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Our Vision

"To promote professional fund management through development and implementation of Shariah compliant investment products, policies and practices designed to meet the investment objectives of the investors".

Our Mission

"To be the leading Shariah compliant asset management company providing quality service to institutional and individual investors utilizing modern techniques of portfolio management, proactive asset allocation and prudent security selection while maintaining high standards of ethical and professional conduct".



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REPORT OF THE DIRECTORS' OF THE MANAGEMENT COMPANY

The Board of Directors of Al Meezan Investment Management Limited, the management company is pleased to present the un-audited financial statements of the following open end equity, income and money market funds under its management for the half year ended December 31, 2011.

Equity Funds

Meezan Islamic Fund
Al Meezan Mutual Fund

Income Funds

Meezan Islamic Income Fund
Meezan Sovereign Fund

Money Market Fund

Meezan Cash Fund

Economic Review

From the macroeconomic perspective, the first half of fiscal year 2012 depicted a mixed picture. The year started on a stark note with torrential rains hitting the province of Sindh, but positivity was brought in with inflation pressures easing off. Consumer Price Index (CPI) for the month of December 2011, touched a single digit figure, to post a twenty four month low of 9.75% taking the first half fiscal year 2012 average inflation to 10.9%. In addition to this, with the start of fiscal year, SBP initiated the process of monetary easing, cutting the policy rate by 200 basis points in two phases, to help in reviving the private sector credit off-take. But infrastructural issues and energy crisis continue to plague the economy and thereby no noticeable improvement was observed by the rate cut. The tax collection during the period under review stood at Rs 840 billion, which was up 27% year on year. Moreover, S&P affirmed its sovereign debt rating at B- for the country, reflecting adequate external liquidity in medium term supported by donor support.

On the other hand, country's current account (CA) deficit widened to USD 2.1 billion in six months as against a surplus of USD 8 million in the same period last year. The major reason for the weakness on the external front was the increasing trade gap in the first half of fiscal year, where the country's import bill surged by 17% as against 9% increase in export earnings. Remittances, however, remained robust totaling USD 6.3 billion in first half of fiscal year 2012, which was a 20% growth year on year. However, the impact of deferred import payments coupled with growing tension between Pak-US post NATO attack and end of IMF program, became visible in the form of sharp currency move as rupee lost 4.5% during first half of fiscal year to Rs 89.95/USD. The underlying unease in currency market was also led by the fact that loan repayment to IMF is due to start in February 2012 where cumulative USD 1.2 billion is scheduled to be repaid in the second half of fiscal year 2012. This also leads to concerns over further decline in forex reserves which currently stand at USD16.9 billion.

The government on its part remained engaged in talks with the IMF in November under Article IV Consultative meetings where the two sides agreed on policy measures to contain fiscal year 2012 fiscal deficit, a cautious monetary policy, and a responsive exchange rate to contain inflation and protect forex reserves.



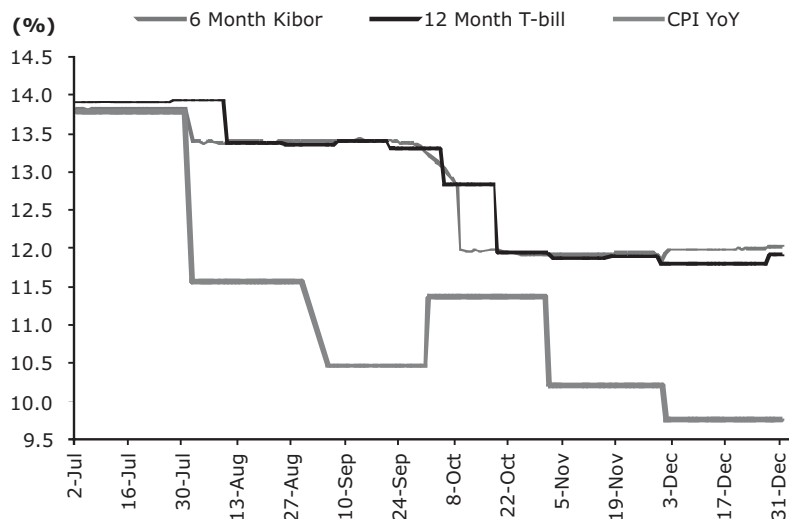
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Money Market Review

In the first half of fiscal year 2012, the money market remained highly illiquid. To normalize the liquidity situation, State Bank of Pakistan (SBP) regularly conducted open market operations (OMOs). During the period, SBP conducted thirteen T-Bill auctions, five PIB auctions and one Ijarah Sukuk auction. Cumulatively, SBP accepted Rs 1,664 billion and Rs 70 billion in T-Bills and PIBs. In the Ijarah Sukuk auction, SBP accepted Rs 70 billion at par against the total participation of Rs 84 billion. The target of the auction was Rs 50 billion and first rental of the issue was set at 11.94%.

Moreover, lower inflation figures and limited government borrowing from banking sources forced the State Bank to adopt a soft monetary stance reducing the discount rate by a cumulative 200 basis points, in two phases. As a result, the cutoff rates of T-Bill and PIBs declined by 209 basis points and 139 basis points respectively to close at 11.67% and 12.7% as on December 31, 2011. In line with that, six month KIBOR also declined by 176 basis points to close the half year at 12.02%.

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



Equity Market Review

The first half of the fiscal year 2012 proved to be a challenging period for the market as KSE-100 posted a negative return of 9.2% to close at the level of 11,348. Along with that, the average daily turnover hit a thirteen years low to 60 million shares, as compared to 92 million shares in the previous year, declining 35% year on year. The major underlying reason for the dismal market performance remained the net foreign portfolio outflow, weak economic numbers of the country, political uncertainty, strained Pak US relations and lack of clarity about Capital gain Tax (CGT) deduction. The index followed a range bound trajectory moving within a wide band of 12,576 and 10,842. On the other hand, Karachi Meezan Index (KMI-30) declined by 3.9% and closed at the level of 20,138.

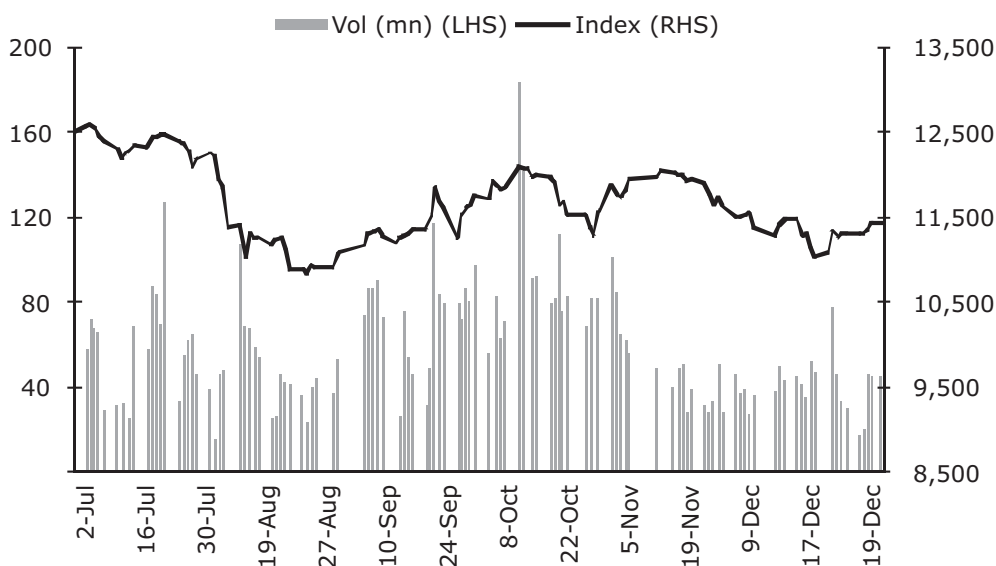
The fiscal year started on an uncertain ground as the US economic slowdown and debt situation of some Euro zone countries resulted in massive selling in global equity markets with its repercussions on the local market as well. The lackluster market got some support from the monetary policy where the discount rate was revised downwards by a cumulative 200 basis points to 12%. However, the momentum in the market was short lived as the already strained Pak - US relationship took a further hit after NATO attacks along with uncertainty on political canvas arising from 'Memo gate Scandal' and NRO cases. The ramifications of all these events thus downplayed the investors' confidence.



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The tense political situation and strained ties with US resulted in lack of materialization of capital inflows which exerted pressure on the balance of payment situation. This led to significant depreciation in the value of rupee which shed 4% against the USD during the period under review. As a result, the market reaction to the unexpected 200 basis points rate cut was largely muted and KSE-100 went down below the psychological level of 11,000 and made a low of 10,842. Later, news of correspondence between SECP and FBR regarding simplification of Capital Gain Tax (CGT) rules provided much needed respite to the market with the index marginally recovering and closing at the level of 11,347 on December 31, 2011. Foreigners were net sellers during the period under review, offloading USD 152 million worth of shares as against a net purchase of shares worth USD 238 million in the same period last year.

Fertilizer sector led by FFC, FFBL and Fatima remained in limelight on account of issue of gas curtailment and the resultant product price increase. The companies were among the top gainers appreciating by 6%, 11% and 38% respectively during the period. The only exception was Engro whose price depreciated by 41%. On the other hand, banking and telecom sectors were the major underperformers.



Performance Review

Meezan Islamic Fund

During the first half of the fiscal year 2012, Meezan Islamic Fund (MIF) posted a negative return of 4% while the benchmark index KMI-30 declined by 3.81% to close at a level of 20,138.

During the period, the fund earned a total income of Rs 162 million as compared to Rs 621 million in the same period last year. The major contributing factors to the total income remained the dividend income amounting Rs 169 million, realized gains of Rs 24 million and profit on saving accounts in banks of Rs 22 million. During the period, however, there was unrealized loss on investments of Rs 54 million. After accounting for total incurred expenses of Rs 147 million the fund posted a net profit of Rs 15.58 million during the period under review.



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Net assets of the Fund declined by 3.35% in the first half of fiscal year 2012 to Rs. 4,346 million on December 31, 2011, the net asset value (NAV) per unit was Rs. 51.57. During the period under review, units amounting to Rs 395 million were issued, while units amounting to Rs 358 million were redeemed, resulting in a net inflow of Rs 37 million for the fund.

Al Meezan Mutual Fund

During the first half of the fiscal year 2012, Al Meezan Mutual Fund (AMMF) posted a negative return of 4% while the benchmark index KMI-30 declined by 3.81% to close at a level of 20,138.

The Fund was converted from a closed end fund to an open end fund on August 5, 2011. Subsequent to its conversion till the period ended December 31, 2011, the fund earned a total income of Rs 80 million. The major contributors remained the dividend income of Rs 48 million and realized gains on sale of investments of Rs24 million. After accounting for expenses of Rs. 45 million, the fund posted a net income of Rs 36 million during the period under review.

Net assets of the Fund as on December 31, 2011 were Rs 1,410 million and net asset value (NAV) per unit was Rs. 10.22. During the period from August 5, 2011 to December 31, 2011 units amounting to Rs 95 million were issued, while units amounting to Rs 89 million were redeemed, resulting in a net inflow of Rs 6 million.

Meezan Islamic Income Fund

During the first half of fiscal year 2012, Meezan Islamic Income Fund (MIIF) provided an annualized return of 2.8% as compared to benchmark return of 6%.

The return has declined because Maple Leaf sukuk defaulted on its payments and provisioning of Rs 98.12 million was done in this regard. During the period, the fund earned income mainly from profit on sukuk certificates which was Rs 125 million, while the profit on deposits was Rs 43 million. After accounting for expenses and provisioning, net income of the fund was Rs 24 million during the period under review.

Net assets of the Fund declined by 32.41% in the first half of fiscal year 2012 to Rs. 1,718 million on December 31, 2011 and net asset value (NAV) per unit was Rs. 50.76 per unit. During the period, units amounting to Rs 182 million were issued while units amounting to Rs 1,006 million were redeemed, resulting in a net outflow of Rs 824 million.

Meezan Sovereign Fund

During the first half of the fiscal year 2012, Meezan Sovereign Fund (MSF) provided an annualized return of 12.1% to its investors as compared to benchmark return of 8.3%.

During the period under review, the fund earned a gross income of Rs 960 million as compared to Rs 146 million in the same period last year. The major factors which contributed to the income were the profit on sukuk certificates of Rs 645 million and profit on saving accounts of Rs 292 million. Further, there was a contribution of Rs 25 million in the form of realized gain on sale of sukuk certificates. After accounting for expenses of Rs 101 million, the net income of the fund was Rs. 909 million during the period under review.

Net assets of the Fund increased by 49.81% in the first half of fiscal year 2012 to Rs 18,798 million on December 31, 2011 and net asset value (NAV) per unit was Rs. 50.33 per unit. During the period, units amounting to Rs 10,450 million were issued while units amounting to Rs 4,590 million were redeemed, resulting in a net inflow of Rs 5,860 million.



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Meezan Cash Fund

During the first half of the fiscal year 2012, Meezan Cash Fund (MCF) provided an annualized return of 11.50% to its investors as compared to benchmark return of 8.3%.

During the period under review, the fund earned a gross income of Rs388 million as compared to Rs 350 million in the same period last year. The major factors which contributed to the income were the profit on bank deposits and placements amounting to Rs353 million and profit on sukuk certificates amounting to Rs 35 million. After accounting for expenses of Rs43 million, the fund posted a net income of Rs 352 million during the period under review.

Net assets of the Fund increased by 10.83% in the first half of fiscal year 2012 to Rs 6,601 million on December 31, 2011 and net asset value per unit (NAV) was Rs 50.15. During the period, units amounting to Rs 4,170 million were issued while units amounting to Rs 3,818 million were redeemed, resulting in a net inflow of Rs 352 million.

Outlook

Going forward, the key challenges grappling the economy remain the dwindling current account position and deterioration of the local currency. In addition to that, the prevalent political uncertainty will play a major role in setting forth the path to be taken. With some comfort from the inflationary concerns and monetary policy decision round the corner, we are of the view that the pressure on interest rate is expected to ease off. Restoring cordial ties with US and a positive report from IMF with regard to the letter of comfort can further add in the much needed positivity.

Lately, the finance minister agreed to some of the key proposals of SECP regarding the change in modalities of CGT. The implementation of the said measures, though will take some time, but will provide a great impetus to our stock market. Also, this will help in restoring the shaken investors' confidence along with the resurgence of volumes in the market. On the basis of earnings multiples and dividend yield, Pakistan continues to remain one of the cheapest markets in the region, trading at a P/E multiple of 6.2x. This will help in creating interest of foreign as well local investors in capital markets.

Our outlook for the remaining half of the fiscal year remains optimistic. The management of Al Meezan is fully cognizant of the challenges that lie ahead and is taking all possible measures to tackle them and ensuring its valuable unit holders' interest.

Acknowledgement

We take this opportunity to thank our valued investors for reposing faith in Al Meezan Investments making it the largest Islamic asset management company in the private sector in Pakistan. We also thank the regulator, Securities and Exchange Commission of Pakistan, Trustee, Central Depository Company of Pakistan for their support. Furthermore, we would 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 23, 2012
Karachi.**

**Mohammad Shoaib, CFA
Chief Executive**

FUND INFORMATION**MANAGEMENT COMPANY**

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Shahrah-e-Faisal, Karachi 74400, Pakistan.
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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. Mazhar Sharif	Director
Mr. P. Ahmed	Director
Mr. Rana Ahmed Humayun	Director
Mr. Salman Sarwar Butt	Director
Syed Amir Ali	Director
Mr. Tasnimul Haq Farooqui	Director
Mr. Mohammad Shoaib, CFA	Chief Executive

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

Mr. P. Ahmed	Chairman
Syed Amir Ali	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

Allied Bank Limited
Askari Bank Limited
Al Baraka Islamic Bank B.S.C (E.C)
Bank Alfalah Limited - Islamic Banking
Bank Al Habib Limited - Islamic Banking
Bank Islami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited - Islamic Banking
Habib Metropolitan Bank Limited - Islamic Banking
MCB Bank Limited
Meezan Bank Limited
Soneri Bank Limited - Islamic Banking
Standard Chartered Bank (Pakistan) Limited - Islamic Banking
UBL Ameen

LEGAL ADVISER

Bawaney & Partners
404, 4th Floor, Beaumont Plaza, 6-CL-10 Beaumont Road, Civil Lines, Karachi - 75530
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E-mail: bawaney@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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shakra-e-Faisal
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Email: info@cdcpak.com



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TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN ISLAMIC FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Islamic Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2011 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 09, 2012



AUDITORS' REPORT TO THE UNIT HOLDERS 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, 2011 and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and 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 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, 2011 and 2010 have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2011.

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

We draw attention to note 6 to the accompanying condensed interim financial information which refers to an uncertainty relating to the future outcome of the litigation regarding contribution to the Workers Welfare Fund which is currently pending adjudication at the Honorable High Court of Sindh.

Our opinion is not qualified in respect of the aforementioned matter.


Chartered Accountants
Karachi, February 24, 2012

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**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 2011 (UNAUDITED - NOTE 3)**

	December 31, 2011	June 30, 2011
	(Rupees in '000)	
Assets		
Balances with banks	209,594	589,166
Investments	5 4,141,521	3,932,380
Dividend receivable	3,825	22,196
Advances, deposits, prepayments and other receivables	22,778	42,485
Total assets	<u>4,377,718</u>	<u>4,586,227</u>
Liabilities		
Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund	10,866	9,524
Payable to Central Depository Company of Pakistan Limited (CDC) - trustee of the Fund	478	468
Payable to Meezan Bank Limited (MBL)	82	434
Payable to Securities and Exchange Commission of Pakistan (SECP)	2,178	4,063
Payable on redemption of units	5,912	10,627
Payable against purchase of investments	3,941	54,536
Accrued expenses and other liabilities	7,937	9,490
Total liabilities	<u>31,394</u>	<u>89,142</u>
Net assets	<u>4,346,324</u>	<u>4,497,085</u>
Contingency	6	
Unit holders' fund (as per statement attached)	<u>4,346,324</u>	<u>4,497,085</u>
	Number of units	
Number of units in issue	<u>108,947,477</u>	<u>87,206,775</u>
	Rupees	
Net assets value per unit	<u>39.89</u>	<u>51.57</u>

The annexed notes 1 to 8 form an integral part of this condensed interim financial report.

For Al Meezan Investment Management Limited
(Management Company)


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali
Director

**CONDENSED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2011 (UNAUDITED - NOTE 3)**

Note	Six months period ended		Quarter ended	
	December 31, 2011	2010	December 31, 2011	2010
	----- (Rupees in '000) -----			
Income				
Net realised gain on sale of investments	23,644	132,868	15,627	103,903
Dividend income	168,571	151,559	78,663	86,522
Profit on savings accounts with banks	22,363	17,556	8,348	9,236
Other income	1,548	974	917	471
	<u>216,126</u>	<u>302,957</u>	<u>103,555</u>	<u>200,132</u>
Unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss (net)	(54,384)	318,377	(55,528)	263,216
Total income	<u>161,742</u>	<u>621,334</u>	<u>48,027</u>	<u>463,348</u>
Expenses				
Remuneration to Al Meezan - management company of the Fund	45,861	41,950	23,199	21,330
Sindh sales tax on management fee	7,338	-	3,712	-
Remuneration to CDC - trustee of the Fund	2,797	2,602	1,412	1,319
Annual fee to SECP	2,178	1,993	1,102	1,013
Auditors' remuneration	393	402	172	259
Fees and subscription	20	20	10	10
Legal and professional charges	93	162	49	120
Brokerage	557	1,121	273	699
Bank and settlement charges	298	377	182	226
Printing charges	359	407	174	330
Impairment loss on 'available for sale' investments	87,089	-	87,089	-
Reversal of provision for Workers' Welfare Fund	-	(24,242)	-	-
Total expenses	<u>146,983</u>	<u>24,792</u>	<u>117,374</u>	<u>25,306</u>
Net income / (loss) from operating activities	<u>14,759</u>	<u>596,542</u>	<u>(69,347)</u>	<u>438,042</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	821	(151,291)	1,874	52,539
Net income / (loss) for the period	<u>15,580</u>	<u>445,251</u>	<u>(67,473)</u>	<u>490,581</u>
Other comprehensive (loss) / income for the period				
Unrealised (loss) / gain arising during the period on remeasurement of 'available for sale' investments - net	(288,432)	386,660	(312,085)	324,841
Impairment loss on 'available for sale' investments included in profit and loss account	87,089	-	87,089	-
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed pertaining to 'available for sale' investment	3,308	(15,057)	1,673	(13,846)
Total comprehensive (loss) / income for the period	<u>(182,455)</u>	<u>816,854</u>	<u>(290,796)</u>	<u>801,576</u>

The annexed notes 1 to 8 form an integral part of this condensed interim financial report.


Mohammad Shoaib, CFA
Chief Executive


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


Syed Amir Ali
Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2011 (UNAUDITED - NOTE 3)**

	Six months period ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
	----- (Rupees in '000) -----			
Accumulated loss brought forward	(95,409)	(350,397)	(882,789)	(1,169,958)
Less : Final distribution for the year ended June 30, 2011				
- bonus units @ 20% (June 30, 2010 @ 18%)	(871,260)	(771,783)	-	-
- cash dividend @ 20% (June 30, 2010 @ 18%)	(808)	(1,237)	-	-
Net income / (loss) for the period	15,580	445,251	(67,473)	490,581
Element of income / (losses) and capital gains / (losses) included in prices of units sold less those in units redeemed (net) pertaining to 'available for sale' investments	3,308	(15,057)	1,673	(13,846)
Accumulated loss carried forward	<u>(948,589)</u>	<u>(693,223)</u>	<u>(948,589)</u>	<u>(693,223)</u>

The annexed notes 1 to 8 form an integral part of this condensed interim financial report.


Mohammad Shoab, CFA
Chief Executive

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


Syed Amir Ali
Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2011 (UNAUDITED - NOTE 3)**

	Six months period ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
	----- (Rupees in '000) -----			
Net assets at the beginning of the period	4,497,085	3,965,910	4,565,394	3,963,065
Issue of 9,407,978 units (2010: 6,161,120 units) and 5,003,365 units (2010: 3,254,647) for six months and quarter respectively	394,719	254,739	211,113	141,526
Redemption of 8,626,140 units (2010: 17,385,409 units) and 3,277,965 units (2010: 8,813,296 units) for six months and quarter respectively	(358,088)	(715,905)	(135,840)	(380,765)
	36,631	(461,166)	75,273	(239,239)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed (net)				
- transferred to income statement	(821)	151,291	(1,874)	(52,539)
- transferred to other comprehensive (loss) / income	(3,308)	15,057	(1,673)	13,846
	(4,129)	166,348	(3,547)	(38,693)
Total comprehensive (loss) / income for the period less distribution	(1,054,523)	43,834	(290,796)	801,576
Issue of 20,958,864 bonus units for the year ended June 30, 2011 (June 30, 2010: 20,763,587 bonus units)	871,260	771,783	-	-
Net assets at the end of the period	<u>4,346,324</u>	<u>4,486,709</u>	<u>4,346,324</u>	<u>4,486,709</u>
Net asset value per unit at the beginning of the period - Rupees	<u>51.57</u>	<u>46.17</u>	<u>42.58</u>	<u>39.24</u>
Net asset value per unit at the end of the period - Rupees	<u>39.89</u>	<u>47.02</u>	<u>39.89</u>	<u>47.02</u>

The annexed notes 1 to 8 form an integral part of this condensed interim financial report.


Mohammad Shoaib, CFA
Chief Executive

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


Syed Amir Ali
Director

**CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2011 (UNAUDITED - NOTE 3)**

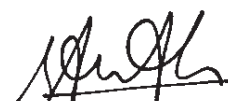
	Six months period ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
	----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income / (loss) for the period	15,580	445,251	(67,473)	490,581
Adjustments for:				
Dividend income	(168,571)	(151,559)	(78,663)	(86,522)
Profit on savings accounts with banks	(22,363)	(17,556)	(8,348)	(9,236)
Unrealised loss / (gain) on investments - 'at fair value through profit or loss' (net)	54,384	(318,377)	55,528	(263,216)
Reversal of provision for Workers' Welfare Fund	-	(24,242)	-	-
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed (net)	(821)	151,291	(1,874)	(52,539)
Impairment loss on 'available for sale' investments	87,089	-	87,089	-
	<u>(34,702)</u>	<u>84,808</u>	<u>(13,741)</u>	<u>79,068</u>
(Increase) / decrease in assets				
Investments	(551,957)	371,963	(482,655)	151,511
Receivable against sale of investments	-	(5,973)	20,075	34,902
Advances, deposits, prepayments and other receivables	(110)	(32)	(31,817)	(3)
	<u>(552,067)</u>	<u>365,958</u>	<u>(494,397)</u>	<u>186,410</u>
Increase / (decrease) in liabilities				
Payable to Al Meezan - management company of the Fund	1,342	2,082	199	1,258
Payable to CDC - trustee of the Fund	10	47	12	49
Payable to MBL	(352)	35	(352)	(91)
Payable to SECP	(1,885)	(2,128)	1,102	1,014
Payable against purchase of investments	(50,595)	(446)	3,941	(117)
Accrued expenses and other liabilities	(1,553)	2,150	(2,502)	507
	<u>(53,033)</u>	<u>1,740</u>	<u>2,400</u>	<u>2,620</u>
Dividend received	186,942	168,264	116,254	131,817
Profit received on savings accounts with banks	42,181	9,001	35,691	5,002
Dividend paid	(808)	(1,237)	-	-
Net cash (outflow) / inflow from operating activities	<u>(411,487)</u>	<u>628,534</u>	<u>(353,793)</u>	<u>404,917</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from sale of units	394,718	254,739	211,112	141,526
Payments against redemption of units	(362,803)	(717,583)	(142,842)	(382,971)
Net cash inflow / (outflow) from financing activities	<u>31,915</u>	<u>(462,844)</u>	<u>68,270</u>	<u>(241,445)</u>
Net cash (outflow) / inflow during the period	<u>(379,572)</u>	<u>165,690</u>	<u>(285,523)</u>	<u>163,472</u>
Cash and cash equivalents at the beginning of the period	589,166	352,749	495,117	354,967
Cash and cash equivalents at the end of the period	<u>209,594</u>	<u>518,439</u>	<u>209,594</u>	<u>518,439</u>

The annexed notes 1 to 8 form an integral part of this condensed interim financial report.

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



**Mohammad Shoaib, CFA
Chief Executive**



**Syed Amir Ali
Director**

NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2011 (UNAUDITED - NOTE 3)

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Islamic Fund (the Fund) was established under a Trust Deed executed between Al Meezan as management company and CDC as trustee. The Trust Deed was executed on June 16, 2003 and was approved by the SECP on June 4, 2003 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, 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 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 the 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.
- 1.4 The management company of the Fund has been given quality rating of AM2 by JCR-VIS Credit Rating Company Limited. The Fund is ranked at 'MFR 3-Star' performance ranking by JCR-VIS Credit Rating Company Limited.
- 1.5 Title to the assets of the Fund is 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 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 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, 2011 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, 2011, 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 unit holders' fund and condensed interim cash flow statement for the quarter ended December 31, 2011 which is not subject to review.

3.3 The comparative condensed interim statement of assets and liabilities presented in this condensed interim financial report as at June 30, 2011 has been extracted from the annual audited financial statements of the Fund for the year ended June 30, 2011 whereas the comparative condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement have been extracted from the condensed interim financial report for the six months period ended December 31, 2010 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 unit holders' fund, condensed interim cash flow statement for the quarter ended December 31, 2010 included in this condensed interim financial report were not subjected to a review.

3.4 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed:

During the period, the Fund has revised the methodology for determination of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed. As per the revised methodology, element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the period is recognised in income statement and to the extent that it is represented by unrealised appreciation / (diminution) arising during the period on available for sale securities is included in distribution statement. Previously, the element was recognised based on cumulative values of undistributed income and unrealised gain / (loss) on available for sale securities present in the net asset value of units.

The revised methodology, in the opinion of the management, would ensure that continuing unit holders' share of undistributed income remains unchanged on issue and redemption of units. The change did not have any impact on the net assets value (NAV) of the Fund. Had the management not revised its methodology, income for the period would have decreased by Rs 159.526 million and amount taken to distribution statement would have decreased by Rs 183.274 million.

3.5 Standards, amendments to published approved accounting standards and interpretations effective from July 1, 2011:

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, 2011 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.

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

There are certain amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 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. 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, 2011.

		December 31, 2011	June 30, 2011
	Note	(Rupees in '000)	
5. INVESTMENTS			
Investments - 'fair value through profit or loss'	5.1	688,113	828,071
Investments - 'available for sale'	5.2	3,453,408	3,104,309
		<u>4,141,521</u>	<u>3,932,380</u>
5.1 Investments - 'fair value through profit or loss'			
Held for trading	5.1.1	492,981	625,584
Investments 'at fair value through profit or loss upon initial recognition'	5.1.4	195,132	202,487
		<u>688,113</u>	<u>828,071</u>

5.1.1 Held for trading - shares of listed companies

Name of the investee company	As at July 1, 2011	Purchases during the period	Bonus issue	Sales during the period	As at December 31, 2011	Carrying value	Market value	Unrealised gain / (loss)	Percentage in relation to			
									Net assets of the fund on the basis of market value (see note 5.1.3 below)	Paid up capital of investee company (with face value of investment)	Total market value of investments	
												As at December 31, 2011
----- Number of Shares -----						----- Rupees in '000 -----						
Automobile and parts												
Indus Motor Company Limited	405,944	-	-	-	405,944	89,308	83,231	(6,077)	1.91	0.52	2.01	
Pak Suzuki Motor Company Limited	50,023	-	-	-	50,023	3,129	2,953	(176)	0.07	0.06	0.08	
Agriauto Industries Limited (note 5.1.2)	609,200	-	-	-	609,200	42,339	35,029	(7,310)	0.81	2.12	0.84	
									2.79	2.70	2.93	
Chemicals												
Fauji Fertilizer Company Limited	87,902	-	-	87,902	-	-	-	-	-	-	-	
Construction and Materials												
Attock Cement Pakistan Limited	594	-	-	-	594	29	30	1	-	-	0.01	
Lucky Cement Limited	476,821	-	-	-	476,821	33,778	35,781	2,003	0.82	0.15	0.87	
									0.82	0.15	0.88	
General Industrials												
Thal Limited (note 5.1.2)	286,127	-	57,225	-	343,352	28,910	28,086	(824)	0.65	0.47	0.68	
Tri-Pack Films Limited	379,300	-	-	-	379,300	64,955	60,802	(4,153)	1.40	1.26	1.47	
									2.05	1.73	2.15	
Oil and Gas												
Pakistan State Oil Company Limited	597,300	-	-	63,005	534,295	141,364	121,397	(19,967)	2.79	0.31	2.93	
Pakistan Oilfields Limited	263,923	-	-	111,064	152,859	54,877	52,958	(1,919)	1.22	0.06	1.27	
Pakistan Petroleum Limited	469,091	-	46,909	84,000	432,000	81,321	72,714	(8,607)	1.67	0.03	1.75	
									5.68	0.40	5.95	
Total						540,010	492,981	(47,029)				
Total cost of investments							461,927					

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

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

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

Shares of listed companies, a bank and units of a fund:

Name of the investee company	As at July 1, 2011	Purchases during the period	Bonus issue	Sales during the period	As at December 31, 2011	Carrying value	Market value	Unrealised gain / (loss)	Percentage in relation to			
									Net assets of the fund on the basis of market value (see note 5.1.3 below)	Paid up capital of investee company (with face value of investment)	Total market value of investments	
												As at December 31, 2011
----- Number of Shares -----						----- Rupees in '000 -----						
Bank												
Meezan Bank Limited (an associate of the Fund)	6,199,965	-	-	-	6,199,965	108,316	107,755	(561)	2.48	0.77	2.60	
General Industrials												
Packages Limited	374	-	-	-	374	41	31	(10)	-	-	-	
Open-end mutual fund												
Al Meezan Mutual Fund (AMMF) (an associate of the Fund)	8,480,190	-	-	-	8,480,190	94,130	87,346	(6,784)	2.01	6.15	2.10	
Total						202,487	195,132	(7,355)				
Total cost of investments							188,400					

5.2 Investments categorised as 'available for sale'

Shares of listed companies and banks

Name of the investee company	As at July 1, 2011	Purchases during the period	Bonus issue	Sales during the period	As at December 31, 2011	Carrying value (cost) as at December 31, 2011 (before impairment)	Impairment for the period	Carrying value (cost) as at December 31, 2011 (after impairment)	Market value as at December 31, 2011	Unrealised gain / (loss) as at December 31, 2011	Percentage in relation to			
											Net assets of the fund on the basis of market value (see note 5.1.3 above)	Paid up capital of investee company (with face value of investment)	Total market value of investments	
-----Number of Certificates-----						------(Rupees in '000)-----								
Automobile and Parts														
Indus Motor Company Limited	152,168	20,000	-	-	172,168	-	-	39,466	35,300	(4,166)	0.81	0.22	0.85	
Pak Suzuki Motor Company Limited	37,105	20,000	-	-	57,105	-	-	4,166	3,371	(795)	0.08	0.07	0.08	
											0.89	0.29	0.93	
Bank														
Meezan Bank Limited (an associate of the Fund)	4,788,291	750,000	-	-	5,538,291	-	-	85,968	96,255	10,287	2.21	0.69	2.32	
BankIslami Pakistan Limited		500	-	-	500	-	-	2	2	-	-	-	-	
											2.21	0.69	2.32	
Chemicals														
Fauji Fertilizer Company Limited	4,041,250	193,000	-	214,098	4,020,152	-	-	618,718	601,174	(17,544)	13.83	0.47	14.52	
Fauji Fertilizer Bin Qasim Limited (note 5.2.1)	103,142	1,945,790	-	1,737,683	311,249	18,701	5,495	13,206	13,206	-	0.30	0.03	0.32	
ICI Pakistan Limited	2,301,951	-	-	94,048	2,207,903	-	-	284,249	265,544	(18,705)	6.11	1.59	6.42	
											20.24	2.09	21.26	
Construction and Materials														
Attock Cement Pakistan Limited	304,131	-	-	50,000	254,131	-	-	16,543	12,961	(3,582)	0.30	0.29	0.31	
DC Khan Cement Company Limited	3,078,082	3,360,150	-	250,000	6,188,232	-	-	146,101	117,762	(28,339)	2.71	1.41	2.84	
Lucky Cement Limited	3,076,638	540,000	-	375,000	3,241,638	-	-	221,544	243,253	21,709	5.60	1.00	5.87	
											8.61	2.70	9.03	
Electricity														
Hub Power Company Limited	6,083,786	8,322,434	-	1,686,504	12,719,716	-	-	471,585	435,014	(36,571)	10.01	1.10	10.50	
Fixed Line Telecommunication														
Pakistan Telecommunication Company Limited "A" (note 5.2.1)	4,279,009	5,331,028	-	615,500	8,994,537	130,090	36,637	93,453	93,453	-	2.15	0.24	2.26	
General Industrials														
Thal Limited (note 5.1.2)	24	-	4	-	28	-	-	2	2	-	-	-	-	
Packages Limited (note 5.2.1)	1,144,789	287,990	-	-	1,432,779	163,476	44,957	118,519	118,519	-	2.73	1.70	2.86	
Tri-Pack Films Limited	10	-	-	-	10	-	-	1	2	1	2.73	1.70	2.86	
Oil and Gas														
National Refinery Limited	-	27,000	-	27,000	-	-	-	-	-	-	-	-	-	
Oil and Gas Development Company Limited (note 5.2.2)	2,026,958	843,818	-	290,687	2,580,089	-	-	364,182	391,193	27,011	9.00	0.06	9.45	
Pakistan Oilfields Limited	1,074,606	101,450	-	10,000	1,166,056	-	-	330,180	403,980	73,800	9.29	0.49	9.75	
Pakistan Petroleum Limited	1,909,400	51,521	190,940	15,000	2,136,861	-	-	323,262	359,676	36,414	8.28	0.16	8.68	
Pakistan State Oil Company Limited	807,646	347,898	-	132,359	1,023,185	-	-	262,953	232,478	(30,475)	5.35	0.60	5.61	
Attock Petroleum	-	95,366	-	22,000	73,366	-	-	28,497	30,263	1,766	0.70	0.11	0.73	
											32.62	1.42	34.23	
Total								87,089	3,422,597	3,453,408	30,811			
Total cost of investments													3,422,597	

5.2.1 As per IAS 39 'Financial Instruments : Recognition and Measurement', where the investment is classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. Since the recoverable amount of the securities of Packages Limited, Pakistan Telecommunication Company Limited "A" and Fauji Fertilizer Bin Qasim Limited had significantly declined as at period end, the cumulative loss measured as the difference between the acquisition cost and the current fair value has been reclassified from other comprehensive income to the income statement as impairment loss.

5.2.2 233,000 (June 30, 2011: 210,000) shares of Oil and Gas Development Company Limited, having market value of Rs 35.327 million (June 30, 2011: 32.128 million) as at December 31, 2011, have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

6. 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, during the year ended June 30, 2010, 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.

During the year ended June 30, 2011, 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. In December 2010 the ministry filed its responses against the Constitutional Petition requesting the Court to dismiss the same, whererafter, show cause notices were issued by the Federal Board of Revenue (FBR) to several mutual funds for the collection of WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honorable Sindh High Court (SHC) on the basis of the pending constitutional petition as referred above. No such notice was received by the fund.

During the current period the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 has declared the said amendments as unlawful and unconstitutional. The management company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC.

The Management Company believes that the aforementioned constitutional petition pending in the Court has strong grounds for decision in favour of the mutual funds. The aggregate unrecognised amount of WWF as at December 31, 2011 amounted to Rs 45.194 million.

7. 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 and Al Meezan Mutual Fund Limited, Meezan Islamic Income Fund, Meezan Tahaffuz Pension Fund, Meezan Capital Protected Fund - II, Meezan Sovereign Fund, Al Meezan Mutual Fund, Meezan Cash Fund and Meezan Balanced Fund being the Funds under the common management of the management company and Pakistan Kuwait Investment Company (Private) Limited being the associated company 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 NBFC Regulations, 2008 and the Trust Deed respectively.

Detail of transactions will connected reasons and balances with them are as follows:

	December 31, 2011	June 30, 2011
	(Rupees in '000)	
Al Meezan - management company of the Fund		
Remuneration payable	<u>7,553</u>	<u>7,418</u>
Sindh sales tax payable on management fee	<u>1,208</u>	<u>-</u>
Sales load payable	<u>2,100</u>	<u>2,101</u>
Certificate charges payable	<u>5</u>	<u>5</u>
Investment of 269,124 units (June 30, 2011: 1,132,717 units)	<u>10,735</u>	<u>58,414</u>
Al Meezan Mutual Fund		
Investment in 8,480,190 units (June 30, 2011: 8,480,190 shares)*	<u>87,346</u>	<u>94,130</u>
MBL		
Bank balance	<u>119,936</u>	<u>115,346</u>
Sales load payable	<u>82</u>	<u>434</u>
Investment in 11,738,256 shares (June 30, 2011: 10,988,256 shares)	<u>204,010</u>	<u>191,967</u>
Investment of 11,160,074 units (June 30, 2011: 8,996,011 units)	<u>445,175</u>	<u>463,924</u>
CDC - trustee of the Fund		
Trustee fee payable	<u>462</u>	<u>453</u>
CDS charges payable	<u>16</u>	<u>15</u>
Directors and officers of the management company		
Investment of 3,283,455 units (June 30, 2011: 2,190,174 units)	<u>130,977</u>	<u>112,948</u>
	Six months period ended December 31	
	2011	2010
	(Rupees in '000)	
Al Meezan - management company of the Fund		
Remuneration for the period	<u>45,861</u>	<u>41,950</u>
Bonus units issued: 272,484 units (2010: 889,704 units)	<u>11,327</u>	<u>33,070</u>
Units issued: nil units (2010: 391,689 units)	<u>-</u>	<u>15,000</u>
Redemptions: 1,136,077 units (2010: 392,173 units)	<u>45,000</u>	<u>18,275</u>
Disposal of nil units of AMMF (2010: 11,000,000 shares)*	<u>-</u>	<u>77,000</u>
Al Meezan Mutual Fund		
Dividend income	<u>14,840</u>	<u>7,225</u>
Disposal of nil units (2010: 11,090,510 shares)*	<u>-</u>	<u>77,663</u>

**Six months period
ended December 31**

2011 2010

(Rupees in '000)

MBL

Profit on savings accounts with bank	-	168
Bonus units issued: 2,164,063 units (2010: 1,753,608 units)	<u>89,960</u>	<u>65,182</u>
Purchase of 750,000 shares of MBL (2010: 657,655 shares)	<u>14,625</u>	<u>9,536</u>
Disposal of nil shares of MBL (2010: 253,884 shares)	<u>-</u>	<u>3,808</u>

CDC - trustee of the Fund

Trustee fee	<u>2,797</u>	<u>2,602</u>
CDS charges	<u>46</u>	<u>65</u>

Directors and officers of the management company

Bonus units issued: 526,864 units (2010: 417,923 units)	<u>21,902</u>	<u>15,535</u>
Units issued: 631,289 units (2010: 34,225 units)	<u>27,814</u>	<u>1,500</u>
Redemptions: 64,872 units (2010: 21,063 units)	<u>2,740</u>	<u>922</u>

* During the current period due to conversion of Al Meezan Mutual Fund Limited (AMMFL) to Al Meezan Mutual Fund (AMMF), an open end scheme, the equity instruments (shares) of AMMFL have been converted into units of AMMF in the ratio of 1:1 as per the scheme of arrangement for constitution of AMMF.

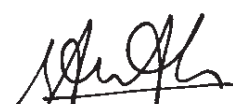
8. DATE OF AUTHORISATION

This condensed interim financial report was authorised for issue on February 23, 2012 by the Board of Directors of the management company.



Mohammad Shoaib, CFA
Chief Executive

For Al Meezan Investment Management Limited
(Management Company)



Syed Amir Ali
Director

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. Mazhar Sharif	Director
Mr. P. Ahmed	Director
Mr. Rana Ahmed Humayun	Director
Mr. Salman Sarwar Butt	Director
Syed Amir Ali	Director
Mr. Tasnimul Haq Farooqui	Director
Mr. Mohammad Shoaib, CFA	Chief Executive

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

Mr. P. Ahmed	Chairman
Syed Amir Ali	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

Al Baraka Islamic Bank B.S.C (E.C)
Bank Alfalah Limited - Islamic Banking
Habib Metropolitan Bank Limited - Islamic Banking
MCB Bank Limited - Islamic Banking
Meezan 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.

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited

**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.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



ISO 27001 Certified

TRUSTEE REPORT TO THE UNIT HOLDERS

AL MEEZAN MUTUAL FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Al Meezan Mutual Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the period from August 05, 2011 to December 31, 2011 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 09, 2012



A. F. FERGUSON & CO.

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

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of Al Meezan Mutual Fund (the Fund) as at December 31, 2011 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 period August 5 to December 31, 2011 (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 quarter ended December 31, 2011 have not been reviewed as we are required to review only the cumulative figures for the period August 5 to December 31, 2011.

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 6 to the accompanying condensed interim financial information which refers to an uncertainty relating to the future outcome of the litigation regarding contribution to the Workers Welfare Fund which is currently pending adjudication at the Honorable High Court of Sindh.

Our conclusion is not qualified in respect of aforementioned matter.


Chartered Accountants
Karachi, February 28, 2012

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938; <www.pwc.com/pk>

Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Shahrah-e-Quaid-e-Azam, Lahore-54660; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872
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Kabul: House No. 1916, Street No. 1, Behind Cinema Bariqot, Nahar-e-Darsan, Karte-4, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 2011 (UNAUDITED - NOTE 3)**

	<i>Note</i>	December 31, 2011 (Rupees in '000)
Assets		
Balances with banks		66,230
Investments	5	1,344,413
Dividend receivable		1,439
Advances, deposits, prepayments and other receivables		12,386
Total assets		<u>1,424,468</u>
Liabilities		
Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund		2,863
Payable to Central Depository Company of Pakistan Limited (CDC) - trustee of the Fund		208
Payable to Securities and Exchange Commission of Pakistan (SECP)		725
Payable against purchase of investment		1,927
Accrued expenses and other liabilities		3,889
Unclaimed dividend		5,140
Total liabilities		<u>14,752</u>
Net assets		<u>1,409,716</u>
Contingency	6	
Unit holders' funds (as per statement attached)		<u>1,409,716</u>
		Number of units
Number of units in issue		<u>137,897,305</u>
		(Rupees)
Net asset value per unit		<u>10.22</u>

The annexed notes 1 to 8 form an integral part of this condensed interim financial report.


**For Al Meezan Investment Management Limited
(Management Company)**
**Mohammad Shoab, CFA
Chief Executive**


**Syed Amir Ali
Director**

**CONDENSED INTERIM INCOME STATEMENT
FOR THE PERIOD AUGUST 5 TO DECEMBER 31, 2011 (UNAUDITED - NOTE 3)**

	For the period August 5 to December 31, 2011	For the quarter ended December 31, 2011
Income		
Net realised gain on sale of investments	23,700	16,568
Dividend income	48,384	26,586
Profit on savings accounts with banks	7,791	3,064
Back end load	8,979	1,611
Other income	257	129
	89,111	47,958
Unrealised loss on re-measurement of investments - 'fair value through profit or loss' (net)	(9,251)	(10,476)
Total income	79,860	37,482

Expenses

Remuneration to Al Meezan - management company of the Fund	11,931	7,524
Sindh sales tax on management fee	1,909	1,204
Remuneration to CDC - trustee of the Fund	1,008	629
Annual fee to SECP	567	358
Auditors' remuneration	401	151
Fees and subscription	38	27
Brokerage	239	111
Bank and settlement charges	142	90
Printing expense	163	108
Impairment loss on 'available for sale investments'	28,822	28,822
Total expenses	45,220	39,024
Net income from operating activities	34,640	(1,542)
Element of income and capital gains included in prices of units sold less those in units redeemed (net)	967	781
Net income for the period	35,607	(761)

Other comprehensive income for the period

Surplus realised on disposal of 'available for sale investments' transferred to income statement on disposal	(13,110)	(7,962)
Impairment of 'available for sale investments' transferred to income statement on disposal	28,822	28,822
Unrealised loss on 'available for sale investments'	(97,208)	(104,476)
Element of income and capital gains included in prices of units sold less those in units redeemed pertaining to 'available for sale investments' (net)	838	1,584
Total comprehensive loss for the period	(45,051)	(82,793)

The annexed notes 1 to 8 form an integral part of this condensed interim financial report.

For Al Meezan Investment Management Limited
(Management Company)


Mohammad Shoab, CFA
Chief Executive


Syed Amir Ali
Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT
FOR THE PERIOD AUGUST 5 TO DECEMBER 31, 2011 (UNAUDITED - NOTE 3)**

	Note	For the period August 5 to December 31, 2011	For the quarter ended December 31, 2011
		(Rupees in '000)	
Accumulated loss brought forward		-	(24,488)
Loss transferred from Al Meezan Mutual Fund Limited		(60,110)	-
Net income / (loss) for the period		35,607	(761)
Element of income and capital gains included in prices of units sold less those in units redeemed pertaining to 'available for sale investments' (net)		838	1,584
Accumulated loss carried forward		<u>(23,665)</u>	<u>(23,665)</u>

The annexed notes 1 to 8 form an integral part of this condensed interim financial report.



Mohammad Shoaib, CFA
Chief Executive

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



Syed Amir Ali
Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNITHOLDERS' FUNDS
FOR THE PERIOD AUGUST 5 TO DECEMBER 31, 2011 (UNAUDITED - NOTE 3)**

For the period August 5 to December 31, 2011
For the quarter ended December 31, 2011
(Rupees in '000)

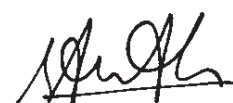
Net assets at the beginning of the period	-	1,466,616
Issue of 137,539,986 units against cancellation of 137,539,986 shares of Al Meezan Mutual Fund Limited upon conversion of Al Meezan Mutual Fund Limited into Al Meezan Mutual Fund (open end fund) as per scheme of arrangement	1,450,997	-
Issue of 8,953,255 units and 3,921,652 units for the period August 5 to December 31, 2011 and quarter ended December 31, 2011 respectively	94,711	43,765
Redemption of 8,595,936 units and 1,467,339 units for the period August 5 to December 31, 2011 and quarter ended December 31, 2011 respectively	(89,136)	(15,507)
	1,456,572	28,258
Element of loss and capital losses included in prices of units sold less those in units redeemed		
- transferred to income statement	(967)	(781)
- transferred directly to other comprehensive income	(838)	(1,584)
	(1,805)	(2,365)
Total comprehensive loss for the period less distribution	(45,051)	(82,793)
Net assets at the end of the period	<u>1,409,716</u>	<u>1,409,716</u>
Net assets value per unit at the beginning of the period - Rupees	-	10.83
Net assets value per unit at the end of the period - Rupees	<u>10.22</u>	<u>10.22</u>

The annexed notes 1 to 8 form an integral part of this condensed interim financial report.



Mohammad Shoab, CFA
Chief Executive

For Al Meezan Investment Management Limited
(Management Company)



Syed Amir Ali
Director

**CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE PERIOD AUGUST 5 TO DECEMBER 31, 2011 (UNAUDITED - NOTE 3)**


	For the period August 5 to December 31, 2011	For the quarter ended December 31, 2011
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	35,607	(761)
Adjustments for non-cash items		
Profit on savings accounts with banks	(7,791)	(3,064)
Dividend income	(48,384)	(26,586)
Unrealised loss on re-measurement of investments - 'fair value through profit or loss' (net)	9,251	10,476
Element of income and capital gains included in prices of units sold less those in units redeemed	(967)	(781)
Impairment loss on 'available for sale investments'	28,822	28,822
	<u>(19,069)</u>	<u>8,867</u>
(Increase) / decrease in assets		
Investments	(111,591)	(178,846)
Receivable against sale on investment	-	11,096
Advances, deposits, prepayments and other receivables	20	230
	<u>(111,571)</u>	<u>(167,520)</u>
(Decrease) / increase in liabilities		
Payable to Al Meezan - management company of the Fund	(460)	660
Payable to CDC - trustee of the Fund	140	8
Payable to SECP	(952)	358
Payable against purchase of investment	1,927	1,927
Conversion cost payable	(5,423)	(2,675)
Accrued expenses and other liabilities	89	(290)
	<u>(4,679)</u>	<u>(12)</u>
Profit received on savings accounts with banks	1,743	1,375
Dividend received	46,945	47,182
Net cash outflow from operating activities	<u>(51,024)</u>	<u>(110,869)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from sale of units	94,711	43,765
Payments against redemption of units	(89,136)	(17,526)
Dividend paid	(239,600)	(3,575)
Net cash (outflow) / inflow from financing activities	<u>(234,025)</u>	<u>22,664</u>
Net cash outflow during the period	<u>(285,049)</u>	<u>(88,205)</u>
Cash and cash equivalents at the beginning of the period	-	154,435
Cash and cash equivalents transferred from Al Meezan Mutual Fund Limited	351,279	-
Cash and cash equivalents at the end of the period	<u>66,230</u>	<u>66,230</u>

The annexed notes 1 to 8 form an integral part of this condensed interim financial report.



Mohammad Shoab, CFA
Chief Executive

For Al Meezan Investment Management Limited
(Management Company)



Syed Amir Ali
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT FOR THE PERIOD AUGUST 5 TO DECEMBER 31, 2011 (UNAUDITED - NOTE 3)

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Al Meezan Mutual Fund (the Fund) was constituted by virtue of a scheme of arrangement for conversion of Al Meezan Mutual Fund Limited (AMMFL) into an Open End Scheme under a Trust Deed executed between Al Meezan, as management company and CDC as trustee. The Trust Deed was executed on June 17, 2011 in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).
- 1.2 The Management Company has been licensed by the SECP to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the management company is situated at Ground Floor, Block 'B', Finance and Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
- 1.3 Title of the assets of the Fund is held in the name of CDC as a trustee of the Fund and an application for listing of the units of the open end fund has been made to the Islamabad Stock Exchange.
- 1.4 Units of the fund are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The management company of the Fund has been given quality rating of AM2 by JCR - VIS.
- 1.5 The Fund has been formed to provide the unit holders safe and stable stream of halal income on their investments and to generate superior long-term risk adjusted returns. The Fund shall also keep an exposure in short-term instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns if available at any given point of time. Under the trust deed all conducts and acts of the Fund are based on shariah. 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.
- 1.6 As per the Trust Deed, the Fund shall become operative from the "effective date" upon conversion of Al Meezan Mutual Fund Limited to an open end fund. Therefore, these condensed interim financial statements have been prepared from August 5, 2011, i.e., the "effective date" of conversion.
- 1.7 Face value per unit is Rs 10. As per the scheme of arrangement for conversion of investment company into an open end fund, a swap ratio of 1:1 (i.e. for each fully paid-up share of the par value of Rs 10 of Al Meezan Mutual Fund Limited, each shareholder whose name was entered in the Register of Members of Al Meezan Mutual Fund Limited on the effective date was issued one unit of the Open End fund of the par value of Rs 10 with no front-end load and upon issuance of the units of the Open End fund, the shares of Al Meezan Mutual Fund Limited and the corresponding share certificates were deemed to be cancelled and of no effect) was approved by the shareholders of Al Meezan Mutual Fund Limited vide their special resolution dated April 27, 2011. Hence, the initial issuance of 137,539,986 units of Al Meezan Mutual Fund was made at the net asset value received against each unit (i.e. Rs 10.55 per unit).

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, 2011, 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 period August 5 to December 31, 2011, 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 unit holders' fund and condensed interim cash flow statement for the quarter ended December 31, 2011 which is not subject to review.
- 3.3 Standards, amendments to published approved accounting standards and interpretations effective from July 1, 2011:

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, 2011 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.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 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 principal accounting policies applied in the preparation of the financial statements are set out below:

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments which are carried at fair value in accordance with the criteria laid down in the International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement'.

4.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of critical accounting estimates. It also requires the management company to exercise its judgment in the process of applying its accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the financial statements are as follows:

- a) Classification and valuation of financial instruments (notes 4.3 and 5);
- b) Impairment of financial instruments (note 4.3.5); and
- c) Recognition of provision for current taxation and deferred taxation (note 4.6).

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

4.3 Financial instruments

4.3.1 The Fund classifies its financial instruments in the following categories:

- a) Investments - 'fair value through profit or loss'

- Financial instruments categorised as 'held for trading'.

These include financial instruments acquired principally for the purpose of generating profit from short-term fluctuations in prices or dealers' margins or are securities included in a portfolio in which a pattern of short-term profit taking exists.

- Financial instruments designated at 'fair value through profit or loss upon initial recognition'.

These include investments that are designated as investments at 'fair value through profit or loss upon initial recognition'.

- b) Held to maturity

These are securities acquired by the Fund with the intention and ability to hold them upto maturity.

- c) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as 'at fair value through profit or loss' or 'available for sale'.

d) Available for sale

These are non-derivatives financial assets that are either designated in this category or are not classified in any of the other categories mentioned in (a) to (c) above.

4.3.2 Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

The Fund follows trade date accounting for purchase and sale of investments. Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

4.3.3 Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial asset or a financial liability not at 'fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of that financial asset or a financial liability. Transaction costs on financial assets and financial liabilities at 'fair value through profit or loss' are charged to the income statement immediately.

Subsequent to initial recognition, instruments classified as financial assets at 'fair value through profit or loss' and 'available for sale' are measured at their fair value. Gains or losses arising from changes in the fair value of the financial assets at 'fair value through profit or loss' are recognised in the income statement. The changes in the fair value of instruments classified as 'available for sale' are recognised in other comprehensive income until derecognised or impaired when the accumulated fair value adjustments recognised in other comprehensive income are transferred to the income statement.

Financial assets classified as 'loans and receivables' and 'held to maturity' are carried at their amortised cost using the effective yield method, less impairment losses, if any.

Financial liabilities, other than those at 'fair value through profit or loss', are measured at their amortised cost using the effective yield method.

4.3.4 Fair value measurement principles

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

4.3.5 Impairment

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

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

4.3.6 Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with the requirements of IAS 39.

The Fund uses the weighted average method to determine realised gains and losses on derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

4.4 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of that obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

4.5 Net assets value per share

The net assets value (NAV) per share is calculated by dividing the net assets of the Fund by the number of shares in issue.

4.6 Taxation

Current

The income of the Fund is exempt from income tax under clause 99 of Part I to the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the period, as reduced by capital gains, whether realised or unrealised, is distributed amongst the shareholders. Accordingly, the Fund has not recorded a tax liability in respect of income relating to the current year as the Fund intends to avail this exemption.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV to the Second Schedule of the Income Tax Ordinance, 2001.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

The deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on enacted tax rates. However, the Fund has distributed and intends to continue availing the tax exemption by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year. Accordingly, no deferred tax has been recognised in these financial statements.

4.7 Revenue recognition

- (i) Gains / (losses) arising on sale of investments are included in income currently and are recognised on the date when the transaction takes place.
- (ii) Unrealised gains / (losses) arising on revaluation of securities classified as financial asset 'at fair value through profit or loss' are included in the income statement in the period in which they arise.
- (iii) Unrealised gains / (losses) arising on revaluation of securities classified as 'available for sale' are included in other comprehensive income in the period in which they arise.
- (iv) Dividend income is recognised when the fund's right to receive dividend is established.
- (v) Profit on savings accounts with banks are recorded on an accrual basis.
- (vi) Transaction cost are recognised as income as and when units are issued.

4.8 Expenses

All expenses, including management fee and trustee fee, are recognised in income statement on accrual basis.

4.9 Offsetting of financial instruments

A financial asset and financial liability is set off and the net amount is reported in the statement of assets and liabilities if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.10 Zakat

Units held by resident Pakistani unit holders except those exempted are subject to zakat at 2.5% of the face value or redemption value of the units, whichever is lower, under the Zakat and Ushr Ordinance, 1980 (XVII of 1980). Zakat is deducted at source from the dividend amount or from the redemption payment, if units are redeemed during the zakat year before payment of dividend after it becomes leviable.

4.11 Cash and cash equivalents

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

4.12 Dividend and bonus shares

Dividend declared (including distribution in the form of bonus shares) are recognised in the period in which they are authorised or approved.

4.13 Unit Holders' Fund

Unit holders' fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to residual interest in the Fund's assets.

4.14 Issue and redemption of units

Units issued are recorded at the offer price, determined by the management company for the applications received by the distributors during business hours of the day when the application is received. The offer price represents the net assets value of the units as of the close of that business day plus the allowable sales load, provision of duties and charges and provision for transaction costs, if applicable. The sales load is payable to the distributors and the management company.

Units redeemed are recorded at the redemption price prevalent on the date on which the distributors receive redemption application during business hours on that date. The redemption price represents the net assets value per unit less any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

4.15 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed.

An equalisation account called 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is set up in order to prevent the dilution of income per unit and distribution of income already paid out on redemption.

The net element of accrued income / (loss) and realised capital gains / (losses) relating to units issued and redeemed during an accounting period is taken to the income statement.

December 31,
2011

Note (Rupees in '000)

5. INVESTMENTS

Investments classified as 'held for trading'	5.1	184,844
Investments - available for sale	5.2	1,159,569
		<u>1,344,413</u>

5.1 Held for trading

Name of the investee company	Transferred from Al Meezan Mutual Fund Limited	Purchases / bonus issue during the period	Sales during the period	As at December 31, 2011	Carrying value as at December 31, 2011	Market value as at December 31, 2011	Unrealised (loss) / gain as at December 31, 2011	Percentage in relation to		
								Number of Certificates	(Rupees in '000)	Net assets of the Fund on the basis of market value (note 5.5)
Banks										
Meezan Bank Limited (an associate of the Fund)	1,262,805	-	-	1,262,805	24,183	21,946	(2,237)	1.56	0.40	0.02
Construction and Materials										
Attock Cement Pakistan Limited	115,305	-	25,000	90,305	4,036	4,606	570	0.33	0.01	-
Lucky Cement Company Limited	198,190	-	-	198,190	14,454	14,872	418	1.05	0.50	0.01
Oil and Gas										
Pakistan Oilfields Limited	142,951	-	57,000	85,951	30,494	29,778	(716)	2.11	0.04	0.02
Pakistan Petroleum Limited	275,770	27,577	10,400	292,947	55,489	49,309	(6,180)	3.50	0.08	0.04
Automobile and Parts										
Agriauto Industries Limited (note 5.3)	8,960	-	-	8,960	605	515	(90)	0.04	0.03	-
Indus Motor Company Limited	125,464	-	-	125,464	25,656	25,724	68	1.82	0.20	0.02
Pak Suzuki Motor Company Limited	58,980	-	-	58,980	3,877	3,482	(395)	0.25	0.52	-
Fixed Line and telecommunication										
Pakistan Telecommunication Company Limited "A"	671,750	-	183,000	488,750	5,655	5,078	(577)	0.36	0.03	-
Chemicals										
ICI Pakistan Limited	600	-	-	600	89	72	(17)	0.01	-	-
General Industrials										
Thal Limited (note 5.3)	294,751	58,950	-	353,701	28,950	28,933	(17)	2.05	0.58	0.02
Tri-Pack Films Limited	3,300	-	-	3,300	607	529	(78)	0.04	0.03	-
					<u>194,095</u>	<u>184,844</u>	<u>(9,251)</u>			
Total cost of investments - 'held for trading'						<u>195,789</u>				

5.2 Investment categorised as 'available for sale'

Name of the investee company	Transferred from Al Meezan Mutual Fund Limited	Purchases / bonus issue during the period	Sales during the period	As at December 31, 2011	Carrying value as at December 31, 2011 (before impairment)	Impairment during the period	Carrying value (cost) as at December 31, 2011 (after impairment)	Market value as at December 31, 2011	Unrealised gain / (loss) as at December 31, 2011	Percentage in relation to				
										Number of Certificates	Net assets of the Fund on the basis of market value (note 5.5)	Paid-up capital of investee company (with face value of investment)	Total market value of investment	
										(Rupees in '000)				
Banks														
Meezan Bank Limited (an associate of the Fund)	837,016	250,000	-	1,087,016	18,704	-	18,704	18,892	188	1.34	0.35	0.01		
BankIslami Pakistan Limited	-	500	-	500	2	-	2	2	-	-	0.10	-		
Construction and Materials														
Attock Cement Pakistan Limited (note 5.4)	10,000	-	-	10,000	716	206	510	510	-	0.04	-	-		
Lucky Cement Company Limited	951,469	273,101	185,000	1,039,570	71,351	-	71,351	78,009	6,658	5.53	2.60	0.06		
D.G. Khan Cement Company Limited (note 5.4)	1,175,000	1,241,000	-	2,416,000	57,507	11,531	45,976	45,976	-	3.26	0.15	0.03		
Power generation & distribution														
The Hub Power Company Limited	2,092,500	2,836,000	811,000	4,117,500	152,529	-	152,529	140,819	(11,710)	9.99	0.14	0.10		
Oil and Gas														
Pakistan State Oil Company Limited	473,043	57,000	70,500	459,543	120,622	-	120,622	104,413	(16,209)	7.41	0.20	0.08		
Oil & Gas Development Company Limited	847,140	212,000	100,000	959,140	137,129	-	137,129	145,425	8,296	10.32	0.26	0.11		
Pakistan Oilfields Limited	321,900	38,500	25,060	335,340	86,555	-	86,555	116,179	29,624	8.24	0.17	0.09		
Pakistan Petroleum Limited	530,308	50,530	35,000	545,838	81,106	-	81,106	91,875	10,769	6.52	0.15	0.07		
Attock Petroleum	-	33,500	10,000	23,500	9,748	-	9,748	9,694	(54)	0.69	0.03	0.01		
Automobile and Parts														
Agriauto Industries Limited (note 5.3)	700,000	-	-	700,000	46,690	-	46,690	40,250	(6,440)	2.86	2.43	0.03		
Indus Motor Company Limited	31,200	-	-	31,200	7,629	-	7,629	6,397	(1,232)	0.45	0.05	-		
Pak Suzuki Motor Company Limited (note 5.4)	20,000	-	-	20,000	1,484	303	1,181	1,181	-	0.08	0.18	-		
Fixed Line and telecommunication														
Pakistan Telecommunication Company Limited "A"	1,270,000	1,250,000	235,080	2,284,920	30,555	-	30,555	23,740	(6,815)	1.68	0.13	0.02		
Pharma and Bio tech														
GlaxoSmithKline (Pakistan) Limited	18,224	-	-	18,224	1,276	-	1,276	1,222	(54)	0.09	0.01	-		
Chemicals														
Fauji Fertilizer Company Limited	1,518,982	-	297,000	1,221,982	142,296	-	142,296	182,735	40,439	12.96	0.17	0.14		
Fauji Fertilizer Bin Qasim Limited	-	539,500	284,000	255,500	13,249	-	13,249	10,841	(2,408)	0.77	7.57	0.01		
ICI Pakistan Limited	729,515	-	25,000	704,515	87,893	-	87,893	84,732	(3,161)	6.01	0.18	0.06		
General Industrials														
Packages Limited (note 5.4)	416,356	75,022	-	491,378	57,429	16,782	40,647	40,647	-	2.88	0.22	0.03		
Tri-Pack Films Limited	100,000	-	-	100,000	9,710	-	9,710	16,030	6,320	1.14	1.00	0.01		
										1,134,180	28,822	1,105,358	1,159,569	54,211

Total cost of investments - 'available for sale'

1,134,180

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

5.4 As per IAS 39 'Financial Instruments', where the investment is classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. Since the recoverable amount of the securities of Attock Cement Pakistan Limited, D.G. Khan Cement Company Limited, Pak Suzuki Motor Company Limited and Packages Limited had significantly declined as at period end, the cumulative loss measured as the difference between the acquisition cost and the current fair value has been reclassified from other comprehensive income to the income statement as impairment loss.

5.5 Net assets are as defined in regulation 66 of NBFC regulations.

6. 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.

During the year ended June 30, 2011, 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. In December 2010 the ministry filed its responses against the Constitutional Petition requesting the Court to dismiss the same, whereafter, show cause notices were issued by the Federal Board of Revenue (FBR) to several mutual funds for the collection of WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honorable Sindh High Court (SHC) on the basis of the pending constitutional petition as referred above. No such notice was received by the fund.

During the current period the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 has declared the said amendments as unlawful and unconstitutional. The management company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC.

The Management Company believes that the aforementioned constitutional petition pending in the court has strong grounds for decision in favour of the mutual funds. The aggregate unrecognised amount of WWF as at December 31, 2011 is Rs 14.984 million which includes Rs 14.286 million, being a contingent liability on account of the Al Meezan Investment Management Limited, transferred to the Fund.

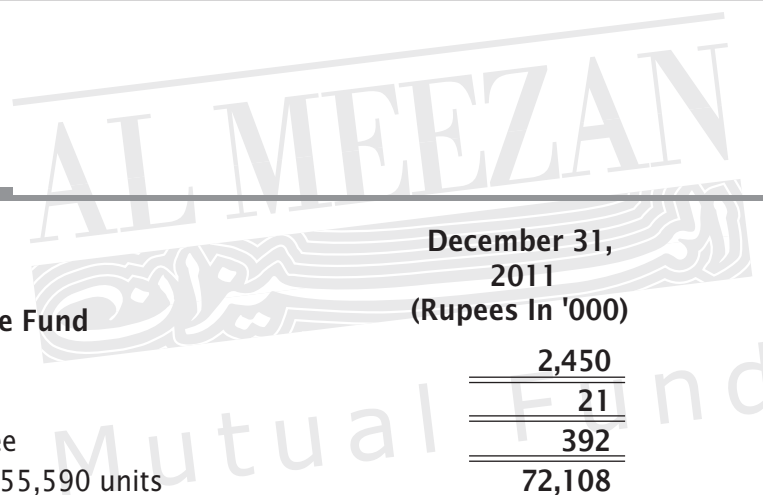
7. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include Al Meezan being the management company, CDC being the trustee, MBL being the holding company of the management company, Al Meezan Mutual Fund, Meezan Islamic Fund, Meezan Tahaffuz Pension Fund, Meezan Balanced Fund, Meezan Capital Protected Fund - II, 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 provisions of NBFC Regulations and the trust deed respectively.

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



	December 31, 2011 (Rupees In '000)
Al Meezan - management company of the Fund	
Remuneration payable	<u>2,450</u>
Sales load payable	<u>21</u>
Sindh sales tax payable on management fee	<u>392</u>
Investments as at December 31, 2011: 7,055,590 units	<u>72,108</u>
MBL	
Balances with bank	<u>44,303</u>
Profit receivable on savings account	<u>44</u>
Investment in 2,349,821 shares	<u>40,840</u>
CDC - trustee of the Fund	
Trustee fee payable	<u>208</u>
Directors and officers of the management company	
Investments as at December 31, 2011: 969,480 units	<u>9,908</u>

**For the period August 5
to December 31, 2011
(Rupees In '000)**

Al Meezan - management company of the Fund	
Remuneration for the period	<u>11,931</u>
Units issued: 7,055,590 units	<u>74,436</u>
MBL	
Profit on savings accounts	<u>44</u>
CDC - trustee of the Fund	
Remuneration for the period	<u>1,008</u>
CDS Charges for the period	<u>15</u>
Directors and officers of the management company	
Units issued: 969,480 units	<u>10,228</u>

8. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial report was authorised for issue on February 23, 2012 by the Board of Directors of the Management Company.


Mohammad Shoab, CFA
Chief Executive

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


Syed Amir Ali
Director

FUND INFORMATION

MANAGEMENT COMPANY

Al Meezan Investment Management Limited
Ground Floor, Block "B", Finance & Trade Centre
Shahrah-e-Faisal, Karachi 74400, Pakistan.
Phone: (9221) 3563 0722-6, 111-MEEZAN
Fax: (9221) 3567 6143, 3563 0808
Web site: www.almeezangroup.com
E-mail: info@almeezangroup.com

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. Mazhar Sharif	Director
Mr. P. Ahmed	Director
Mr. Rana Ahmed Humayun	Director
Mr. Salman Sarwar Butt	Director
Syed Amir Ali	Director
Mr. Tasnimul Haq Farooqui	Director
Mr. Mohammad Shoaib, CFA	Chief Executive

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

Mr. P. Ahmed	Chairman
Syed Amir Ali	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-74400.

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 ADVISOR

Meezan Bank Limited

BANKERS TO THE FUND

Al Baraka Islamic Bank B.S.C (E.C)
Allied Bank Limited - Islamic Banking
Askari Bank Limited - Islamic Banking
Bank Alfalah Limited - Islamic Banking
Bank Al Habib Limited - Islamic Banking
Bank Islami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
HBL - Islamic Banking
Habib Metropolitan Bank Limited - Islamic Banking
MCB Bank Limited - Islamic Banking
Meezan Bank Limited
National Bank of Pakistan - Islamic Banking
Soneri Bank Limited - Islamic Banking
Standard Chartered Bank (Pakistan) Limited - Islamic Banking
UBL Ameen Islamic Banking

LEGAL ADVISER

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

TRANSFER AGENT

Meezan Bank Limited
SITE Branch
Plot # B/9-C, Estate Avenue, SITE, Karachi.
Phone: (9221) 3206 2891
Fax: (9221) 3255 2771
Web site: www.meezanbank.com

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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



ISO 27001 Certified

TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN ISLAMIC INCOME FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Islamic Income Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2011 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 09, 2012

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

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of Meezan Islamic Income Fund (the Fund) as at December 31, 2011 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, 2011 and 2010 have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2011.

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 6.2 to the accompanying condensed interim financial information which refers to an uncertainty relating to the future outcome of the litigation regarding contribution to the Workers Welfare Fund which is currently pending adjudication at the Honorable High Court of Sindh.

Our conclusion is not qualified in respect of this matter.

A. Ferguson & Co.
Chartered Accountants
Karachi, February 24, 2012

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Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938; <www.pwc.com/pk>*

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Kabul: House No. 1916, Street No. 1, Behind Cinema Bariqot, Nahar-e-Darsan, Karte-4, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320*

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2011 (UNAUDITED - NOTE 3)

		December 31, 2011	June 30, 2011
	Note	(Rupees in '000)	
Assets			
Balances with banks		205,954	426,592
Investments	5	1,471,851	2,016,720
Deposits, prepayments and other receivables		59,767	109,070
Total assets		<u>1,737,572</u>	<u>2,552,382</u>
Liabilities			
Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund		3,199	3,401
Payable to Central Depository Company of Pakistan Limited (CDC) - trustee of the Fund		223	246
Payable to Securities and Exchange Commission of Pakistan (SECP)		929	2,237
Payable to Meezan Bank Limited (MBL)		-	97
Payable on redemption of units		13,681	2,897
Accrued expenses and other liabilities		1,321	1,569
Total liabilities		<u>19,353</u>	<u>10,447</u>
Net assets		<u>1,718,219</u>	<u>2,541,935</u>
Contingencies			
	6		
Unit holders' funds (as per statement attached)		<u>1,718,219</u>	<u>2,541,935</u>
Number of units			
Number of units in issue		<u>33,852,300</u>	<u>49,783,807</u>
Rupees			
Net asset value per unit		<u>50.76</u>	<u>51.06</u>

The annexed notes 1 to 8 form an integral part of this condensed interim financial report.


Mohammad Shoab, CFA
 Chief Executive

For Al Meezan Investment Management Limited
(Management Company)


Syed Amir Ali
 Director

CONDENSED INTERIM INCOME STATEMENT FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2011 (UNAUDITED - NOTE 3)

Note	Six months period ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
..... (Rupees in '000)				
Income				
Profit on savings accounts with banks	43,360	61,340	22,367	29,729
Profit on sukuk certificates	124,922	152,567	103,805	79,650
Realised gain on sale of sukuk certificates	14,657	8,418	8,372	2,744
	<u>182,939</u>	<u>222,325</u>	<u>134,544</u>	<u>112,123</u>
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss (net)	4,712	(40,030)	1,938	(47,845)
Provision for accrued profit on investments	(38,562)	-	(38,562)	-
Reversal of provision against sukuk certificate	-	7,593	-	7,593
Provision against sukuk certificate	(98,120)	(32,200)	(98,120)	(24,500)
	<u>(131,970)</u>	<u>(64,637)</u>	<u>(134,744)</u>	<u>(64,752)</u>
Total income	<u>50,969</u>	<u>157,688</u>	<u>(200)</u>	<u>47,371</u>
Expenses				
Remuneration to Al Meezan - management company of the Fund	18,588	24,328	8,888	11,843
Sindh sales tax on management fee	2,974	-	1,422	-
Remuneration to CDC - trustee of the Fund	1,482	2,126	718	1,042
Annual fee to SECP	929	1,217	444	593
Auditors' remuneration	332	341	139	191
Fees and subscription	123	126	61	68
Legal and professional charges	15	-	1	-
Amortisation of preliminary expenses and floatation costs	-	252	-	126
Brokerage	43	47	28	17
Bank and settlement charges	38	36	19	19
Printing expense	37	456	(111)	370
Reversal of provision for Workers' Welfare Fund (WWF)	-	(15,649)	-	-
Total expenses	<u>24,561</u>	<u>13,280</u>	<u>11,609</u>	<u>14,269</u>
Net income / (loss) from operating activities	<u>26,408</u>	<u>144,408</u>	<u>(11,809)</u>	<u>33,102</u>
Element of loss and capital losses included in prices of units sold less those in units redeemed (net)	(2,809)	(9,232)	(2,314)	(4,479)
Net income / (loss) for the period	<u>23,599</u>	<u>135,176</u>	<u>(14,123)</u>	<u>28,623</u>
Other comprehensive income for the period	-	-	-	-
Total comprehensive income / (loss) for the period	<u>23,599</u>	<u>135,176</u>	<u>(14,123)</u>	<u>28,623</u>

The annexed notes 1 to 8 form an integral part of this condensed interim financial report.

For Al Meezan Investment Management Limited
(Management Company)


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali
Director

CONDENSED INTERIM DISTRIBUTION STATEMENT FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2011 (UNAUDITED - NOTE 3)

	Six months period ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
 (Rupees in '000)			
Undistributed income brought forward	54,307	122,521	42,245	54,372
Less: Final distribution for the year ended June 30, 2011				
- bonus units @ 2% (June 30, 2010: 2.5%)	(23,672)	(55,493)	-	-
- cash dividend @ 2%(June 30, 2010: 2.5%)	(26,112)	(26,298)	-	-
Less: Interim distribution for the quarter ended September 30, 2011				
- bonus units @ nil (September 30, 2009: 3%)	-	(61,353)	-	-
- cash dividend @ nil (September 30, 2009: 3%)	-	(31,558)	-	-
Less: Interim distribution for the quarter ended December 31, 2011				
- bonus units @ nil (December 31, 2010: 2%)	-	(32,387)	-	(32,387)
- cash dividend @ nil (December 31, 2010: 2%)	-	(27,089)	-	(27,089)
Net income / (loss) for the period	23,599	135,176	(14,123)	28,623
Undistributed income carried forward	<u>28,122</u>	<u>23,519</u>	<u>28,122</u>	<u>23,519</u>

The annexed notes 1 to 8 form an integral part of this condensed interim financial report.


Mohammad Shoab, CFA
Chief Executive

For Al Meezan Investment Management Limited
(Management Company)


Syed Amir Ali
Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNITHOLDERS' FUNDS
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2011 (UNAUDITED - NOTE 3)**

	Six months period ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
 (Rupees in '000)			
Net assets at the beginning of the period	2,541,935	3,394,034	2,506,347	3,211,601
Issue of 3,593,099 units (2010: 15,332,133 units) and 911,665 units (2010: 11,668,547 units) for the six months and quarter respectively	182,198	791,847	46,220	602,110
Redemption of 19,997,477 units (2010: 23,727,284 units) and 16,373,226 units (2010: 15,475,232 units) for the six months and quarter respectively	(1,006,210)	(1,222,767)	(822,539)	(797,147)
	(824,012)	(430,920)	(776,319)	(195,037)
Element of loss and capital losses included in prices of units sold less those in units redeemed transferred to income statement	2,809	9,232	2,314	4,479
Total comprehensive income for the period less distribution	(26,185)	(99,002)	(14,123)	(30,853)
Issue of 472,871 bonus units (2010: 1,096,257 bonus units) for the year ended June 30, 2011	23,672	55,493	-	-
Issue of nil bonus units (2010: 1,206,545 bonus units) for the quarter ended September 30, 2010	-	61,353	-	-
Issue of nil bonus units (2010: 643,248 bonus units) for the quarter ended December 31, 2010	-	32,387	-	32,387
Net assets at the end of the period	<u>1,718,219</u>	<u>3,022,577</u>	<u>1,718,219</u>	<u>3,022,577</u>
Net assets value per unit at the beginning of the period - Rupees	<u>51.06</u>	<u>51.87</u>	<u>50.82</u>	<u>50.86</u>
Net assets value per unit at the end of the period - Rupees	<u>50.76</u>	<u>50.39</u>	<u>50.76</u>	<u>50.39</u>

The annexed notes 1 to 8 form an integral part of this condensed interim financial report.


Mohammad Shoaib, CFA
Chief Executive

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


Syed Amir Ali
Director

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2011 (UNAUDITED - NOTE 3)

	Six months period ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
..... (Rupees in '000)				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	23,599	135,176	(14,123)	28,623
Adjustments for non-cash items				
Profit on savings accounts with banks	(43,360)	(61,340)	(22,367)	(29,729)
Profit on sukuk certificates	(124,922)	(152,567)	(103,805)	(79,650)
Reversal of provision for WWF	-	(15,649)	-	-
Unrealised loss on re-measurement of investments at fair value through profit or loss (net)	(4,712)	40,030	(1,938)	47,845
Amortisation of preliminary expenses and floatation costs	-	252	-	126
Provision for accrued profit on investments	38,562	-	38,562	-
Provision against sukuk certificate	98,120	32,200	98,120	24,500
Reversal of provision against sukuk certificate	-	(7,593)	-	(7,593)
Element of loss and capital losses included in prices of units sold less those in units redeemed	2,809	9,232	2,314	4,479
	<u>(33,503)</u>	<u>(155,435)</u>	<u>10,886</u>	<u>(40,022)</u>
Decrease / (increase) in assets				
Investments	451,461	(80,970)	68,751	(399,889)
Deposits and prepayments	(15)	(15)	(15)	7
	<u>451,446</u>	<u>(80,985)</u>	<u>68,736</u>	<u>(399,882)</u>
(Decrease) / increase in liabilities				
Payable to Al Meezan - management company of the Fund	(202)	(636)	(1,012)	(418)
Payable to CDC - trustee of the Fund	(23)	(13)	(26)	(4)
Payable to SECP	(1,308)	(2,223)	444	592
Payable to MBL	(97)	30	-	76
Accrued expenses and other liabilities	(248)	389	(185)	(1,106)
	<u>(1,878)</u>	<u>(2,453)</u>	<u>(779)</u>	<u>(860)</u>
Profit received on savings accounts with banks	41,167	51,760	22,011	19,854
Profit received on sukuk certificates	137,871	141,276	55,868	37,736
Net cash inflow / (outflow) from operating activities	<u>618,702</u>	<u>89,339</u>	<u>142,599</u>	<u>(354,551)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	182,198	791,847	46,220	602,110
Payments against redemption of units	(995,426)	(1,222,250)	(810,010)	(791,447)
Dividend paid	(26,112)	(57,856)	-	(31,558)
Net cash outflow from financing activities	<u>(839,340)</u>	<u>(488,259)</u>	<u>(763,790)</u>	<u>(220,895)</u>
Net cash outflow during the period	(220,638)	(398,920)	(621,191)	(575,446)
Cash and cash equivalents at the beginning of the period	426,592	1,132,702	827,145	1,309,228
Cash and cash equivalents at the end of the period	<u>205,954</u>	<u>733,782</u>	<u>205,954</u>	<u>733,782</u>

The annexed notes 1 to 8 form an integral part of this condensed interim financial report.

For Al Meezan Investment Management Limited
(Management Company)


Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2011 (UNAUDITED - NOTE 3)

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Islamic Income Fund (the Fund) was established under a trust deed executed between Al Meezan as the management company and CDC as the trustee. The trust deed was executed on September 13, 2006 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 has been formed to provide the unit holders safe and stable stream of halal income on their investments and to generate superior long-term risk adjusted returns. The Fund shall also keep an exposure in short-term instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns if available at any given point of time. Under the trust deed all conducts and acts of the Fund are based on shariah. 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 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 management company of the Fund has been given quality rating of AM2 by JCR - VIS. The Fund has been given a stability rating of A(f) by JCR - VIS.
- 1.4 Title to the assets of the Fund are in the name of CDC as the 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 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, 2011, 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, 2011, 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 unit holders' fund and condensed interim cash flow statement for the quarter ended December 31, 2011 which is not subject to review.

3.3 The comparative condensed interim statement of assets and liabilities presented in these condensed interim financial report as at June 30, 2011 has been extracted from the annual audited financial statements of the Fund for the year ended June 30, 2011 whereas the comparative condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement have been extracted from the condensed interim financial report for the six months period ended December 31, 2010 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, condensed interim cash flow statement for the quarter ended December 31, 2010 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, 2011:

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, 2011 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 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed:

During the period, the Fund has revised the methodology for determination of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed. As per the revised methodology, element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the period is recognised in income statement and to the extent that it is represented by unrealised appreciation / (diminution) arising during the period on available for sale securities is included in distribution statement. Previously, the element was recognised based on cumulative values of undistributed income and unrealised gain / (loss) on available for sale securities present in the net asset value of units.

The revised methodology, in the opinion of the management, would ensure that continuing unit holders' share of undistributed income remains unchanged on issue and redemption of units. The change did not have any impact on the net assets value (NAV) of the Fund. Had the management not revised its methodology, income for the period and amount taken to distribution statement would have decreased by Rs 0.956 million.

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, 2011.

5. INVESTMENTS

		December 31, 2011	June 30, 2011
	Note	(Rupees in '000)	
Investments at fair value through profit or loss	5.1	1,396,851	1,941,720
Investments - available for sale	5.2	75,000	75,000
		<u>1,471,851</u>	<u>2,016,720</u>
5.1 Investments at fair value through profit or loss			
- Held for trading	5.1.1	612,366	1,045,803
- Investments at fair value through profit or loss upon initial recognition	5.1.2	784,485	895,917
		<u>1,396,851</u>	<u>1,941,720</u>

5.1.1 Held for trading

5.1.1.1 Sukuk certificates

Name of the investee company / issuer	Maturity date	Profit rate	As at July 1, 2011	Purchases during the period	Sales / redemptions during the period	As at December 31, 2011	Carrying value as at December 31, 2011	Market value as at December 31, 2011	Unrealised gain/(loss)	Percentage in relation to		
										Number of Certificates		(Rupees in '000)
Century Paper & Board Mills Limited (note 5.1.1.3)	September 25, 2014	6 months Kibor plus base rate of 1.35%	5,985	-	855	5,130	24,688	25,366	678	1.48	3.63	1.72
GoP Ijarah Sukuk Certificates -III (note 5.1.1.2)	March 11, 2012	Weighted average 6 months T-Bills	2,000	-	-	2,000	200,000	200,000	-	11.64	N/A	13.59
GoP Ijarah Sukuk Certificates -IV (note 5.1.1.2)	September 17, 2012	Weighted average 6 months T-Bills less 5 basis points	1,370	-	-	1,370	137,000	137,000	-	7.97	N/A	9.31
GoP Ijarah Sukuk Certificates -V (note 5.1.1.2)	November 15, 2013	Weighted average 6 months T-Bills	5,300	-	5,300	-	-	-	-	-	N/A	-
GoP Ijarah Sukuk Certificates -VII (note 5.1.1.2)	March 7, 2014	Weighted average 6 months T-Bills	1,500	-	1,500	-	-	-	-	-	N/A	-
GoP Ijarah Sukuk Certificates -IX (note 5.1.1.2)	December 26, 2014	6 months PKRV	-	2,500	-	2,500	250,000	250,000	-	14.55	N/A	16.99
Total							<u>611,688</u>	<u>612,366</u>	<u>678</u>			
Total cost of investments							<u>611,688</u>					

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

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

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

5.1.2.1 Sukuk certificates

Name of the investee company	Maturity date	Profit rate	As at July 1, 2011	Purchases during the period	Sales / redemptions during the period	As at December 31, 2011	Carrying value as at December 31, 2011	Provision for the period	Market value as at December 31, 2011 - net of provision (if any) value	Unrealised gain/(loss)	Percentage in relation to			
											Net assets of the Fund on the basis of market value (see note 5.3 below)	Paid-up capital of investee company (with face value of investment)	Total market value of investment	
-----Number of Certificates-----							------(Rupees in '000)-----							
Arzoo Textile Mills Limited (note 5.1.1.3)	April 15, 2014	6 months Kibor plus base rate of 2%	14,000	-	-	14,000	-	-	-	-	-	-	-	-
Century Paper & Board Mills Limited (note 5.1.1.3)	September 25, 2014	6 months Kibor plus base rate of 1.35%	13,170	8,340	1,882	19,629	96,007	-	97,060	1,053	5.65	13.88	6.59	
Eden Builders Limited (note 5.1.1.3)	March 8, 2014	3 months Kibor plus base rate of 2.3%	6,600	-	1,200	5,400	26,358	-	26,598	240	1.55	2.35	1.81	
Eden Housing Limited (note 5.1.2.2 and 5.1.2.3)	September 29, 2014	3 months Kibor plus base rate of 2.5%	59,400	-	-	59,400	129,588	-	129,588	-	7.54	12.41	8.80	
Engro Fertilizers Limited (note 5.1.1.3)	September 1, 2015	6 months Kibor plus base rate of 1.5%	40,500	-	10,000	30,500	152,500	-	154,788	2,288	9.01	4.65	10.52	
Maple Leaf Cement Factory Limited (note 5.1.1.3 and 5.1.2.4)	December 3, 2018	3 months Kibor plus base rate of 1%	63,918	-	27	63,891	200,345	98,120	102,225	-	5.95	6.07	6.95	
Maple Leaf Cement Factory Limited II (note 5.1.1.3)	March 30, 2014	3 months Kibor plus base rate of 1%	2,400	-	-	2,400	8,449	-	8,449	-	0.49	0.23	0.57	
Security Leasing Corporation Limited II (note 5.1.1.3)	March 19, 2014	Nil.	5,156	-	938	4,219	14,857	-	14,910	53	0.87	5.81	1.01	
Sitara Chemical Industries Limited III (note 5.1.1.3)	December 31, 2012	3 months Kibor plus base rate of 1%	15,750	-	4,500	11,250	55,467	-	55,867	400	3.25	26.25	3.80	
Hub Power Company Sukuk (note 5.1.1.3)	February 3, 2012	6 months Kibor plus base rate of 1.1%	-	20,000	-	20,000	100,000	-	100,000	-	5.82	0.86	6.79	
Kot Addu Power Sukuuk (note 5.1.1.3)	December 27, 2011	6 months Kibor plus base rate of 1.1%	30,000	-	30,000	-	-	-	-	-	-	-	-	
Kot Addu Power Sukuuk (note 5.1.1.3)	June 27, 2012	6 months Kibor plus base rate of 1.1%	-	19,000	-	19,000	95,000	-	95,000	-	5.53	1.08	6.45	
Total							878,571	98,120	784,485	4,034				
Total cost of investments									867,478					

5.1.2.2 The nominal value of the sukuk certificates of Eden Housing Limited is Rs 3,141 each.

5.1.2.3 On May 6, 2011, Eden Housing sukuk certificates have been classified as non-performing by MUFAP. Accordingly, fund has valued the sukuks at the price last quoted by MUFAP. Although, the fund has received all the installments due as per the restructured terms, accrual of profit has been stopped and all income have been recognised on cash basis from August 19, 2011.

5.1.2.4 On September 3, 2011 i.e. the scheduled redemption date, principal repayment alongwith the accrued profit aggregating Rs 0.068 million and Rs 23.492 million respectively was not received by the Fund from Maple Leaf Cement Factory Limited. In accordance with the requirements of the Circular No.1, the sukuk certificates had been classified as 'non performing assets' and no further profit has been accrued thereafter. Further, the accrued profit amounting to Rs 38.562 million on these sukuk has also been provided for in full. On December 3, 2011 i.e. the second schedule redemption date, principal repayment alongwith the accrued profit aggregating Rs 0.068 million and Rs 11.392 million was not received by the Fund. Subsequently, principal repayment and interest was received amounting to Rs 0.136 million and Rs 14.155 million. Further, in accordance with the provisioning policy of the Fund, an amount of Rs 98.120 million has also been provided against the outstanding principal as at December 31, 2011.

5.2 Investments - available for sale

Name of the issuer	Maturity date	Profit rate	As at July 1, 2011	Purchases during the period	Sales / redemptions during the period	As at December 31, 2011	Carrying value (cost) as at December 31, 2011	Market value as at December 31, 2011	Unrealised loss as at December 31, 2011	Percentage in relation to		
			Number of Certificates			(Rupees in '000)			Net assets of the Fund on the basis of market value (see note 5.3 below)	Paid-up capital of investee company (with face value of investment)	Total market value of investment	
GoP Ijarah Sukuk Certificates - III (note 5.1.1.2)	March 11, 2012	13.26%	750	-	-	750	76,563	75,000	(1,563)	4.36	N/A	5.10
Total							<u>76,563</u>	<u>75,000</u>	<u>(1,563)</u>			
Total cost of investments							<u>76,563</u>					

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

5.4 Following investments of the Fund are in the sukuk which are below 'investment grade' securities:

Name of the investee company	Type of investments	Value of investment before provision	Provision held as at December 31, 2011	Value of investment after provision	Percentage of net assets	Percentage of total assets
		(Rupees in '000)			%	
Arzoo Textile Mills Limited	Non-traded sukuk	32,200	32,200	-	-	-
Eden Housing Limited	Non-traded sukuk	129,588	-	129,588	7.54	7.46
Maple Leaf Cement Factory Limited	Non-traded sukuk	200,345	98,120	102,225	5.95	5.88
Maple Leaf Cement Factory Limited II	Non-traded sukuk	8,449	-	8,449	0.49	0.49
Security Leasing Corporation Limited II	Non-traded sukuk	14,910	-	14,910	0.87	0.86
		<u>385,492</u>	<u>130,320</u>	<u>255,172</u>		

6. CONTINGENCIES

- 6.1 As explained in note 14 to the financial statements of the Fund for the year ended June 30, 2011, WAPDA First Sukuk Company Limited (WFSCCL) had claimed a profit installment of Rs. 13.6 million, received by MIIF on WAPDA sukuk certificates. The decisions in respect of the suit filed by Al Meezan, the management company of the Fund, and CDC, as trustee of the Fund, against WFSCCL on October 2009 in the High Court of Sindh (the High Court) for declaration, injunction and damages against the defendants claim for return of the aforementioned rental payments and the interpleader suit filed on December 2009 by defendants (i.e. WAPDA and WFSCCL) against Al Meezan, CDC in its capacity as the trustee of the Fund and some other parties in the senior civil court of Lahore (the Court) are still pending.

The Fund based on the advice of its legal consultant is confident that the Fund will not be liable to return the amount of profit received by it, as the Fund is a legitimate and bonafide owner of those sukuk from the date it acquired them till such time those sukuk were sold in the normal course of business and accordingly it is not liable to return the aforementioned amount of rental (Rs 13.6 million) received by it.

- 6.2 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.

During the year ended June 30, 2011, 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. In December 2010 the ministry filed its responses against the Constitutional Petition requesting the Court to dismiss the same, whererafter, show cause notices were issued by the Federal Board of Revenue (FBR) to several mutual funds for the collection of WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honorable Sindh High Court (SHC) on the basis of the pending constitutional petition as referred above. No such notice was received by the fund.

During the current period the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 has declared the said amendments as unlawful and unconstitutional. The management company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC.

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 company has reversed the liability as at June 30, 2010 amounting to Rs 15.649 million during the prior year ended June 30, 2011. The aggregate unrecognised amount of WWF as at June 30, 2012 amounting to Rs 21.871 million.

There were no other contingencies and commitments outstanding as at December 31 and June 30, 2011.

7. 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, Meezan Islamic Fund, Meezan Tahaffuz Pension Fund, Meezan Balanced Fund, Meezan Capital Protected Fund - II, Meezan Cash Fund, Al Meezan Mutual 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 provisions of NBFC Regulations and the trust deed respectively.

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

	December 31, 2011	June 30, 2011
	(Rupees in '000)	
Al Meezan - management company of the Fund		
Remuneration payable	<u>2,665</u>	<u>3,102</u>
Sales tax payable on management fee	<u>426</u>	<u>-</u>
Sales load payable	<u>107</u>	<u>298</u>
Certification charges payable	<u>1</u>	<u>1</u>
MBL		
Sales load payable	<u>-</u>	<u>97</u>
Balances with bank	<u>3,824</u>	<u>10,386</u>
Profit receivable on savings account	<u>41</u>	<u>156</u>
Investments as at December 31, 2011: 6,123,869 units (June 30, 2011: 17,642,001 units)	<u>310,848</u>	<u>900,801</u>
CDC - trustee of the Fund		
Trustee fee payable	<u>223</u>	<u>246</u>
Deposits	<u>2,600</u>	<u>2,600</u>
Directors and officers of the management company		
Investments as at December 31, 2011: 53,531 units (June 30, 2011: 314,219 units)	<u>2,717</u>	<u>16,044</u>

Six months
period ended
December 31

2011 2010

(Rupees in '000)

Al Meezan - management company of the Fund

Remuneration for the period	18,588	24,328
Units issued: nil units (December 31, 2010: 777,303 units)	-	40,000
Redemptions: nil units (December 31, 2010: 2,173,341 units)	-	112,000
Bonus units issued: nil units (December 31, 2010: 317,311 units)	-	411

MBL

Profit on savings accounts	140	222
Redemption: 11,518,132 units (December 31, 2010: nil units)	577,000	-
Cash dividend paid	17,642	66,157

CDC - trustee of the Fund

Remuneration for the period	1,482	2,126
CDS Charges for the period	3	3

Directors and officers of the management company

Units issued: 40,126 units (2010: nil units)	2,031	-
Redemptions: 301,471 units (2010: 36,530 units)	15,384	1,873
Bonus units issued: 657 units (2010: 45,344 units)	2,865	2,296

8. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial report was authorised for issue on February 23, 2012 by the Board of Directors of the Management Company.


Mohammad Shoab, CFA
Chief Executive

For Al Meezan Investment Management Limited
(Management Company)


Syed Amir Ali
Director

FUND INFORMATION

MANAGEMENT COMPANY

Al Meezan Investment Management Limited
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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. Mazhar Sharif	Director
Mr. P. Ahmed	Director
Mr. Rana Ahmed Humayun	Director
Mr. Salman Sarwar Butt	Director
Syed Amir Ali	Director
Mr. Tasnimul Haq Farooqui	Director
Mr. Mohammad Shoaib, CFA	Chief Executive

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

Mr. P. Ahmed	Chairman
Syed Amir Ali	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

Askari Bank Limited - Islamic Banking
Bank Alfalah Limited - Islamic Banking
Bank Al Habib Limited - Islamic Banking
Faysal Bank Limited
Habib Bank Limited - Islamic Banking
Habib Metropolitan Bank Limited - Islamic Banking
MCB Bank Limited - Islamic Banking
Meezan Bank Limited
National Bank of Pakistan - Islamic Banking
Standard Chartered Bank (Pakistan) Limited - Islamic Banking
UBL Ameen Islamic Banking

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

**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.
Tel: (92-21) 111-111-500
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ISO 27001 Certified

TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN SOVEREIGN FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Sovereign Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2011 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 09, 2012

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

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of Meezan Sovereign Fund (the Fund) as at December 31, 2011 and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and 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 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, 2011 and 2010 have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2011.

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.


Chartered Accountants
Karachi, February 24, 2012

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 2011 (UNAUDITED-NOTE 3)**

	December 31, 2011 (Rupees in '000)	June 30, 2011
Assets		
Balances with banks	3,432,045	3,031,769
Investments	15,071,066	9,235,000
Deposits, prepayments and other receivables	335,098	340,874
Preliminary expenses and floatation costs	1,589	1,847
Total assets	18,839,798	12,609,490
Liabilities		
Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund	18,514	10,968
Payable to Central Depository Company of Pakistan Limited (CDC) - trustee of the Fund	1,140	762
Payable to Securities and Exchange Commission of Pakistan (SECP)	5,615	4,728
Payable to Meezan Bank Limited (MBL)	287	420
Payable on redemption of units	14,687	45,973
Accrued expenses and other liabilities	1,455	978
Total liabilities	41,698	63,829
Net assets	18,798,100	12,545,661
Contingency	6	
Unit holders' fund (as per statement attached)	18,798,100	12,545,661
	Number of Units	
Number of units in issue	373,471,762	247,712,653
	Rupees	
Net assets value per unit	50.33	50.65

The annexed notes 1 to 8 form an integral part of this condensed interim financial report.


**For Al Meezan Investment Management Limited
(Management Company)**
**Mohammad Shoab, CFA
Chief Executive**


**Syed Amir Ali
Director**

CONDENSED INTERIM INCOME STATEMENT FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2011 (UNAUDITED-NOTE 3)

	Six months period ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
 (Rupees in '000)			
Income				
Profit on savings accounts with banks	291,589	46,859	172,804	35,779
Profit on sukuk certificates	644,624	105,811	315,673	95,648
Net realised gain / (loss) on sale of investments	25,311	(181)	20,850	(181)
	<u>961,524</u>	<u>152,489</u>	<u>509,327</u>	<u>131,246</u>
Unrealised loss on re-measurement of investments at fair value through profit or loss (net)	(1,086)	(6,690)	-	(6,773)
Total income	<u>960,438</u>	<u>145,799</u>	<u>509,327</u>	<u>124,473</u>
Expenses				
Remuneration to Al Meezan - management company of the Fund	74,860	12,458	40,122	10,590
Sindh sales tax on management fee	11,978	-	6,420	-
Remuneration to CDC - trustee of the Fund	5,993	1,680	3,199	1,306
Annual fee to SECP	5,615	934	3,010	794
Auditors' remuneration	232	200	120	108
Fees and subscription	100	23	50	20
Amortisation of preliminary expenses and floatation costs	258	258	129	129
Amortisation of premium on investments	1,684	-	1,159	-
Brokerage	255	9	165	7
Bank and settlement charges	77	24	41	13
Printing expense	141	48	83	13
Total expenses	<u>101,193</u>	<u>15,634</u>	<u>54,498</u>	<u>12,980</u>
Net income from operating activities	<u>859,245</u>	<u>130,165</u>	<u>454,829</u>	<u>111,493</u>
Element of income and capital gains included in prices of units sold less those in units redeemed	50,254	117,726	33,099	118,605
	<u>909,499</u>	<u>247,891</u>	<u>487,928</u>	<u>230,098</u>

The annexed notes 1 to 8 form an integral part of this condensed interim financial report.


Mohammad Shoab, CFA
 Chief Executive

For Al Meezan Investment Management Limited
 (Management Company)


Syed Amir Ali
 Director

CONDENSED INTERIM DISTRIBUTION STATEMENT FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2011 (UNAUDITED-NOTE 3)

	Six months period ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
 (Rupees in '000)			
Undistributed income brought forward	160,028	34,077	51,216	600
Less: Final distribution for the year ended June 30, 2011				
-bonus units @ 1.28% (June 30, 2010: 3.6%)	(68,000)	(33,725)	-	-
-cash dividend @ 3.5% (June 30, 2010: Nil)	(90,537)	-	-	-
Less: Interim distribution for the quarter ended September 30, 2011				
-bonus units @ 2.6% (September 30, 2010: 2.5%)	(185,368)	(17,545)	-	-
-cash dividend @ 2.6% (September 30, 2010: Nil)	(186,478)	-	-	-
Less: Interim distribution for the quarter ended December 31, 2011				
-bonus units @ 2.6% (December 31, 2010: 1.3%)	(225,591)	(28,095)	(225,591)	(28,095)
-cash dividend @ 2.6% (December 31, 2010: 1.3%)	(190,299)	(79,134)	(190,299)	(79,134)
Net income for the period	909,499	247,891	487,928	230,098
Undistributed income carried forward	<u>123,254</u>	<u>123,469</u>	<u>123,254</u>	<u>123,469</u>

The annexed notes 1 to 8 form an integral part of this condensed interim financial report.


**For Al Meezan Investment Management Limited
(Management Company)**
**Mohammad Shoab, CFA
Chief Executive**


**Syed Amir Ali
Director**

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2011 (UNAUDITED-NOTE 3)**

	Six months period ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
 (Rupees in '000)			
Net assets at the beginning of the period	12,545,661	970,896	13,719,412	719,923
Issue of 206,928,822 units (2010: 160,996,746) and 140,709,852 units (2010: 157,952,258) for the six months and quarter respectively	10,450,460	8,182,209	7,114,657	8,028,200
Redemption of 90,728,890 units (2010: 15,794,409) and 45,093,421 units (2010: 7,375,086) for the six months and quarter respectively	(4,589,952)	(804,795)	(2,300,499)	(381,141)
	5,860,508	7,377,414	4,814,158	7,647,059
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	(50,254)	(117,726)	(33,099)	(118,605)
Net profit for the period less distribution	(36,774)	89,392	72,038	122,869
Issue of 1,359,719 bonus units during the year ended June 30, 2011 (June 30, 2010: 674,240)	68,000	33,725	-	-
Issue of 3,702,924 bonus units during the quarter ended September 30, 2011 (September 30, 2010: 350,683)	185,368	17,545	-	-
Issue of 4,496,534 bonus units during the quarter ended December 31, 2011 (December 31, 2010: 553,810)	225,591	28,095	225,591	28,095
	478,959	79,365	225,591	28,095
Net assets at the end of the period	<u>18,798,100</u>	<u>8,399,341</u>	<u>18,798,100</u>	<u>8,399,341</u>
Net assets value per unit at the beginning of the period - Rupees	<u>50.65</u>	<u>51.82</u>	<u>50.19</u>	<u>50.04</u>
Net assets value per unit at the end of the period - Rupees	<u>50.33</u>	<u>50.75</u>	<u>50.33</u>	<u>50.75</u>

The annexed notes 1 to 8 form an integral part of this condensed interim financial report.


Mohammad Shoab, CFA
Chief Executive

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



Syed Amir Ali
Director

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2011 (UNAUDITED-NOTE 3)

	Six months period ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
 (Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	909,499	247,891	487,928	230,098
Adjustments for:				
Profit on savings accounts with banks	(291,589)	(46,859)	(172,804)	(35,779)
Profit on sukuk certificates	(644,624)	(105,811)	(315,673)	(95,648)
Unrealised loss on re-measurement of investments at fair value through profit or loss (net)	1,086	6,690	-	6,773
Amortisation of preliminary expenses and floatation costs	258	258	129	129
Amortisation of premium on GoP Ijarah Sukuks	1,684	-	1,159	-
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	(50,254)	(117,726)	(33,099)	(118,605)
	(983,439)	(263,448)	(520,288)	(243,130)
(Increase) / decrease in assets				
Investments	(5,838,836)	(5,523,631)	(5,637,225)	(5,308,907)
Deposits and prepayments	(110)	(172)	2,077	(165)
	(5,838,946)	(5,523,803)	(5,635,148)	(5,309,072)
Increase / (decrease) in liabilities				
Payable to Al Meezan - management company of the Fund	7,546	6,503	2,652	6,189
Payable to CDC - trustee of the Fund	378	615	198	592
Payable to SECP	887	777	3,010	794
Payable to MBL	(133)	19	189	16
Accrued expenses and other liabilities	477	398	469	78
	9,155	8,312	6,518	7,669
Profit received on savings accounts with banks	243,402	22,281	88,451	4,166
Profit received on sukuk certificates	698,697	18,325	494,903	9
Net cash outflow from operating activities	(4,961,632)	(5,490,442)	(5,077,636)	(5,310,260)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from sale of units	10,450,460	8,182,209	7,114,657	8,028,200
Payment against redemption of units	(4,621,238)	(805,813)	(2,286,840)	(377,686)
Dividend paid	(467,314)	-	(376,777)	-
Net cash inflow from financing activities	5,361,908	7,376,396	4,451,040	7,650,514
Net cash inflow during the period	400,276	1,885,954	(626,596)	2,340,254
Cash and cash equivalents at the beginning of the period	3,031,769	646,710	4,058,641	192,410
Cash and cash equivalents at the end of the period	3,432,045	2,532,664	3,432,045	2,532,664

The annexed notes 1 to 8 form an integral part of this condensed interim financial report.

For Al Meezan Investment Management Limited
(Management Company)


Mohammad Shoab, CFA
Chief Executive


Syed Amir Ali
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2011 (UNAUDITED-NOTE 3)

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Sovereign Fund (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 May 14, 2009 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 has been formed to provide the unit holders maximum possible preservation of capital along with Halal and reasonable returns by investing primarily in a portfolio of shariah compliant government securities thus minimising the credit risk of investments. The Fund shall also keep an exposure in short-term near cash instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns if available at any given point of time. Under the Trust Deed all conducts and acts of the Fund are based on shariah. Meezan Bank Limited 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 Shariah Compliant (Islamic) Income Scheme, listed on the Islamabad 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.
- 1.4 The management company of the Fund has been given a quality rating of AM2 and the stability rating of the Fund is AA+(f) given by JCR - VIS Credit Rating Company Limited.
- 1.5 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 are 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 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 for interim financial reporting 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, 2011 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, 2011, 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 unit holders' fund and condensed interim cash flow statement for the quarter ended December 31, 2011 which is not subject to review.
- 3.3 The comparative condensed interim statement of assets and liabilities presented in this condensed interim financial report as at June 30, 2011 has been extracted from the annual audited financial statements of the Fund for the year ended June 30, 2011 whereas the comparative condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement have been extracted from the condensed interim financial report for the six months period ended December 31, 2010 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 unit holders' fund, condensed interim cash flow statement for the quarter ended December 31, 2010 included in this condensed interim financial report were not subjected to a review.
- 3.4 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed:

During the period, the Fund has revised the methodology for determination of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed. As per the revised methodology, element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the period is recognised in income statement and to the extent that it is represented by unrealised appreciation / (diminution) arising during the period on available for sale securities is included in distribution statement. Previously, the element was recognised based on cumulative values of undistributed income and unrealised gain / (loss) on available for sale securities present in the net asset value of units.

The revised methodology, in the opinion of the management, would ensure that continuing unit holders' share of undistributed income remains unchanged on issue and redemption of units. The change did not have any impact on the net assets value (NAV) of the Fund. Had the management not revised its methodology, income for the period and amount taken to distribution statement would have been higher by Rs 1.258 million.

- 3.5 Standards, amendments to published approved accounting standards and interpretations effective from July 1, 2011:
- 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, 2011 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.
- 3.6 Standards, amendments to published approved accounting standards and interpretations as adopted in Pakistan, that are not yet effective:

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 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, 2011.

	<i>Note</i>	December 31, 2011 (Rupees in '000)	June 30, 2011
5. INVESTMENTS			
Investments at fair value through profit or loss	5.1	14,795,000	9,235,000
Investments-available for sale	5.2	276,066	-
		<u>15,071,066</u>	<u>9,235,000</u>

5.1 Investments at fair value through profit or loss

Held for trading - Sukuk certificates

Name of the Issuer	Maturity date	Profit rate	As at July 1, 2011	Purchases during the period	Sale / redemptions during the period	As at December 31, 2011	Carrying value as at December 31, 2011	Market value as at December 31, 2011	Unrealised (loss)	Percentage in relation to	
										Number of Certificates	Rupees in '000
GoP Ijarah Sukuk Certificates - IV (note 5.1.1)	September 17, 2012	Weighted average 6 months T-Bills less 5 basis points	5,350	-	-	5,350	535,000	535,000	-	2.85	4
GoP Ijarah Sukuk Certificates - V (note 5.1.1)	November 15, 2013	Weighted average 6 months T-Bills	49,560	-	-	49,560	4,956,000	4,956,000	-	26.36	33
GoP Ijarah Sukuk Certificates - VI (note 5.1.1)	December 20, 2013	Weighted average 6 months T-Bills	7,570	-	-	7,570	757,000	757,000	-	4.03	5
GoP Ijarah Sukuk Certificates - VII (note 5.1.1)	March 7, 2014	Weighted average 6 months T-Bills	24,870	-	13,000	11,870	1,187,000	1,187,000	-	6.31	8
GoP Ijarah Sukuk Certificates - VIII (note 5.1.1)	May 16, 2014	Weighted average 6 months T-Bills	5,000	2,000	3,000	4,000	401,086	400,000	(1,086)	2.13	3
GoP Ijarah Sukuk Certificates - IX (note 5.1.1)	December 26, 2014	6 months PKRV	-	69,600	-	69,600	6,960,000	6,960,000	-	37.03	47
							<u>14,796,086</u>	<u>14,795,000</u>	<u>(1,086)</u>		
Total cost of investment										<u>14,808,476</u>	

5.1.1 The nominal value of the sukuk certificates is Rs 100,000 each.

5.2 Available for sale' investments - Sukuk certificates

Name of the Issuer	Maturity date	Profit rate	As at July 1, 2011	Purchases during the period	Sale / redemptions during the period	As at December 31, 2011	Carrying value as at December 31, 2011	Market value as at December 31, 2011	Unrealised Gain / loss	Percentage in relation to		
			Number of Certificates			Rupees in '000		Net assets of the fund on the basis of market value (see note 5.3 below)		Total market value of investments		
GoP Ijarah Sukuk Certificates - V (note 5.2.1)	November 15, 2013	Weighted Average 6 months T-Bills	-	5,000	2,250	2,750	276,066	276,066	-	1	100	
Total cost of investment							276,066	276,066	-			
										276,375		

5.2.1 The nominal value of the sukuk certificates is Rs 100,000 each.

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

6. 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, during the year ended June 30, 2010, 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.

During the year ended June 30, 2011, 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. In December 2010 the ministry filed its responses against the Constitutional Petition requesting the Court to dismiss the same, whereafter, show cause notices were issued by the Federal Board of Revenue (FBR) to several mutual funds for the collection of WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honorable Sindh High Court (SHC) on the basis of the pending constitutional petition as referred above. No such notice was received by the fund.

During the current period the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 has declared the said amendments as unlawful and unconstitutional. The management company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC.

The Management Company believes that the aforementioned constitutional petition pending in the Court has strong grounds for decision in favour of the mutual funds. The aggregate unrecognised amount of WWF as at December 31, 2011 amounted to Rs 35.834 million.

7. 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, directors and officers of the management company, Al Meezan Mutual Fund Limited, Al Meezan Mutual Fund, Meezan Islamic Income Fund, Meezan Tahaffuz Pension Fund, Meezan Capital Protected Fund - II, Meezan Islamic Fund, Meezan Cash Fund and Meezan Balanced Fund being the funds under the common management of the management company and Pakistan Kuwait Investment Company (Private) Limited, being the associated company 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 provisions of NBFC Rules, NBFC Regulations and the Trust Deed respectively.

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

	December 31, 2011	June 30, 2011
	(Rupees in '000)	
Al Meezan - management company of the Fund		
Remuneration payable	<u>14,353</u>	<u>9,340</u>
Sales load payable	<u>1,865</u>	<u>1,628</u>
Sindh sales tax payable on management fee	<u>2,296</u>	<u>-</u>
Investments as at December 31, 2011: 13,188,687 units (June 30, 2011: 11,561,754 Units)	<u>663,787</u>	<u>585,603</u>
MBL		
Balances with bank	<u>38,234</u>	<u>16,471</u>
Profit receivable on savings accounts	<u>248</u>	<u>84</u>
Sales load payable	<u>287</u>	<u>420</u>
Investments as at December 31, 2011: 138,275,433 units (June 30, 2011: 98,474,437 Units)	<u>6,959,403</u>	<u>4,987,730</u>
CDC - trustee of the Fund		
Trustee fee payable	<u>1,140</u>	<u>762</u>
Directors and officers of the management company		
Investments as at December 31, 2011: 2,917,617 units (June 30, 2011: 2,630,520 units)	<u>146,844</u>	<u>133,236</u>

For the Six months period
ended December 31,

2011 2010

(Rupees in '000)

Al Meezan - management company of the Fund

Remuneration for the period	74,860	12,458
Sindh sales tax on management fee	11,978	-
Preliminary expenses and floatation costs	258	258
Units issued 2,271,580 (December 31, 2010: 2,156,550 Units)	116,000	108,000
Units redeemed 1,473,659 units (December 31, 2010: NIL Units)	75,000	-
Bonus units issued 829,012 (December 31, 2010: 103,107 Units)	41,530	5,187

MBL

Profit on savings accounts	981	330
Units issued 39,800,996 (December 31, 2010: 113,186,089 Units)	2,000,000	5,750,000
Cash dividend	319,057	73,571

CDC - trustee of the Fund

Remuneration for the period	5,993	1,680
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Directors and officers of the management company

Units issued 920,023 (December 31, 2010: 2,637,130 Units)	46,670	133,455
Units redeemed 802,804 (December 31, 2010: 1,531 Units)	40,455	78
Bonus units issued 169,878 (December 31, 2010: 35,948 Units)	8,510	1,822

8. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 23, 2012 by the Board of Directors of the management company.



Mohammad Shoab, CFA
Chief Executive

For Al Meezan Investment Management Limited
(Management Company)



Syed Amir Ali
Director



MEEZAN CASH FUND

FUND INFORMATION

MANAGEMENT COMPANY

Al Meezan Investment Management Limited
Ground Floor, Block "B", Finance & Trade Centre,
Shahrah-e-Faisal, Karachi 74400, Pakistan.
Phone: (9221) 3563 0722-6, 111-MEEZAN
Fax: (9221) 3567 6143, 3563 0808
Web site: www.almeezangroup.com
E-mail: info@almeezangroup.com

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. Mazhar Sharif	Director
Mr. P. Ahmed	Director
Mr. Rana Ahmed Humayun	Director
Mr. Salman Sarwar Butt	Director
Syed Amir Ali	Director
Mr. Tasnimul Haq Farooqui	Director
Mr. Mohammad Shoaib, CFA	Chief Executive

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

Mr. P. Ahmed	Chairman
Syed Amir Ali	Member
Mr. Mazhar Sharif	Member

TRUSTEE

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block B, S.M.C.H.S.
Main Shahrah-e-Faisal, Karachi-74400

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

Askari Bank Limited - Islamic Banking
Bank Alfalah Limited - Islamic Banking
Bank Al Habib Limited - Islamic Banking
Faysal Bank Limited
Habib Bank Limited - Islamic Banking
MCB Bank Limited - Islamic Banking
Meezan Bank Limited
Soneri Bank Limited - Islamic Banking
Standard Chartered Bank (Pakistan) Limited - Islamic Banking
UBL Ameen

LEGAL ADVISER

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

TRANSFER AGENT

Meezan Bank Limited
SITE Branch
Plot # B/9-C, Estate Avenue, SITE, Karachi.
Phone: 3206 2891, Fax: 3255 2771
Web site: www.meezanbank.com

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited

**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.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcPakistan.com
Email: info@cdcpak.com



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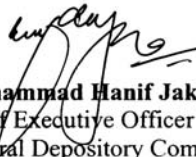
TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN CASH FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of Meezan Cash Fund (the Fund) are of the opinion that Al Meezan Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2011 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 09, 2012

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

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of Meezan Cash Fund (the Fund) as at December 31, 2011 and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and 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 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, 2011 and 2010 have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2011.

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

We draw attention to note 8 to the accompanying condensed interim financial information which refers to an uncertainty relating to the future outcome of the litigation regarding contribution to the Workers Welfare Fund which is currently pending adjudication at the Honorable High Court of Sindh.

Our opinion is not qualified in respect of the aforementioned matter.


Chartered Accountants
Karachi, February 24, 2012

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924
Kabul: House No. 1916, Street No. 1, Behind Cinema Bariqot, Nahar-e-Darsan, Karte-4, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2011 (UNAUDITED-NOTE 3)

		December 31, 2011	June 30, 2011
	Note	(Rupees in '000)	
Assets			
Balances with banks	5	4,945,776	3,666,697
Placements	6	1,000,000	1,950,000
Investments	7	525,000	225,000
Profit receivable		160,311	151,784
Preliminary expenses and floatation costs		1,470	1,773
Deposits and prepayments		184	290
Total assets		6,632,741	5,995,544
Liabilities			
Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund		6,425	4,634
Payable to Central Depository Company of Pakistan Limited (CDC) - trustee of the Fund		524	456
Payable to Securities and Exchange Commission of Pakistan (SECP)		2,378	4,620
Payable on redemption of units		21,742	21,876
Brokerage payable		-	45
Accrued expenses and other liabilities		603	656
Dividend payable		-	7,428
Total liabilities		31,672	39,715
Net assets		6,601,069	5,955,829
Contingency	8		
Unit holders' fund (as per statement attached)		6,601,069	5,955,829
		Number of units	
Number of units in issue		131,614,777	119,042,374
		Rupees	
Net assets value per unit		50.15	50.03

The annexed notes 1 to 10 form an integral part of this condensed interim financial report.


For Al Meezan Investment Management Limited
(Management Company)
Mohammad Shoab, CFA
Chief Executive


Syed Amir Ali
Director

CONDENSED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2011 (UNAUDITED-NOTE 3)

	Six months period ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
	----- (Rupees in '000) -----			
Income				
Profit on savings accounts with banks	243,353	255,076	121,413	129,484
Profit on placements	109,570	94,521	52,719	55,996
Profit on sukuk certificates	34,555	-	19,332	-
Other income	45	-	-	-
Total income	387,523	349,597	193,464	185,480
Expenses				
Remuneration to Al Meezan - management company of the Fund	31,701	31,240	16,154	16,275
Sindh sales tax on management fee	5,072	-	2,585	-
Remuneration to CDC - trustee of the Fund	3,026	3,627	1,534	1,878
Annual fee to SECP	2,378	2,342	1,212	1,220
Auditors' remuneration	225	204	96	112
Fees and subscription	111	100	56	49
Amortisation of preliminary expenses and floatation costs	303	305	152	154
Bank and settlement charges	55	43	37	37
Printing expense	46	74	31	36
Total expenses	42,917	37,935	21,857	19,761
Net income from operating activities	344,606	311,662	171,607	165,719
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed (net)	7,114	(10,733)	2,148	(6,181)
Net income	351,720	300,929	173,755	159,538

The annexed notes 1 to 10 form an integral part of this condensed interim financial report.


For Al Meezan Investment Management Limited
(Management Company)
Mohammad Shoab, CFA
Chief Executive


Syed Amir Ali
Director

CONDENSED INTERIM DISTRIBUTION STATEMENT FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2011 (UNAUDITED-NOTE 3)

	Six months period ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
	----- (Rupees in '000) -----			
Undistributed income brought forward	3,711	170,821	16,447	1,632
Less : Final distribution for the year ended June 30, 2010				
-bonus units @ 3.38%	-	(170,806)	-	-
Less: Interim distribution for the period ended August 23, 2011				
-bonus units @ 1.70%	(97,720)	-	-	-
-cash dividend @ 1.70%	(10,890)	-	-	-
Less: Interim distribution for the period ended September 23, 2011				
-bonus units @ 0.90%	(46,330)	-	-	-
-cash dividend @ 0.90%	(10,289)	-	-	-
Less: Interim distribution for the quarter ended September 30, 2010				
-bonus units @ 2.45%	-	(139,774)	-	-
Less: Interim distribution for the period ended October 20, 2011				
-bonus units @ 0.88%	(46,186)	-	(46,186)	-
-cash dividend @ 0.88%	(10,024)	-	(10,024)	-
Less: Interim distribution for the period ended November 22, 2011				
-bonus units @ 0.98%	(50,785)	-	(50,785)	-
-cash dividend @ 0.98%	(11,163)	-	(11,163)	-
Less: Interim distribution for the period ended December 21, 2011				
-bonus units @ 0.80%	(42,980)	-	(42,980)	-
-cash dividend @ 0.80%	(9,110)	-	(9,110)	-
Less: Interim distribution for the period ended December 31, 2010				
-bonus units @ 2.50%	-	(139,430)	-	(139,430)
-cash dividend @ 2.50%	-	(14,527)	-	(14,527)
Net income for the period	351,720	300,929	173,755	159,538
Undistributed income carried forward	19,954	7,213	19,954	7,213

The annexed notes 1 to 10 form an integral part of this condensed interim financial report.


For Al Meezan Investment Management Limited
(Management Company)
Mohammad Shoaib, CFA
Chief Executive


Syed Amir Ali
Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2011 (UNAUDITED-NOTE 3)**

	Six months period ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
----- (Rupees in '000) -----				
Net assets at the beginning of the period	5,955,829	5,224,268	5,807,292	5,846,475
Issue of 82,888,602 units (2010: 94,212,223) and 44,312,131 units (2010: 59,661,156) for the six months and quarter respectively	4,170,039	4,766,908	2,223,449	3,021,584
Redemption of 75,995,280 units (2010: 78,343,366) and 31,315,044 units (2010: 53,408,535) for the six months and quarter respectively	(3,817,929)	(3,984,309)	(1,570,982)	(2,715,249)
	352,110	782,599	652,467	306,335
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed (net)	(7,114)	10,733	(2,148)	6,181
Net income / (loss) for the period less distribution	16,243	(163,608)	3,507	5,581
Issue of 3,416,130 bonus units for the period ended June 30, 2010	-	170,806	-	-
Issue of 1,954,007 bonus units for the period ended August 23, 2011	97,720	-	-	-
Issue of 926,235 bonus units for the period ended September 23, 2011	46,330	-	-	-
Issue of 2,795,532 bonus units for the quarter ended September 30, 2010	-	139,774	-	-
Issue of 923,709 bonus units for the period ended October 20, 2011	46,186	-	46,186	-
Issue of 1,015,710 bonus units for the period ended November 22, 2011	50,785	-	50,785	-
Issue of 859,420 bonus units for the period ended December 21, 2011	42,980	-	42,980	-
Issue of 2,786,311 bonus units for the quarter ended December 31, 2010	-	139,430	-	139,430
	284,001	450,010	139,951	139,430
Net assets at the end of the period	<u>6,601,069</u>	<u>6,304,002</u>	<u>6,601,069</u>	<u>6,304,002</u>
Net asset value per unit at the beginning of the period - Rupees	<u>50.03</u>	<u>51.69</u>	<u>50.14</u>	<u>50.01</u>
Net asset value per unit at the end of the period - Rupees	<u>50.15</u>	<u>50.06</u>	<u>50.15</u>	<u>50.06</u>

The annexed notes 1 to 10 form an integral part of this condensed interim financial report.


Mohammad Shoab, CFA
Chief Executive

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


Syed Amir Ali
Director

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2011 (UNAUDITED-NOTE 3)

	Six months period ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
----- (Rupees in '000) -----				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	351,720	300,929	173,755	159,538
Adjustments for non-cash items				
Profit on savings accounts with banks	(243,353)	(255,076)	(121,413)	(129,484)
Profit on placements	(109,570)	(94,521)	(52,719)	(55,996)
Profit on sukuk certificates	(34,555)	-	(19,332)	-
Amortisation of preliminary expenses and floatation costs	303	305	152	154
Element of (income) / loss and capital losses / (gains) included in prices of units issued less those in units redeemed (net)	(7,114)	10,733	(2,148)	6,181
	(42,569)	(37,630)	(21,705)	(19,607)
(Increase) / decrease in assets				
Investments	(300,000)	-	-	-
Deposits and prepayments	106	96	53	51
Placements	950,000	(1,000,000)	800,000	(1,950,000)
	650,106	(999,904)	800,053	(1,949,949)
Increase / (decrease) in liabilities				
Payable to Al Meezan - management company of the Fund	1,791	1,050	331	579
Payable to CDC - trustee of the Fund	68	108	25	61
Payable to SECP	(2,242)	(230)	1,212	1,221
Brokerage payable	(45)	-	-	-
Accrued expenses and other liabilities	(53)	2,443	(92)	(3,037)
	(481)	3,371	1,476	(1,176)
Profit received on savings accounts with banks	234,782	204,825	94,200	54,606
Profit received on sukuk certificates	16,797	-	16,797	-
Profit received on placements	127,372	88,379	82,651	39,833
Net cash inflow / (outflow) from operating activities	986,007	(740,959)	973,472	(1,876,293)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from sale of units	4,170,039	4,766,908	2,223,449	3,021,584
Dividend paid	(58,904)	-	(40,584)	-
Payment against redemption of units	(3,818,063)	(4,012,590)	(1,560,027)	(2,713,747)
Net cash inflow from financing activities	293,072	754,318	622,838	307,837
Net cash inflow / (outflow) during the period	1,279,079	13,359	1,596,310	(1,568,456)
Cash and cash equivalents at the beginning of the period	3,666,697	2,942,794	3,349,466	4,524,609
Cash and cash equivalents at the end of the period	4,945,776	2,956,153	4,945,776	2,956,153

The annexed notes 1 to 10 form an integral part of this condensed interim financial report.

For Al Meezan Investment Management Limited
(Management Company)



Mohammad Shoaib, CFA
Chief Executive



Syed Amir Ali
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2011 (UNAUDITED-NOTE 3)

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Cash Fund (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 May 14, 2009 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 has been formed to provide the unit holders safe and stable stream of halal income on their investments and to generate superior long term risk adjusted returns. The Fund shall also keep an exposure in short-term instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns if available at any given point in time. Under the trust deed all the conducts and acts of the Fund are based on shariah. Meezan Bank Limited (MBL) acts as its shariah advisor 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 Shariah compliant (Islamic) Money Market Scheme listed on the Islamabad 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.
- 1.4 The management company of the fund has been given quality rating of AM2 and the stability rating of the Fund is AA(f) given by JCR - VIS.
- 1.5 Title to the assets of the Fund are held in the name of CDC as the 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 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 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, 2011 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, 2011, 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, 2011 which is not subject to review.
- 3.3 The comparative condensed interim statement of assets and liabilities presented in this condensed interim financial report as at June 30, 2011 has been extracted from the annual audited financial statements of the Fund for the year ended June 30, 2011 whereas the comparative condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement have been extracted from the condensed interim financial report for the six months period ended December 31, 2010 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, condensed interim cash flow statement for the quarter ended December 31, 2010 included in this condensed interim financial report were not subjected to a review.
- 3.4 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed:

During the period, the Fund has revised the methodology for determination of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed. As per the revised methodology, element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the period is recognised in income statement and to the extent that it is represented by unrealised appreciation / (diminution) arising during the period on available for sale securities is included in distribution statement. Previously, the element was recognised based on cumulative values of undistributed income and unrealised gain / (loss) on available for sale securities present in the net asset value of units.

The revised methodology, in the opinion of the management, would ensure that continuing unit holders' share of undistributed income remains unchanged on issue and redemption of units. The change did not have any impact on the net assets value (NAV) of the Fund. Had the management not revised its methodology, income for the period and amount taken to distribution statement would have been higher by Rs 0.377 million.

- 3.5 Standards, amendments to published approved accounting standards and interpretations effective from July 1, 2011:

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, 2011 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.

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

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 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, 2011.

5. BALANCES WITH BANKS	Note	December 31,	June 30,
		2011	2011
		-----Rupees in '000-----	
On saving accounts	5.1	4,941,378	3,659,525
On current accounts		4,398	7,172
		<u>4,945,776</u>	<u>3,666,697</u>

5.1 The balances in savings accounts have an expected profit ranging from 5.04% to 12.9% (June 30, 2011: 5.66% to 12.9%) per annum.

6. PLACEMENTS

Placements carry expected profit rates ranging from 12.25% to 12.75% per annum (June 30, 2011: 12.10% to 13.02% per annum) and are due to mature from January 8, 2012 to March 30, 2012 (June 30, 2011: July 22, 2011 to November 16, 2011).

7. INVESTMENTS

Name of the issuer	Maturity	Profit rate	As at July 01, 2011	Purchases during the quarter	Sales / redemptions during the quarter	As at December 31, 2011	Carrying value as at December 31, 2011	Market value as at December 31, 2011	Unrealised gain / (loss)	Percentage in relation to		
										Net assets of the Fund on the basis of market value (see note 7.3)	Paid up capital of investee company (with face value of investment)	Total market value of investments
				-----Number of Certificate-----			-----Rupees in '000-----					
Kot Addu Power Company Limited - Sukuk (note 7.1 & 7.2)	December 27, 2011	6 months KIBOR + 1.1%	45,000	-	45,000	-	-	-	-	-	-	-
Kot Addu Power Company Limited - Sukuk (note 7.1 & 7.2)	June 27, 2012	6 months KIBOR + 1.1%	-	45,000	-	45,000	225,000	225,000	-	3.41	2.56	42.86
HUB Power Company Limited - Sukuk 7.1 & 7.2)	February 3, 2012	6 months KIBOR + 1.1%	-	60,000	-	60,000	300,000	300,000	-	4.54	2.59	57.14
							<u>525,000</u>	<u>525,000</u>	-			
Total cost of investment							525,000					

7.1 These securities are carried at face value as per the requirement of Circular 1 of 2009 with respect to thinly and non traded debt securities with residual maturities of upto six months.

7.2 The securities carry nominal value of Rs 5,000 each.

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

8. 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.

During the year ended June 30, 2011, 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. In December 2010 the ministry filed its responses against the Constitutional Petition requesting the Court to dismiss the same, whererafter, show cause notices were issued by the Federal Board of Revenue (FBR) to several mutual funds, including the fund, for the collection of WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honorable Sindh High Court (SHC) on the basis of the pending constitutional petition as referred above.

During the current period the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 has declared the said amendments as unlawful and unconstitutional. The management company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC.

The Management Company believes that the aforementioned constitutional petition pending in the Court has strong grounds for decision in favour of the mutual funds. The aggregate unrecognised amount of WWF as at December 31, 2011 amounted to Rs 27.361 million.

9. 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, directors and officers of the management company and Al Meezan Mutual Fund, Al Meezan Mutual Fund Limited, Meezan Islamic Income Fund, Meezan Tahaffuz Pension Fund, Meezan Capital Protected Fund - II, Meezan Islamic Fund, Meezan Sovereign Fund and Meezan Balanced 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, NBFC Regulations and the trust deed respectively.

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

	December 31, 2011	June 30, 2011
	(Rupees in '000)	
Al Meezan - management company of the Fund		
Remuneration payable	5,539	4,634
Sindh sales tax payable on management fee	<u>886</u>	<u>-</u>
MBL		
Balances with bank	12,525	35,667
Profit receivable on savings accounts	<u>388</u>	<u>116</u>
CDC - trustee of the Fund		
Trustee fee payable	524	456
Deposits	<u>100</u>	<u>100</u>
Directors and officers of the management company		
Investments as at December 31, 2011: 411,372 units (June 30, 2011: 452,804 units)	<u>20,630</u>	<u>22,654</u>
	Six months period ended December 31, 2011	Six months period ended December 31, 2010
(Rupees in '000)		
Al Meezan - management company of the Fund		
Remuneration for the period	31,701	31,240
Sindh sales tax on management fee	5,072	-
Units issued: nil units (2010: 396,747)	-	20,000
Redemptions: nil units (2010: 2,085,149)	-	105,812
Bonus units issued: nil units (2010: 143,515)	-	7,177
MBL		
Profit on savings accounts	<u>486</u>	<u>756</u>
CDC - trustee of the Fund		
Trustee fee	<u>3,026</u>	<u>3,627</u>
Directors and officers of the management company		
Units issued: 270,290 units (2010: 227,079)	<u>11,921</u>	<u>11,449</u>
Redemptions: 337,927 units (2010: 866,914)	<u>16,939</u>	<u>43,821</u>
Bonus units issued: 26,205 units (2010: 77,774)	<u>1,304</u>	<u>3,889</u>

10. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial report was authorised for issue on February 23, 2012 by the Board of Directors of the management company.



Mohammad Shoab, CFA
Chief Executive

For Al Meezan Investment Management Limited
(Management Company)



Syed Amir Ali
Director