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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 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.”

FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. Mohammad Shoaib, CFA	Chief Executive
Mr. Tasnimul Haq Farooqui	Director
Mr. Aliuddin Ansari	Director
Mr. Rizwan Ata	Director
Mr. Mazhar Sharif	Director
Syed Owais Wasti	Director

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

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

TRUSTEE

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

AUDITORS

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

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

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

LEGAL ADVISER

Bawaneey & 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: bawaneey@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



Islamic Fund

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2008

The Board of Directors of Al Meezan Investment Management Limited, the management company of Meezan Islamic Fund is pleased to present the un-audited financial statements of the fund for the half year ended December 31, 2008.

Market Review

The first half of FY09 witnessed a bearish trend in the stock market with KSE-100 index falling from its high of 12,221 to close the year at 5,865, a decline of 52%. There was a substantial decline in daily average traded volume to 41 million shares as compared to 261 million shares during the corresponding period last year, a decline of 84%.

Economic Review

The macroeconomic outlook remained bearish during the initial months of FY09 as inflationary pressures mounted and current account deficit continued to widen unabated. The main reason for widening of the current account deficit was worsening of trade balance. Due to the extraordinary increase in international crude prices, which peaked at US\$ 147 per barrel in mid July, and later hike in food prices, Pakistan's trade deficit continued to rise and reached US\$ 5.84 billion in first four months of FY09. As a result, foreign exchange reserves declined to US\$ 6.6 billion on November 21, 2008 from the level of US\$ 11.4 billion at the beginning of period. This also created pressure on rupee against US dollar.

Subsequently, government administered much needed macro stabilization measures like subsidy removal, fiscal deficit management, monetary tightening, additional tariff imposition towards luxury items and tightening of forex market regulations. The impact of these decisions along with reversal in global commodity prices helped in bringing down current account deficit and inflationary pressure. Subsequently, a Stand-By Arrangement with IMF for providing US\$ 7.6 billion over 23 month period along with strong remittance inflows helped in reserve replenishment which crossed US\$ 10 billion again and also helped in stabilization in the rupee-dollar parity. On the domestic front, Government of Pakistan remained ahead of its tax collection target during six months and collected Rs. 548 billion which also helped in providing some relief to the burgeoning government borrowing.

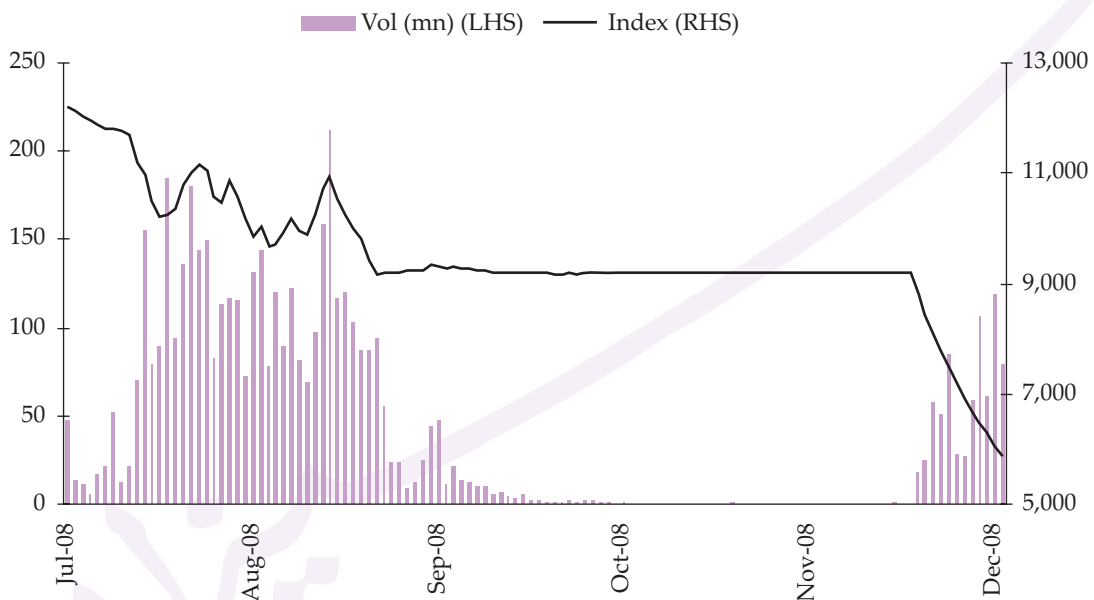
Equity Market Review

The downward trend at KSE that began towards the end of FY08 continued into the first half of FY09. To arrest the sharp decline, Securities and Exchange Commission of Pakistan (SECP) changed the circuit breakers to a floor of 1% and a cap of 10% at the end of FY08. This measure, however, did not improve the situation and created a problem for margin traders who wanted an exit. Due to the drying up of volumes after the introduction of these circuit breakers, the SECP decided to revert them back to the original 5% level in early July 2008.

Nonetheless, the unabated economic pressures and downgrade of Pakistan's credit rating from B2 to B3 by Moody continued to create further downward pressure. To stem further downslide in the market, KSE Board of Directors on August 27, 2008 decided to place a floor on the index at a level of 9,144 based on the closing prices of August 27. As a result, investors decided to stay away from the regular market where the volumes went down to less than a million shares in a day. However, limited trading took place in off the market counter at 20%-50% discount from the floor prices.

Subsequently, after 110 days on December 15, 2008 the floor was finally removed with the KSE-100 Index undergoing heavy correction falling by 36% in last 15 days and closed the half year at the level of 5,865. With the removal of the price floors, the brokers, who got margin calls from the financiers and were on the verge of default, were ultimately bailed out by financiers and government institutions. Initially trading in the ready market was nominal as prices corrected by 5% daily limit for several days. However, towards the end of the month, volumes picked up in scrips of fertilizer, power and gas distribution sectors.

The US subprime mortgage crises, which led to the collapse of many financial giants including Lehman Brothers, resulted in major financial downturn in the world markets. Even after governments' continuous liquidity injections, the bearish trend continued so much so that IMF termed this crisis as the worst after Great Depression. In line with increasing outflows from the emerging markets and with the removal of Pakistan from MSCI Emerging Market Index, foreigners remained net sellers at KSE with total outflow of US\$ 178 million in the first half of FY09.



Operational Review

Meezan Islamic Fund's (MIF) during the 1HFY09 incurred a net loss of Rs. 3,155 million as compared to net profit of Rs. 472 million earned during 1HFY08.

For the six months ended December 31, 2008, the fund incurred gross loss of Rs. 3,245 million (1HFY08: Gross profit of Rs. 350 million), main contributor of which was capital loss (realized and unrealized) of Rs. 3,410 million (1HFY08: Capital gain of Rs. 196 million) compensated by dividend income of Rs. 157 million (1HFY08: Rs. 125 million). After accounting for expenses of Rs. 58 million (1HFY08: Rs. 78 million) and element of income / capital gain on purchase and sale of units of Rs. 149 million (1HFY08: Rs. 200 million), the fund recorded net loss of Rs. 3,155 million (1HFY08: Net profit of Rs. 472 million) for the six month period. The net assets of MIF decreased from Rs. 6,034 million at the beginning of the six month period to Rs. 2,534 million by the end of it, mainly due to decline in market value of investment. It will be pertinent to mention here that MIF still continues to be the largest equity fund in private sector.

Future Outlook

With greater fiscal discipline, tight monetary policy, stabilization of the Rupee and sustained weakness in international commodity prices, the government has now firmed up its grip on underlying economic fundamentals through the help of various multilateral donor agencies, particularly IMF which is spearheading Pakistan's economic revival. We expect that these corrective measures will bring back the country into more stable economic territory. Moreover, as Pakistan has succeeded in meeting all of the IMF targets for December 31, 2008, we expect SBP will not further tighten the monetary policy. Going forward, it is expected that equity market will stabilize since it is currently trading at attractive multiples.

Acknowledgement

We thank all our investors who have placed their confidence in us. We also offer our sincere gratitude to the Securities and Exchange Commission of Pakistan, the Trustee - Central Depository Company of Pakistan Limited and the management of the Karachi Stock Exchange. We also wish to place on record our appreciation for the personnel of the Management Company.

For and on behalf of the Board

Mohammad Shoaib, CFA
Chief Executive

February 23, 2009
Karachi.

TRUSTEE REPORT TO THE UNIT HOLDERS

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

Meezan Islamic Fund (the Fund), an open-end scheme was established under a trust deed dated June 16, 2003, 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, 2008 to December 31, 2008 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The 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 25, 2009

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 Islamic Fund (the Fund) as at December 31, 2008 and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unitholders' fund 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'). Management company is responsible for the preparation and presentation of this condensed interim financial information in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, (NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations, 2007), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations, 2008), the directives issued by the Securities and Exchange Commission of Pakistan (the directives) and approved accounting standards as applicable in Pakistan. 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, 2008 and 2007 and the notes forming part thereof have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2008.

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, 2008 is not prepared, in all material respects, in accordance with the requirements of the Trust Deed, NBFC Rules, NBFC Regulations, 2007, NBFC Regulations, 2008, the directives and approved accounting standards as applicable in Pakistan.

A. F. Ferguson & Co.
Chartered Accountants
Karachi, February 27, 2009

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2008 (UNAUDITED - NOTE 3)

	Note	December 31, 2008	June 30, 2008
(Rupees in '000)			
Assets			
Cash and Bank Balances	5	206,566	264,232
Investments at fair value through profit or loss	6	2,411,020	5,775,714
Dividend receivable		24,735	52,860
Derivative financial instruments	7	142	-
Advances, deposits, prepayments and other receivables		6,947	14,903
Total assets		2,649,410	6,107,709
Liabilities			
Payable to Al Meezan Investment Management Limited - management company of the Fund		5,832	15,536
Payable to Central Depository Company of Pakistan Limited - trustee of the Fund		376	581
Payable to Meezan Bank Limited - shariah adviser of the Fund		866	1,581
Payable to Securities and Exchange Commission of Pakistan		2,237	5,040
Payable on redemption of units		68,392	31,913
Payable against purchase of investments		33,115	11,531
Accrued expenses and other liabilities		4,623	7,059
Total liabilities		115,441	73,241
Net assets		2,533,969	6,034,468
Unit holders' fund (as per statement attached)		2,533,969	6,034,468
Number of units			
Number of units in issue		113,669,946	100,488,707
-----Rupees-----			
Net assets value per unit		22.29	60.05

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, 2008 (UNAUDITED - NOTE 3)

	Note	Six months period ended		Quarter ended	
		December 31		December 31	
		2008	2007	2008	2007
(Rupees in '000)					
Income					
Net realised (loss) / gain on sale of investments		(72,451)	178,855	2,634	149,965
Dividend income		156,799	125,409	104,547	61,509
Profit on savings accounts with banks		6,630	24,462	4,785	12,397
Other income		1,345	3,895	1	1,495
		<u>92,323</u>	<u>332,621</u>	<u>111,967</u>	<u>225,366</u>
Unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss (net)		(3,337,574)	62,516	(1,765,151)	(61,202)
Gain / (loss) on re-measurement of derivative financial instruments (net)		142	(45,408)	142	92
		<u>(3,337,432)</u>	<u>17,108</u>	<u>(1,765,009)</u>	<u>(61,110)</u>
Total income		<u>(3,245,109)</u>	<u>349,729</u>	<u>(1,653,042)</u>	<u>164,256</u>
Expenses					
Remuneration to Al Meezan Investment Management Limited - management company of the Fund		50,753	65,715	20,125	36,290
Remuneration to Central Depository Company of Pakistan Limited - trustee of the Fund		2,756	2,695	1,253	1,462
Remuneration to Meezan Bank Limited - shariah adviser of the Fund		302	302	154	151
Annual Fee to Securities and Exchange Commission of Pakistan		2,237	2,191	986	1,210
Auditors' remuneration		313	267	138	134
Fees and subscription		18	17	9	8
Legal and professional charges		96	76	49	38
Amortisation of preliminary expenses and floatation costs		-	139	-	69
Brokerage		1,192	6,090	83	3,080
Bank and settlement charges		223	672	43	317
Printing expenses		482	-	386	-
Total expenses		<u>58,372</u>	<u>78,164</u>	<u>23,226</u>	<u>42,759</u>
Net (loss) / income from operating activities		<u>(3,303,481)</u>	<u>271,565</u>	<u>(1,676,268)</u>	<u>121,497</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		148,807	200,379	89,884	(20,242)
Net (loss) / income		<u>(3,154,674)</u>	<u>471,944</u>	<u>(1,586,384)</u>	<u>101,255</u>
(Loss) / earnings per unit outstanding - basic (Rupees)	8	<u>(27.75)</u>	<u>6.45</u>	<u>(13.96)</u>	<u>1.38</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, 2008 (UNAUDITED - NOTE 3)

	Note	Six months period ended		Quarter ended	
		December 31		December 31	
		2008	2007	2008	2007
		(Rupees in '000)			
Undistributed income / (loss) brought forward		1,010,031	1,242,346	(1,563,146)	852,706
Less : Final distribution in the form of bonus units @ 20% for the year ended June 30, 2008 (June 30, 2007 @ 31.2%)		(1,004,058)	(760,329)	-	-
Less : Final distribution in the form of cash dividend for the year ended June 30, 2008 (June 30, 2007)		(829)	-	-	-
Net (loss) / income		(3,154,674)	471,944	(1,586,384)	101,255
(Loss) / undistributed income carried forward		<u>(3,149,530)</u>	<u>953,961</u>	<u>(3,149,530)</u>	<u>953,961</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 STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2008 (UNAUDITED - NOTE 3)**

	Note	Six months period ended		Quarter ended	
		December 31		December 31	
		2008	2007	2008	2007
		(Rupees in '000)			
Net assets at the beginning of the period		6,034,468	3,679,298	4,320,458	4,565,396
Issue of 12,373,434 units (2007: 32,021,444 units) and 19,585 units (2007: 15,122,092 units) for the six months and quarter respectively.		537,160	1,948,783	451	972,721
Redemption of 19,253,302 units (2007: 20,282,689 units) and 4,021,685 units (2007: 16,202,679 units) for the six months and quarter ended respectively.		(733,349)	(1,287,024)	(110,672)	(1,046,992)
		(196,189)	661,759	(110,221)	(74,271)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		(148,807)	(200,379)	(89,884)	20,242
Net (loss) / income for the period less distribution		(4,159,561)	(288,385)	(1,586,384)	101,255
Issue of 20,061,107 bonus units for the year ended June 30, 2008 (June 30, 2007: 12,695,418 bonus units)		1,004,058	760,329	-	-
Net assets at the end of the period		<u>2,533,969</u>	<u>4,612,622</u>	<u>2,533,969</u>	<u>4,612,622</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, 2008 (UNAUDITED - NOTE 3)

Note	Six months period ended		Quarter ended	
	December 31 2008	2007	December 31 2008	2007
(Rupees in '000)				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net (loss) / income	(3,154,674)	471,944	(1,586,384)	101,255
Adjustments for:				
Dividend income	(156,799)	(125,409)	(104,547)	(61,509)
Profit on savings accounts with banks	(6,630)	(24,462)	(4,785)	(12,397)
Unrealised loss / (gain) on re-measurement of investments at fair value through profit or loss (net)	3,337,574	(62,516)	1,765,151	61,202
(Gain) / loss on re-measurement of derivative financial instruments (net)	(142)	45,408	(142)	(92)
Amortisation of preliminary expenses and floatation costs	-	139	-	69
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(148,807)	(200,379)	(89,884)	20,242
	(129,478)	104,725	(20,591)	108,770
Decrease / (increase) in assets				
Investments at fair value through profit or loss	27,120	(1,163,769)	59,571	(5,692)
Receivable against sale of investments	-	86,182	-	(78,765)
Advances, deposits, prepayments and other receivables	(18)	(2,515)	8	(2,490)
	27,102	(1,080,102)	59,579	(86,947)
Increase / (decrease) in liabilities				
Payable to Al Meezan Investment Management Limited - management company of the Fund	(9,704)	11,379	(1,995)	2,240
Payable to the Central Depository Company of Pakistan Limited - trustee of the Fund	(205)	82	(76)	68
Payable to Meezan Bank Limited - shariah adviser of the Fund	(715)	(385)	(244)	(193)
Payable to Securities and Exchange Commission of Pakistan	(2,803)	(1,391)	986	(2,372)
Payable on redemption of units	36,479	(59,954)	53,827	(46,023)
Payable against purchase of investments	21,584	(56,416)	33,115	11,769
Accrued expenses and other liabilities	(2,436)	2,016	(1,526)	1,723
	42,200	(104,669)	84,087	(32,788)
Profit received on savings accounts with banks	14,604	28,257	7,115	8,679
Dividend paid	(829)	-	-	-
Net cash inflow / (outflow) from operating activities	(46,401)	(1,051,789)	130,190	(2,286)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend received	184,924	123,007	113,242	115,050
Receipts from sale of units	537,160	1,948,783	451	972,721
Payments against redemption of units	(733,349)	(1,287,024)	(110,672)	(1,046,992)
Net cash (outflow) / inflow from financing activities	(11,265)	784,766	3,021	40,779
Net cash (outflow) / inflow during the period	(57,666)	(267,023)	133,211	38,493
Cash and cash equivalents at the beginning of the period	264,232	747,613	73,355	442,097
Cash and cash equivalents at the end of the period	206,566	480,590	206,566	480,590

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



Islamic Fund

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2008

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, 2007) were notified which are now superseded by the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations, 2008) issued through S.R.O.1203(I)/2008 on November 21, 2008. The registered office of the management company of the fund, is situated in Finance & 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. The fund is rated 3 star and 5 star based on the performance of one year period and two year average period ended June 30, 2008 respectively, by JCR-VIS. The SECP through its circular No.23 of 2008 dated October 7, 2008, suspended the pricing, issuance and redemption of units by mutual funds with direct exposure to equity securities which was uplifted on December 17, 2008. The Fund, further suspended dealing in its units from December 17, 2008 till December 29, 2008.
- 1.4 Title to the assets of the Fund is held in the name of CDC as a trustee of 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. 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, NBFC Rules, NBFC Regulations, 2007, NBFC Regulations, 2008 and the directives issued by the SECP. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Trust Deed, NBFC Rules, NBFC Regulations, 2007, NBFC Regulations, 2008 and the said directives differ with requirements of these standards, the requirements of the Trust Deed, NBFC Rules, NBFC Regulations, 2007, NBFC Regulations, 2008 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 These condensed interim financial statements comprise of the condensed interim statement of assets and liabilities as at December 31, 2008 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 then ended, which have been subjected to a review but not audited. These condensed interim financial statements also include 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 quarter ended December 31, 2008 which have not been subjected to a review.

3.3 The comparative statement of assets and liabilities presented in these condensed financial statements as at June 30, 2008 has been extracted from the annual audited financial statements of the Fund for the year ended June 30, 2008 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 financial statements for the six months period ended December 31, 2007 which were subjected to a review but not audited. The comparative condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cashflow statement for the quarter ended December 31, 2007 included in these condensed interim financial statements were not subjected to a review.

3.4 Standards, amendments and interpretations effective from July 1, 2008:

During the period, IFRS 7 'Financial instruments: Disclosures' became effective. Adoption of such standard would require certain additional disclosures to the complete set of financial statements. However, in accordance with paragraph 18 of IAS 34 such disclosures have not been made in these condensed interim financial statements.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements and the significant judgments 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, 2008.

5. CASH AND BANK BALANCES

This includes dividend warrant in hand amounting to Rs. 19.571 million.

6. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	December 31, 2008	June 30, 2008
(Rupees in '000)			
Held for trading	6.1	2,147,707	5,060,523
Investments at fair value through profit or loss upon initial recognition	6.2	263,313	715,191
		2,411,020	5,775,714

6.1 Held for Trading - shares of listed companies / units of fund

Name of the investee company	As at July 1, 2008	Purchases during the period	Bonus / rights issue	Sales during the period	As at December 31, 2008	Carrying value	Market value (see note 6.1.4 below)	Percentage in relation to		
								net assets of the fund on the basis of market value of investments (see note 6.1.2 below)	paid-up capital of investee company (with face value of investments)	total market value of investments
Open - end mutual fund										
Meezan Islamic Income Fund - (note 6.1.1) (an associate of the Fund)	6,276,250	2,594,059	-	(8,870,309)	-	-	-	-	-	-
Textile composite										
Nishat Mills Limited	778,000	362,500	-	-	1,140,500	90,914	25,775	1.02	0.71	1.07
Jute										
Thal Limited (note 6.1.1)	220,034	-	88,013	-	308,047	43,131	25,201	0.99	0.72	1.05
Cement										
Cherat Cement Company Limited	50,300	-	-	-	50,300	1,363	574	0.02	0.05	0.02
D. G. Khan Cement Company Limited	1,609,300	1,875,900	-	-	3,485,200	213,493	74,130	2.93	1.37	3.07
Fauji Cement Company Limited	1,278,010	1,455,000	-	-	2,733,010	24,380	12,845	0.51	0.39	0.53
Attock Cement Pakistan Limited	519,100	50,000	-	-	569,100	42,928	21,444	0.85	0.79	0.89
								4.31		4.51
Refinery										
Pakistan Refinery Limited	-	282,400	-	-	282,400	35,027	27,788	1.10	0.81	1.15
Power generation and distribution										
The Hub Power Company Limited	7,980,500	2,859,000	-	-	10,839,500	271,646	152,729	6.03	0.94	6.33
Oil and gas marketing companies										
Pakistan State Oil Company Limited	1,061,200	137,500	-	(98,000)	1,100,700	448,023	159,139	6.28	0.64	6.60
Sui Northern Gas Pipeline Limited	1,556,300	537,700	-	-	2,094,000	89,372	44,937	1.77	0.38	1.86
								8.05		8.46
Oil and gas exploration companies										
Oil and Gas Development Company Limited (note 6.1.3)	4,679,866	192,800	-	(591,000)	4,281,666	530,312	214,040	8.45	0.10	8.88
Pakistan Oilfields Limited	1,029,400	15,000	201,880	(35,000)	1,211,280	366,887	124,144	4.90	0.51	5.15
Pakistan Petroleum Limited	2,899,420	175,500	294,042	(134,500)	3,234,462	716,511	325,452	12.84	0.39	13.50
								26.19		27.53
Automobile assembler										
Indus Motor Company Limited	522,577	17,400	-	-	539,977	107,244	66,352	2.62	0.69	2.75
Pak Suzuki Motor Company Limited	310,810	96,700	-	-	407,510	47,281	32,442	1.28	0.50	1.35
								3.90		4.10
Automobile parts and accessories										
Agriauto Industries Limited (note 6.1.1)	589,000	10,000	119,800	-	718,800	49,186	22,189	0.88	2.50	0.92
Technology and communication										
Pakistan Telecommunication Company Limited "A"	7,325,000	354,300	-	-	7,679,300	295,883	129,703	5.12	0.20	5.38
TRG Pakistan Limited - Class 'A'	10,488,000	1,500,000	-	-	11,988,000	74,137	21,339	0.84	3.21	0.89
								5.96		6.27
Fertilizer										
Engro Chemical Pakistan Limited	1,684,738	819,100	-	(663,000)	1,840,838	477,784	177,567	7.01	0.86	7.36
Fauji Fertilizer Company Limited	3,396,062	300,000	-	-	3,696,062	469,033	217,070	8.57	0.75	9.00
Fauji Fertilizer Bin Qasim Limited	9,267,500	100,000	-	-	9,367,500	336,352	120,841	4.77	1.00	5.01
								20.35		21.37
Chemical										
Sitara Chemical Industries Limited	87,690	-	-	-	87,690	22,137	17,611	0.69	0.43	0.73
ICI Pakistan Limited	1,205,500	25,600	-	-	1,231,100	198,228	84,589	3.34	0.89	3.51
								4.03		4.24
Miscellaneous										
Tri-Pack Films Limited	260,000	139,600	-	-	399,600	66,581	49,806	1.97	1.33	2.07
Total						5,017,833	2,147,707			
Total cost of Investments										5,268,623

6.1.1 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 and units of Meezan Islamic Income Fund which has a face value of Rs 50 each.

6.1.2 Net assets are as defined in regulation 66 of NBFC Regulations, 2008.

6.1.3 300,000 shares of Oil and Gas Development Company Limited, having market value of Rs 14.997 million as at December 31, 2008 have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

6.1.4 During the period, the KSE placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the "Floor Mechanism", the individual security price of equity security could vary within the normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008. Consequent to the introduction of the above measures by the KSE the market volume declined significantly. The "Floor Mechanism" was subsequently removed by KSE on December 15, 2008. Subsequent to the removal of the "Floor Mechanism" the KSE 100 index declined from 9,187.10 points at December 15, 2008 to 5,865.01 points at December 31, 2008 and the market remained generally inactive during this period due to low trading volumes.

SECP through its circular No. Enf/D-III/Misc/1/2008 dated January 29, 2009 has clarified that the market prices quoted on stock exchange on December 31, 2008 may be used as the fair value of securities as of that date for the purpose of preparation of financial statements for the six months period ended December 31, 2008. Accordingly, equity securities have been valued at the market prices as quoted on the stock exchange on December 31, 2008.

	Note	December 31, 2008	June 30, 2008
(Rupees in '000)			
6.2 Investments at fair value through profit or loss upon initial recognition			
Shares of listed companies	6.2.1	<u>263,313</u>	<u>715,191</u>

6.2.1 Shares of listed companies

Name of the investee company	As at July 1, 2008	Purchases during the period	Bonus / rights issue	Sales during the period	As at December 31, 2008	Carrying value	Market value (see note 6.1.4 above)	Percentage in relation to		
								net assets of the fund on the basis of market value of investments (see note 6.1.2 above)	paid-up capital of investee company (with face value of investments)	total market value of investments
-----Number of shares-----						----Rupees in '000----				
Closed-end mutual fund										
Al Meezan Mutual Fund Limited (an associate of the Fund)	19,570,700	-	-	-	19,570,700	268,119	70,063	2.76	14.23	2.91
Commercial bank										
Meezan Bank Limited (an associate of the Fund)	2,647,344	368,000	259,319	-	3,274,663	91,149	70,340	2.78	0.66	2.92
Pharmaceutical										
Glaxosmithkline Pakistan Limited	136,093	-	-	-	136,093	23,136	10,335	0.41	0.08	0.43
Paper and board										
Packages Limited	1,362,569	24,000	-	-	1,386,569	348,357	112,575	4.44	1.64	4.67
Grand Total						<u>730,761</u>	<u>263,313</u>			
Total cost of Investments							<u>641,704</u>			

7. DERIVATIVE FINANCIAL INSTRUMENTS

	Number of Shares	Settlement	Underlying	Notional amount	Fair value	
					Assets	Liabilities
(Rupees in '000)						
Rights Entitlement						
Nishat Mills Limited	570,250	February 12, 2009	Equity indices	-	142	-
				December 31, 2008	142	-
				June 30, 2008	-	-

8. (LOSS) / EARNINGS PER UNIT OUTSTANDING - BASIC

	Six months period ended		Quarter ended	
	December 31		December 31	
	2008	2007	2008	2007
(Rupees in '000)				
Net (loss) / income for the period	(3,154,674)	471,944	(1,586,384)	101,255
Number of units				
Number of units in issue	113,669,946	73,173,185	113,669,946	73,173,185
Rupees				
(Loss) / earnings per unit outstanding - basic	(27.75)	6.45	(13.96)	1.38

9. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

	December 31, 2008	June 30, 2008
	(Rupees in '000)	
Al Meezan Investment Management Limited		
- management company of the Fund		
Remuneration payable	5,828	14,551
Sales load payable	-	704
Preliminary expenses and floatation cost	-	277
Certificate charges payable	4	4
Investment of 7,561,968 units (June 30, 2008: 5,295,172 units)	168,556	317,975
Al Meezan Mutual Fund Limited		
Investment in 19,570,700 shares (June 30, 2008: 19,570,700 shares)	70,063	268,119
Dividend warrant in hand	19,571	-
Meezan Islamic Income Fund		
Investment in Nil units (June 30, 2008: 6,276,250 units)	-	322,160
Meezan Bank Limited		
Bank balance	2,963	43,444
Shariah advisory fees payable	902	600
Sales load (receivable) / payable	(36)	981
Investment in 3,274,663 shares (June 30, 2008: 2,647,344 shares)	70,340	80,718
Investment of 7,242,403 units (June 30, 2008: 6,036,341 units)	161,433	362,482
Central Depository Company of Pakistan Limited		
Trustee fee payable	371	567
Charges payable	5	14
Directors and executives		
Investment of 113,565 units (June 30, 2008: 536,036 units)	2,531	32,189

	Six months period ended December 31	
	2008	2007
(Rupees in '000)		
Al Meezan Investment Management Limited		
- management company of the Fund		
Remuneration for the period	<u>50,753</u>	<u>65,715</u>
Bonus units issued: 1,057,976 units (2007: 22 units)	<u>52,952</u>	<u>1</u>
Units issued: 1,208,819 units (2007: 2,313,774 units)	<u>52,000</u>	<u>135,500</u>
Al Meezan Mutual Fund Limited		
Dividend income	<u>19,571</u>	<u>42,545</u>
Meezan Islamic Income Fund		
Investment in 2,594,059 units (2007: Nil units)	<u>120,000</u>	<u>-</u>
Redemptions: 8,870,309 units (2007: Nil units)	<u>448,055</u>	<u>-</u>
Meezan Bank Limited		
Profit on deposit accounts with bank	<u>336</u>	<u>594</u>
Shariah advisory fee	<u>302</u>	<u>302</u>
Bonus units issued: 1,206,062 units (2007: 1,247,409 units)	<u>60,363</u>	<u>74,707</u>
Units issued: Nil (2007: 6,036,341 units)	<u>-</u>	<u>380,525</u>
Redemptions: Nil (2007: 6,036,341 units)	<u>-</u>	<u>380,531</u>
Bonus shares received: 259,319 shares (2007: Nil)	<u>-</u>	<u>-</u>
Central Depository Company of Pakistan Limited		
Trustee fee	<u>2,756</u>	<u>2,695</u>
CDS charges	<u>32</u>	<u>80</u>
Pakistan Kuwait Investment Company (Private) Limited		
Bonus units issued: Nil (2007: 311,852 units)	<u>-</u>	<u>18,677</u>
Redemptions: Nil (2007: 1,509,085 units)	<u>-</u>	<u>99,690</u>
Directors and executives		
Bonus units issued: 102,048 units (2007: 77,453 units)	<u>5,107</u>	<u>4,639</u>
Units issued: 61,247 units (2007: 84,139 units)	<u>2,560</u>	<u>4,757</u>
Redemptions: 560,481 units (2007: 118,414 units)	<u>20,671</u>	<u>2,561</u>

10. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on February 23, 2009 by the board of directors of the management company.

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

Chief Executive

Director