a fortnightly basis using yield matrix. Going forward, to further improve the efficiency or debt security trading in the secondary market, Bond Automated Trading System (BATS) will soon be introduced at KSE.

Outlook

Going forward, we maintain a positive view over the future capital market performance. The expected cut in the policy rate by SBP will not only be a positive development for the equities, but as liquidity position improves, yields on fixed income securities will decline and we can witness improved prices of Sukuks and TFCs. Apart from the interest rate cut, foreign investors have lately increased their focus on emerging markets. We anticipate that Pakistan will also have foreign portfolio inflows here onwards (as compared to a net outflow of US\$ 445 million in fiscal year 2009) as our market trades at an attractive PE multiple of 7x which translates into a discount of over 50% to regional 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 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 judgement.
- International Accounting Standards and International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Fund's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the Karachi Stock Exchange (KSE) listing regulations.
- The Board of Directors and employees of the management company have signed "Statement of Ethics and Business Practices".
- There had been no trading in the certificates of the Fund carried out by the Directors, CEO, CFO and Company Secretary of the management company including their spouses and their minor children.
- Pattern of holding of certificates is given in note no.25 of the financial statements.
- Financial highlights since inception are given in note no. 23 of the financial statements.

Board Meetings

Please refer to note no. 20 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 the fiscal year 2010. The Board of 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 company. We also thank the regulator, Securities and Exchange Commission of Pakistan, Central Depository Company of Pakistan and management of Karachi Stock Exchange for all their support and guidance. We also take this opportunity to thank the members of the Shariah Supervisory Board of Meezan Bank for their continued guidance and support on shariah aspects of fund management.

Date: August 20, 2009
Karachi.

For and behalf of the Board

Mohammad Shoaib, CFA
Chief Executive

**PATTERN OF CERTIFICATE HOLDINGS AS PER REQUIREMENTS
OF THE CODE OF CORPORATE GOVERNANCE
AS AT JUNE 30, 2009**

Certificates held by	Number of investors	No. of Certificates held	Percentage of total investment
Individuals	1,026	16,781,191	13.98
Chief Executive & their Sposue			
i) Mr. Mohammad Shoaib, CFA	1	11,975	0.01
ii) Mrs. Shabana Mohammad Shoaib	1	500	0.00
Executives			
Mohammad Asad	1	10,000	0.01
Associated companies			
i) Meezan Bank Limited	1	16,134,468	13.45
ii) Pakistan Kuwait Investment Co.(Pvt) Ltd.	1	11,057,791	9.21
iii) Al-Meezan Investment Management Ltd	1	3,821,824	3.18
Insurance companies	1	300,000	0.25
Banks / DFIs	8	20,314,400	16.93
NBFCs	8	8,428,000	7.02
Retirement funds	34	16,071,347	13.39
Public Limited Companies	26	24,553,004	20.46
Others	4	2,515,500	2.10
Total	1,113	120,000,000	100

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2009

Meezan Balanced Fund (MBF) is a closed end balanced fund that invests in Shariah compliant listed equity securities and listed or unlisted Islamic income products.

The objective of MBF is to generate long term capital appreciation as well as current income by creating on a balanced portfolio that is invested both in high quality equity securities and Islamic Income instruments such as Sukuk (Islamic Bonds), Musharaka and Murabaha instruments; Shariah compliant spread transactions, Certificate of Islamic Investments, Islamic bank deposits and other Islamic income products.

MBF invests only in Shariah Compliant instruments with the objective of maximizing total return to its unit holders and maintaining risks within acceptable levels. The fund also has a focus of long term preservation of capital. According to the economic condition and market scenario, the fund aims to maximize total returns varying fund's allocations to fixed income and equity exposures.

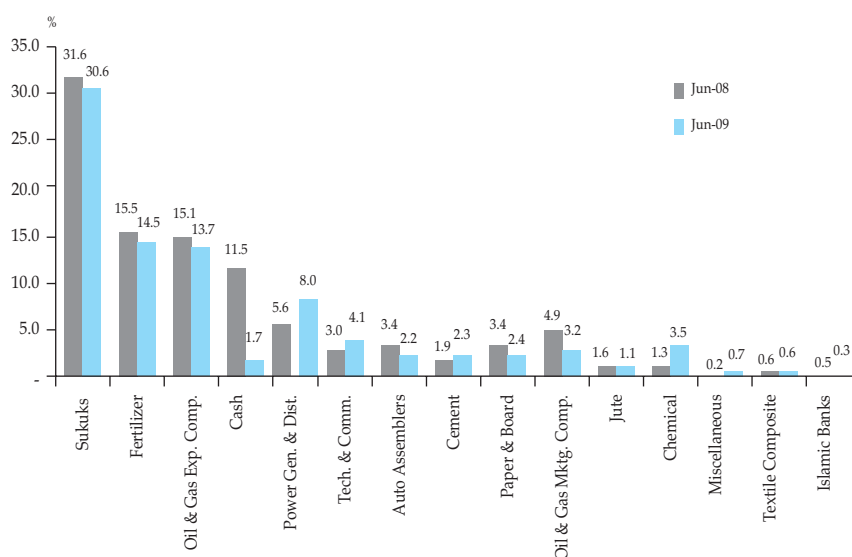
Strategy and Investment Policy

Being a balanced fund, performance of MBF is linked proportionately to performance of 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. The fund primarily aims at controlling risk by balancing growth and income earning objectives of unit holders. To achieve this purpose, the Fund manager strives to reduce equity exposure in times when the equity market is expected to peak off and increase exposure to high quality liquid Islamic fixed income instruments.

During the year, the focus was on proactive and continuous re-allocation between high yield instruments so as to optimize fund yield while maintaining a balance within the risk management constraints. To keep interest rate risk at a minimum in a volatile interest rate environment while reaping benefits of interest rate increases, the fund manager over the period has kept the duration of the fixed income portfolio below six months.

Implementation

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 internal oil and fertilizer stocks. More than 25% of the fund's net assets were invested in oil and fertilizer sectors at the close of the fiscal year 2009. Average equity exposure in the fund during the period under review was maintained at 57%. In order to meet the objectives of capital preservation, while maintaining a high yield, the fund maintained its exposure to Sukuks (Islamic Bonds) and diminishing musharaka during the year to over 30% to the close of fiscal year 2009.



Economic Review

The fiscal year 2009 was one of the most volatile for global economy with challenges involving sub-prime default, financial market crisis, stock market crashes and souring commodity prices including food inflation. The economic fundamental for Pakistan were also negatively impacted by global economic downturn and led to various economic imbalances including growing fiscal and trade deficit, rising inflation, declining foreign exchange reserves etc. In all, Pakistan managed an economic growth of 2% as against a target of 5%.

Subsequently, tight monetary stance adopted by SBP and lower commodity prices helped in easing pressure and economy steadily recovered. Lower commodity prices have continued to reduce pressure on external accounts, which alongwith 23-month US\$ 7.6 billion Stand-By Arrangement with IMF and other inflows, have lent some degree of stability to economy. Moreover, rescinding inflation paved the way for decline in interest rates which helped in bringing overall stability.

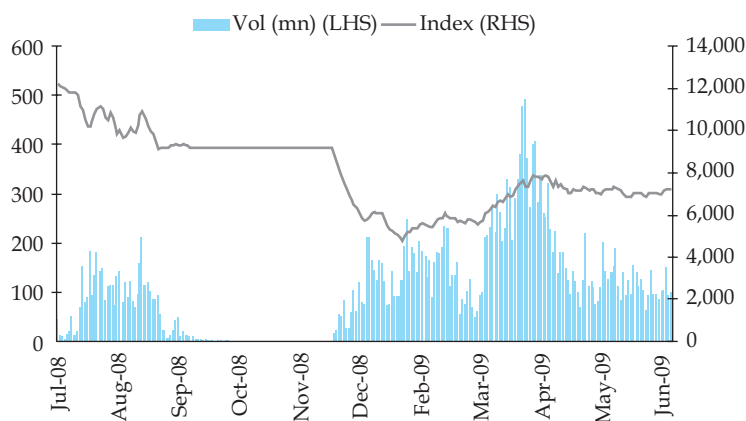
Equity Market Review

For the equity market, fiscal year 2009 began on a bearish note in continuation of its decline in the previous year. To arrest the sharp decline, Securities and Exchange Commission of Pakistan (SECP) had changed circuit breakers to a floor of 1% and a cap of 10% at the end of fiscal year 2008. After introduction of these new limits, market volumes dried up completely, forcing SECP to revert them back to the original 5% level in early July 2008. However, unabated economic pressures continued to deteriorate investor sentiments and, to stem further downside, KSE Board of Directors on the close of August 27, 2008 (9,144 points) decided to place a floor on the index. Thus investors limited their trading to off-market counter at a 20%-50% discount from floor prices.

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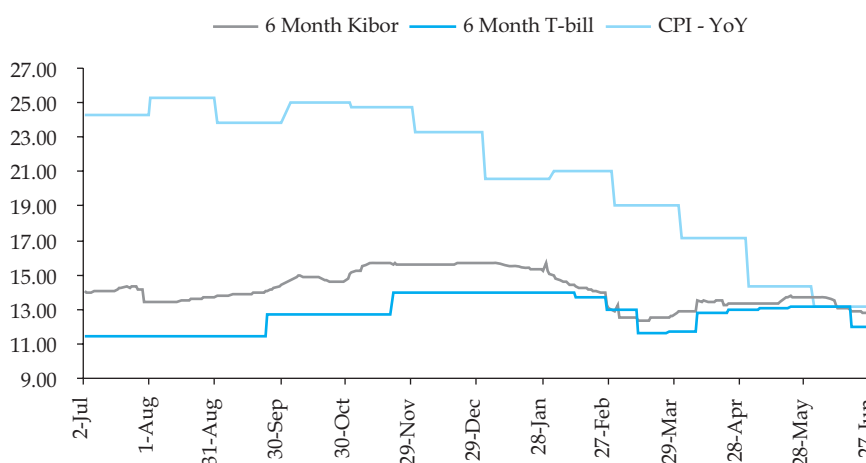
Monetary Review

Fiscal year 2009 was a difficult year as far as monetary governance is concerned. Measures like subsidy removal, fiscal deficit management, monetary tightening and strict forex market regulations were some of the many steps taken by the government to stabilize economy. Despite all these steps, rupee remained under pressure vis-à-vis the dollar, especially in the first half, and closed the fiscal year 2009 at Rs 81.5, depreciating 16% during the year.

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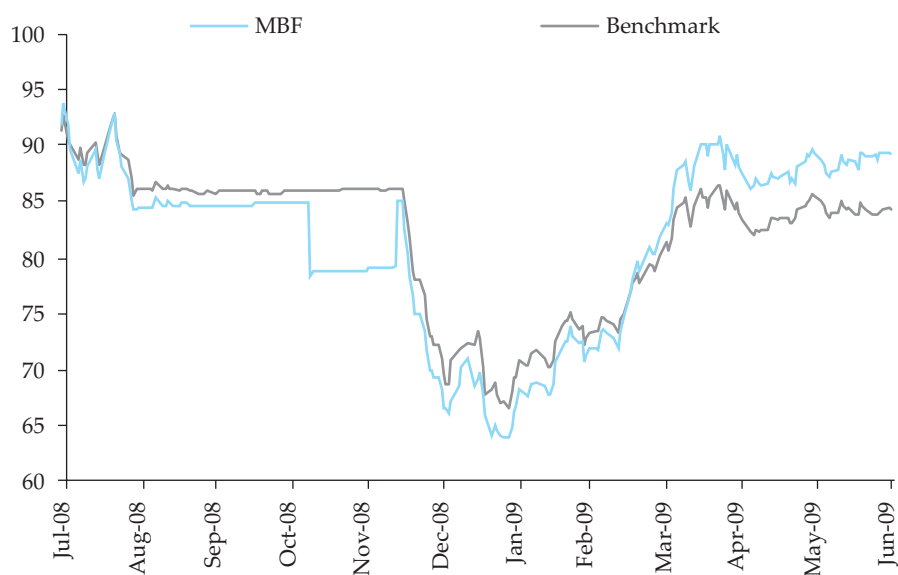


Apart from this, to reduce government borrowing from SBP and promote Islamic mode of financing, SBP conducted three auctions of Ijara sukuks, three year Islamic bonds, selling a cumulative amount Rs.27.5 billion worth of sukuks against the target of Rs.30 billion. Moreover, SECP, with the assistance of Mutual Fund Association of Pakistan MUFAP, has introduced new method of valuation of fixed income securities. According to this method, prices of the instruments are revised on a fortnightly basis using yield matrix. Going forward, to further improve the efficiency of debt security trading in the secondary market, Bond Automated Trading System (BATS) will soon be introduced at KSE.

Performance Review

The Fund, during the year ended June 30, 2009 incurred a total loss of Rs.117 million. The loss for the period comprises of mainly un-realized loss on re-measurement of investments at fair value through profit & loss of Rs.99 million and net realized loss on sale of investments of Rs.129 million. The dividend income for the period was Rs.46 million and income on debt securities and profit on Islamic bank deposits was Rs.65 million. After accounting for expenses of Rs.39 million, the net loss for the period was Rs.156 million, which translates into a loss per certificate of Rs.1.30 as on June 30, 2009. The net assets of the fund at the period end were Rs.1,143 million as compared to Rs.1,424 million as at June 30, 2008. The net asset value of the fund as at June 30, 2009 was Rs.9.52 per certificate as compared to Rs.11.86 per certificate as on June 30, 2008.

	30-Jun-09	30-Jun-08	Change
NAV Appreciation			
Meezan Balanced Fund (Dividend Adjusted)	9.52	10.86	-10.86%
Calculation of Benchmark Returns (Inputs)			
DJIMPK	11,684	18,097	-35.44%
Average Yield on Islamic Bank Deposits			6.58%
DJIMPK Return	-35.44%	50%	-17.72%
Islamic Bank Deposit Return	6.58%	50%	3.29%
Benchmark Return			-14.43%
Overperformance			3.57%



Meezan Balanced Fund			
	FY 09	FY 08	FY 07
Net Asset Value (PKR mn)	1,143	1,424	1,598
NAV per unit (PKR)	9.52	11.86	13.32
Highest NAV (PKR)	11.85	13.65	13.9
Lowest NAV (PKR)	6.76	11.27	10.92
Distribution per certificate (PKR)	0	1	1.6
Distribution per certificate (%)	0	10	16
Total Return (%)	-10.86	1.2	26

Future Outlook

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

Charity Statement

As per Trust Deed of MBF, Charity refers to the amount paid by the Investment Adviser 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, 2009 an amount of Rs. 0.735 million was accrued as charity payable.

Breakdown of Unit holdings by size

Please refer to page no. 44 of the financial statements.

Distribution

No distribution was made for fiscal year 2008-2009

TRUSTEE REPORT TO THE CERTIFICATE HOLDERS MEEZAN BALANCED FUND

Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

Meezan Balanced Fund (the 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, 2009 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; and
- (ii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Muhammad Hanif
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 18, 2009

REPORT OF THE SHARIAH ADVISER - MEEZAN BALANCED FUND

Karachi

September 03, 2009

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

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

- i. We have reviewed and approved the modes of investments of MBF in light of Shariah requirements. The following is a list of investments of MBF as on June 30, 2009 and their evaluation according to the screening criteria established by us. (The latest accounts of the Investee companies available as on March 31, 2009 have been used for the following calculations):

Company Name	Nature of Business	(i)*	(ii)	(iii)	(iv)	(v)	
		Debt to Assets (<40%)	% of Non-Shariah Compliant Investments (<33%)	Non-Compliant Income to Gross Revenue (<5%)	Illiquid Assets to Total Assets (>20%)	Net Liquid Assets vs. Share Price (B>A)	Share Price (B)
Hub Power Co. Limited	Cement Manufacturer	19.92%	0.88%	0.05%	52%	(8.38)	20.62
Attock Cement	Cement Manufacturer	0.18%	1.87%	0.33%	87%	(20.28)	67.46
D.G. Khan Cement Company Limited**	Cement Manufacturer	41.93%**	6.58%	0.03%	95%	(88.55)	21.81
Lucky Cement	Cement Manufacturer	32.83%	0.00%	0.00%	89%	(36.73)	49.39
Oil & Gas Development Co. Limited	Exploration and Production of Oil & Gas	0.00%	4.77%	2.37%	54%	5.59	72.07
Pakistan Petroleum Limited	Refines crude oil for petroleum products	0.15%	1.9%	4.00%	57%	9.99	173.27
Pakistan Oil Fields	Manufacturers of Fertilizers	0.00%	5.33%	4.78%	67%	(7.41)	171.06
Pakistan State Oil Co. Limited	Distribution of Oil & Gas	15.23%	0.00%	0.00%	37%	(162.66)	195.94

Company Name	Nature of Business	(i)*	(ii)	(iii)	(iv)	(v)	
		Debt to Assets (<40%)	% of Non-Shariah Compliant Investments (<33%)	Non-Compliant Income to Gross Revenue (<5%)	Illiquid Assets to Total Assets (>20%)	Net Liquid Assets vs. Share Price (B>A)	Share Price (B)
Sui North Gas Pipeline Limited	Automobile Assembling	3.03%	0.00%	0.2%	61%	(107.44)	30.22
Pakistan Telecommunication Co. Limited	Provider of Telecommunication Services	6.28%	0.00%	3.42%	70%	(6.98)	16.68
Packages Limited	Manufacturers of Paper and Board	23.83%	21%	0.69%	69%	(32.36)	173.09
Engro Chemicals Limited**	Manufacturer of Fertilizer	51.43%**	0.09%	1.34%	87%	(279.41)	144.65
Fauji Fertilizer Bin Qasim	Manufacturer of Fertilizer	33.21%	0.00%	3.78%	71%	(17.94)	17.12
Fauji Fertilizer Co. Limited	Manufacturer of Fertilizer	30.74%	2.59%	1.24%	71%	(43.09)	86.92
Indus Motors	Automobile Assembler	0.00%	0.00%	0.99%	47%	1.06	73.85
Pak Suzuki Motors	Automobile Assembler	1.53%	0.00%	1.54%	72%	27.80	54.53
ICI Chemicals Pakistan Limited	Manufacturer of Chemicals	1.06%	0.01%	0.1%	73%	(2.78)	96.18
Tri Pack Films Limited	Manufacturer of Biaxially Oriented Polypropylene	39.79%	0.00%	0.51%	74%	(56.33)	98.45

* All interest based debts

** Non Compliant on the basis of latest accounts.

ii. On the basis of information provided by the management, all operations of MBF for the year ended June 30, 2009 have been in compliance with the Shariah principles.

During the Year a provision of Rupees 0.734 million was transferred to Charity account and an amount of Rupees 1.5 million was disbursed.

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

Dr. Muhammad Imran Ashraf Usmani
Shariah Adviser

INDEPENDENT ASSURANCE PROVIDERS' 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, 2009.

Management company's responsibility

Management company of the Fund is responsible for the appointment of Shariah Adviser of the Fund and for compliance with the Shariah guidelines prescribed by the Shariah 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, 2009.

A.F.Ferguson & Co.

Chartered Accountants

Karachi, September 24, 2009

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2009

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 (now 35) 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 unit trust scheme does not have its own board of directors. The management company has applied the principles contained in the code to the Fund, whose units 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. No casual vacancy occurred during the year on the Board of the management company of the Fund.
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.
10. The Board has approved the appointment of the Chief Financial Officer (CFO) and the company secretary of the management company.

11. The directors' report relating to the Fund, for the year ended June 30, 2009 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 a firm of Chartered Accountants.
18. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (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. The related party transactions entered during the year ended June 30, 2009 have been placed before the audit committee and approved by the board of directors in their respective meetings held on August 19 and 20, 2009 instead of at each of their meetings held since January 19, 2009.
21. 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 20, 2009

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. 35 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.

Further, Sub-Regulation (xiii a) of Listing Regulation 37 (now Regulation 35) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required to check the approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee which were done in their respective meetings held on August 20 and 19, 2009. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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, 2009.

A.F.Ferguson & Co.
Chartered Accountants
Karachi, September 24, 2009

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, 2009, 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 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, 2009 and of its financial performance, cash flows and transactions for the year then ended in accordance with the requirements of the 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 Non-Banking Finance Company and Notified Entities Regulations, 2008.

A.F.Ferguson & Co.
Chartered Accountants
Karachi, September 24, 2009

Audit Engagement Partner: Saad Kaliya

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2009

	<i>Note</i>	2009 (Rupees in '000)	2008
Assets			
Balances with banks	5	144,241	10,462
Investments	6	992,205	1,398,691
Dividend receivable		6,156	7,307
Advances, deposits and other receivables	7	18,254	17,012
Preliminary expenses and floatation costs	8	-	1,662
Total assets		1,160,856	1,435,134
Liabilities			
Payable to Al Meezan Investment Management Limited - management company of the Fund	9	4,488	6,851
Payable to Central Depository Company of Pakistan Limited - trustee of the Fund	10	114	136
Payable to Securities and Exchange Commission of Pakistan	11	1,008	1,515
Payable to Meezan Bank Limited - shariah adviser of the Fund	12	434	250
Payable against purchase of investments		5,702	-
Accrued expenses and other liabilities	13	614	1,618
Unclaimed dividend		5,653	1,081
Total liabilities		18,013	11,451
Net assets		1,142,843	1,423,683
 Certificate holders' equity (as per statement attached)			
Issued, subscribed and paid-up capital			
120,000,000 ordinary certificates of Rs 10 each		1,200,000	1,200,000
Unappropriated (loss) / income		(52,208)	223,683
Deficit on revaluation of available for sale investments		(4,949)	-
		1,142,843	1,423,683
 Net assets value per certificate (Rupees)		9.52	11.86

The annexed notes 1 to 27 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, 2009

	<i>Note</i>	2009 (Rupees in '000)	2008
Income			
Net realised (loss) / gain on sale of investments		(129,163)	67,904
Dividend income		46,319	38,248
Profit on savings accounts with banks		7,544	22,670
Profit on placements		-	14,518
Profit on sukuk certificates		42,708	29,176
Profit on musharaka certificates		14,325	1,461
Other income		220	-
		(18,047)	173,977
Unrealised loss on re-measurement of investments at fair value through profit or loss (net)		(99,146)	(88,141)
Loss on re-measurement of derivative financial instruments (net)		-	(15,000)
		(99,146)	(103,141)
Total (loss) / income		(117,193)	70,836
Expenses			
Remuneration to Al Meezan Investment Management Limited - management company of the Fund	9.1	32,550	45,271
Remuneration to Central Depository Company of Pakistan Limited - trustee of the Fund	10	1,356	1,688
Annual fee to Securities and Exchange Commission of Pakistan	11	1,008	1,515
Remuneration to Meezan Bank Limited - shariah adviser of the Fund	12	184	250
Auditors' remuneration	14	432	428
Fees and subscription		128	128
Amortisation of preliminary expenses and floatation costs	8	1,662	1,672
Brokerage		925	1,654
Printing charges		146	160
Legal and professional charges		46	165
Bank and settlement charges		261	388
Total expenses		38,698	53,319
Net (loss) / income for the year		(155,891)	17,517
(Loss) / earnings per certificate (Rupees)	15	(1.30)	0.15

The annexed notes 1 to 27 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, 2009

	2009 (Rupees in '000)	2008
Unappropriated income brought forward	223,683	398,166
Less: Final distribution in the form of cash dividend @ 10% for the year ended June 30, 2008 (June 30, 2007 @ 16%)	(120,000)	(192,000)
Net (loss) / income for the year	(155,891)	17,517
Unappropriated (loss) / income carried forward	<u>(52,208)</u>	<u>223,683</u>

The annexed notes 1 to 27 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, 2009

	2009 (Rupees in '000)	2008
Net assets per certificate at the beginning of the year	11.86	13.32
Net realised (loss) / gain on sale of investments	(1.08)	0.57
Dividend income	0.39	0.32
Profit on savings accounts with banks	0.06	0.19
Profit on placements	-	0.12
Profit on sukuk certificates	0.36	0.24
Profit on musharaka certificates	0.12	0.01
Other income	-	-
Unrealised loss on re-measurement of investments at fair value through profit or loss (net)	(0.83)	(0.74)
Loss on re-measurement of derivative financial instruments	-	(0.13)
Expenses	(0.32)	(0.44)
Net (loss) / income for the year	(1.30)	0.14
Dividend declared at Re.1 (June 30, 2007: Rs. 1.6) per certificate for the year ended June 30, 2008	(1.00)	(1.60)
Unrealised loss on investments - 'available for sale'	(0.04)	-
Net assets per certificate at the end of the year	<u>9.52</u>	<u>11.86</u>

The annexed notes 1 to 27 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, 2009

	<i>Note</i>	2009 (Rupees in '000)	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) / income for the year		(155,891)	17,517
Adjustments for:			
Dividend income		(46,319)	(38,248)
Profit on savings accounts with banks		(7,544)	(22,670)
Profit on placements		-	(14,518)
Profit on sukuk certificates		(42,708)	(29,176)
Profit on musharaka certificates		(14,325)	(1,461)
Unrealised loss on re-measurement of investments at fair value through profit or loss (net)		99,146	88,141
Loss on re-measurement of derivative financial instruments (net)		-	15,000
Amortisation of preliminary expenses and floatation costs		1,662	1,672
		(165,979)	16,257
(Increase) / decrease in assets			
Placements		-	100,000
Investments		300,930	(534,160)
Receivable against sale of investments		-	202,561
Advances, deposits and other receivables		-	(2,500)
		300,930	(234,099)
Increase / (decrease) in liabilities			
Payable to Al Meezan Investment Management Limited - management company of the Fund		(2,363)	(40,807)
Payable to Central Depository Company of Pakistan Limited - trustee of the Fund		(22)	(20)
Payable to Securities and Exchange Commission of Pakistan		(507)	70
Payable to Meezan Bank Limited - shariah adviser of the Fund		184	-
Payable against purchase of investments		5,702	(45,600)
Accrued expenses and other liabilities		(1,004)	(625)
		1,990	(86,982)
Dividend income received		47,470	33,293
Profit received on savings accounts with banks		8,881	20,608
Profit received on placements		-	17,918
Profit received on diminishing musharaka certificates		13,293	-
Profit received on sukuk certificates		42,622	21,966
Net cash inflow / (outflow) from operating activities		249,207	(211,039)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(115,428)	(194,127)
Net cash outflow from financing activities		(115,428)	(194,127)
Net increase / (decrease) in cash and cash equivalents		133,779	(405,166)
Cash and cash equivalents at the beginning of the period		10,462	415,628
Cash and cash equivalents at the end of the period	5	144,241	10,462

The annexed notes 1 to 27 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, 2009

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Balanced Fund (the Fund) was established as a closed-end scheme under a trust deed executed between Al Meezan Investment Management Limited (AMIML) as management company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The trust deed was executed on June 15, 2004 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on September 8, 2004 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). On November 21, 2007 the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations, 2007) were notified which are now superseded by the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations, 2008) issued through S.R.O. 1203(1)/2008 on November 21, 2008. The registered office of the management company of the Fund is situated in Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan.
- 1.2 The investment objective of the Fund is to generate long-term capital appreciation as well as current income by creating a balanced portfolio that is invested both in high quality equity securities and islamic income instruments such as term finance certificates, certificates of islamic investment, musharaka certificates, islamic sukuk certificates and other shariah compliant instruments. Under the trust deed all the conducts and acts of the Fund are based on shariah. The management company has appointed Meezan Bank Limited (MBL) as shariah adviser to ensure that the activities of the Fund are in compliance with the principles of islamic shariah. The management company of the Fund is registered with 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 rating of the Fund has not been conducted as of June 30, 2009. The management company of the Fund has been given quality rating of AM2- and credit rating of A 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).
- 1.5 Title to the assets of the Fund are held in the name of CDC as a trustee of the Fund.
- 1.6 According to clause 65 of the NBFC Regulations, 2008, a closed end fund or an investment company shall, upon expiry of every five years from November 21, 2007 or the date of launch of the fund whichever is later, hold a meeting of shareholders within one month of such period to seek approval of the shareholders (by special resolution) to convert into an open end scheme or revoke the close-end scheme or wind up the investment company.

2. BASIS OF MEASUREMENT

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

3. STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the international Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the NBFC Rules, NBFC Regulations, 2007, NBFC Regulations, 2008 and the directives issued by the SECP.

Wherever the requirements of the Trust Deed, the NBFC Rules, NBFC Regulations, 2007, NBFC Regulations, 2008 or the said directives differ with the requirements of IFRSs, the requirements of the Trust Deed, NBFC Rules, NBFC Regulations, 2007, NBFC Regulations, 2008 and the said directives take precedence.

3.2 Standards, amendments and interpretations effective during the year ended June 30, 2009:

During the year, IFRS 7 'Financial Instruments : Disclosures' became effective. This IFRS has superseded IAS 30 and the disclosure requirements of IAS 32. The presentation requirements of IAS 32 remain unchanged. This IFRS requires disclosures in the financial statements that enable users to evaluate:

- (a) the significance of financial instruments for the entity's financial position and performance; and
- (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks. Such disclosures have been set out in note 17 to these financial statements.

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

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

IFRS 8, 'Operating segments ' (effective from January 1, 2009) replaces IAS 14 and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The management is currently in the process of assessing the expected impacts on the Fund's financial statements.

IFRS 7 (Amendment), 'Financial instruments: Disclosures' (effective from January 1, 2009) introduces enhanced disclosures relating to liquidity risk and fair value measurements. However it does not have any impact on the classification and valuation of the financial instruments.

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on or after January 1, 2009 but are considered not to be relevant or have any significant effect on 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 and 6)
- (b) impairment of financial instruments (note 4.3.5)
- (c) Taxation (note 4.9)
- (d) recognition of provision for current and deferred taxation (note 8)

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 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 debt securities and derivatives were determined as follows:

- Based on their prices quoted by Mutual Funds Association of Pakistan (MUFAP) during the period from July 1, 2008 upto November 4, 2008 without any deduction for estimated future selling costs.
- The SECP through its circular No. 26/2008 dated November 5, 2008 has directed that for valuation of debt securities a fixed discount rate be applied on the face value of the securities based on the security / entity rating. Accordingly, subsequent to the date of the aforementioned circular (i.e. November 5, 2008) to January 9, 2009 valuation of debt securities was based on the discounted value.
- Effective January 10, 2009 the carrying value of debt securities is based on the value determined and announced by MUFAP in accordance with the criteria laid down in circular No. 1/2009 dated January 6, 2009 issued by the SECP.
- Provisions are recognised when there is objective evidence that a financial asset or group of financial assets are non-performing, in accordance with the circular and subsequent clarification thereon. Additional provision may be recognised when there is objective evidence of the continuity of non-performance. Further the reversal of provisions are also made in accordance with the said circulars and subsequent clarifications.

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

4.3.5 Impairment

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

In case of investment classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in 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

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

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

Current

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.

Deferred

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) Consistent with prior year, unrealised gains / (losses) arising on revaluation of securities classified as 'available for sale' are included in the statement of movement in equity and reserves per certificate in the period in which they arise.
- (iv) Gains / (losses) arising on the revaluation of the derivatives to the fair value are taken to the income statement.
- (v) Dividend income is recognised when the Fund's right to receive dividend is established.
- (vi) 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 Cash and cash equivalents

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

4.15 Dividend and bonus 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	2009 (Rupees in '000)	2008
On current accounts		688	925
On savings accounts	5.1	<u>143,553</u>	<u>9,537</u>
		<u>144,241</u>	<u>10,462</u>

5.1 The balances in savings accounts bear expected profit which ranges from 4.97 % to 15.00 % (2008: 5 % to 9.50 %) per annum.

6. INVESTMENTS	Note	2009 (Rupees in '000)	2008
Investments at fair value through profit or loss	6.1	897,154	1,297,230
Investments - 'available for sale'	6.2 & 6.3	95,051	-
Loans and receivables - originated by the enterprise	6.3	-	101,461
	6.4	<u>992,205</u>	<u>1,398,691</u>

6.1 Investments at fair value through profit or loss

Held for trading	6.1.1	629,640	943,558
Investments at fair value through profit or loss upon initial recognition	6.1.2	<u>267,514</u>	<u>353,672</u>
		<u>897,154</u>	<u>1,297,230</u>

6.1.1 Held for trading

Shares / units of listed companies / fund	6.1.1.1	604,640	855,148
Sukuk certificates	6.1.1.5	<u>25,000</u>	<u>88,410</u>
		<u>629,640</u>	<u>943,558</u>

6.1.1.1 Held for trading - shares / units of listed companies / fund

Name of the investee company	As at July 01, 2008	Purchases during the year	Bonus / rights issue	Sales during the year	As at June 30, 2009	Carrying value as at June 30, 2009	Market value as at June 30, 2009	Unrealised gain / (loss) as at June 30, 2009	Percentage of market value of total investment
	Number of shares / units				(Rupees in '000)				
Open end mutual fund									
Meezan Islamic Income Fund (note 6.1.1.2) (an associate of the Fund)	3,521,415	910,280	-	4,431,695	-	-	-	-	-
Textile composite									
Nishat Mills Limited	105,600	127,800	-	59,000	174,400	9,795	6,596	(3,199)	0.66
Jute									
Thal Limited (note 6.1.1.2)	115,544	-	46,217	-	161,761	22,649	12,528	(10,121)	1.26
Cement									
Attock Cement Pakistan Limited	160,000	-	-	-	160,000	12,341	11,235	(1,106)	1.13
DG Khan Cement Company Limited	180,000	395,000	-	575,000	-	-	-	-	-
Cherat Cement Company Limited	48,382	-	-	44,500	3,882	105	53	(52)	0.01
Fauji Cement Limited	93,500	140,000	-	233,500	-	-	-	-	-
Lucky cement Limited	-	290,000	-	25,000	265,000	12,504	15,510	3,006	1.56
									2.70
Automobile Assembler									
Pak Suzuki Motor Company Limited	56,800	20,000	-	-	76,800	8,905	5,215	(3,690)	0.53
Refinery									
Pakistan Refinery Limited	-	25,000	-	25,000	-	-	-	-	-
Power generation and distribution									
The Hub Power Company Limited	2,762,000	1,589,000	-	930,500	3,420,500	83,385	92,661	9,276	9.34
Oil and gas marketing companies									
Pakistan State Oil Company Limited	61,600	194,900	-	68,000	188,500	44,720	40,273	(4,447)	4.06
Sui Northern Gas Pipeline Ltd	120,100	78,600	-	100,000	98,700	4,160	3,153	(1,007)	0.32
									4.38

Name of the investee company	As at July 01, 2008	Purchases during the year	Bonus / rights issue	Sales during the year	As at June 30, 2009	Carrying value as at June 30, 2009	Market value as at June 30, 2009	Unrealised gain / (loss) as at June 30, 2009	Percentage of market value of total investment
	Number of shares / units					(Rupees in '000)			
Oil and gas exploration companies									
Oil and Gas Development Company Limited (note 6.1.1.3)	592,766	527,400	-	313,000	807,166	71,015	63,476	(7,539)	6.40
Pakistan Oilfields Limited	127,500	232,700	21,900	155,500	226,600	41,396	33,061	(8,335)	3.33
Pakistan Petroleum Limited	382,000	210,000	40,000	313,500	318,500	61,761	60,368	(1,393)	6.08
									15.81
Technology and communication									
Pakistan Telecommunication Company Limited 'A'	815,500	1,955,000	-	40,000	2,730,500	66,350	47,074	(19,276)	4.75
TRG Pakistan Limited	1,708,000	100,000	-	1,808,000	-	-	-	-	-
									4.75
Chemical									
ICI Pakistan Limited	115,000	345,000	-	174,700	285,300	26,115	40,013	13,898	4.03
Fertilizer									
Engro Chemical (Pakistan) Limited	291,908	220,000	204,763	433,000	283,671	29,990	36,432	6,442	3.67
Fauji Fertilizer Bin Qasim Company Limited	1,799,000	395,000	-	505,500	1,688,500	56,184	29,870	(26,314)	3.01
Fauji Fertilizer Company Limited	560,619	401,100	311,868	137,400	1,136,187	85,692	98,791	13,099	9.96
									16.64
Miscellaneous									
Tri-Pack Films Limited	20,000	63,400	-	-	83,400	13,257	8,331	(4,926)	0.84
Total						650,324	604,640	(45,684)	
Total cost of investments							663,112		

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.

6.1.1.3 225,000 shares of Oil and Gas Development Company Limited, having market value of Rs 17.694 million as at June 30, 2009, 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 Held for trading - Sukuk certificates

Name of the investee company	Maturity	Profit rate	As at July 01, 2008	Purchases during the year	Sales during the year	As at June 30, 2009	Carrying value as at June 30, 2009	Market value as at June 30, 2009	Unrealised gain / (loss) as at June 30, 2009	Percentage of market value of total investment
	Number of certificates					(Rupees in '000)				
Secured										
Water and Power Development Authority	October 22, 2012	6 months KIBOR plus base rate of 0.35%	17,500	10,000	27,500	-	-	-	-	-
GoP Ijarah Sukuk Certificates	March 11, 2012	12.96%	-	250	-	250	25,000	25,000	-	2.52
							25,000	25,000	-	
Total cost of investments								25,000		

6.1.1.6 The nominal value of the sukuk certificates of GoP Ijarah is Rs 100,000 each.

		June 30, 2009	June 30, 2008
	Note	(Rupees in '000)	
6.1.2 Investments at fair value through profit or loss upon initial recognition			
Shares of listed companies	6.1.2.1	51,659	96,780
Sukuk Certificates	6.1.2.2	215,855	256,892
		<u>267,514</u>	<u>353,672</u>

6.1.2.1 Shares of listed companies

Name of the investee company	As at July 01, 2008	Purchases during the year	Bonus / rights issue	Sales during the year	As at June 30, 2009	Carrying value as at June 30, 2009	Market value as at June 30, 2009	Unrealised gain / (loss) as at June 30, 2009	Percentage of market value of total investment	
	Number of shares				(Rupees in '000)					
Automobile assembler										
Indus Motor Company Limited	208,055	-	-	20,000	188,055	37,620	20,257	(17,363)	2.04	
Paper and board										
Packages Limited	192,473	-	-	15,000	177,473	44,704	27,870	(16,834)	2.81	
Commercial bank										
Meezan Bank Limited (an associate of the Fund)	219,000	-	102,075	-	321,075	7,510	3,532	(3,978)	0.36	
						89,834	51,659	(38,175)		
Total cost of investments							88,949			

6.1.2.2 Sukuk certificates

Name of the investee company	Maturity	Profit rate	As at July 01, 2008	Purchases during the year	Sales during the year	As at June 30, 2009	Carrying value as at June 30, 2009	Market value as at June 30, 2009	Unrealised gain / (loss) as at June 30, 2009	Percentage of market value of total investment
			Number of certificates				(Rupees in '000)			
Secured										
Sitara Chemical Industries Limited - II (note 6.1.2.3)	December 17, 2011	3 months KIBOR plus base rate of 1.7%	15,750	-	4,500	11,250	56,531	55,499	(1,032)	5.59
Engro Chemical Pakistan Limited (note 6.1.2.3)	September 1, 2015	6 months KIBOR plus base rate of 1.5%	15,000	-	-	15,000	76,628	73,695	(2,933)	7.43
Security Leasing Corporation Limited II (note 6.1.2.3)	September 19, 2012	6 months KIBOR plus base rate of 1.95%	5,000	-	625	4,375	21,963	19,670	(2,293)	1.98
Century Paper & Board Mills Limited (note 6.1.2.3)	September 25, 2014	6 months KIBOR plus base rate of 1.35%	5,000	-	-	5,000	25,495	24,388	(1,107)	2.46
Eden Housing Limited (note 6.1.2.3)	April 2, 2013	6 months KIBOR plus base rate of 2.5%	5,000	-	-	5,000	25,275	23,853	(1,422)	2.40
Arzoo Textile Mills Limited (note 6.1.2.3)	April 15, 2014	6 months KIBOR plus base rate of 2%	5,000	-	-	5,000	25,250	18,750	(6,500)	1.89
						231,142	215,855	(15,287)		
Total cost of investments							228,125			

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

6.2 Investments - 'available for sale'

Name of the investee company	Maturity	Profit rate	As at July 01, 2008	Purchases during the year	Sales during the year	As at June 30, 2009	Carrying value as at June 30, 2009	Market value as at June 30, 2009	Unrealised gain / (loss) as at June 30, 2009	Percentage of market value of total investment
			Number of certificates				(Rupees in '000)			
Secured										
D.G Khan Cement - Diminishing Musharaka (note 6.2.1)	May 8, 2010	6 months KIBOR plus base rate of 0.5%	1,000	-	-	1,000	100,000	95,051	(4,949)	9.58
Total cost of investments							100,000			

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

6.3 "During the year the Fund has reclassified an investment from 'loans and receivables - originated by the enterprise' to 'available for sale' category as such investment is now quoted and its fair value is available on the Mutual Fund Association of Pakistan (MUFAP). The investment is now valued at fair value and all gains or losses arising from change in the fair value of this investment are recognised in the statement of movement in equity and reserve per certificate except for impairment losses until the financial asset is derecognised in which case these would be taken to the Fund's income statement.

Due to such reclassification, the profit receivable on those securities, which was previously included as a part of the amortised cost of those securities, has now been presented separately as 'profit receivable on diminishing musharaka certificates' in note 7 'Advances, deposits and other receivables'.

6.4 During the year the SECP issued a circular 1 of 2009 dated January 6, 2009 which provides the asset manager the discretion to apply a mark up / mark down, within the available limits, to yield of any specific security used by MUFAP. The Fund has applied discretionary discounts by increasing the yield used by MUFAP in accordance with the available limit. Consequently, the unrealised loss for the year ended June 30, 2009 have increased and the value of investments subject to discretionary discount have decreased by approximately Rs 1 million.

7. ADVANCES, DEPOSITS AND OTHER RECEIVABLES	<i>Note</i>	2009	2008
		(Rupees in '000)	
Advance tax recoverable		10	10
Security deposits		2,800	2,800
Profit receivable on savings accounts with banks		4,334	5,671
Profit receivable on sukuk certificates		8,617	8,531
Profit receivable on diminishing musharaka certificates	6.3	<u>2,493</u>	<u>-</u>
		<u><u>18,254</u></u>	<u><u>17,012</u></u>
8. PRELIMINARY EXPENSES AND FLOATATION COSTS			
Preliminary expenses and floatation costs		1,662	3,334
Less: Amortisation during the year		<u>1,662</u>	<u>1,672</u>
		<u><u>-</u></u>	<u><u>1,662</u></u>
9. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED - management company of the Fund			
Management fee	9.1	2,826	3,517
Preliminary expenses and floatation costs		<u>1,662</u>	<u>3,334</u>
		<u><u>4,488</u></u>	<u><u>6,851</u></u>

9.1 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 year of the Fund's existence, and thereafter, of an amount equal to two percent of such assets of the Fund. The remuneration of the management company has been charged at the rate of one percent per annum of the average annual net assets of the Fund for the year ended June 30, 2009.

10. 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.

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

This represents annual fee payable to SECP. Under regulation 71 of NBFC Regulations, 2007, fee at the rate of one tenth of one percent of the average annual net assets of the fund is payable to SECP. Subsequent to the notification of NBFC Regulations, 2008 on November 21, 2008, fee at the rate of 0.085 percent of the average annual net assets of the fund is payable to SECP under regulation 62 read with Schedule II of the NBFC Regulations, 2008.

12. PAYABLE TO MEEZAN BANK LIMITED - shariah adviser of the Fund

This represents an amount payable to MBL for providing technical services relating to Shariah matters. During the year ended June 30, 2009, the SECP through its circular 11 of 2009 dated March 26, 2009 required that the shariah advisory fee shall not be charged to the collective investment scheme. Accordingly, the management has ceased to charge such fee to the Fund from March 26, 2009.

13. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2009 (Rupees in '000)	2008
Auditors' remuneration		300	275
Charity payable	13.1	311	1,034
Legal and professional charges payable		-	140
Others		3	169
		<u>614</u>	<u>1,618</u>

- 13.1 According to the instructions of the shariah adviser, any income earned by the Fund from investments whereby portion of the investment of 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 0.311 million (2008: Rs 1.034 million) is outstanding in this regard after making charity payments of Rs 1.5 million (2008: 1.669 million) to renowned charitable institutions. None of the directors of the management company were interested in any of the donees.

14. AUDITORS' REMUNERATION

	2009 (Rupees in '000)	2008
Audit fee	175	175
Half yearly review fee	80	80
Other certifications	125	125
Out of pocket expenses	52	48
	<u>432</u>	<u>428</u>

15. EARNINGS PER CERTIFICATE

Net income for the year	<u>(155,891)</u>	<u>17,517</u>
Number of certificates in issue	<u>120,000,000</u>	<u>120,000,000</u>
Loss / earnings per certificate (Rupees)	<u>(1.30)</u>	<u>0.15</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, 2008 and 2009.

16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include AMIML being the management company, CDC being the trustee, MBL being the holding company of the management company and Al Meezan Mutual Fund Limited, Meezan Islamic Income Fund, Meezan Tahaffuz Pension Fund, Meezan Capital Protected Fund - I, Meezan Cash Fund and Meezan Islamic Fund being the Funds under the common management of the management company and Pakistan Kuwait Investment Company (Private) Limited.

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

Remuneration payable to the management company and the trustee is determined in accordance with the provision of NBFC Rules, NBFC Regulations, 2007 and NBFC Regulations, 2008 and the Trust Deed respectively.

Details of transactions with connected persons and balances with them for the year ended June 30, 2009 are as follows:

	June 30, 2009	June 30, 2008
	(Rupees in '000)	
Al Meezan Investment Management Limited		
- management company of the Fund		
Remuneration payable	<u>2,826</u>	<u>3,517</u>
Preliminary expenses and floatation costs payable	<u>1,662</u>	<u>3,334</u>
Investment of 3,821,824 certificates (June 30, 2008: 4,821,824)	<u>22,090</u>	<u>46,048</u>
Central Depository Company of Pakistan Limited		
- trustee of the Fund		
Remuneration payable	<u>114</u>	<u>134</u>
Charges payable	<u>1</u>	<u>2</u>
Meezan Bank Limited - shariah adviser of the Fund		
Bank balance	<u>856</u>	<u>1,804</u>
Shariah advisory fee payable	<u>434</u>	<u>250</u>
Investment in 321,075 shares (June 30, 2008: 219,000 shares)	<u>3,532</u>	<u>6,677</u>
Investment of 16,134,468 certificates (June 30, 2008: 16,134,468 certificates)	<u>93,257</u>	<u>154,084</u>
Pakistan Kuwait Investment Company (Private) Limited		
Investment of 11,057,791 certificates (June 30, 2008: 11,057,791 certificates)	<u>63,914</u>	<u>105,602</u>
Directors and officers of the management company		
Investment of 21,975 certificates (June 30, 2008: 21,975 certificates)	<u>127</u>	<u>210</u>
Meezan Islamic Income Fund		
Investment in Nil units (June 30, 2008: 3,521,415 units)	<u>-</u>	<u>180,754</u>
	For the year ended June 30	
	2009	2008
	(Rupees in '000)	
Al Meezan Investment Management Limited		
- management company of the Fund		
Remuneration for the year	<u>32,550</u>	<u>45,271</u>
Preliminary expenses and floatation costs for the year	<u>1,662</u>	<u>1,672</u>
Dividend for the year ended June 30, 2008 (comparative: June 30, 2007)	<u>4,822</u>	<u>8,001</u>

	For the year ended June 30	
	2009	2008
	(Rupees in '000)	
Central Depository Company of Pakistan Limited		
- trustee of the Fund		
Remuneration for the year	<u>1,356</u>	<u>1,688</u>
Charges for the year	<u>163</u>	<u>197</u>
Meezan Bank Limited - shariah adviser of the Fund		
Profit on savings account	<u>30</u>	<u>13,805</u>
Shariah advisory fee for the year	<u>184</u>	<u>250</u>
Dividend for the year ended June 30, 2008 (comparative: June 30, 2007)	<u>16,134</u>	<u>25,815</u>
Pakistan Kuwait Investment Company (Private) Limited		
Dividend for the year ended June 30, 2008 (comparative: June 30, 2007)	<u>11,058</u>	<u>17,692</u>
Directors and officers of the management company		
Dividend for the year ended June 30, 2008 (comparative: June 30, 2007)	<u>22</u>	<u>55</u>

17. FINANCIAL RISK

The risk management policy of the Fund aims to maximise the return attributable to the certificate holders and seeks to minimise potential adverse effects on the Fund's financial performance.

Risk of the funds are being managed by the fund manager in accordance with the approved policies of the Investment Committee which provides broad guidelines for management of risk pertaining to market risks (including price risk and interest rate risk), credit risk and liquidity risk. Further, the overall exposure of the Fund complies with the NBFC Regulations and the directives issued by SECP.

Risks managed and measured by the Fund are explained below:

17.1 Market risk

17.1.1 Price Risk

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

The Fund's strategy on the management of investment risk is driven by the Fund's investment objectives. The primary objective of the Fund is to provide maximum return to the certificate holders from investment in shariah compliant investments for the given level of risks. The Fund's market risk is managed on a daily basis by the fund manager in accordance with the policies and procedures laid down by the SECP. The funds are allocated among various asset classes based on the attractiveness of the particular asset class. The allocation among these is dependent on the time horizon for investments and liquidity requirements of the portfolio. The market risk is managed by monitoring exposure to marketable securities and by complying with the internal risk management policies and regulations laid down in NBFC Regulations, 2007 and NBFC Regulations, 2008.

The Fund's overall market positions are monitored on a quarterly basis by the board of directors of the management company of the Fund.

Details of the Fund's investment portfolio exposed to price risk, at the balance sheet date are disclosed in note 6.1.1.1 and 6.1.2.1 to these financial statements. At June 30, the Fund's overall exposure to price risk is limited to the fair value of those positions. The Fund manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weighting to that of the Dow Jones - JS Pakistan Islamic Index (DJIMPK). The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

The net assets of the Fund will increase / decrease by approximately Rs 0.5 million (2008: decrease / increase approximately Rs 2 million) if the prices of equity vary due to increase / decrease in DJIMPK. This is based on the assumption that the fair value of the Fund's portfolio moves according to their historical correlation with DJIMPK and that DJIMPK increase / decreases by 10 points with all other factors held constant.

The fund manager uses DJIMPK as a reference point in making investment decisions. However, the fund manager does not manage the Fund's investment strategy to track DJIMPK or any other index or external benchmark. The sensitivity analysis presented is based upon the portfolio composition as at June 30 and the historical correlation of the securities comprising the portfolio to the DJIMPK. The composition of the Fund's investment portfolio and the correlation thereof to DJIMPK, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30 is not necessarily indicative of the effect on the Fund's net assets attributed to units of future movements in the level of DJIMPK.

17.1.2 Interest rate risk

The interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates which effects cashflows pertaining to debt instruments and their fair values.

Cash flow interest rate risk

The net assets of the Fund will increase / decrease by approximately Rs 3 million (2008: approximately Rs 2 million) if the interest rates on sukuks and musharaka certificate increase / decrease by five percent.

Fair value interest rate risk

The investment portfolio of the Fund includes non-traded sukuks which are being valued by discounting cash flows using interest rate in accordance with the methodology prescribed by SECP. The net assets of the Fund will increase / decrease approximately by Rs 1 million if the interest rate used to determine the fair value of such securities decrease / increase by five percent. This is based on the assumption that all other variables remain constant.

17.2 Credit Risk

Credit risk arising on the debt instruments is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of at least investment grade by the recognised rating agencies. The Fund receives a monthly rating update, against which investments are reviewed. The Fund, however, also invests in unrated instruments based on internal ratings assigned by the fund manager using an approach that is consistent with the approach used by the rating agencies. The credit rating wise analysis of investments in debt instruments have been tabulated below:

	2009	%	2008
Government guaranteed	7.44		19.79
AA	21.94		17.15
AA-	23.78		23.42
A	7.10		5.66
BBB+	-		5.62
BBB-	5.85		-
Non-rated	33.89		28.36
	<u>100.00</u>		<u>100.00</u>

Credit risk arising on other financial assets is monitored through a regular analysis of financial position of brokers and other parties. All banks in which the Fund has balances have a credit rating of at least A or higher. Further, all transactions in securities are settled through approved brokers, thus the risk of default is considered to be minimal. In accordance with the risk management policy of the Fund, the fund manager monitors the credit position on a daily basis which is reviewed by the board of directors on a quarterly basis.

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.

The maximum exposure to credit risk as at June 30, 2009 and 2008 is tabulated below:

Financial assets	2009	2008
	%	
Balances with banks	144,241	10,462
Investments	992,205	1,398,691
Dividend receivable	6,156	7,307
Advances, deposits and other receivables	18,254	17,012
	1,160,856	1,433,472

The Fund does not have any collateral against any of the aforementioned assets. The issuer of the sukuks, however, pledge security to the investment agent in trust for the benefit of sukuk holders.

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's investments are considered to be readily realisable as they are all listed on stock exchanges of the country. The Fund manages 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.

In accordance with the regulation 58(1)(k) of the NBFC Regulation 2008, the Fund has the ability to borrow funds for meeting the redemption requests, with the approval of the trustee, for a period not exceeding three months to the extent of fifteen per cent of the net assets which amounts to Rs 171.426 million as on June 30, 2009 (2008: Rs 213.552 million). However, no such borrowing has been obtained during the year.

In accordance with the risk management policy of the Fund, the fund manager monitors the liquidity position on a daily basis, which is reviewed by the board of directors of the management company on a quarterly basis.

	Maturity upto			More than one year	2008
	Three months	six months	one year		
	-----Rupees in '000-----				
Payable to Al Meezan Investment Management Limited - Management Company of the Fund	4,488	-	-	-	6,851
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	114	-	-	-	136
Payable to Meezan Bank Limited - shariah adviser of the Fund	434	-	-	-	250
Payable against purchase of investments	5,702	-	-	-	-
Accrued expenses and other liabilities	614	-	-	-	1,618
Unclaimed dividend	5,653	-	-	-	1,081
	17,005	-	-	-	9,936
2008	8,274	-	-	1,662	

18. 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 at least 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.

In accordance with risk management policies stated in note 17, the Fund endeavors to invest while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments where necessary.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The fair values of all other financial assets and liabilities are not considered to be significantly different from their carrying values as these financial assets and liabilities are short term in nature.

20. DETAILS OF MEETINGS OF BOARD OF DIRECTORS

Name	Designation	Dates of Board of Directors Meetings and Directors' present there in					
		July 7, 2008	August 7, 2008	Sep 30, 2008	October 22, 2008	February 23, 2009	April 15, 2009
Mr. Ariful Islam	Chairman	Yes	Yes	No	Yes	No	Yes
Mr. Mohammad Shoaib	Chief Executive	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Aliuddin Ansari *	Director	No	Yes	Yes	No	Yes	Yes
Mr. Tasnimul Haq Farooqui	Director	Yes	Yes	Yes	Yes	Yes	No
Mr. Mazhar Sharif	Director	Yes	Yes	No	Yes	Yes	Yes
Mr. Rizwan Ata	Director	Yes	Yes	Yes	Yes	Yes	No
Syed Owais Wasti	Director	Yes	Yes	Yes	Yes	Yes	Yes

* Mr. Aliuddin Ansari chaired the meetings held on September 30, 2008 and February 23, 2009 in the absence of Mr. Ariful Islam.

21. NON ADJUSTING EVENT

The board of directors have proposed a cash dividend amounting to Rs Nil (2008: Rs 120 million at the rate of 10%) for the year ended June 30, 2009 at their meeting held on August 20, 2009.

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

22. TOP TEN BROKERAGE COMMISSION BY PERCENTAGE

Broker's Name	2009 %
Invest & Finance Securities Limited	15.82
Invisor Securities (Private) Limited	15.45
Invest Capital Investment Bank Limited	13.58
Ample Securities (Private) Limited	10.08
KASB Securities Limited	7.85
Foundation Securities (Private) Limited	7.18
JS Global Capital Limited	5.63
Taurus Securities Limited	3.26
AKD Securities Limited	3.20
Al Falah Securities (Private) Limited	3.16

Broker's Name	2008 %
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

23. PERFORMANCE TABLE	2009	2008	2007	2006
	-----Rupees in '000-----			
Net assets (Rs '000) (ex-distribution) *	1,142,843	1,303,683	1,406,166	1,273,204
Net assets value per certificate as at June 30 (Rs) (ex-distribution) *	9.52	10.86	11.72	10.61
Distribution				
- Annual	-	10.00%	16.00%	20.00%
Dates of distribution (annual)	-	August 7, 2008	August 9, 2007	August 15, 2006
Distribution (Rs '000')	-	120,000	192,000	240,000
Highest NAV per certificate (Rs)	11.85	13.65	13.90	13.95
Lowest NAV per certificate (Rs)	6.76	11.27	10.92	10.83
Total return	-12.34%	1.19%	25.54%	23.39%
(Loss) / earnings per certificate (Rs)	(1.30)	0.15	2.71	2.39

* The distribution is not accounted for in these financial statements as also explained in note 21.

	One Year	Two Year	Three Year	Four Year
Average annual return as at June 30, 2009	-12.34%	-5.82%	3.65%	8.27%

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.

24. INVESTMENT COMMITTEE MEMBERS

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

	Designation	Qualification	Experience in years
1 Mr. Mohammad Shoaib	Chief Executive Officer	CFA / MBA	Nineteen years
2 Mr. Muhammad Asad	Chief Investment Officer	CFA level II / MBA	Thirteen years
3 Ms. Sanam Ali Zaib	Head of Research	CFA level II / MBA	Five years

24.2 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

25. PATTERN OF CERTIFICATE HOLDING AS AT JUNE 30

	-----2009-----		
	Number of investors	Investment amount (Rupees in '000)	% of total
Individuals	1,027	167,817	13.99
Associated companies / directors	5	310,361	25.86
Insurance companies	1	3,000	0.25
Banks / DFIs	8	203,144	16.93
NBFCs	8	84,280	7.02
Retirement funds	34	160,713	13.39
Public limited companies	26	245,530	20.46
Others	4	25,155	2.10
Total	1,113	1,200,000	100.00
	-----2008-----		
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

26. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements have been authorised for issue on August 20, 2009 by the board of directors of the management company.

27. GENERAL

The bifurcation of unappropriated (loss) / income carried forward and brought forward into realised and unrealised as required by the NBFC Regulations, 2008 has not been disclosed as such bifurcation was not practicable.

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

Chief Executive

Director

PATTERN OF CERTIFICATE HOLDING AS OF JUNE 30, 2009

NO. OF CERTIFICATE HOLDERS	HAVING CERTIFICATES		CERTIFICATES HELD	PERCENTAGE
	FROM	TO		
8	1	100	95	
267	101	500	133,007	0.1108
95	501	1,000	94,999	0.0791
361	1,001	5,000	1,177,500	0.9812
152	5,001	10,000	1,430,000	1.1916
35	10,001	15,000	455,333	0.3794
30	15,001	20,000	557,208	0.4643
16	20,001	25,000	375,841	0.3132
13	25,001	30,000	360,015	0.3000
7	30,001	35,000	233,005	0.1941
7	35,001	40,000	265,000	0.2208
9	40,001	45,000	378,136	0.3151
15	45,001	50,000	733,500	0.6112
3	55,001	60,000	172,500	0.1437
4	65,001	70,000	267,000	0.2225
1	70,001	75,000	71,000	0.0591
2	75,001	80,000	157,000	0.1308
9	80,001	85,000	740,880	0.6174
1	85,001	90,000	88,000	0.0733
7	95,001	100,000	696,000	0.5800
3	100,001	105,000	302,401	0.2520
1	105,001	110,000	109,000	0.0908
1	115,001	120,000	116,000	0.0966
2	120,001	125,000	242,500	0.2020
1	130,001	135,000	135,000	0.1125
1	140,001	145,000	141,606	0.1180
2	195,001	200,000	397,000	0.3308
1	235,001	240,000	239,145	0.1992
3	245,001	250,000	750,000	0.6250
2	295,001	300,000	598,500	0.4987
5	395,001	400,000	1,996,449	1.6637
1	425,001	430,000	426,000	0.3550
1	445,001	450,000	450,000	0.3750
1	465,001	470,000	468,000	0.3900
6	495,001	500,000	3,000,000	2.5000
1	505,001	510,000	510,000	0.4250
2	530,001	535,000	1,062,500	0.8854
1	600,001	605,000	602,000	0.5016
2	695,001	700,000	1,400,000	1.1666
1	795,001	800,000	800,000	0.6666
1	800,001	805,000	801,000	0.6675
1	925,001	930,000	928,500	0.7737
1	945,001	950,000	950,000	0.7916
7	995,001	1,000,000	7,000,000	5.8333
1	1015,001	1,020,000	1,019,329	0.8494
1	1,080,001	1,085,000	1,082,500	0.9020
1	1,090,001	1,095,000	1,094,500	0.9120
1	1,250,001	1,255,000	1,253,500	1.0445

CATEGORIES OF CERTIFICATE AS AT JUNE 30, 2009

PARTICULARS	CERTIFICATE HOLDERS	CERTIFICATE HOLDING	P E R C E N T A G E
DIRECTORS,CEO & CHILDREN	3	22,475	.0187
ASSOCIATED COMPANIES	3	31,014,083	.8450
BANKS, DFI & NBFI	14	25,671,900	21.3932
INSURANCE COMPANIES	1	300,000	.2500
MODARABAS & MUTUAL FUNDS	2	3,070,500	2.5587
GENERAL PUBLIC (LOCAL)	1,018	16,694,691	13.9122
GENERAL PUBLIC (FOREIGN)	8	86,500	.0720
OTHERS	63	41,257,851	34.3815
FOREIGN COMPANIES	1	1,882,000	1.5683
COMPANY TOTAL	1,113	120,000,000	100

STATEMENT OF THE INCOME & EXPENDITURE IN RELATION TO THE FUND FOR THE YEAR ENDED JUNE 30, 2009

INCOME	2009 (Rupees in '000)	2008
Remuneration from Meezan Balanced Fund	32,552	45,720
Dividend income	<u>3,822</u>	<u>5,681</u>
	36,374	51,401
 OPERATING EXPENSES		
Salaries and other benefits	3,526	6,380
Motor vehicle running expenses	186	166
Fees and subscription	175	287
Insurance expense	46	60
Printing and stationery	185	135
Communication	327	326
Depreciation	766	645
Travelling and conveyance	74	169
Entertainment	15	38
Legal and professional charges	332	605
Repair and maintenance	67	38
Office supplies	67	67
Training and development	20	77
Rent, rates and taxes	645	602
Utilities	118	138
Miscellaneous expenses	26	14
	<u>6,575</u>	<u>9,747</u>
Net income for the year	<u>29,799</u>	<u>41,654</u>

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