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Our Mission

“ To be the leading mutual fund in the industry, providing unitholders, in a truly SHARIAH COMPLIANT way, the best combination of current income and future growth on a risk adjusted basis.”

Our Vision

“To set standards of best practices and performance for the industry through efficient asset allocation & security selection on a SHARIAH COMPLIANT basis.”

FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

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

TRUSTEE

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

AUDITORS

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

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

Al Baraka Islamic Bank B.S.C (E.C)
Allied Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Bank Islami Pakistan Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
Soneri Bank Limited
The Bank of Khyber
UBL Ameen Islamic Banking

LEGAL ADVISER

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

TRANSFER AGENT

Meezan Bank Limited
37-A, Lalazar Branch, Lalazar Area,
Off: M.T. Khan Road, Karachi, Pakistan.
Phone: (9221) 5610582, 5610417
Fax: (9221) 5611427
Web site: www.meezanbank.com

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited
The Bank of Khyber



REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

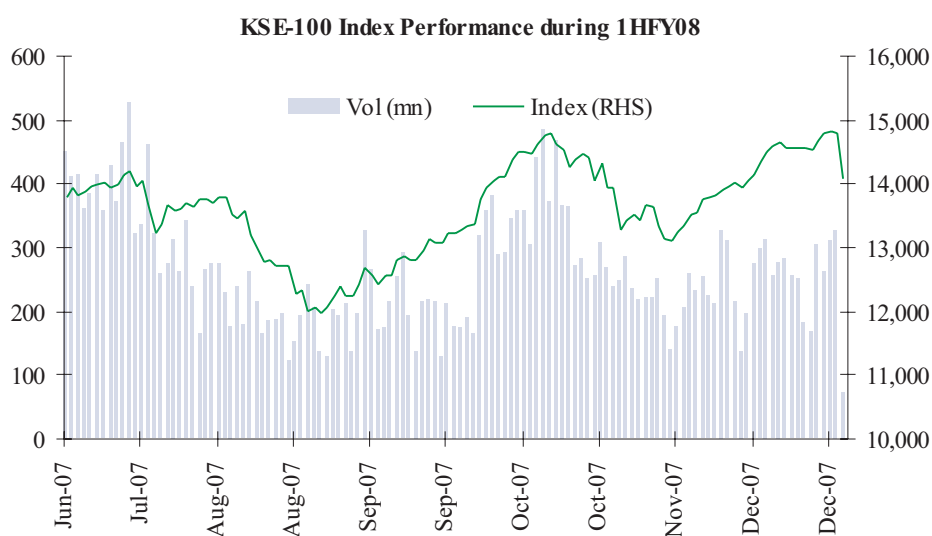
The Board of Directors of Al Meezan Investment Management Limited, the Management Company of Meezan Islamic Fund, is pleased to present the un-audited accounts of Meezan Islamic Fund (MIF) for the half year ended December 31, 2007.

Market Review

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

The new financial year initiated its run from 13,772 points and crossed 14,000 level barrier making a new high of 14,202 on July 13, 2007. However, the rally failed to maintain momentum primarily on account of rising political uncertainty in the country. News regarding failure of talks between leading political parties and the Government, worsening law and order situation, uncertainty regarding President's re-election and significant outflows of foreign funds led to a decline of 2,247 points (16%) in the KSE-100 Index. The Index touched the lowest level for the period under review of 11,955 on August 27, 2007. Afterwards, positive developments on the political front and strong fundamentals resulted in an impressive recovery in September and October. Market touched a new high of 14,787 in October. Subsequently the market saw a downturn triggered by attack on former PM Benazir Bhutto and later imposition of emergency.

From mid November some positive news flow regarding caretaker setup, announcement of election schedule, President Musharraf's oath as a civilian head of state and news of lifting of emergency in mid-December 07, led to a broader recovery of the market and KSE-100 Index touched an all time high of 14,815 on December 26, 2007. However, last week of December 07, witnessed a sharp decline in KSE-100 Index on account of assassination of former PM Benazir Bhutto and Index eventually closed the half year at 14,077.

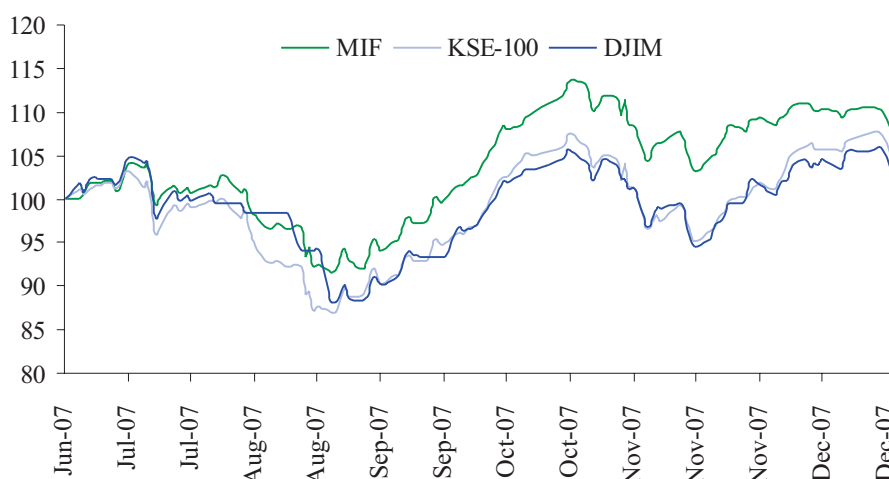


Operational Review

Meezan Islamic Fund's (MIF) performance during the 1HFY08 was much better than the corresponding 1HFY07 last year as it earned a net profit of Rs. 472 million as compared to Rs. 194 million earned during 1HFY07.

For the six months ended December 31, 2007, the fund earned gross income of Rs. 350 million (1HFY07: Rs. 106 million), main contributors of which were dividend income of Rs. 125 million (1HFY07: Rs. 144 million) and capital gain (realized and unrealized) of Rs. 196 million (1HFY07: Loss of Rs. 50 million). After accounting for expenses of Rs. 78 million (1HFY07: Rs. 64 million) and element of income/capital gain on purchase and sale of units of Rs. 200 million (1HFY07: Rs. 153 million), the fund recorded net profit of Rs. 472 million (1HFY07: Rs. 194 million) for the six month period. The net assets of MIF increased from Rs. 3,679 million at the beginning of the six month period to Rs. 4,613 million by the end of it, thus consolidating its position of being the largest Open End Equity fund in the private sector. As on January 31, 2008 net assets of MIF had reached Rs. 5,238 million.

MIF's Performance vs KSE-100 and DJ-JS Pakistan Islamic Index



Investment Policy

MIF is a Shariah compliant equity fund and therefore its performance is linked with the performance of equity markets in Pakistan. However, the fund manager, Al Meezan Investments, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. This involves a combination of stock selection, sector allocation and asset allocation. Therefore, the fund manager aims to reduce exposure to equities in times when the market risk increases. While this may result in temporary underperformance as exposure is reduced in a rising market, it pays off when market corrects.

Ratings

Investors of MIF would be pleased to know that both the leading rating agencies operating in Pakistan, i.e. Pakistan Credit Rating Agency (PACRA) and JCR-VIS Credit Rating Company have assigned their respective highest possible ratings for mutual funds under Islamic Equity Fund category to Meezan Islamic Fund. MIF has been rated 5-Star by both the companies which denotes superior performance of MIF versus its peers. PACRA has awarded 5-Star rating to MIF for its superior short term (trailing 12 month period) and long term (trailing 36 month period) performance as compared to its peers. We believe that this has been possible due to the untiring efforts of the management of Al Meezan Investments, the Fund Manager/ Management Company of MIF.

JCR-VIS credit Rating Company has re-affirmed Asset Management Quality Rating of AMZ to the management company.

Future Outlook

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

Acknowledgment

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

Karachi.
February 15, 2008

For and on behalf of the Board

Mohammad Shoaib, CFA
Chief Executive

REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

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

Meezan Islamic Fund (Fund), an open-end fund established under a trust deed executed between Al Meezan Investment Management Limited as the Management Company and Central Depository Company of Pakistan Limited as Trustee on June 16, 2003. The Fund was authorized by the Securities and Exchange Commission of Pakistan (SECP) on July 22, 2003.

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

Mohammad Hanif
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, Dated: February 22, 2008

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

Introduction

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

Scope of Review

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

Conclusion

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

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

A. F. Ferguson & Co.
Chartered Accountants
Karachi
February 22, 2008

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

	Note	December 31 2007	June 30 2007
		(Rupees in '000)	
Assets			
Balances with banks		480,590	747,613
Investments at fair value through profit or loss	5	4,070,350	2,844,066
Receivable against sale of investments		80,206	166,388
Dividend receivable		19,050	16,648
Derivative financial instruments	6	-	45,562
Deposits, prepayments and other receivables		10,005	11,283
Preliminary expenses and floatation costs		137	277
Total assets		4,660,338	3,831,837
Liabilities			
Payable to Al Meezan Investment Management Limited - management company of the fund		13,894	2,515
Payable to Central Depository Company of Pakistan Limited - trustee of the fund		506	424
Payable to Securities and Exchange Commission of Pakistan		2,191	3,582
Payable to Meezan Bank Limited - shariah adviser of the fund		698	1,083
Payable on redemption of units		24,196	84,150
Payable against purchase of investments		-	56,416
Accrued expenses and other liabilities		6,231	4,215
Derivative financial instruments	6	-	154
Total liabilities		47,716	152,539
Net assets		4,612,622	3,679,298
Unitholders' fund (as per statement attached)		4,612,622	3,679,298
Number of units			
Number of units in issue - restated		73,173,185	61,434,430
(Rupees)			
Net assets value per unit		63.04	59.89

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

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Director

CONDENSED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2007
(UN AUDITED - NOTE 3)

	Note	Six months period ended		Quarter ended	
		December 31		December 31	
		2007	2006	2007	2006
(Rupees in '000)					
Income					
Net realised gain on sale of investments		178,855	84,399	149,965	66,287
Dividend income		125,409	143,579	61,509	54,433
Profit on deposit accounts with banks		24,462	10,360	12,397	4,602
Profit on term finance certificates		-	198	-	78
Other income		3,895	1,764	1,495	722
		<u>332,621</u>	<u>240,300</u>	<u>225,366</u>	<u>126,122</u>
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss (net)		62,516	(117,034)	(61,202)	(111,160)
(Loss) / gain on re-measurement of derivative financial instruments (net)		(45,408)	(17,718)	92	10,108
		<u>17,108</u>	<u>(134,752)</u>	<u>(61,110)</u>	<u>(101,052)</u>
Total income		<u>349,729</u>	<u>105,548</u>	<u>164,256</u>	<u>25,070</u>
Expenses					
Remuneration to Al Meezan Investment Management Limited - management company of the fund		65,715	52,584	36,290	26,932
Remuneration to Central Depository Company of Pakistan Limited - trustee of the fund		2,695	2,251	1,462	1,144
Remuneration to Meezan Bank Limited - shariah adviser of the fund		302	252	151	130
Annual fee to Securities and Exchange Commission of Pakistan		2,191	1,753	1,210	898
Auditors' remuneration		267	295	134	135
Fees and subscription		17	18	8	9
Legal and professional charges		76	-	38	-
Amortisation of preliminary expenses and floatation costs		139	140	69	72
Brokerage		6,090	6,234	3,080	3,543
Bank and settlement charges		672	743	317	446
		<u>78,164</u>	<u>64,270</u>	<u>42,759</u>	<u>33,309</u>
Net income / (loss) from operating activities		<u>271,565</u>	<u>41,278</u>	<u>121,497</u>	<u>(8,239)</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		200,379	152,708	(20,242)	(596)
Net income / (loss)		<u>471,944</u>	<u>193,986</u>	<u>101,255</u>	<u>(8,835)</u>
Earnings / (loss) per unit (Rupees)	7	<u>6.45</u>	<u>3.28</u>	<u>1.38</u>	<u>(0.15)</u>

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

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Director



Islamic Fund

CONDENSED INTERIM DISTRIBUTION STATEMENT
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2007
(UN AUDITED - NOTE 3)

	Six months period ended December 31		Quarter ended December 31	
	2007	2006	2007	2006
	(Rupees in '000)			
Undistributed income brought forward	1,242,346	1,097,800	852,706	565,010
Less : Final distribution in the form of bonus units for the year ended June 30, 2007 (comparative: June 30, 2006)	(760,329)	(735,611)	-	-
Net income	471,944	193,986	101,255	(8,835)
Undistributed income carried forward	953,961	556,175	953,961	556,175

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

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN
UNIT HOLDERS' FUND
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2007
(UNAUDITED - NOTE 3)**

	Six months period ended December 31		Quarter ended December 31	
	2007	2006	2007	2006
	(Rupees in '000)			
Net assets at the beginning of the period	3,679,298	3,199,548	4,565,396	3,525,551
Issue of 32,021,444 (2006: 11,337,638 units) and 15,122,092 (2006: 4,438,613 units) units for the six months and quarter respectively	1,948,783	680,188	972,721	271,075
Redemption of 20,282,689 (2006: 6,801,021 units) and 16,202,679 (2006: 4,529,044 units) units for the six months and quarter respectively	(1,287,024)	(408,820)	(1,046,992)	(276,193)
	661,759	271,368	(74,271)	(5,118)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(200,379)	(152,708)	20,242	596
Net income less distribution	(288,385)	(541,625)	101,255	(8,835)
Issue of 12,695,418 bonus units for the year ended June 30, 2007 (June 30, 2006: 12,548,814 bonus units)	760,329	735,611	-	-
Net assets at the end of the period	4,612,622	3,512,194	4,612,622	3,512,194

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

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

Chief Executive

Director

CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2007
(UN AUDITED - NOTE 3)

	Six months period ended		Quarter ended	
	December 31		December 31	
	2007	2006	2007	2006
(Rupees in '000)				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income / (loss)	471,944	193,986	101,255	(8,835)
Adjustments for:				
Dividend income	(125,409)	(143,579)	(61,509)	(54,433)
Profit on deposit accounts with banks	(24,462)	(10,360)	(12,397)	(4,602)
Profit on term finance certificates	-	(198)	-	(78)
Unrealised (gain) / loss on re-measurement of investments at fair value through profit or loss (net)	(62,516)	117,034	61,202	111,160
Loss / (gain) on re-measurement of derivative financial instruments (net)	45,408	17,718	(92)	(10,108)
Amortisation of preliminary expenses and floatation costs	139	140	69	72
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(200,379)	(152,708)	20,242	596
	104,725	22,033	108,770	33,772
(Increase) / decrease in assets				
Investments at fair value through profit or loss	(1,163,769)	(552,948)	(5,692)	147,978
Receivable against sale of investments	86,182	270,591	(78,765)	158,731
Advances, deposits, prepayments and other receivables	(2,515)	(17)	(2,490)	10
	(1,080,102)	(282,374)	(86,947)	306,719
Increase / (decrease) in liabilities				
Payable to Al Meezan Investment Management Limited - management company of the fund	11,379	(1,297)	2,240	(849)
Payable to the Central Depository Company of Pakistan Limited - trustee of the fund	82	62	68	28
Payable to Securities and Exchange Commission of Pakistan	(1,391)	1,753	(2,372)	898
Payable to Meezan Bank Limited - shariah adviser of the fund	(385)	(236)	(193)	(145)
Payable on redemption of units	(59,954)	295	(46,023)	(3,830)
Payable against purchase of investments	(56,416)	(33)	11,769	(341,288)
Accrued expenses and other liabilities	2,016	1,703	1,723	1,193
	(104,669)	2,247	(32,788)	(343,993)
Dividend received	123,007	167,089	115,050	140,401
Profit received on deposit accounts with banks	28,257	9,389	8,679	4,982
Profit received on term finance certificates	-	238	-	238
Net cash (outflow) / inflow from operating activities	(928,782)	(81,378)	112,764	142,119
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from sale of units	1,948,783	680,188	972,721	271,075
Payments against redemption of units	(1,287,024)	(408,820)	(1,046,992)	(276,193)
Net cash inflow from financing activities	661,759	271,368	(74,271)	(5,118)
Net cash (outflow) / inflow during the period	(267,023)	189,990	38,493	137,001
Cash and cash equivalents at the beginning of the period	747,613	171,183	442,097	224,172
Cash and cash equivalents at the end of the period	480,590	361,173	480,590	361,173

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

For Al Meezan Investment Management Limited
(Management Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS AND QUARTER ENDED DECEMEBR 31, 2007 (UNAUDITED - NOTE 3)

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Islamic Fund (the Fund) was established 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 16, 2003 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 4, 2003 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). On November 21, 2007 Non Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations) were notified. The registered office of the management company of the Fund, is situated in Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan.
- 1.2 The Fund has been formed to enable the unit holders to participate in a diversified portfolio of securities, which are shariah compliant. 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 its shariah adviser to ensure that the activities of the Fund are in compliance with the principles of shariah. The management company of the Fund is registered with SECP as a Non-Banking Finance Company under NBFC Rules.
- 1.3 The Fund is an open-end fund listed on the Karachi Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

2. BASIS OF PRESENTATION

The transactions undertaken by the Fund in accordance with the process prescribed under the Shariah Guidelines issued by the shariah adviser are accounted for on substance rather than the form prescribed by the earlier referred guidelines.

3. STATEMENT OF COMPLIANCE

- 3.1 These condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, the Trust Deed, the NBFC Rules and NBFC Regulations and the directives issued by the SECP. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Trust Deed, the NBFC Rules and NBFC Regulations and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules and NBFC Regulations and the said directives take precedence. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the IAS 34: 'Interim Financial Reporting'.
- 3.2 The condensed interim financial statements comprising of the condensed statement of assets and liabilities as at December 31, 2007 and the condensed income statement, condensed distribution statement, condensed statement of movement in unit holders' funds, condensed cash flow statement and notes thereto, for the six months period ended December 31, 2007 were subject to review but not audited.
- 3.3 The comparative balance sheet presented in these condensed financial statements as at June 30, 2007 has been extracted from the audited financial statements of the fund for the year ended June 30, 2007 whereas the condensed income statement, condensed distribution statement, condensed statement of movement in unitholders' funds, condensed cash flow statement and notes thereto for the six months period ended December 31, 2007 were subject to review but not audited.

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

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

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

4 SUMMARY OF ACCOUNTING POLICIES AND ESTIMATES

The accounting policies adopted in the preparation of these condensed interim financial statements and the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied in the preparation of the financial statements as at and for the year ended June 30, 2007.

5 INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

		December 31 2007	June 30 2006
	Note	(Rupees in '000)	
Held for trading	5.1	3,347,878	2,250,045
Investments at fair value through profit or loss upon initial recognition.	5.2	722,472	594,021
		<u>4,070,350</u>	<u>2,844,066</u>

5.1 Shares of listed companies – held for Trading

Name of the investee company	As at July 01, 2007	Purchases during the period	Bonus / Rights issue	Sales during the period	As at December 31, 2007	Carrying value	Market value	Percentage of net assets on the basis of market value (see note 5.1.2 below)
Commercial banks								
BankIslami Pakistan Limited	-	6,833,000	-	6,033,000	800,000	9,656	12,960	0.28
								0.28
Textile composite								
Nishat Mills Limited	1,144,500	330,700	-	295,700	1,179,500	143,524	124,083	2.69
								2.69
Jute								
Thal Limited (note 5.1.1)	196,180	-	58,854	55,000	200,034	42,930	56,890	1.23
								1.23
Cement								
Cherat Cement Company Limited	-	50,300	-	-	50,300	2,183	1,997	0.04
D. G. Khan Cement Company Limited	-	1,326,200	-	1,326,200	-	-	-	-
Fauji Cement Company Limited	-	1,773,000	-	1,200,000	573,000	10,233	8,538	0.19
Attock Cement Pakistan Limited	348,000	14,000	-	-	362,000	44,048	36,091	0.78
								1.01
Refinery								
National Refinery Limited	278,000	-	28,200	306,200	-	-	-	-
								-
Power generation and distribution								
Kot Addu Power Company Limited	-	214,000	-	214,000	-	-	-	-
The Hub Power Company Limited	1,464,500	3,415,500	-	100,000	4,780,000	157,918	145,790	3.16
								3.16
Oil and gas marketing companies								
Pakistan State Oil Company Limited	92,700	572,000	-	165,100	499,600	194,850	203,138	4.40
								4.40
Oil and gas exploration companies								
Oil and Gas Development Company Limited	2,950,966	1,943,000	-	350,000	4,543,966	531,621	542,777	11.77
Pakistan Oilfields Limited	328,800	446,000	-	436,100	338,700	111,035	113,262	2.46
Pakistan Petroleum Limited	932,500	1,593,700	179,220	744,800	1,960,620	476,338	480,450	10.42
								24.65
Automobile assembler								
Indus Motor Company Limited	458,500	-	-	37,500	421,000	128,615	134,383	2.91
Pak Suzuki Motor Company Limited	280,410	50,000	-	40,600	289,810	114,667	95,536	2.07
								4.98
Automobile parts and accessories								
Agriauto Industries Limited (note 5.1.1)	570,200	-	-	-	570,200	56,393	61,724	1.34
								1.34
Technology and communication								
Pakistan Telecommunication Company Limited "A"	50,000	6,983,200	-	1,355,000	5,678,200	296,426	238,768	5.18
TRG Pakistan Limited - Class 'A'	-	2,225,000	-	100,000	2,125,000	27,268	29,750	0.64
								5.82
Fertilizer								
Engro Chemical Pakistan Limited	1,425,200	1,259,080	-	1,361,100	1,323,180	324,710	351,635	7.62
Fauji Fertilizer Company Limited	1,903,262	1,217,300	-	350,000	2,770,562	332,360	329,004	7.13
Fauji Fertilizer Bin Qasim Limited	3,499,000	3,786,000	-	681,000	6,604,000	270,479	277,698	6.02
								20.77
Chemicals								
Sitara Chemical Industries Limited	143,300	-	9,790	65,400	87,690	12,696	29,464	0.64
ICI Pakistan Limited	-	827,000	-	451,000	376,000	57,966	73,940	1.60
								2.24
Securities sold under deferred sale arrangements								
Oil and gas exploration companies								
Oil and Gas Development Company Limited	350,000	-	-	350,000	-	-	-	-
Pakistan Oilfields Limited	-	156,500	-	156,500	-	-	-	-
Pakistan Petroleum Limited	-	355,000	-	355,000	-	-	-	-
								-
Fertilizer								
Fauji Fertilizer Company Limited	25,000	168,400	-	193,400	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	288,500	-	-	288,500	-	-	-	-
								-
Total						3,345,916	3,347,878	
Total cost of investments							3,089,759	

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

5.1.2 Net assets are as defined in rule 2 (xxvi) of NBFC Regulations.

5.1.3 The SECP through its letter No. SC/MF-JD(R)/363/2003 dated July 22, 2003 had relaxed the investment limits prescribed in rules 71(3) and (4) of NBFC Rules to fifteen percent and thirty percent respectively. However, the said rules have been replaced by regulations 64(5) and (8) of NBFC Regulations issued in November 2007.

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

5.2.1 Shares of listed companies

Name of the investee company	As at July 01, 2007	Purchases during the period	Bonus / Rights issue	Sales during the period	As at December 31, 2007	Carrying value	Market value	Percentage of net assets on the basis of market value (see note 5.1.2 above)
Number of shares						(Rs in '000)		
Closed-end mutual fund								
Al Meezan Mutual Fund Limited (an associate of the Fund)	17,018,000	-	2,552,700	-	19,570,700	258,674	248,548	5.39 5.39
Commercial bank								
Meezan Bank Limited (an associate of the Fund)	1,847,037	9,500		100,000	1,756,537	56,198	67,627	1.47 1.47
Pharmaceutical								
Glaxosmithkline Pakistan Limited	108,875	-	27,218	-	136,093	20,414	26,183	0.57 0.57
Paper and board								
Packages Limited	801,843	418,000	-	175,000	1,044,843	326,632	380,114	8.24 8.24
Total						661,918	722,472	
Total cost of investments							553,258	

6 DERIVATIVE FINANCIAL INSTRUMENTS

Number of Shares	Settlement	Underlying	Notional amount	2007	
				Fair value	
				(Assets)	(Liabilities)
(Rupees in '000)					

6.1 Right entitlement

Fauji Cement Company Limited	455,010	February 20, 2008	Equity indices	-	-	-
				December 31, 2007	-	-
				June 30, 2007	45,562	154

7 EARNINGS PER UNIT

	Six months period ended		Quarter ended	
	December 31		December 31	
	2007	2006	2007	2006
	(Rupees in '000)			
Net income / (loss)	471,944	193,986	101,255	(8,835)
	(Number of units)		(Number of units)	
Units outstanding as at December 31	73,173,185	59,120,371	73,173,185	59,120,371
	(Rupees)		(Rupees)	
Earnings per unit	6.45	3.28	1.38	(0.15)

8. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include Al Meezan Investment Management Limited being the Management Company, Central Depository Company Limited being the Trustee, Meezan Bank Limited being the holding company of the Management Company, Pakistan Kuwait Investment Company (Private) Limited and Al Meezan Mutual Fund Limited, Meezan Islamic Income Fund, Meezan Tahaffuz Pension Fund and Meezan Balanced Fund being the Funds under the commom management of the Management Company.

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 and Regulations and the Trust Deed respectively.

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

	December 31 2007	June 30 2007
	(Rupees in '000)	
Al Meezan Investment Management Limited		
- management company of the fund		
Remuneration payable	12,378	1,511
Sales load payable	1,236	447
Preliminary expenses and floatation cost	276	553
Certificate charges payable	4	4
Investment of 2,313,878 units (June 30, 2007: 83 units)	145,867	6
Al Meezan Mutual Fund Limited		
Investment in 19,570,700 shares (June 30, 2007: 17,018,000 shares)	248,548	258,674

	December 31 2007	June 30 2007
	(Rupees in '000)	
Meezan Bank Limited		
Bank balance	415,794	44,963
Shariah advisory fee payable	302	600
Sales load payable	396	483
Investment in 1,756,537 shares (June 30, 2007: 1,847,037 shares)	67,627	59,105
Investment of 6,036,341 units (June 30, 2007: 4,788,931 units)	380,531	361,516
Central Depository Company of Pakistan Limited		
Trustee fee payable	498	385
Charges payable	8	39
Pakistan Kuwait Investment Company (Private) Limited		
Investment of Nil units (June 30, 2007: 1,197,232 units)	-	90,379
Directors and executives		
Investment of 340,526 units (June 30, 2007: 401,034 units)	21,467	30,209
Sitara Chemical Industries Limited		
Investment in 87,690 shares (June 30, 2007: 143,300 shares)	29,464	22,820

**Six months period ended
December 31**

2007 2006

(Rupees in '000)

Al Meezan Investment Management Limited		
- management company of the fund		
Remuneration for the period	65,715	52,584
Bonus units issued: 22 units (2006: 139,681 units)	1	8,188
Units issued: 2,313,774 units (2006: 413,164 units)	135,500	25,551
Al Meezan Mutual Fund Limited		
Dividend income	42,545	51,054
Meezan Bank Limited		
Profit on deposit accounts with bank	594	3,415
Shariah advisory fee	302	252
Bonus units issued: 1,247,409 units (2006: 1,100,976 units)	74,707	64,539
Units issued: 6,036,341 units (2006: Nil units)	380,525	-
Redemptions: 6,036,341 units (2006: Nil units)	380,531	-

	Six months period ended December 31	
	2007	2006
	(Rupees in '000)	
Central Depository Company of Pakistan Limited		
Trustee fee	<u>2,695</u>	<u>2,251</u>
CDS charges	<u>80</u>	<u>156</u>
Pakistan Kuwait Investment Company (Private) Limited		
Bonus units issued: 311,852 units (2006: 1,100,976 units)	<u>18,677</u>	<u>64,539</u>
Redemptions: 1,509,085 units (2006: Nil units)	<u>99,690</u>	<u>-</u>
Directors and officers		
Bonus units issued: 77,453 units (2006: 99,644 units)	<u>4,639</u>	<u>5,831</u>
Units issued: 84,139 units (2006: 12,589 units)	<u>4,757</u>	<u>788</u>
Redemptions: 118,414 units (2006: 3,340 units)	<u>2,561</u>	<u>201</u>

9. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on February 15, 2008 by the board of directors of the management company.

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

Chief Executive

Director



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Our Mission

“ To be the leading mutual fund in the industry, providing unitholders, in a truly SHARIAH COMPLIANT way, a safe and stable stream of Halal returns on a risk adjusted basis.”

Our Vision

“To set standards of best practices and performance for the industry through efficient asset allocation & security selection on a SHARIAH COMPLIANT basis.”

FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

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

TRUSTEE

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

AUDITORS

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

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

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

LEGAL ADVISER

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

TRANSFER AGENT

Meezan Bank Limited
37-A, Lalazar Branch, Lalazar Area,
Off: M.T. Khan Road, Karachi, Pakistan.
Phone: (9221) 5610582, 5610417
Fax: (9221) 5611427
Web site: www.meezanbank.com

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of Al Meezan Investment Management Limited, the Management Company of Meezan Islamic Income Fund, is pleased to present the unaudited accounts of Meezan Islamic Income Fund (MIIF) for the half year ended December 31, 2007.

Market Review

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

SBP conducted four PIB auctions during this period in which fresh 3, 5 and 10 year bonds were issued and 15, 20 and 30 year bonds were reopened. There wasn't any substantial variation in the yields and the weighted average yields for 1HFY08's last auction were 9.6344%, 9.8140% and 10.1961% for 3, 5 and 10 year bonds respectively.

On the Islamic Bond Market side, many new Sukuks were issued during the half year, further expanding the Sukuk market in Pakistan. The total amount of Sukuks issued and in process to date is around Rs79 billion which is indicative of the growing interest in the Islamic bond market.

Operations Review

MIIF during the half year ended December 31, 2007 earned a total income of Rs. 243 million, which consisted of Rs. 183 million earned on deposit with banks and Rs. 34 million of income accrued on investment in sukuk certificates. After accounting for expenses of Rs. 33 million, the operating income of the Fund remained at Rs. 209 million. The element of income of units sold less those in units redeemed during the period was of Rs. 76 million. The net income after accounting for above income and expenses was Rs. 285 million.

Investment Policy

MIIF is the first Shariah-compliant Income Fund in Pakistan. Objective of Meezan Islamic Income Fund is to provide investors with a safe and stable stream of halal income on their investments and to generate superior long term risk adjusted returns. The Fund also keeps exposure in short-term instruments for the purpose of maintaining liquidity and to capitalize on exceptional returns if available at any given point in time. The portfolio is geared towards maximizing annual income to the extent consistent with preservation of capital. The portfolio comprises of short-term, medium-term and long-term investments.

Asset Management Rating

JCR-VIS credit Rating Company has re-affirmed Asset Management Quality Rating of AMZ to the management company.

Future Outlook

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

Acknowledgement

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

Karachi.
February 15, 2008

For and on behalf of the Board

Mohammad Shoaib, CFA
Chief Executive

REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

MEEZAN ISLAMIC INCOME FUND

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

Meezan Islamic Income Fund (Fund), an open-end fund established under a trust deed executed between Al Meezan Investment Management Limited as the Management Company and Central Depository Company of Pakistan Limited as Trustee on September 13, 2006. The Fund was authorized by the Securities and Exchange Commission of Pakistan (SECP) on October 13, 2006.

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

Mohammad Hanif
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, Dated: February 22, 2008

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

Introduction

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

Scope of Review

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

Conclusion

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

The financial statements of Meezan Islamic Income Fund for the period December 13, 2006 to June 30, 2007 were audited by another firm of Chartered Accountants whose report dated August 9, 2007 expressed an unqualified opinion on those financial statements.

A.F. Ferguson & Co.
Chartered Accountants
Karachi, February 22, 2008

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

	December 31 2007	June 30 2007
Note	(Rupees in '000)	
Assets		
Balances with banks	711,253	638,720
Placements	4,438,750	1,638,970
Investments at fair value through profit or loss	5 1,678,131	907,293
Receivable against sale of investments	36,982	225,269
Financial instruments sold on deferred settlement basis	6 19,286	4,350
Deposits, prepayments and other receivables	152,041	33,766
Preliminary expenses and floatation costs	1,748	2,000
Total assets	7,038,191	3,450,368
Liabilities		
Payable to Al Meezan Investment Management Limited - management company of the fund	7,950	4,787
Payable to Central Depository Company of Pakistan Limited - trustee of the fund	661	293
Payable to Securities and Exchange Commission of Pakistan	2,455	730
Payable to Meezan Bank Limited - Shariah adviser of the fund	188	228
Payable on redemption of units	82,276	19,857
Payable against purchase of investments	166,898	231,331
Accrued expenses and other liabilities	878	294
Financial instruments sold on deferred settlement basis	6 -	30,720
Total liabilities	261,306	288,240
Net assets	6,776,885	3,162,128
Deferred sale commitments	6	
Unitholders' funds (as per statement attached)	6,776,885	3,162,128
Number of units		
Number of units in issue	129,801,445	63,208,128
Rupees		
Net asset value per unit - restated	52.21	50.03

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Director

CONDENSED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2007
(UNAUDITED - NOTE 3)

	Note	December 31, 2007		For the period Dec. 13, 2006 to Jun. 30, 2007
		Six months period ended	Quarter ended	
Income		(Rupees in '000)		
Profit on deposit accounts with banks		183,037	114,932	41,259
Profit on sukuk certificates		33,519	26,547	7,262
Realised income on sale of securities on deferred settlement basis		(2,055)	(10,521)	44,052
		<u>214,501</u>	<u>130,958</u>	<u>92,573</u>
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss (net)		(17,523)	(22,049)	26,484
Gain / (loss) on re-measurement of financial instruments sold on deferred settlement basis (net)		45,656	42,379	(26,370)
		<u>28,133</u>	<u>20,330</u>	<u>114</u>
Total income		<u>242,634</u>	<u>151,288</u>	<u>92,687</u>
Expenses				
Remuneration to Al Meezan Investment Management Limited - management company of the fund		24,553	15,032	7,297
Remuneration to Central Depository Company of Pakistan Limited - trustee of the fund		2,959	1,755	1,324
Annual fee to Securities and Exchange Commission of Pakistan		2,455	1,502	730
Remuneration to Meezan Bank Limited - Shariah adviser of the fund		151	75	150
Auditors' remuneration		287	199	192
Fees and subscription		76	38	101
Profit payment to Pre-IPO and core investors		-	-	5,891
Amortisation of preliminary expenses and floatation costs		252	126	500
Brokerage		2,135	1,199	4,413
Bank and settlement charges		594	291	1,067
Total expenses		<u>33,462</u>	<u>20,217</u>	<u>21,665</u>
Net income from operating activities		<u>209,172</u>	<u>131,071</u>	<u>71,022</u>
Element of income and capital gains included in prices of units sold less those in units redeemed		76,000	42,833	63,821
Net income		<u>285,172</u>	<u>173,904</u>	<u>134,843</u>
Earnings per unit (Rupees)	7	<u>2.20</u>	<u>1.34</u>	<u>2.23</u>

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Director

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

	December 31, 2007		For the period Dec. 13, 2006 to Jun. 30, 2007
	Six months period ended	Quarter ended	
(Rupees in '000)			
Undistributed income brought forward	134,843	112,910	-
Less: Final distribution in the form of bonus units for the period December 13, 2006 to June 30, 2007	(133,201)	-	-
Net income for the period	285,172	173,904	134,843
Undistributed income carried forward	286,814	286,814	134,843

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN
UNIT HOLDERS' FUNDS
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2007
(UNAUDITED - NOTE 3)**

	December 31, 2007		For the period Dec. 13, 2006 to Jun. 30, 2007
	Six months period ended	Quarter ended	
	(Rupees in '000)		
Net assets at the beginning of the period	3,162,128	5,366,040	-
Issue of 142,916,034 and 78,745,011 units for the six months and quarter respectively (June 30, 2007: issue of 78,348,995 units)	7,342,286	4,083,109	4,017,973
Redemption of 76,322,717 and 54,006,158 units for the six months and quarter respectively (June 30, 2007: redemption of 17,803,281 units)	(3,936,701)	(2,803,335)	(926,867)
	3,405,585	1,279,774	3,091,106
Element of income and capital gains included in prices of units sold less those in units redeemed	(76,000)	(42,833)	(63,821)
Net income less distribution for the period	151,971	173,904	134,843
Issue of 2,662,414 bonus units for the period December 13, 2006 to June 30, 2007	133,201	-	-
Net assets at the end of the period	<u>6,776,885</u>	<u>6,776,885</u>	<u>3,162,128</u>

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2007
(UNAUDITED - NOTE 3)

	December 31, 2007		For the period Dec. 13, 2006 to Jun. 30, 2007
	Six months period ended	Quarter ended	
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	285,172	173,904	134,843
Adjustments for non-cash items			
Profit on deposit accounts with banks	(183,037)	(114,932)	(41,259)
Profit on sukuk certificates	(33,519)	(26,547)	(7,262)
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss	17,523	22,049	(26,484)
Gain / (loss) on re-measurement of financial instruments sold on deferred settlement basis	(45,656)	(42,379)	26,370
Amortisation of preliminary expenses and floatation costs	252	126	500
Element of income and capital gains included in prices of units sold less those in units redeemed	(76,000)	(42,833)	(63,821)
	<u>(320,437)</u>	<u>(204,516)</u>	<u>(111,956)</u>
(Increase) / decrease in assets			
Placements	(2,799,780)	(1,238,750)	(1,638,970)
Investments at fair value through profit or loss	(788,361)	(549,444)	(880,809)
Receivable against sale of investments	188,287	188,912	(225,269)
Deposits, prepayments and other receivables	(2,508)	(2,497)	(100)
Preliminary expenses and floatation costs	-	-	(2,500)
	<u>(3,402,362)</u>	<u>(1,601,779)</u>	<u>(2,747,648)</u>
Increase / (decrease) in liabilities			
Payable to Al Meezan Investment Management Limited - management company of the fund	3,163	1,100	4,787
Payable to Central Depository Company of Pakistan Limited - trustee of the fund	368	208	293
Payable to Securities and Exchange Commission of Pakistan	1,725	773	730
Payable to Meezan Bank Limited - Shariah adviser of the fund	(40)	(115)	228
Payable on redemption of units	62,419	82,164	19,857
Payable against purchase of investments	(64,433)	111,002	231,331
Accrued expenses and other liabilities	584	473	294
	<u>3,786</u>	<u>195,605</u>	<u>257,520</u>
Profit received on deposit accounts with banks	91,426	34,596	10,984
Profit received on Sukuk certificates	9,363	6,352	3,871
Net cash outflow from operating activities	<u>(3,333,052)</u>	<u>(1,395,838)</u>	<u>(2,452,386)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from sale of units	7,342,286	4,083,109	4,017,973
Payments against redemption of units	(3,936,701)	(2,803,335)	(926,867)
Net cash inflow from financing activities	<u>3,405,585</u>	<u>1,279,774</u>	<u>3,091,106</u>
Net cash inflow during the period	72,533	(116,064)	638,720
Cash and cash equivalents at the beginning of the period	638,720	827,317	-
Cash and cash equivalents at the end of the period	<u>711,253</u>	<u>711,253</u>	<u>638,720</u>

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2007

(UNAUDITED - NOTE 3)

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Islamic Income Fund (the Fund) was established 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 September 13, 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). On November 21, 2007, Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations) were notified. The registered office of the management company of the Fund, is situated at Finance and Trade Centre, Shahrah- e-Faisal, Karachi, Pakistan.
- 1.2 The Fund has been formed to provide the unitholders safe and stable stream of halal income on their investments and to generate superior long term risk adjusted returns. The Fund shall also keep an exposure in short-term instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns if available at any given point of time. Under the Trust Deed all conducts and acts of the Fund are based on Shariah. Meezan Bank Limited (MBL) acts as its shariah adviser to ensure that the activities of the Fund are in compliance with the principles of Shariah. The management company of the Fund is registered with the SECP as a Non-Banking Finance Company under the NBFC Rules.
- 1.3 The Fund is an open-ended fund listed on the Karachi Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

2. BASIS OF PRESENTATION

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 aforementioned guidelines. This practice is being followed to comply with the requirements of approved accounting standards as applicable in Pakistan.

3. STATEMENT OF COMPLIANCE

- 3.1 These condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, the Trust Deed, the NBFC Rules and NBFC Regulations and the directives issued by the SECP. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Trust Deed, the NBFC Rules and NBFC Regulations and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules and NBFC Regulations and the said directives take precedence. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the IAS 34: 'Interim Financial Reporting'.
- 3.2 The condensed interim financial statements comprise of the condensed statement of assets and liabilities as at December 31, 2007 and the condensed income statement, condensed distribution statement, condensed statement of movement in unitholders' fund, condensed cashflow statement and notes thereto, for the period ended December 31, 2007, which have been subject to a review but not audited.
- 3.3 The comparative statement of assets and liabilities presented in these condensed financial statements as at June 30, 2007 has been extracted from the audited financial statements of the fund for the period December 13, 2006 to June 30, 2007. Since no financial statements were prepared as of December 31, 2006, therefore comparative income statement, distribution statement, statement of movement in unitholders' fund and the cashflow statement and notes thereto have also been extracted from the financial statements for the period December 31, 2006 to June 30, 2007.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2007
(UNAUDITED - NOTE 3)

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements and the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied in the preparation of the financial statements for the period December 13, 2006 to June 30, 2007.

		December 31, 2007	June 30, 2007
		(Rupees in '000)	
5.	INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	Note	
	Held for trading	5.1	532,431
	Investments at fair value through profit or loss upon initial recognition	5.2.1	1,145,700
			907,293
			1,678,131
5.1	Held for trading		
	Shares of listed companies	5.1.1	493,244
	Sukuk certificates	5.1.5	39,187
			752,093
			532,431
			752,093

5.1.1 Shares of listed companies

Name of the investee company	As at July 01, 2007	Purchases during the period	Bonus / rights issue	Sales during the period	As at December 31, 2007	Carrying value	Market value	Percentage of net assets on the basis of market value (see note 5.1.3 below)
	Number of shares					as at December 31, 2007		
Securities sold under deferred settlement basis								
Textile Composite								
Nishat Mills Limited	200,000	607,500	-	807,500	-	-	-	-
Cement								
D G Khan Cement Company Limited	-	100,000	-	100,000	-	-	-	-
Power generation and distribution								
Hub Power Company Limited	-	100,000	-	100,000	-	-	-	-
Technology and communication								
Pakistan Telecommunication Company Limited 'A'	4,000,000	10,020,000	-	11,500,000	2,520,000	105,985	105,966	1.56
Oil and gas exploration companies								
Pakistan Oilfields Limited	227,500	851,000	-	874,500	204,000	72,009	68,218	1.01
Oil and Gas Development Company Limited	1,039,000	5,698,300	-	5,459,300	1,278,000	156,871	152,657	2.25
Pakistan Petroleum Limited	288,800	681,800	-	956,100	14,500	3,705	3,553	0.05
								3.31
Oil and gas marketing companies								
Pakistan State Oil Company Limited	50,000	955,000	-	605,000	400,000	172,632	162,640	2.40
								2.40
Fertilizer								
Engro Chemical Pakistan Limited	17,000	291,500	-	308,500	-	-	-	-
Fauji Fertilizer Bin Qasim Company Limited	96,000	934,500	-	1,025,500	5,000	221	210	0.00
Fauji Fertilizer Company Limited	400,000	667,000	-	1,067,000	-	-	-	-
								0.00
Commercial banks								
BankIslami Pakistan Limited	10,000,000	10,000,000	-	20,000,000	-	-	-	-
Grand total						511,423	493,244	
Total cost of investments							512,290	

5.1.2 All shares have a nominal value of Rs 10 each.

5.1.3 Net assets are as defined in rule 2 (xvi) of the NBFC Regulations.

5.1.4 The SECP through its letter no. NBFC-II/JE/AMIML/362 dated June 8, 2006 had relaxed the investment limits prescribed in rule 71(3) of NBFC Rules to fifteen percent. However, the said rule has been replaced by rule 64(5) of NBFC Regulations issued on November 21, 2007.

5.1.5 Sukuk certificates

Name of the investee company	As at July 01, 2007	Purchases during the period	Sales during the period	Redemptions during the period	As at December 31, 2007	Carrying value	Market value	Percentage of net assets on the basis of market value (see note 5.1.3 above)
	Number of certificates					as at December 31, 2007		
WAPDA First Sukuk Company Limited (note 5.1.6)	-	7,500	-	-	7,500	38,531	39,187	0.58

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

5.1.7 These certificates carry a return at the rate of 11.53% receivable on a sei annual basis with principal redeemable on maturity.

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

5.2.1 Sukuk certificates

Name of the investee company	As at July 01, 2007	Purchases during the period	Sales during the period	Redemptions during the period	As at December 31, 2007	Carrying value	Market value	Percentage of net assets on the basis of cost (see note 5.1.3 above)
						as at December 31, 2007		
----- Number of certificates -----						----- (Rs. in '000) -----		
Century Paper and Board Mills Limited (note 5.2.2)	-	5,000	-	-	5,000	25,000	25,000*	0.37
Dawood Hercules Chemicals Limited (note 5.2.3)	-	3,950	-	-	3,950	197,500	197,500*	2.91
Engro Chemical Pakistan Limited (note 5.2.2)	-	60,000	-	-	60,000	300,000	300,000*	4.43
Security Leasing Corporation Limited II (note 5.2.2)	-	10,000	-	-	10,000	50,000	50,000*	0.74
Shahmurad Sugar Mills Limited (note 5.2.4)	-	73	-	-	73	73,000	73,000*	1.08
Sitara Chemical Industries Limited (note 5.2.2)	11,040	-	-	-	11,040	55,200	55,200*	0.81
Sui Southern Gas Company Limited (note 5.2.5)	30,000	-	-	-	30,000	100,000	100,000*	1.48
Karachi Shipyard and Engineering Works (note 5.2.2)	-	12,000	-	-	12,000	60,000	60,000*	0.89
Maple Leaf Cement Factory Limited (note 5.2.2)	-	30,000	-	-	30,000	150,000	150,000*	2.21
Sitara Chemical Industries Limited II (note 5.2.2)	-	27,000	-	-	27,000	135,000	135,000*	1.99
Grand total						1,145,700	1,145,700	

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

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

5.2.3 The nominal value of the sukuk certificates of Dawood Hercules Chemicals Limited is Rs 50,000 each.

5.2.4 The nominal value of the sukuk certificates of Shahmurad Sugar Mills Limited is Rs 1,000,000 each.

5.2.5 The nominal value of the sukuk certificates of Sui Southern Gas Company Limited is Rs 3,333.33 each.

5.2.6 These sukuk certificates carry a return ranging between 10.34% to 12.23% receivable on a semi annual basis except sukuk certificates of Sui Southern Gas Company Limited are receivable on a quarterly basis, with principal redeemable on maturity.

6 FINANCIAL INSTRUMENTS SOLD ON DEFERRED SETTLEMENT BASIS

Type of contract	Settlement	Underlying	Notional amount (Rupees in '000)	December 31 2007		
				(Assets)	(Liabilities)	
				----- (Rupees in '000) -----		
6.1	Deferred Sales	January 29, 2008	Equity indices	516,800	19,286	-
				June 30, 2007	4,350	30,720

7 EARNINGS PER UNIT

	December 31, 2007	
	Six months period ended (Rupees in '000)	Quarter ended
Net income for the period	285,172	173,904
	(Number of units)	
Units outstanding as at December 31, 2007	129,801,445	129,801,445
	(Rupees)	
Earnings per unit	2.20	1.34

8. 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, Al Meezan Mutual Fund Limited, Meezan Islamic Fund, Meezan Tahaffuz Pension Fund and Meezan Balanced Fund being the funds under the common management of the management company, Sitara Chemical Industries Limited and Pak Kuwait Investment Company (Private) Limited.

Remuneration payable to the management company and the trustee is determined in accordance with the provisions of NBFC Rules and the Trust Deed respectively. Transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

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

	(Rupees in '000)
Al Meezan Investment Management Limited - management company	
Remuneration for the period	24,553
Sales load for the period	183
Preliminary expenses and floatation costs	2,000
Certificate charges	1
	<u>26,737</u>
Payments made during the period	(18,787)
Balance at the end of the period	<u>7,950</u>
Issue of 4,007,169 units	<u>206,169</u>
Meezan Bank Limited - shariah adviser of the fund	
Remuneration for the period	151
Sales load for the period	193
	<u>344</u>
Payments made during the period	(156)
Balance at the end of the period	<u>188</u>
Bank balance in deposit accounts	<u>13,301</u>
Profit on deposit accounts	<u>1,017</u>
Issue of 17,873,370 units	<u>908,831</u>
Issue of 237,458 bonus units	<u>11,880</u>
Redemption of 4,000,000 units	<u>208,640</u>

(Rupees in '000)

Central Depository Company of Pakistan Limited - trustee

Remuneration for the period	2,959
CDS charges for the period	81
	<u>3,040</u>
Payments made during the period	<u>(2,379)</u>
Balance at the end of the period	<u>661</u>
Issue of 21,987 bonus units	<u>1,100</u>

Pak Kuwait Investment Company (Private) Limited

Issue of 26,384 bonus units	<u>1,320</u>
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Sitara Chemical Industries Limited

Investment in sukuk certificates (38,040 sukuk certificates)	<u>190,200</u>
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Directors and executives

Issue of 343,872 units	<u>17,790</u>
Issue of 20,561 bonus units	<u>1,029</u>
Redemption of 56,143 units	<u>2,883</u>

9. CORRESPONDING FIGURES

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

10. DATE OF AUTHORISATION

These condensed interim financial statements were authorised on February 15 , 2008 by the board of directors of the management company.

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

Chief Executive

Director