



Half Yearly Report December 31, 2010



AI Meezan Investment Management Limited
A subsidiary of Meezan Bank



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**Our Vision**

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

Our Mission

To provide investors, in a shariah compliant manner, capital protection at maturity of the Fund and maximize returns through investments in Pakistani equity markets.

FUND INFORMATION

MANAGEMENT COMPANY

Al Meezan Investment Management Limited
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Web site: www.almeezangroup.com
E-mail: info@almeezangroup.com

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. Aliuddin Ansari	Director
Mr. Rana Ahmed Humayun	Director
Mr. P. Ahmed	Director
Mr. Rizwan Ata	Director
Mr. Mazhar Sharif	Director
Mr. Mohammad Shoaib, CFA	Chief Executive

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

Mr. Ariful Islam	Chairman
Mr. Aliuddin Ansari	Member
Mr. Mazhar Sharif	Member

TRUSTEE

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block B, S.M.C.H.S., Main Sharah-e-Faisal, Karachi.

AUDITORS

A.F. Fergusons & 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

Meezan Bank Limited
Al Baraka Islamic Bank B.S.C (E.C)
Bank Islami Pakistan Limited
MCB Bank Limited

LEGAL ADVISER

Bawaney & Partners
404, 4th Floor, Beaumont Plaza, 6-CL-10
Beaumont Road, Civil Lines
Karachi - 75530

TRANSFER AGENT

Meezan Bank Limited
SITE Branch
Plot # B/9-C, Estate Avenue,
SITE, Karachi.
Phone: 32062891
Fax: 32552771
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 Capital Protected Fund - I (MCPF-I) is pleased to present the un-audited financial statements of the fund for the half year ended December 31, 2010.

Brief Overview

During the first half of fiscal year 2011, Meezan Capital Protected Fund - I (MCPF-I) provided a return of 8.01% to its investors.

Economic Review

The Fiscal year beginning 1st July 2010 was pinned with hopes of further economic recovery with the GDP target of 4.5%. However, the whole situation changed with the devastating floods in the first quarter of 2011 with about one-fifth of the country being flooded and 10% of the population being directly affected. As a result all the macroeconomic targets are expected to be missed. The GDP growth target has already been revised down by 1-2% mainly because of sharply lower agricultural output growth which accounts for 21% of GDP and 45% of employment.

Floods caused a sharp increase in food inflation which led CPI to touch a 16-month high of 15.7% in September, 2010. To counter spiraling inflationary expectations, SBP proactively raised discount rate by a cumulative 150bps in 1HFY11 from 12.5% to 14.0%.

Floods and delay in structural reforms are likely to have an adverse impact on fiscal deficit which is now expected to cross 6.0% of GDP for fiscal year 2011 against IMF target of 4.7% of GDP. To finance increasing fiscal deficit, government borrowing from SBP has increased to approximately Rs. 272 billion while borrowing from commercial banks has increased to Rs. 178 billion during the period under review. However, tax revenue collection during 1FY11 (provisional) stood at Rs. 642 billion, up 10% year on year, short of target by about Rs. 11 billion.

While inflation and fiscal position have worsened, Pakistan's external position remained comfortable with balance of payment posting a surplus of US\$105 million in Jul-Nov10. Likewise, current account deficit also narrowed to US\$504 million in Jul-Nov10 by posting a surplus for the third consecutive month in November, on the back of upbeat remittances (up 16% YoY) and textile exports (up 23% YoY). Resultantly, this also supported dollar rupee exchange rate which moved in a narrow band of Rs. 85.2 to Rs. 86.3 vis-à-vis dollar.

During the entire period, government faced major resistance while addressing key structural issues in economy such as low tax to GDP ratio, higher subsidies, and excessive borrowings from central bank and implementation of Reformed GST. As a result, IMF delayed dates for fifth and sixth reviews to August 2011. With upward rally in crude price putting pressure on forex reserves and weak fiscal position, IMF's timely release of final payments would play a key role in fiscal stability of the economy.

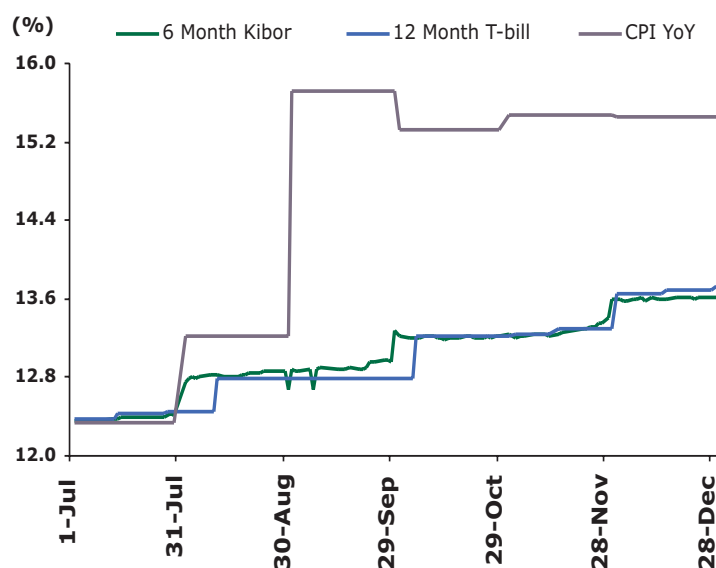
Money Market Review

During the first half of fiscal year 2011, money market remained highly volatile and to normalize the liquidity situation, State Bank of Pakistan (SBP) regularly conducted Open market operations. With the resurgence of inflation, SBP changed its monetary policy stance after 20 months and increased the policy rate by 50 bps to 13% in its bimonthly monetary policy statement at the end of July 2010.

Further hike in inflation occurred as the country was hit by one of the worst floods in its history. Thus to curb the inflationary pressures, SBP went for further monetary tightening increasing the policy rate to 14%, with consecutive 50 bps hikes in September and November. As a result, KIBOR rates also increased, with six month rate increasing by 125 bps to close the half year at 13.62%. During the half year, SBP conducted 13 T-Bill auctions mopping up Rs. 1,268 billion against a target of Rs. 1,220 billion with a maturity of Rs. 1,120 billion. The cut off rate of six month T-Bill increased by 114 bps to close the half year at 13.40%.

Apart from borrowing from SBP, government also tapped other avenues to meet government expenditure. During the period, SBP conducted two auctions of Ijarah Sukuks worth Rs. 89 billion at coupon rate of six month T-Bill. .

The following graph shows the trend in interest rate during the period:



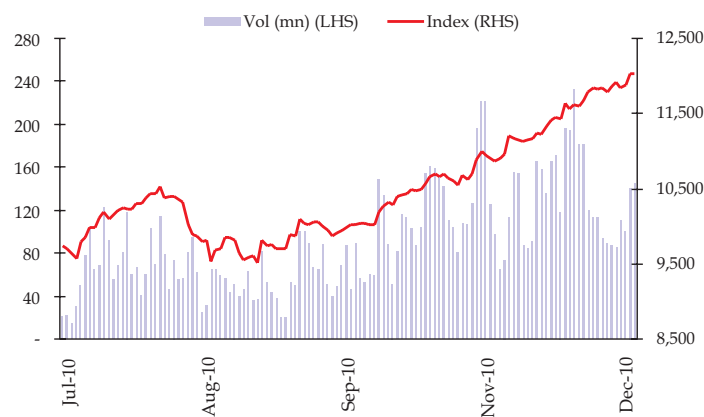
Equity Market Review

Stock market performed exceptionally well during the first half of financial year 2011 with the benchmark KSE-100 index rising by 24% to close at 12,022. However, trading volumes remained low due to imposition of capital gains tax (CGT) from 1st July and absence of leverage. Average daily trading volume in the first half declined by 47% to 92 million shares as compared to 173 million shares in the corresponding period last year.

Despite concerns related to CGT, the fiscal year started on a bullish note on the back of expectations of positive corporate results along with foreign interest, which helped the market to post an extraordinary return of 8.2% for the month of July. However, this rally was arrested by the unexpected 50 bps increase in the discount rate by State bank in its bimonthly monetary policy statement at the end of July. Later, the market performance was further derailed by the devastating floods in the country which adversely affected major sectors of the economy leading to 1-2% cut in the GDP growth target of 4.5%.

However, even after another 50 bps increase in discount rate in September, the investors shunned macroeconomic concerns and the sentiments turned bullish due to news about European Union allowing duty free import of textile related goods from Pakistan, above expectation corporate results with no negative impact of floods and increase in cement prices. As a result market crossed 11,000 level in November 2010. Further 50 bps hike in the discount rate at the end of November did not break the momentum of the market.

Towards the end of the period under review, sale of British Petroleum assets to United Energy Group at a better than expected price created excitement in oil and gas sector. Fertilizers also exhibited a bull run on the back of news of urea price hike. Moreover, continuous foreign interest, with net inflow of US\$ 249 million for the period under review, helped the KSE-100 to close at 12,022 and KMI-30 at 19,072.



Performance Review

Meezan Capital Protected Fund - I earned a total income of Rs. 55 million in the first half of the current fiscal year as compared to Rs. 59 million in the corresponding period last year. The earnings were primarily driven by profit received on Murabahah agreement amounting to Rs. 33 million. Cumulative gains on investments, both realised and unrealised amounted to Rs. 19 million. After deducting expenses worth Rs. 4 million, the fund recorded a net profit of Rs. 52 million.

The net assets of the fund as at the end of the period under review were Rs. 686 million and the net asset value (NAV) was Rs. 54.86 per unit. The NAV per unit during the period under review has witnessed an increase of 3.48%, up from a value of Rs. 56.84 at the beginning of the current fiscal year.

Outlook

Going forward, the key challenge for the government under the current political environment would be to introduce the reforms demanded by IMF. It is expected that inflation will remain on the higher side because of supply side shortage and hence State Bank may likely go for further monetary tightening in this fiscal year.

Although the implementation of capital gain tax has negatively impacted volumes, we believe that the introduction of the leverage product in the market will improve the liquidity position and attract the investors back to the equity market. On the basis of earnings multiples and dividend yields, Pakistan remains one of the cheapest market. Pakistan's stock market is trading at a P/E multiple of 8.3x, which is almost at 38% discount to other frontier markets. This makes KSE an attractive option for foreign investors, who are expected to continue to make investments at the local bourses

Our outlook for the remaining half is cautiously optimistic. The management of Al Meezan is fully aware of the challenges that lie ahead and is taking all possible measures to face them.

Acknowledgement

We take this opportunity to thank our valued investors for reposing faith in Al Meezan Investments and making it the largest asset management company in the private sector in Pakistan. We also thank the regulator, Securities and Exchange Commission of Pakistan, Central Depository Company of Pakistan and management of Karachi Stock Exchange for their support. We would also like to thank the members of the Shariah Supervisory Board of Meezan Bank for their continued assistance and support on Shariah aspects of fund management.

For and on behalf of the Board

Date: January 24, 2011
Karachi.

Mohammad Shoaib, CFA
Chief Executive



CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED

Head Office

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TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN CAPITAL PROTECTED FUND-I

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

Meezan Capital Protected Fund-I (the Fund), an open-end scheme was established under a trust deed dated February 25, 2008, executed between Al Meezan Investment Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the period from July 01, 2010 to December 31, 2010 in accordance with the provisions of the following:

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


Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited
Karachi, February 07, 2011



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A member firm of

PRICEWATERHOUSECOOPERS 

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

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of Meezan Capital Protected Fund-I (the Fund) as at December 31, 2010 and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds, condensed interim cash flow statement and the notes forming part thereof for the six month period then ended (here-in-after referred to as the 'condensed interim financial information'). The management company is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim financial information for the quarters ended December 31, 2010 and 2009 have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2010.

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 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 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter paragraph

We draw attention to note 1.5 to the accompanying condensed interim financial information which inter alia states that as per the offering document of the Fund, the Fund is due to mature on June 29, 2011. Accordingly, the accompanying condensed interim financial information is not prepared on the going concern basis. However, no adjustments are required as the assets and liabilities are stated at values at which these are expected to be realised or settled. Our conclusion is not qualified in respect of this matter.


Chartered Accountants
Karachi, February 10, 2011

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MEZAN
CAPITAL PROTECTED FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 2010 (UNAUDITED - NOTE 3)

		December 31, 2010	June 30, 2010
	Note	(Rupees in '000)	
Assets			
Capital protection segment			
Loans and receivables	5	603,265	570,373
Investment segment			
Balances with banks		23,056	18,901
Investments at fair value through profit or loss	6	77,385	67,489
Profit receivable on savings accounts		291	207
		<u>100,732</u>	86,597
Dividend receivable		-	175
Deposit with Central Depository Company of Pakistan Limited (CDC)		100	100
Preliminary expenses and floatation costs		458	931
Total assets		<u>704,555</u>	<u>658,176</u>
Liabilities			
Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund		17,160	18,744
Payable to CDC - trustee of the Fund		75	63
Payable to Securities and Exchange Commission of Pakistan (SECP)		249	459
Payable on redemption of units		100	-
Accrued expenses and other liabilities		696	2,269
Total liabilities		<u>18,280</u>	<u>21,535</u>
Net assets		<u>686,275</u>	<u>636,641</u>
Contingency	7		
Unit holders' fund (as per statement attached)		<u>686,275</u>	<u>636,641</u>
		Number of units	
Number of units in issue		<u>12,510,115</u>	<u>11,200,846</u>
		Rupees	
Net assets value per unit		<u>54.86</u>	<u>56.84</u>

The annexed notes 1 to 9 form an integral part of this condensed interim financial report.

For Al Meezan Investment Management Limited
(Management Company)

Mohammad Shoaib, CFA
Chief Executive

Mazhar Sharif
Director



CONDENSED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2010 (UNAUDITED - NOTE 3)

Note	Six months period ended December 31		Quarter ended December 31	
	2010	2009	2010	2009
	(Rupees in '000)			
Income				
Net realised gain on sale of investments	3,596	11,771	3,333	5,161
Dividend income	3,321	3,004	1,811	1,077
Profit on savings accounts with banks	602	301	280	193
Profit on murabaha	32,892	29,430	16,676	14,920
Back end load	40	550	28	58
	<u>40,451</u>	<u>45,056</u>	<u>22,128</u>	<u>21,409</u>
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss (net)	14,656	13,505	11,902	(2,654)
Total income	<u>55,107</u>	<u>58,561</u>	<u>34,030</u>	<u>18,755</u>
Expenses				
Remuneration to Al Meezan - management company of the Fund	4,231	4,883	2,156	2,552
Remuneration to CDC - trustee of the Fund	437	396	225	201
Annual fee to SECP	249	226	127	114
Auditors' remuneration	206	222	111	171
Fees and subscription	28	18	9	9
Amortisation of preliminary expenses and floatation costs	473	468	239	234
Brokerage	67	121	41	53
Bank and settlement charges	17	17	13	12
Printing charges	105	124	74	124
Reversal of provision for Workers' Welfare Fund (WWF) 7	(1,660)	-	-	-
Total expenses	<u>4,153</u>	<u>6,475</u>	<u>2,995</u>	<u>3,470</u>
Net income from operating activities	<u>50,954</u>	<u>52,086</u>	<u>31,035</u>	<u>15,285</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed (net)	981	(345)	(55)	(98)
Net income	<u>51,935</u>	<u>51,741</u>	<u>30,980</u>	<u>15,187</u>

The annexed notes 1 to 9 form an integral part of this condensed interim financial report.

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

Mohammad Shoab, CFA
Chief Executive

Mazhar Sharif
Director



CONDENSED INTERIM DISTRIBUTION STATEMENT
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2010 (UNAUDITED - NOTE 3)

	Six months period ended December 31		Quarter ended December 31	
	2010	2009	2010	2009
	(Rupees in '000)			
Undistributed income brought forward	76,598	2,041	29,788	34,533
Less: Final distribution in the form of bonus units @ 12.10% for the year ended June 30, 2010 (June 30, 2009: 0.70%)	(67,765)	(4,062)	-	-
Net income for the period	51,935	51,741	30,980	15,187
Undistributed income carried forward	<u>60,768</u>	<u>49,720</u>	<u>60,768</u>	<u>49,720</u>

The annexed notes 1 to 9 form an integral part of this condensed interim financial report.

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

**Mohammad Shoaib, CFA
Chief Executive**

**Mazhar Sharif
Director**

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2010 (UNAUDITED - NOTE 3)

	Six months period ended December 31		Quarter ended December 31	
	2010	2009	2010	2009
	(Rupees in '000)			
Net assets at the beginning of the period	636,641	582,284	656,086	606,725
Redemption of 24,952 units (2009: 269,868 units) and 15,828 units (2009: 27,344 units) for six months and quarter respectively	(1,320)	(13,825)	(846)	(1,465)
	<u>635,321</u>	<u>568,459</u>	<u>655,240</u>	<u>605,260</u>
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed (net)	(981)	345	55	98
Net (loss) / income at the end of the period less distribution	(15,830)	47,679	30,980	15,187
Issue of 1,334,221 bonus units for the year ended June 30, 2010 (June 30, 2009: 81,511 units)	67,765	4,062	-	-
	<u>51,935</u>	<u>51,741</u>	<u>30,980</u>	<u>15,187</u>
Net assets at the end of the period	<u>686,275</u>	<u>620,545</u>	<u>686,275</u>	<u>620,545</u>
Net assets value per unit at the beginning of the period - Rupees	<u>56.84</u>	<u>50.18</u>	<u>54.79</u>	<u>53.02</u>
Net assets value per unit at the end of the period - Rupees	<u>54.86</u>	<u>54.36</u>	<u>54.86</u>	<u>54.36</u>

The annexed notes 1 to 9 form an integral part of this condensed interim financial report.

For Al Meezan Investment Management Limited
(Management Company)

Mohammad Shoaib, CFA
Chief Executive

Mazhar Sharif
Director



CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2010 (UNAUDITED - NOTE 3)

	Six months period ended December 31		Quarter ended December 31	
	2010	2009	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES	(Rupees in '000)			
Net income	51,935	51,741	30,980	15,187
Adjustments for:				
Dividend income	(3,321)	(3,004)	(1,811)	(1,077)
Profit on savings accounts with banks	(602)	(301)	(280)	(193)
Profit on murabaha	(32,892)	(29,430)	(16,676)	(14,920)
Unrealised (gain) / loss on re-measurement of investments at fair value through profit or loss (net)	(14,656)	(13,505)	(11,902)	2,654
Amortisation of preliminary expenses and floatation costs	473	468	239	234
Reversal of provision for WWF	(1,660)	-	-	-
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(981)	345	55	98
	<u>(1,704)</u>	<u>6,314</u>	<u>605</u>	<u>1,983</u>
(Increase) / decrease in assets				
Receivable against sale of investments	-	283	-	1,798
Investments at fair value through profit or loss	4,760	6,584	16,034	(3,472)
	<u>4,760</u>	<u>6,867</u>	<u>16,034</u>	<u>(1,674)</u>
Increase / (decrease) in liabilities				
Payable to Al Meezan - management company of the Fund	(1,584)	4,883	2,156	2,300
Payable to CDC - trustee of the Fund	12	6	10	2
Payable to MBL	-	(252)	-	-
Payable to SECP	(210)	(253)	(332)	(365)
Payable on redemption of units	100	4	100	(1,978)
Payable against purchase of investments	-	(865)	-	(1,402)
Accrued expenses and other liabilities	87	118	(42)	18
	<u>(1,595)</u>	<u>3,641</u>	<u>1,892</u>	<u>(1,425)</u>
Dividend received	3,496	2,994	3,346	1,492
Profit received on savings accounts with banks	518	235	285	86
Net cash inflow from operating activities	<u>5,475</u>	<u>20,051</u>	<u>22,162</u>	<u>462</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments against redemption of units	(1,320)	(13,825)	(846)	(1,465)
Net cash outflow from financing activities	<u>(1,320)</u>	<u>(13,825)</u>	<u>(846)</u>	<u>(1,465)</u>
Net cash inflow / (outflow) during the period	4,155	6,226	21,316	(1,003)
Cash and cash equivalents at the beginning of the period	18,901	1,773	1,740	9,002
Cash and cash equivalents at the end of the period	<u>23,056</u>	<u>7,999</u>	<u>23,056</u>	<u>7,999</u>

The annexed notes 1 to 9 form an integral part of this condensed interim financial report.

For Al Meezan Investment Management Limited
(Management Company)



Mohammad Shoaib, CFA
Chief Executive

Mazhar Sharif
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2010 (UNAUDITED - NOTE 3)

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Capital Protected Fund-I (the Fund) was established under a trust deed executed between Al Meezan as the management company and CDC as the trustee. The trust deed was executed on February 25, 2008 and was approved by the SECP under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). 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 consists of two segments, a capital protection segment and an investment segment. The capital protection segment aims at protecting investors' capital by placing the assets of the segment in murabaha arrangement with a scheduled islamic bank having atleast 'A' rating at the time of the arrangement. The investment segment generally invests in high return / high risk investments with an objective of providing unitholders a higher return than the minimum protection provided by the capital protection segment. Under the trust deed all the 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-end fund with maturity of three years and six weeks and is listed on the Karachi Stock Exchange. The Fund shall cease to operate on maturity. The units are transferable and can be redeemed by surrendering them to the Fund. The issuance of units has been discontinued since July 31, 2008. The rating of the Fund has not been conducted as at December 31, 2010. The management company of the Fund has been given quality rating of AM2 by JCR - VIS.
- 1.4 Title to the assets of the Fund are held in the name of CDC as a trustee of the Fund.
- 1.5 As per the offering document dated May 16, 2008, the Fund will cease to exist on June 29, 2011, the date on which the period specified for the Fund is expiring. Since the Fund was established for a specified period and the said period is expiring within the twelve months period from the balance sheet date, accordingly this condensed interim financial report has not been prepared on going concern basis. The management has assessed that, except for preliminary expenses and floatation costs, which will be amortised, this has not resulted in any impact on the carrying amount of the assets and the liabilities of the Fund as these are already stated at the amounts expected to be realised or settled.

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 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 This condensed interim financial report has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of IAS 34: 'Interim Financial Reporting' (IAS 34), the Trust Deed, NBFC Rules, NBFC Regulations and the directives issued by SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, NBFC Regulations or the said directives differ with the requirements of IAS 34, the requirements of the Trust Deed, NBFC Rules, NBFC Regulations or the said directives take precedence.
- 3.2 This condensed interim financial report comprises of the condensed interim statement of assets and liabilities as at December 31, 2010 and the condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes thereto for the six months period ended December 31, 2010, which have been subjected to a review but not audited. This condensed interim financial report also includes condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement for the quarter ended December 31, 2010 which is not subject to review.
- 3.3 The comparative statement of assets and liabilities presented in this condensed interim financial report as at June 30, 2010 has been extracted from the annual audited financial statements of the Fund for the year ended June 30, 2010, whereas the comparative condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement have been extracted from the condensed interim financial report for the six months period ended December 31, 2009 which was subjected to a review but not audited. The comparative condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unitholders' fund and condensed interim cash flow statement for the quarter ended December 31, 2009 included in this condensed interim financial report were not subjected to a review.
- 3.4 Standards, amendments to published approved accounting standards and interpretations effective from July 1, 2010:

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the period and are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or have any significant effect on the Fund's operations and are, therefore, not disclosed in this condensed interim financial report.

3.5 Standards, amendments to published approved accounting standards and interpretations as adopted in Pakistan, that are not yet effective:

The following standard and amendment to existing standard has been published and is mandatory for accounting periods beginning on or after July 1, 2011 or later periods:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the Fund's related party disclosures.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on Fund's operations and are therefore not detailed in this condensed interim financial report.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of the financial statements for the year ended June 30, 2010.

5. LOANS AND RECEIVABLES

	December 31, 2010	June 30, 2010
	(Rupees in '000)	
5.1 Principal amount	453,720	453,720
Profit receivable (Note 5.2)	<u>149,545</u>	<u>116,653</u>
Total	<u><u>603,265</u></u>	<u><u>570,373</u></u>

5.2 For the purpose of capital protection, the Fund has allocated 76% of the initial fund size in murabaha with MBL (an associated undertaking) such that it fulfills the requirement of capital protection as outlined in the trust deed and the offering document.

5.3 The duration of capital protection segment is 3 years and 6 weeks from first day of initial offering period with profit receivable at the rate of 11.75% on maturity.

6. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

6.1 Shares of listed companies and a bank - held for trading

Name of the investee company	As at July 1, 2010	Purchases / bonus issue during the period	Sales during the period	As at December 31, 2010	Carrying value as at December 31, 2010	Market value as at December 31, 2010	Unrealised gain as at December 31, 2010	Percentage in relation to		
								Number of shares	Rupees in '000	Net assets of the Fund on the basis of market value (see note 6.3 below)
Bank										
Meezan Bank Limited (an associate of Fund)	151,600	-	-	151,600	2,206	2,562	356	0.37	0.02	0.38
Automobile and Parts										
Indus Motor Company Limited	9,514	-	9,514	-	-	-	-	-	-	-
Construction and Materials										
Attock Cement Pakistan Limited	600	-	600	-	-	-	-	-	-	-
Lucky Cement Limited	67,500	13,000	-	80,500	5,179	6,101	922	0.89	0.02	0.90
Electricity										
The Hub Power Company Limited	-	75,000	-	75,000	2,727	2,806	79	0.41	0.01	0.41
Fixed Line Telecommunication										
Pakistan Telecommunication Company Limited 'A'	100,000	100,000	75,000	125,000	2,294	2,428	134	0.35	-	0.36
General Industrials										
Tri Pack Films Limited	80,000	-	18,692	61,308	5,979	7,489	1,510	1.09	0.20	1.10
Packages Limited	-	9,000	9,000	-	-	-	-	-	-	-
								1.09	0.20	1.10
Oil and Gas										
Oil and Gas Development Company Limited	61	20,000	20,061	-	-	-	-	-	-	-
Pakistan Petroleum Limited	30,660	6,132	-	36,792	5,645	7,989	2,344	1.16	-	1.17
Pak Oil Fields Limited	40,700	-	6,000	34,700	7,492	10,270	2,778	1.50	0.01	1.51
Pakistan State Oil Company Limited	47,950	56,875	73,865	30,960	8,241	9,139	898	1.33	0.02	1.34
National Refinery Limited	14,000	4,500	9,000	9,500	1,844	2,601	757	0.38	0.01	0.38
								4.37	0.04	4.40
Chemicals										
Fauji Fertilizer Bin Qasim Company Limited	204,340	-	85,000	119,340	3,108	4,264	1,156	0.62	0.01	0.63
Fauji Fertilizer Company Limited	121,775	-	5,000	116,775	12,036	14,697	2,661	2.14	0.02	2.16
ICI Pakistan Limited	13,677	28,000	-	41,677	5,006	6,011	1,005	0.88	0.03	0.88
Lotte Pakistan PTA Limited	-	75,000	-	75,000	972	1,028	56	0.15	-	0.15
								3.79	0.06	3.82
Total					62,729	77,385	14,656			
Total cost of investments						65,682				

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

6.3 Net assets are as defined in regulation 66 of NBFC Regulations.

7. CONTINGENCY

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. No such notice was received by the Fund.

On December 14, 2010, the Ministry has filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the Court.

However, the Management Company believes that the aforementioned constitutional petition pending in the Court has strong grounds for decision in favour of the mutual funds. Accordingly, the management has reversed the liability recognised as at June 30, 2010 amounting to Rs 1.660 million, during the current period. The aggregate unrecognised amount of WWF as at December 31, 2010 amounted to Rs 2.666 million.

8. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include Al Meezan being the management company, CDC being the trustee, MBL being the holding company of the management company, Pakistan Kuwait Investment Company (Private) Limited, directors and officers of the management company and Al Meezan Mutual Fund Limited, Meezan Islamic Fund, Meezan Tahaffuz Pension Fund, Meezan Balanced Fund, Meezan Islamic Income Fund, Meezan Cash Fund and Meezan Sovereign Fund being the Funds under the common 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 at period end are as follows:

	December 31, 2010	June 30, 2010
	(Rupees in '000)	
Al Meezan - management company of the Fund		
Remuneration payable	14,239	15,823
Preliminary expenses and floatation cost payable	2,921	2,921
Investment of 283,882 units (June 30, 2010: 253,666 units)	<u>15,573</u>	<u>14,418</u>



	December 31, 2010	June 30, 2010
	(Rupees in '000)	
MBL		
Balances with bank	424	351
Profit receivable	5	2
Investment - loans and receivables	603,265	570,373
Investment in 151,600 shares (June 30, 2010: 151,600 shares)	2,562	2,206
Investment of 5,634,892 units (June 30, 2010: 5,035,120 units)	309,130	286,190
CDC - trustee of the Fund		
Trustee fee payable	75	63
Deposit with CDC	100	100
Director of the management company		
Investment of 10,942 units (June 30, 2010: 9,777 units)	600	556
	Six months period ended December 31	
	2010	2009
	(Rupees in '000)	
Al Meezan - management company of the Fund		
Remuneration for the period	4,231	4,883
Bonus units issued: 30,216 units (December 31, 2009: 1,272 units)	1,535	63
Transferred during the period: nil units (December 31, 2009: 12,635 units)	-	641
MBL		
Profit on deposit account with bank	17	3
Profit on murabaha	32,892	29,430
Shares sold during the period : nil (December 31, 2009: 77,000)	-	1,329
Bonus units issued: 599,772 units (December 31, 2009: 35,119 units)	30,462	1,750
CDC - trustee of the Fund		
Trustee fee	437	396
CDS charges	4	3
Director of the management company		
Bonus units issued: 1,165 units (December 31, 2009: 68 units)	59	3

9. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial report was authorised for issue on January 24, 2011 by the Board of Directors of the management company.

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



Mohammad Shoaib, CFA
Chief Executive

Mazhar Sharif
Director



Pure. Profit.

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