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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

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. 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 Islami Pakistan Limited
MCB Bank Limited - Islamic Banking
Meezan Bank Limited

LEGAL ADVISER

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

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, 2009.

Economic Review

Pakistan has shown gradual recovery and improvement on the macroeconomic front in the first half of fiscal year 2010. Average year-on-year inflation during the period eased off to 10.3%, which averaged 24.4% during the same period last year. Release of IMF tranche and improved balance of trade numbers have provided a strong impetus to the economy. As a result, foreign exchange reserves increased from US\$ 11.9 billion in June 2009 to US\$ 13.8 billion at the end of December 2009, which is exclusive of the US\$ 1.2 billion tranche received from IMF at the end of 2009. This helped in stabilizing rupee against US dollar, with the rupee depreciating by 3.3% in the period under review. Moreover, remittance inflows made new records, with the first half fiscal year 2010 figure totaling US\$ 4.5 billion, providing crucial support to the balance of payment situation.

On domestic front, tax collection for the period was approximately Rs. 580 billion, which helped Government of Pakistan limit its borrowing to Rs. 70 billion at the end of December 2009. In view of the declining inflation, State Bank reduced the policy rate by 150bps to 12.5%. Moreover, to meet IMF requirements and to stabilize interest rates, the central bank introduced an interest rate corridor, providing a reverse repo facility at 300bps below the repo rate.

Controlled current account deficit, declining inflation, increasing foreign exchange reserves and improvements in other economic numbers were also acknowledged by International rating agencies as Standard and Poor's upgraded Pakistan's Sovereign rating by one notch to 'B-' and Moody's enhanced its country outlook to 'Stable'.

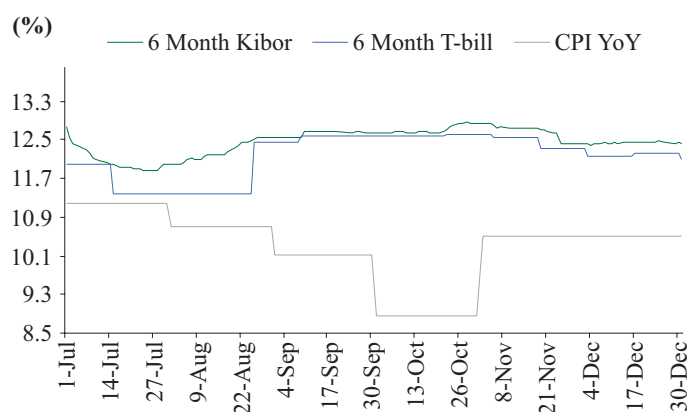
Monetary Softening

With the beginning of the new financial year, as inflation started easing off, the central bank continued to ease monetary tightening when it reduced the discount rates by another 150 bps to 12.5% in first half of fiscal year 2010.

The soft monetary stance resulted in six month KIBOR to decline by 33bps to close the half year at 12.43%. However, six month T-bill rate increased by 5bps to close at 12.10%. Moreover, the introduction of interest rate corridor stabilized the overnight call and repo rates within a narrow range of 11.5% to 12.5%.

To reduce government borrowing from SBP and to promote Islamic mode of financing, Central Bank conducted fourth Ijarah Sukuk auction and accepted Rs. 14.4 billion at the cut off rate to T-bill minus 5bps (current coupon of 12.53%). With this auction, the total size of Ijarah Sukuks issued increased to Rs. 42 billion.

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



Performance Review

Meezan Capital Protected Fund - I earned a total income of Rs. 58.6 million in the first half of the current fiscal year. The earnings were primarily driven by profit received on Murabahah agreement amounting to Rs. 29.4 million. Cumulative gains on investments, both realised and unrealised, aggregated to Rs. 25 million. After deducting expenses worth Rs. 6.5 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 came out at Rs. 620.5 million, tantamount to Rs. 54.36 per unit. The NAV per unit during the period under review has witnessed an increase of 8.3%, up from a value of Rs. 50.18 at the beginning of the current fiscal year.

Outlook

After turbulence in the year 2008, Pakistan's economy has seen a steady turnaround in 2009 with all major economic indicators pointing to greater stability ahead. This will bode well for the manufacturing sector profitability and hence would reduce the risk of credits in the economy. Moreover, as the inflation resumes its rising trend, interest rates will likely remain sticky on the higher side for the short term. On the medium to long term, however, as economy improves and the central bank cuts the policy rate, we expect the interest rates to marginally decline going forward.

On the equity market front, the introduction of a margin financing product, that would hopefully be launched soon, is expected to give a boost to the equity market. The other major issue that investors will likely deal with is the introduction of capital gains tax on stocks in the next federal budget. However, Pakistan's capital market is currently trading at a P/E multiple of around 7.2, which is almost at a 47% discount to the regional markets. This makes KSE an attractive option for the foreign investors, who are expected to continue their investment at the local bourse.

Acknowledgement

We take this opportunity to thank our valued investors for reposing faith in Al Meezan Investments and making it the largest Shariah Compliant asset management company 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: February 15, 2010
Karachi.

Mohammad Shoaib, CFA
Chief Executive



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, 2009 to December 31, 2009 in accordance with the provisions of the following:

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

Muhammad Hanif
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, February 09, 2010

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office: CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shakra-e-Faisal, Karachi-74400, Pakistan. Ph : (92-21) 111-111-500, Fax : (92-21) 34326020-23
URL: www.cdcpakistan.com E-mail: info@cdcpak.com

A.F.FERGUSON & CO.

A member firm of

PRICEWATERHOUSECOOPERS 

A.F. Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
11, Chundrigar Road, P.O. Box 4716
Karachi-74000, Pakistan
Telephone: (021) 32426682-6 / 32426711-5
Facsimile: (021) 32415007 / 32427938

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, 2009 and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unitholders' funds and condensed interim cash flow statement together with the notes forming part thereof for the six months period then ended (here-in-after referred to as the 'condensed interim financial information'). The Management Company is responsible for the preparation and presentation of this condensed interim financial information in accordance with the 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, 2009 and 2008 have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2009.

Scope of review

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

Conclusion

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


Chartered Accountants

Karachi, February 17, 2010

**CONDENSED INTERIM
STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 2009 (UNAUDITED - NOTE 3)**

| | December 31, 2009 | June 30, 2009 |
|--|----------------------|-------------------|
| | Note | (Rupees in '000) |
| Assets | | |
| Capital protection segment | | |
| Loans and receivables | 5 | 539,767 |
| Investment segment | | |
| Balances with banks | | 7,999 |
| Investments at fair value through profit or loss | 6 | 86,941 |
| Receivable against sale of investments | | - |
| Profit receivable on savings accounts | | 181 |
| | | 95,121 |
| Dividend receivable | | 641 |
| Deposit with Central Depository Company of Pakistan Limited (CDC) | | 100 |
| Preliminary expenses and floatation costs | | 1,391 |
| Total assets | | 637,020 |
| Liabilities | | |
| Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund | | 15,597 |
| Payable to CDC - trustee of the Fund | | 68 |
| Payable to Meezan Bank Limited (MBL) | | - |
| Payable to Securities and Exchange Commission of Pakistan (SECP) | | 226 |
| Payable on redemption of units | | 5 |
| Payable against purchase of investments | | - |
| Accrued expenses and other liabilities | | 579 |
| Total liabilities | | 16,475 |
| Net assets | | 620,545 |
| Contingencies | 7 | |
| Unitholders' fund (as per statement attached) | | 620,545 |
| Number of units | | |
| Number of units in issue | | 11,416,495 |
| Rupees | | |
| Net assets value per unit | | 54.36 |

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

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

Chief Executive

Director

CONDENSED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS AND QUARTER ENDED
DECEMBER 31, 2009 (UNAUDITED - NOTE 3)

| | Six months period ended December 31, | | Quarter ended December 31, | |
|---|--|-----------------|----------------------------------|-----------------|
| | 2009 | 2008 | 2009 | 2008 |
| ----- (Rupees in '000) ----- | | | | |
| Income | | | | |
| Net realised gain on sale of investments | 11,771 | - | 5,161 | - |
| Dividend income | 3,004 | 3,070 | 1,077 | 1,449 |
| Profit on savings accounts with banks | 301 | 565 | 193 | 128 |
| Profit on murabaha | 29,430 | 26,043 | 14,920 | 13,351 |
| Back end load | 550 | 291 | 58 | 291 |
| | <u>45,056</u> | <u>29,969</u> | <u>21,409</u> | <u>15,219</u> |
| Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss (net) | 13,505 | (69,077) | (2,654) | (41,457) |
| Gain on re-measurement of derivative financial instruments | - | 6 | - | 6 |
| | <u>13,505</u> | <u>(69,071)</u> | <u>(2,654)</u> | <u>(41,451)</u> |
| Total income / (loss) | <u>58,561</u> | <u>(39,102)</u> | <u>18,755</u> | <u>(26,232)</u> |
| Expenses | | | | |
| Remuneration to Al Meezan - management company of the Fund | 4,883 | 3,944 | 2,552 | 1,978 |
| Remuneration to CDC - trustee of the Fund | 396 | 373 | 201 | 188 |
| Remuneration to MBL | - | 150 | - | 75 |
| Annual fee to SECP | 226 | 269 | 114 | 126 |
| Auditors' remuneration | 222 | 256 | 171 | 202 |
| Fees and subscription | 18 | 18 | 9 | 9 |
| Legal and professional charges | - | 20 | - | 20 |
| Amortisation of preliminary expenses and floatation costs | 468 | 465 | 234 | 231 |
| Brokerage | 121 | 48 | 53 | - |
| Bank and settlement charges | 17 | 17 | 12 | 1 |
| Printing charges | 124 | 57 | 124 | 49 |
| | <u>6,475</u> | <u>5,617</u> | <u>3,470</u> | <u>2,879</u> |
| Net income / (loss) from operating activities | <u>52,086</u> | <u>(44,719)</u> | <u>15,285</u> | <u>(29,111)</u> |
| Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed | (345) | 30 | (98) | 224 |
| Net Income / (loss) | <u>51,741</u> | <u>(44,689)</u> | <u>15,187</u> | <u>(28,887)</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)

Chief Executive

Director

**CONDENSED INTERIM
DISTRIBUTION STATEMENT**
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2009 (UNAUDITED - NOTE 3)

| | Six months period ended December 31, | | Quarter ended December 31, | |
|---|--|-----------------|----------------------------------|-----------------|
| | 2009 | 2008 | 2009 | 2008 |
| | ----- (Rupees in '000) ----- | | | |
| Undistributed income / (loss) brought forward | 2,041 | (2,353) | 34,533 | (18,155) |
| Less: Final distribution in the form of bonus units @ 0.70% for the year ended June 30, 2009 (June 30, 2008: nil %) | (4,062) | - | - | - |
| Net income / (loss) for the period | 51,741 | (44,689) | 15,187 | (28,887) |
| Undistributed income / (accumulated losses) carried forward | 49,720 | (47,042) | 49,720 | (47,042) |

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

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

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF
MOVEMENT IN UNITHOLDERS' FUNDS**
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2009 (UNAUDITED - NOTE 3)

| | Six months period ended December 31, | | Quarter ended December 31, | |
|--|--|----------|----------------------------------|----------|
| | 2009 | 2008 | 2009 | 2008 |
| | ----- (Rupees in '000) ----- | | | |
| Net assets at the beginning of the period | 582,284 | 579,207 | 606,725 | 572,254 |
| Issue of nil units (December 31, 2008: 176,988 units) | - | 8,655 | - | - |
| Redemption of 269,868 units (December 31, 2008: 120,936 units) | (13,825) | (5,822) | (1,465) | (5,822) |
| | (13,825) | 2,833 | (1,465) | (5,822) |
| Net income / (loss) at the end of the period | 51,741 | (44,689) | 15,187 | (28,887) |
| Issue of 81,511 bonus units for the year ended June 30, 2009 | (4,062) | - | - | - |
| | 47,679 | (44,689) | 15,187 | (28,887) |
| Issue of 81,511 bonus units for the year ended June 30, 2009 | 4,062 | - | - | - |
| Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed | 345 | (30) | 98 | (224) |
| Net assets at the end of the period | 620,545 | 537,321 | 620,545 | 537,321 |
| Net assets value per unit at the end of the period | 54.36 | 45.97 | 54.36 | 45.97 |

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

**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, 2009 (UNAUDITED - NOTE 3)

| | Six months period ended | | Quarter ended | |
|--|----------------------------|------------------|------------------|----------------|
| | December 31, | | December 31, | |
| | 2009 | 2008 | 2009 | 2008 |
| ----- (Rupees in '000) ----- | | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net profit / (loss) | 51,741 | (44,689) | 15,187 | (28,887) |
| Adjustments for: | | | | |
| Dividend income | (3,004) | (3,070) | (1,077) | (1,449) |
| Profit on savings accounts with banks | (301) | (565) | (193) | (128) |
| Profit on murabaha | (29,430) | (26,043) | (14,920) | (13,351) |
| Unrealised gain on re-measurement of investments at fair value through profit or loss (net) | (13,505) | 69,077 | 2,654 | 41,457 |
| Gain on re-measurement of derivative financial instruments | - | (6) | - | (6) |
| Amortisation of preliminary expenses and floatation costs | 468 | 465 | 234 | 231 |
| Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed | 345 | (30) | 98 | (224) |
| | 6,314 | (4,861) | 1,983 | (2,357) |
| (Increase) / decrease in assets | | | | |
| Loans and receivables | - | (110,690) | - | - |
| Receivable against sale of investments | 283 | - | 1,798 | - |
| Investments at fair value through profit or loss | 6,584 | (31,093) | (3,472) | 60 |
| | 6,867 | (141,783) | (1,674) | 60 |
| Increase / (decrease) in liabilities | | | | |
| Payable to Al Meezan - management company of the Fund | 4,883 | (269) | 2,300 | 869 |
| Payable to CDC - trustee of the Fund | 6 | (15) | 2 | - |
| Payable to MBL | (252) | (3,028) | - | 1,186 |
| Payable to SECP | (253) | 210 | (365) | 126 |
| Payable on redemption of units | 4 | - | (1,978) | - |
| Payable against purchase of investments | (865) | - | (1,402) | - |
| Accrued expenses and other liabilities | 118 | (443) | 18 | 126 |
| | 3,641 | (3,545) | (1,425) | 2,307 |
| Dividend received | 2,994 | 3,997 | 1,492 | 866 |
| Profit received on savings accounts with banks | 235 | 920 | 86 | 377 |
| Net cash inflow / (outflow) from operating activities | 20,051 | (145,272) | 462 | 1,253 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Receipts from sale of units | - | 8,655 | - | - |
| Payments against redemption of units | (13,825) | (5,822) | (1,465) | (5,822) |
| Net cash (outflow) / inflow from financing activities | (13,825) | 2,833 | (1,465) | (5,822) |
| Net cash inflow / (outflow) during the period | 6,226 | (142,439) | (1,003) | (4,569) |
| Cash and cash equivalents at the beginning of the period | 1,773 | 142,831 | 9,002 | 4,961 |
| Cash and cash equivalents at the end of the period | 7,999 | 392 | 7,999 | 392 |

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

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

Chief Executive

Director

NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2009 (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) notified through S.R.O 1203(1)/2008 on November 21, 2008. 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. 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 have been discontinued since July 31, 2008. The rating of the Fund has not been conducted as at December 31, 2009.
- 1.4 Title to the assets of the Fund are held in the name of CDC as a trustee of the Fund.

2. BASIS OF MEASUREMENT

The transactions undertaken by the Fund in accordance with the process prescribed under the shariah guidelines issued by the shariah adviser are accounted for on substance rather than the form prescribed by the 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. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the Trust Deed, the NBFC Rules, the NBFC Regulations and the directives issued by the SECP.

Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the said directives differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the said directives take precedence. The disclosures made in this condensed interim financial report have, however, been limited based on the requirements of the IAS 34: 'Interim Financial Reporting' .

- 3.2 This condensed interim financial report comprises of the condensed interim statement of assets and liabilities as at December 31, 2009 condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unitholders' fund, condensed interim cash flow statement and notes thereto for the six months period ended December 31, 2009, which have been subject 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 unitholders' fund and condensed interim cash flow statement for the quarter ended December 31, 2009 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, 2009 has been extracted from the annual audited financial statements of the Fund for the year ended June 30, 2009, 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, 2008 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, 2008 included in this condensed interim financial report were not subjected to a review.
- 3.3 Standards, amendments and interpretations effective from July 1, 2009:
- a) IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14 and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segment information is therefore reported in a manner that is more consistent with the internal reporting provided to the fund manager. The adoption of this standard would not have any impact on this condensed interim financial report.
 - b) IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period. The Fund has applied IAS 1 (revised) from July 1, 2009, and has elected to present one statements (the income statement and statement of comprehensive income).

- c) IAS 39 (amendment), 'Financial instruments: Recognition and measurement'. The amendment was part of the IASB's annual improvements project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The adoption of the amendment did not have a significant impact on the Fund's condensed interim financial report.
- d) IFRS 7 (amendment) 'Financial instruments: Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures, which would be detailed in the financial statements for the year ending June 30, 2010, but does not have an impact on the Fund's financial position or performance.

Certain standards, amendments and interpretations to the approved accounting standards were mandatory for accounting periods beginning on or after July 1, 2009 but are considered not to be relevant or have any significant effect on the Fund's operations and are therefore not detailed in this condensed interim financial report.

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

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on or after July 1, 2009 but are considered not to be relevant or have any significant effect on the Fund's operations and are therefore not detailed in this condensed interim financial report.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 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, 2009.

5. LOANS AND RECEIVABLES

| | December 31, 2009 | June 30, 2009 |
|------------------------------|----------------------|------------------|
| | (Rupees in '000) | |
| 5.1 Principal amount | 453,720 | 453,720 |
| Profit receivable (Note 5.2) | 86,047 | 56,617 |
| Total | <u>539,767</u> | <u>510,337</u> |

5.2 For the purpose of capital protection, the Fund has allocated 76% of the initial fund size in murabaha with Meezan Bank Limited (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 in listed companies

| Name of the investee company | As at July 1, 2009 | Purchase during the period | Bonus issue | Sales during the period | As at December 31, 2009 | Carrying value as at December 31, 2009 | Market value as at December 31, 2009 | Unrealised gain / (loss) as at December 31, 2009 | Percentage in relation to | | |
|---|--------------------|----------------------------|-------------|-------------------------|-------------------------|--|--------------------------------------|--|--|--|-----------------------------------|
| | | | | | | | | | Net assets of the Fund on the basis of market value (see note 6.3 below) | Paid-up capital of investee company (with face value of investments) | Total market value of investments |
| | | | | | | Number of shares | | | Rupees in '000 | | |
| Commercial Bank | | | | | | | | | | | |
| Meezan Bank Limited (an associate of Fund) | 221,381 | - | - | 77,000 | 144,381 | 1,588 | 2,272 | 684 | 0.37 | 0.02 | 2.61 |
| Automobile assembler | | | | | | | | | | | |
| Indus Motor Company Limited | 16,190 | 10,800 | - | 13,400 | 13,590 | 1,971 | 2,671 | 700 | 0.43 | 0.02 | 3.07 |
| Textile Composite | | | | | | | | | | | |
| Nishat Mills Limited | 51,000 | - | - | 14,000 | 37,000 | 1,399 | 2,586 | 1,187 | 0.42 | 0.02 | 2.97 |
| Cement | | | | | | | | | | | |
| DG Khan Cement Company Limited | 9,580 | - | - | 9,580 | - | - | - | - | - | - | - |
| Lucky Cement Limited | 30,000 | 15,000 | - | 20,000 | 25,000 | 1,585 | 1,656 | 71 | 0.27 | 0.01 | 1.90 |
| Attock Cement Pakistan Limited | - | 3,000 | 100 | 2,500 | 600 | 42 | 31 | (11) | - | - | 0.04 |
| | | | | | | | | | 0.27 | 0.01 | 1.94 |
| Chemical | | | | | | | | | | | |
| ICI Pakistan Limited | 14,800 | 18,877 | - | 20,000 | 13,677 | 2,184 | 2,304 | 120 | 0.37 | 0.01 | 2.65 |
| Power generation and distribution | | | | | | | | | | | |
| The Hub Power Company Limited | 198,000 | 115,500 | - | - | 313,500 | 8,958 | 9,744 | 786 | 1.57 | 0.03 | 11.21 |
| Technology and communication | | | | | | | | | | | |
| Pakistan Telecommunication Company Limited 'A' | 307,900 | - | - | 207,900 | 100,000 | 1,724 | 1,765 | 41 | 0.28 | - | 2.03 |
| Miscellaneous | | | | | | | | | | | |
| Tri Pack Films Limited | 80,000 | - | - | - | 80,000 | 7,991 | 8,240 | 249 | 1.33 | 0.27 | 9.48 |
| Oil and gas exploration companies | | | | | | | | | | | |
| Oil and Gas Development Company Limited | 110,000 | 50,000 | - | 107,000 | 53,000 | 4,392 | 5,862 | 1,470 | 0.94 | - | 6.74 |
| Pakistan Petroleum Limited | 43,500 | 7,000 | 9,860 | 4,700 | 55,660 | 9,035 | 10,553 | 1,518 | 1.70 | 0.01 | 12.14 |
| Pak Oil Fields Limited | 64,900 | 29,000 | - | 56,200 | 37,700 | 6,473 | 8,700 | 2,227 | 1.40 | 0.02 | 10.01 |
| | | | | | | | | | 4.04 | 0.03 | 28.89 |
| Oil and gas marketing companies | | | | | | | | | | | |
| Pakistan State Oil Company Limited | 19,000 | 52,500 | - | 46,000 | 25,500 | 7,211 | 7,585 | 374 | 1.22 | 0.01 | 8.72 |
| Fertilizer | | | | | | | | | | | |
| Engro Chemical Pakistan Limited | 40,600 | - | - | 40,600 | - | - | - | - | - | - | - |
| Fauji Fertilizer Bin Qasim Company Limited | 415,000 | 255,340 | - | 200,000 | 470,340 | 9,535 | 12,290 | 2,755 | 1.98 | 0.05 | 14.14 |
| Fauji Fertilizer Company Limited | 93,775 | 20,000 | - | 10,000 | 103,775 | 9,348 | 10,682 | 1,334 | 1.72 | 0.02 | 12.29 |
| | | | | | | | | | 3.70 | 0.07 | 26.43 |
| Total | | | | | | <u>73,436</u> | <u>86,941</u> | <u>13,505</u> | | | |
| Total cost of investments | | | | | | | <u>84,192</u> | | | | |

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. CONTINGENCIES

Through Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which the West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment it can be construed that all Collective Investment Schemes (CIS) whose income exceeds Rs 0.5 million in a tax year may have been brought within the purview and scope of the WWF Ordinance, thus rendering them liable to pay two percent of their total income (as defined in section 4 of the Workers' Welfare Fund Ordinance, 1971). However, during the period the Mutual Funds Association of Pakistan (MUFAP), of which the Management Company is a member, has filed a constitutional petition in the High Court of Sindh (SHC) praying it to declare that CIS are not liable to pay contribution to the WWF on the grounds that CIS do not have any workers or employees. The legal proceedings in respect of the aforementioned petition are currently in progress and the outcome cannot be reasonably ascertained.

The Management Company based on the advice of the MUFAP's legal counsel, is confident of a favorable decision and accordingly no provision for the aforementioned liability which has an impact of Rs 0.1 per unit as of December 31, 2009 has been made in this condensed interim financial report.

There were no other contingencies and commitments outstanding as at December 31 and June 30, 2009.

8. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include Al Meezan being the Management Company, CDC being the trustee, MBL being the Shariah Adviser of the Fund and holding company of the Management Company, Al Meezan Mutual Fund Limited, Meezan Islamic Fund, Meezan Tahaffuz Pension Fund, Meezan Balanced Fund, Meezan Cash Fund and Meezan Islamic Income Fund being the funds under the common management of the Management Company and Pakistan Kuwait Investment Company (Private) Limited.

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

Remuneration payable to the management company and the trustee is determined in accordance with the provision of NBFC Rules 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, 2009 | June 30, 2009 |
|---|----------------------|------------------|
| | (Rupees in '000) | |
| Al Meezan - management company of the Fund | | |
| Remuneration payable | <u>12,676</u> | <u>7,793</u> |
| Preliminary expenses and floatation cost payable | <u>2,921</u> | <u>2,921</u> |
| Investment of 195,004 units (June 30, 2009: 181,097 units) | <u>10,599</u> | <u>9,087</u> |

| | December 31, 2009 | June 30, 2009 |
|---|----------------------|------------------|
| | (Rupees in '000) | |
| MBL | | |
| Balances with bank | <u>155</u> | <u>114</u> |
| Shariah advisory fee payable | <u>-</u> | <u>252</u> |
| Investment - loans and receivables | <u>539,767</u> | <u>510,337</u> |
| Investment in 144,381 shares (June 30, 2009: 221,381 shares) | <u>2,272</u> | <u>2,435</u> |
| Investment of 5,035,119 units (June 30, 2009: 5,000,000 units) | <u>273,684</u> | <u>250,880</u> |

CDC - trustee of the Fund

| | | |
|---------------------|------------|------------|
| Trustee fee payable | <u>68</u> | <u>62</u> |
| Deposit with CDC | <u>100</u> | <u>100</u> |

Directors and other officers of the management company

| | | |
|--|------------|------------|
| Investment of 9,777 units (June 30, 2009: 9,709 units) | <u>531</u> | <u>487</u> |
| Bonus units issued: 68 units (June 30, 2009: nil units) | <u>3</u> | <u>-</u> |

**Six months period ended
December 31**

2009 2008

(Rupees in '000)

Al Meezan - management company of the Fund

| | | |
|---|--------------|--------------|
| Remuneration for the period | <u>4,883</u> | <u>3,944</u> |
| Bonus units issued: 1,272 units (December 31, 2008: nil units) | <u>63</u> | <u>-</u> |
| Transferred during the period: 12,635 units (December 31, 2008: nil units) | <u>641</u> | <u>-</u> |

| | Six months period ended December 31 | |
|--|--|---------------|
| | 2009 | 2008 |
| | (Rupees in '000) | |
| MBL | | |
| Profit on savings accounts | <u>3</u> | <u>46</u> |
| Shariah advisory fee | <u>-</u> | <u>150</u> |
| Profit on murabaha | <u>29,430</u> | <u>26,043</u> |
| Shares purchased during the period : nil (December 31, 2008:151,000 shares) | <u>-</u> | <u>4,407</u> |
| Shares sold during the period : 77,000 (December 31, 2008: nil shares) | <u>1,329</u> | <u>-</u> |
| Bonus units issued: 35,119 units (December 31, 2008: nil units) | <u>1,750</u> | <u>-</u> |
| CDC - trustee of the Fund | | |
| Trustee fee | <u>396</u> | <u>373</u> |
| CDS charges | <u>3</u> | <u>4</u> |

9. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial report was authorised for issue on February 15, 2010 by the Board of Directors of the management company.

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

Chief Executive

Director