



Contents

Vision & Mission Statements	22
Fund Information	23
Report of the Directors of the Management Company	24
Trustee Report to the Unit Holders	26
Auditors' Report to the Unitholders on Review of Condensed Interim Financial Information	27
Condensed Interim Statement of Assets and Liabilities	28
Condensed Interim Income Statement	29
Condensed Interim Distribution Statement	30
Condensed Interim Statement of Movement in Unitholders' Funds	31
Condensed Interim Cash Flow Statement	32
Notes to the Condensed Interim Financial Statements	33

Our Vision

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

Our Mission

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

FUND INFORMATION

MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE OF THE MANAGEMENT COMPANY

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

TRUSTEE

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

AUDITORS

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

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

AlBaraka Islamic Bank B.S.C (E.C)
Allied Bank Limited - Islamic Banking
Askari Bank Limited - Islamic Banking
Bank Al Falah Limited - Islamic Banking
Bank Al Habaib Limited - Islamic Banking
BankIslami Pakistan Limited
Dawood Islamic Bank Limited
Dubai Islamic Bank Pakistan Limited
Emirates Global Islamic Bank Limited
Habib Bank Limited - Islamic Banking
Habib Metropolitan Bank Limited - Islamic Banking
MCB Bank Limited - Islamic Banking
Meezan Bank Limited
Royal Bank of Scotland Limited - 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) 565 7658-59
Fax: (9221) 565 7673
E-mail: bawaney@cyber.net.pk

TRANSFER AGENT

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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited

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

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

Economic Review

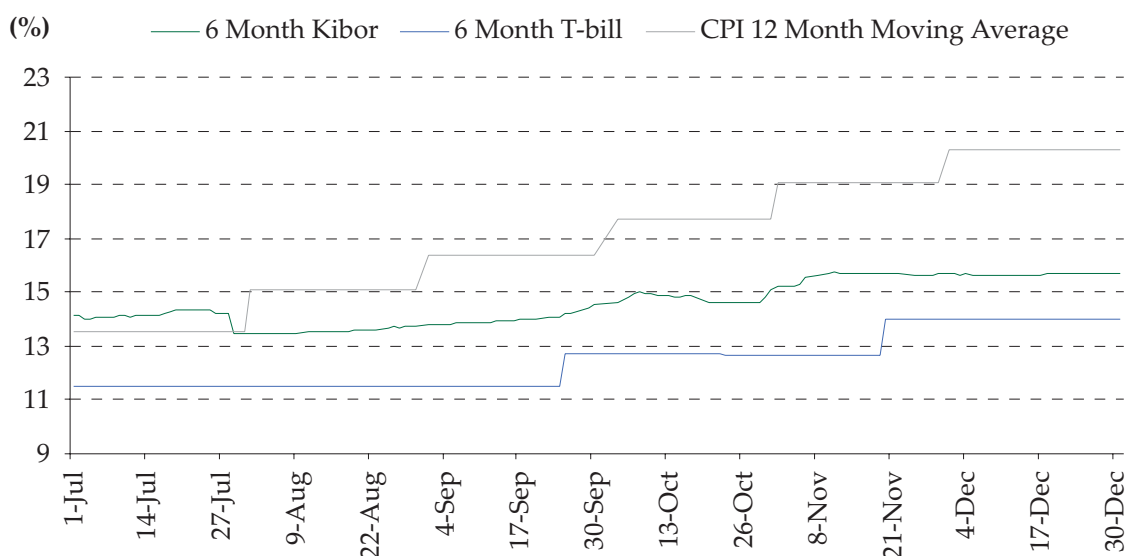
The macroeconomic outlook remained bearish during the initial months of FY09 as inflationary pressures mounted and current account deficit continued to widen unabated. The main reason for widening of the current account deficit was worsening of trade balance. Due to the extraordinary increase in international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

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

Money Market Review - Monetary Tightening

In order to arrest the unabated inflation which hovered around 25% in first four months and to adhere to IMF conditions, the State Bank of Pakistan (SBP) continued its policy of monetary tightening and raised the discount rate by 1% in July and subsequently 2% in November to 15%. This was the 5th increase in the past one and a half year since the start of monetary tightening. The tight monetary stance resulted in six month T-bill rates to increase from 11.47% in June 2008 to 13.99%, an increase of 253 basis points, where as six month KIBOR rate during the same period increased by 151 basis points closing at a record high of 15.7%. The high interest rate environment during the period under review kept the money market highly tight with overnight rates making new highs of over 40% until in October when SBP took some steps to ease off the liquidity. These steps included reduction of Cash Reserve Requirement (CRR) by 4% to 5% on deposits of over one year, relaxation of SLR for deposits of over one year and reducing the minimum Capital Adequacy Requirement to 9% from 10%.

To reduce government borrowing from SBP and to promote Islamic mode of financing, SBP conducted two auctions of Ijara sukuks in which it sold Rs. 12.5 billion worth of sukuks against the target of Rs. 20 billion. The coupon rate for the second auction increased by 163 basis points as compared to the first one and stood at 14.76%. The following graph shows the trend in interest rate during the period under review:



Performance Review

During the half year ended December 31, 2008, MIIF incurred a total loss of Rs. 33 million, which consisted of Rs. 130 million earned on placements with banks, Rs. 8 million of income earned on securities sold on deferred settlement basis, Rs. 17 million of loss incurred on sale of sukuk certificates, Rs. 135 million of income accrued on investment in sukuk certificates, Rs. 277 million of unrealised loss on investments at fair value and Rs. 60 million of unrealised loss on loan and receivable. After accounting for expenses of Rs. 32 million, the operating loss of the Fund was at Rs. 65 million. The element of gain on units sold less those in units redeemed during the period was of Rs. 13 million. The net loss after accounting for above income and expenses was Rs. 52 million.

The net assets of the fund as at December 31, 2008 were Rs. 4,271 million.

During the half year, units amounting to Rs. 4,493 million were issued and units amounting to Rs. 5,812 million were redeemed, resulting in net outflow of Rs. 1,319 million.

Future Outlook

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

Acknowledgement

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

For and on behalf of the Board

Karachi.
February 23, 2009

Mohammad Shoaib, CFA
Chief Executive

TRUSTEE REPORT TO THE UNIT HOLDERS

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

Meezan Islamic Income Fund (the Fund), an open-end scheme was established under a trust deed dated September 13, 2006, executed between Al Meezan Investment Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the period from July 01, 2008 to December 31, 2008 in accordance with the provisions of the following:

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

Muhammad Hanif
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, February 25, 2009

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

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of Meezan Islamic Income Fund (the Fund) as at December 31, 2008 and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unitholders' funds and condensed interim cash flow statement together with the notes forming part thereof for the six months period then ended (here-in-after referred to as the 'condensed interim financial information'). Management company is responsible for the preparation and presentation of this condensed interim financial information in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, (NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations, 2007), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations, 2008), the directives issued by the Securities and Exchange Commission of Pakistan (the directives) and approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim financial information for the quarters ended December 31, 2008 and 2007 and the notes forming part thereof have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2008.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information for the six months period ended December 31, 2008 is not prepared, in all material respects, in accordance with the requirements of the Trust deed, NBFC Rules, NBFC Regulations, 2007, NBFC Regulations, 2008, the directives and approved accounting standards as applicable in Pakistan.

A. F. Ferguson & Co.

Chartered Accountants

Karachi, February 27, 2009

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

		December 31, 2008	June 30, 2008
	Note	(Rupees in '000)	
Assets			
Balances with banks		1,120,554	1,155,498
Placements	5	1,400,000	2,596,250
Investments	6	1,597,107	1,927,564
Financial instruments sold on deferred settlement basis		-	2,863
Deposits, prepayments and other receivables		167,888	210,647
Preliminary expenses and floatation costs		1,248	1,500
Total assets		4,286,797	5,894,322
Liabilities			
Payable to Al Meezan Investment Management Limited - management company of the Fund		5,594	6,717
Payable to Central Depository Company of Pakistan Limited - trustee of the Fund		448	540
Payable to Securities and Exchange Commission of Pakistan		2,420	5,784
Payable to Meezan Bank Limited - shariah adviser of the Fund		603	328
Payable on redemption of units		2,388	56,154
Payable against purchase of investments		-	87,067
Accrued expenses and other liabilities		4,761	694
Total liabilities		16,214	157,284
Net assets		4,270,583	5,737,038
Commitments	7		
Unitholders' funds (as per statement attached)		4,270,583	5,737,038
		Number of units	
Number of units in issue		89,034,240	111,692,016
		Rupees	
Net asset value per unit		47.97	51.36

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

CONDENSED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2008 (UNAUDITED - NOTE 3)

	Six months period ended December 31		Quarter ended December 31	
	2008	2007	2008	2007
Note	(Rupees in '000)			
Income				
Profit on savings accounts with banks	38,392	183,037	27,826	114,932
Profit on placements	130,097	-	59,256	-
Profit on sukuk certificates	134,580	33,519	69,279	26,547
Profit on diminishing musharaka certificates	12,440	-	6,644	-
Realised income / (loss) on sale of securities on deferred settlement basis	7,940	(2,055)	(390)	(10,521)
Realised loss on sale of sukuk certificates	(16,640)	-	(16,640)	-
Other income	15	-	-	-
	306,824	214,501	145,975	130,958
Unrealised loss on re-measurement of investments at fair value through profit or loss (net)	(276,828)	(17,523)	(275,312)	(22,049)
Unrealised loss on re-measurement of loan and receivables	(60,000)	-	(60,000)	-
(Loss) / gain on re-measurement of financial instruments sold on deferred settlement basis (net)	(2,863)	45,656	-	42,379
	(339,691)	28,133	(335,312)	20,330
Total (loss) / income	(32,867)	242,634	(189,337)	151,288
Expenses				
Remuneration to Al Meezan Investment Management Limited - management company of the Fund	25,399	24,553	11,478	15,032
Remuneration to Central Depository Company of Pakistan Limited - trustee of the Fund	3,044	2,959	1,400	1,755
Annual fee to Securities and Exchange Commission of Pakistan	2,420	2,455	1,028	1,502
Remuneration to Meezan Bank Limited - shariah adviser of the Fund	151	151	75	75
Auditors' remuneration	271	287	118	199
Fees and subscription	88	76	44	38
Legal and professional charges	38	-	19	-
Amortisation of preliminary expenses and floatation costs	252	252	126	126
Brokerage	234	2,135	25	1,199
Bank and settlement charges	124	594	36	291
Printing expense	258	-	258	-
Total expenses	32,279	33,462	14,607	20,217
Net (loss) / income from operating activities	(65,146)	209,172	(203,944)	131,071
Element of income and capital gains included in prices of units sold less those in units redeemed	13,490	76,000	21,368	42,833
Net (loss) / income	(51,656)	285,172	(182,576)	173,904
(Loss) / earnings per unit outstanding - basic (Rupees)	8	2.20	(2.05)	1.34

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

CONDENSED INTERIM DISTRIBUTION STATEMENT
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2008 (UNAUDITED - NOTE 3)

	Note	Six months period ended December 31		Quarter ended December 31	
		2008	2007	2008	2007
(Rupees in '000)					
Undistributed income brought forward		152,437	134,843	1,447	112,910
Less: Final distribution in the form of bonus units @ 2.7% for the year ended June 30, 2008 (June 30, 2007: @ 4.4%)		(115,970)	(133,201)	-	-
Less: Final distribution in the form of cash dividend @ 2.7% for the year ended June 30, 2008 (June 30, 2007: Nil)		(34,814)	-	-	-
Less: Interim distribution in the form of bonus units @ 2.54% for the quarter ended September 30, 2008	9	(83,468)	-	-	-
Less: Interim distribution in the form of cash dividend @ 2.54% for the quarter ended September 30, 2008	9	(47,658)	-	-	-
Net (loss) / income for the period		(51,656)	285,172	(182,576)	173,904
Undistributed (loss) / income carried forward		<u>(181,129)</u>	<u>286,814</u>	<u>(181,129)</u>	<u>286,814</u>

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNITHOLDERS' FUNDS
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2008 (UNAUDITED - NOTE 3)**

	Six months period ended December 31		Quarter ended December 31	
	2008	2007	2008	2007
	(Rupees in '000)			
Net assets at the beginning of the period	5,737,038	3,162,128	5,294,976	5,366,040
Issue of 89,358,550 units (2007: 142,916,034 units) and 30,933,567 units (2007: 78,745,011 units) for the six months and quarter respectively.	4,493,415	7,342,286	1,541,153	4,083,109
Redemption of 116,004,289 units (2007: 76,322,717 units) and 47,769,905 units (2007: 54,006,158 units) for the six months and quarter respectively.	(5,812,252)	(3,936,701)	(2,361,602)	(2,803,335)
	(1,318,837)	3,405,585	(820,449)	1,279,774
Element of income and capital gains included in prices of units sold less those in units redeemed	(13,490)	(76,000)	(21,368)	(42,833)
Net (loss) / income for the period less distribution	(333,566)	151,971	(182,576)	173,904
Issue of 2,318,937 bonus units for the year ended June 30, 2008 (2,662,414 bonus units for the period December 13, 2006 to June 30, 2007)	115,970	133,201	-	-
Issue of 1,669,026 bonus units for the quarter ended September 30, 2008 (Nil bonus units for the quarter ended September 30, 2007)	83,468	-	-	-
Net assets at the end of the period	<u>4,270,583</u>	<u>6,776,885</u>	<u>4,270,583</u>	<u>6,776,885</u>

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2008 (UNAUDITED - NOTE 3)

	Six months period ended		Quarter ended	
	December 31		December 31	
	2008	2007	2008	2007
(Rupees in '000)				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net (loss) / income	(51,656)	285,172	(182,576)	173,904
Adjustments for non-cash items				
Profit on savings accounts with banks	(38,392)	(183,037)	(27,826)	(114,932)
Profit on placements	(130,097)	-	(59,256)	-
Profit on sukuk certificates	(134,580)	(33,519)	(69,279)	(26,547)
Profit on diminishing musharaka certificates	(12,440)	-	(6,644)	-
Unrealised loss on re-measurement of investments at fair value through profit or loss (net)	276,828	17,523	275,312	22,049
Unrealised loss on re-measurement of loan and receivables	60,000	-	60,000	-
Loss / (gain) on re-measurement of financial instruments sold on deferred settlement basis (net)	2,863	(45,656)	-	(42,379)
Amortisation of preliminary expenses and floatation costs	252	252	126	126
Element of income and capital gains included in prices of units sold less those in units redeemed	(13,490)	(76,000)	(21,368)	(42,833)
	<u>10,944</u>	<u>(320,437)</u>	<u>151,065</u>	<u>(204,516)</u>
Decrease / (increase) in assets				
Placements	1,196,250	(2,799,780)	1,038,750	(1,238,750)
Investments	(4,520)	(788,361)	237,893	(549,444)
Receivable against sale of investments	-	188,287	-	188,912
Deposits, prepayments and other receivables	(17)	(2,508)	(16)	(2,497)
	<u>1,191,713</u>	<u>(3,402,362)</u>	<u>1,276,627</u>	<u>(1,601,779)</u>
(Increase) / decrease in liabilities				
Payable to Al Meezan Investment Management Limited - management company of the Fund	(1,123)	3,163	(951)	1,100
Payable to Central Depository Company of Pakistan Limited - trustee of the Fund	(92)	368	(72)	208
Payable to Securities and Exchange Commission of Pakistan	(3,364)	1,725	1,028	773
Payable to Meezan Bank Limited - shariah adviser of the Fund	275	(40)	206	(115)
Payable on redemption of units	(53,766)	62,419	1,028	82,164
Payable against purchase of investments	(87,067)	(64,433)	(327,000)	111,002
Accrued expenses and other liabilities	4,067	584	(5,393)	473
	<u>(141,070)</u>	<u>3,786</u>	<u>(331,154)</u>	<u>195,605</u>
Profit received on savings accounts with banks	36,682	91,426	30,111	34,596
Profit received on placements	187,939	-	70,353	-
Profit received on diminishing musharaka certificates	10,589	-	10,589	-
Profit received on sukuk certificates	121,224	9,363	62,618	6,352
Net cash inflow / (outflow) from operating activities	<u>1,366,365</u>	<u>(3,333,052)</u>	<u>1,087,633</u>	<u>(1,395,838)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from sale of units	4,493,415	7,342,286	1,541,153	4,083,109
Payments against redemption of units	(5,812,252)	(3,936,701)	(2,361,602)	(2,803,335)
Dividend paid	(82,472)	-	-	-
Net cash (outflow) / inflow from financing activities	<u>(1,401,309)</u>	<u>3,405,585</u>	<u>(820,449)</u>	<u>1,279,774</u>
Net cash (outflow) / inflow during the period	(34,944)	72,533	267,184	(116,064)
Cash and cash equivalents at the beginning of the period	1,155,498	638,720	853,370	827,317
Cash and cash equivalents at the end of the period	<u>1,120,554</u>	<u>711,253</u>	<u>1,120,554</u>	<u>711,253</u>

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

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



Chief Executive

Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2008 (UNAUDITED - NOTE 3)

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Islamic Income Fund (the Fund) was established under a Trust Deed executed between Al Meezan Investment Management Limited (AMIML) as management company and Central Depository Company of Pakistan Limited (CDC) as trustee. The Trust Deed was executed on September 13, 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). On November 21, 2007, Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations, 2007) were notified which are now superseded by the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations, 2008) issued through S.R.O.1203(I)/2008 on November 21, 2008. The registered office of the management company of the Fund, is situated at Finance and Trade Centre, Shahrah- e-Faisal, Karachi, Pakistan.
- 1.2 The Fund has been formed to provide the unitholders safe and stable stream of halal income on their investments and to generate superior long term risk adjusted returns. The Fund shall also keep an exposure in short-term instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns if available at any given point of time. Under the trust deed all conducts and acts of the Fund are based on shariah. Meezan Bank Limited (MBL) acts as its shariah adviser to ensure that the activities of the Fund are in compliance with the principles of shariah. The management company of the Fund is registered with the SECP as a Non-Banking Finance Company under the NBFC Rules.
- 1.3 The Fund is an open-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 stability rating of the Fund is A(f) given by JCR - VIS Credit Rating Company Limited.
- 1.4 Title to the assets of the Fund are on the name of CDC as a trustee of the Fund.

2. BASIS OF MEASUREMENT

The transactions undertaken by the Fund in accordance with the process prescribed under the shariah guidelines issued by the shariah adviser are accounted for on substance rather than the form prescribed by the aforementioned guidelines. This practice is being followed to comply with the requirements of approved accounting standards as applicable in Pakistan.

3. STATEMENT OF COMPLIANCE

- 3.1 These condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, the trust deed, NBFC Rules, NBFC Regulations, 2007, NBFC Regulations, 2008 and the directives issued by the SECP. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the trust deed, NBFC Rules, NBFC Regulations, 2007, NBFC Regulations, 2008 and the said directives differ with the requirements of these standards, the requirements of the trust deed, NBFC Rules, NBFC Regulations, 2007, NBFC Regulations, 2008 and the said directives take precedence. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the IAS 34: 'Interim Financial Reporting'.

3.2 These condensed interim financial statements comprise of the condensed interim statement of assets and liabilities as at December 31, 2008 and the condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes thereto for the six months period ended December 31, 2008, which have been subject to a review but not audited. These condensed interim financial statements also include condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes thereto for the quarter ended December 31, 2008 which is not subjected to review.

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 The accounting policies adopted in the preparation of these condensed interim financial statements and the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied in the preparation of the financial statements for the year ended June 30, 2008, except those for the 'fair value measurement principles' as stated in note 4.2 below.

4.2 The fair value of marketable securities and derivatives and financial instruments sold on deferred settlement basis is based on their prices quoted on the Karachi Stock Exchange and Mutual Funds Association of Pakistan upto November 4, 2008 without any deduction for estimated future selling costs. The SECP through its circular No. 26/2008 dated November 5, 2008 (the circular) has directed that for valuation of debt securities a fixed discount rate be applied on the face value of the securities based on the security / entity rating. Accordingly, subsequent to the date of circular valuation of debt securities has been determined by this method upto the balance sheet date.

5. PLACEMENTS

Placements carry expected profit at rates ranging from 10.10 percent per annum to 14 percent per annum (June 30, 2008: 9.58 percent per annum to 10.3 percent per annum) and are due to mature from February 6, 2009 to March 15, 2009.

	Note	December 31, 2008	June 30, 2008
		(Rupees in '000)	
6. INVESTMENTS			
Investments at fair value through profit or loss	6.1	1,452,334	1,724,642
Loans and receivables - originated by the enterprise	6.2	144,773	202,922
		<u>1,597,107</u>	<u>1,927,564</u>
6.1 Investments at fair value through profit or loss			
- Held for trading	6.1.1	-	195,527
- Investments at fair value through profit or loss upon initial recognition	6.1.2	1,452,334	1,529,115
		<u>1,452,334</u>	<u>1,724,642</u>
6.1.1 Held for trading			
Shares of listed companies	6.1.1.1	-	157,637
Sukuk certificates	6.1.1.4	-	37,890
		-	<u>195,527</u>

6.1.1.1 Shares of listed companies

Name of the investee company	As at July 1, 2008	Purchases during the period	Bonus / rights issue	Sales during the period	As at December 31, 2008	Carrying value as at December 31, 2008	Market value as at December 31, 2008	Percentage of net assets on the basis of market value (see note 6.1.1.3 below)	Percentage of total investment	Percentage of paid up capital of investee company
	----- Number of shares -----					----- (Rupees in '000) -----				
Securities sold under deferred settlement basis										
Textile Composite										
Nishat Mills Limited	131,000	732,000	-	863,000	-	-	-	-	-	-
Cement										
D G Khan Cement Company Limited	265,500	485,500	-	751,000	-	-	-	-	-	-
Technology and communication										
Pakistan Telecommunication Company Limited 'A'	1,030,000	1,020,000	-	2,050,000	-	-	-	-	-	-
Oil and gas exploration companies										
Oil and Gas Development Company Limited	-	13,000	-	13,000	-	-	-	-	-	-
Pakistan Oilfields Limited	130,500	3,000	-	133,500	-	-	-	-	-	-
Pakistan Petroleum Limited	-	36,000	-	36,000	-	-	-	-	-	-
Oil and gas marketing company										
Pakistan State Oil Company Limited	-	122,500	-	122,500	-	-	-	-	-	-
Fertilizer										
Engro Chemical Pakistan Limited	146,500	334,000	-	480,500	-	-	-	-	-	-
Grand total						<u>-</u>	<u>-</u>			
Total cost of investments						<u>-</u>	<u>-</u>			

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

6.1.1.3 Net assets are as defined in Regulation 66 of the NBFC Regulations, 2008.

6.1.1.4 Sukuk certificates

Name of the investee company	Maturity date	Profit rate	As at July 1, 2008	Purchases during the period	Sales during the period	Redemptions during the period	As at December 31, 2008	Carrying value as at December 31, 2008	Discounted value as at December 31, 2008	Percentage of net assets on the basis of market value (see note 6.1.1.3 above)	Percentage of total investment	Percentage of paid up capital of investee company
WAPDA First Sukuk Certificates (note 6.1.1.5)	October 22, 2012	6 months Kibor plus base rate of 0.35%	7,500	-	7,500	-	-	-	-	-	-	-
GoP Ijarah Sukuk Certificates (note 6.1.1.6)	September 26, 2011	13.1376%	-	150	150	-	-	-	-	-	-	-
Total cost of investments									-	-	-	-

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

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

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

6.1.2.1 Sukuk certificates

Name of the investee company	Maturity date	Profit rate	As at July 1, 2008	Purchases during the period	Sales during the period	Redemptions during the period	As at December 31, 2008	Carrying value as at December 31, 2008	Discounted value as at December 31, 2008 (see note 6.1.2.6 below)	Percentage of net assets on the basis of discounted value (see note 6.1.1.3 above)	Percentage of total investment	Percentage of paid up capital of investee company
Arzoo Textile Mills Limited (note 6.1.2.2)	April 15, 2014	6 months Kibor plus base rate of 2%	14,000	-	-	-	14,000	70,700	49,000	1.15	3.07	10.20
Century Paper & Board Mills Limited (note 6.1.2.2)	September 25, 2014	6 months Kibor plus base rate of 1.35%	5,000	10,000	-	-	15,000	75,495	65,625	1.54	4.11	10.61
Dawood Hercules Chemicals Limited (note 6.1.2.3)	September 18, 2012	6 months Kibor plus base rate of 1.2%	3,950	-	3,950	-	-	-	-	-	-	-
Eden Builders Limited (note 6.1.2.2)	December 15, 2013	3 months Kibor plus base rate of 2.3%	-	5,300	-	-	5,300	26,500	21,862	0.51	1.37	2.73
Eden Housing Limited (note 6.1.2.2)	April 2, 2013	6 months Kibor plus base rate of 2.5%	59,400	-	-	-	59,400	300,267	245,025	5.74	15.34	16.97
Engro Chemical Pakistan Limited (note 6.1.2.2)	September 1, 2015	6 months Kibor plus base rate of 1.5%	60,000	500	-	-	60,500	309,010	272,250	6.38	17.05	14.21
Security Leasing Corporation Limited II (note 6.1.2.2)	September 19, 2012	6 months Kibor plus base rate of 1.95%	10,000	-	-	-	10,000	50,200	35,000	0.82	2.19	13.77
Shahmurad Sugar Mills Limited (note 6.1.2.4)	September 30, 2012	6 months Kibor plus base rate of 2.25%	73	-	-	-	73	72,912	58,400	1.37	3.66	34.57

Name of the investee company	Maturity date	Profit rate	As at July 1, 2008	Purchases during the period	Sales during the period	Redemptions during the period	As at December 31, 2008	Carrying value as at December 31, 2008	Discounted value as at December 31, 2008 (see note 6.1.2.6 below)	Percentage of net assets on the basis of discounted value (see note 6.1.1.3 above)	Percentage of total investment	Percentage of paid up capital of investee company
			----- Number of certificates -----						---- (Rs in '000) ----			
Sitara Chemical Industries Limited II (note 6.1.2.5)	December 17, 2011	3 months Kibor plus base rate of 1.7%	11,040	-	-	-	11,040	41,775	28,980	0.68	1.81	20.29
Sitara Chemical Industries Limited III (note 6.1.2.2)	December 31, 2012	3 months Kibor plus base rate of 1%	27,000	-	-	-	27,000	135,000	94,500	2.21	5.92	66.15
Karachi Shipyard & Engineering Works Limited (note 6.1.2.2)	November 2, 2015	6 months Kibor plus base rate of 0.4%	-	36,000	24,000	-	12,000	59,715	59,760	1.40	3.74	N/A
Karachi Shipyard & Engineering Works Limited II (note 6.1.2.2)	February 4, 2016	6 months Kibor plus base rate of 0.4%	-	160,200	106,800	-	53,400	265,732	265,932	6.23	16.65	N/A
Maple Leaf Cement Factory Limited (notes 6.1.2.2)	December 1, 2013	6 months Kibor plus base rate of 1.7%	64,000	-	-	-	64,000	321,856	256,000	5.99	16.03	8.60
Grand Total								<u>1,729,162</u>	<u>1,452,334</u>			
Total cost of investments									<u>1,715,847</u>			

6.1.2.2 The nominal value of the sukuk certificates of Arzoo Textile Mills Limited, Century Paper & Board Mills Limited, Eden Builders Limited, Eden Housing Limited, Engro Chemicals Pakistan Limited, Security Leasing Corporation Limited II, Sitara Chemical Industries Limited III, Karachi Shipyard & Engineering Works Limited I & II and Maple Leaf Cement Factory Limited are Rs. 5,000 each.

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

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

6.1.2.5 The nominal value of the sukuk certificates of Sitara Chemical Industries Limited II is Rs 3,750 each.

6.1.2.6 SECP, through its circulars No.26/2008 and NBFC/MF-Cir/897 dated November 5, 2008 and November 6, 2008 respectively set forth the valuation of debt securities by applying the specified discount rates on the face value of the debt securities for calculating NAV. The Fund has computed the discounted value by applying the specified discount rates on the face value of the debt securities and reducing the calculated discount from the existing face value of the debt securities.

6.2 Loans and receivables - originated by the enterprise

6.2.1 Diminishing musharaka certificates

Name of the investee company	Maturity date	Profit rate	As at July 1, 2008	Purchases during the period	Sales during the period	Redemptions during the period	As at December 31, 2008	Carrying value as at December 31, 2008	Discounted value as at December 31, 2008 (see note 6.1.2.6 above)	Percentage of net assets on the basis of discounted value (see note 6.1.1.3 above)	Percentage of total investment	Percentage of paid up capital of investee company
			----- Number of certificates -----						---- (Rs in '000) ----			
D.G Khan Cement Company Limited Diminishing Musharaka Certificate - I	May 8, 2010	6 months Kibor plus base rate of 0.5%	2,000	-	-	-	2,000	144,773	144,773	3.39	9.06	7.89
								<u>144,773</u>	<u>3.39</u>			

6.2.1.1 The nominal value of the diminishing musharaka certificate is Rs 100,000 each.

7. FINANCIAL INSTRUMENTS SOLD ON DEFERRED SETTLEMENT BASIS

Financial Instruments sold on deferred settlement basis outstanding as at December 31, 2008 amounted to Rs nil (June 30, 2008: Rs 2.863 million).

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

	Six months period ended December 31		Quarter ended December 31	
	2008	2007	2008	2007
	(Rupees in '000)			
Net (loss) / profit for the period (Rupees in '000)	<u>(51,656)</u>	<u>285,172</u>	<u>(182,576)</u>	<u>173,904</u>
Units outstanding	<u>89,034,240</u>	<u>129,801,445</u>	<u>89,034,240</u>	<u>129,801,445</u>
(Loss) / earnings per unit outstanding - basic (Rupees)	<u>(0.58)</u>	<u>2.20</u>	<u>(2.05)</u>	<u>1.34</u>

9. INTERIM DISTRIBUTION

9.1 The Fund, on the basis of results of its quarter ended September 30, 2008 (accounting period) has distributed dividend, in the form of bonus and cash, at the rate of 2.54%. The total distribution for that accounting period amounted to Rs 131.126 million out of the total profit for that period.

The Fund has a net loss of Rs 51.656 million during the six months period ended December 31, 2008.

9.2 The board of directors of the management company of the Fund had approved the interim distribution in the form of bonus units amounting to Rs 83.468 million and interim cash dividend amounting to Rs 47.658 million on September 30, 2008. However liability in this respect was not recognised in the condensed interim financial statements for the quarter ended September 30, 2008.

9.3 The board of directors in its meeting held on February 23, 2009 has announced an interim dividend of 1.50% amounting to Rs 69.449 million equivalent to 881,003 bonus units and cash dividend of Rs 25.020 million out of the net profit of the fund for the period July 1, 2008 to February 21, 2009. Such dividend shall be accounted for in the financial statements for the nine months period ending March 31, 2009.

10. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include AMIML being the management company, CDC being the Trustee, MBL being the the shariah adviser of the Fund and holding company of the management company, Pakistan Kuwait Investment Company (Private) Limited and Al Meezan Mutual Fund Limited, Meezan Islamic Fund, Meezan Tahaffuz Pension Fund, Meezan Balanced Fund and Meezan Capital Protected Fund - I 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, 2007, NBFC Regulations, 2008 and the trust deed respectively.

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

	December 31, 2008	June 30, 2008
	(Rupees in '000)	
Al Meezan Investment Management Limited - management company of the fund		
Remuneration for the period	25,399	57,841
Sales load for the period	467	1,082
Preliminary expenses and floatation costs	1,500	2,000
Certificate charges	1	1
	<u>27,367</u>	<u>60,924</u>
Payments made during the period	(21,773)	(54,207)
Balance at the end of the period	<u>5,594</u>	<u>6,717</u>
Units issued: 3,225,337 units (June 30, 2008: 5,970,765 units)	<u>163,000</u>	<u>311,720</u>
Redemptions: 3,226,232 units (June 30, 2008: 4,405,188 units)	<u>162,598</u>	<u>226,000</u>
Bonus units issued: 94,990 units (June 30, 2008: 324,668 units)	<u>4,750</u>	<u>16,373</u>
Meezan Bank Limited - shariah adviser of the Fund		
Opening balance of remuneration	300	-
Remuneration as the shariah adviser	151	300
Sales load for the period	152	333
	<u>603</u>	<u>633</u>
Payments made during the period	-	(305)
Balance at the end of the period	<u>603</u>	<u>328</u>
Bank balance in savings account	<u>6,338</u>	<u>396,453</u>
Profit on savings accounts	<u>12,640</u>	<u>111,621</u>
Units issued: 3,953,746 units (June 30, 2008: 39,346,905 units)	<u>200,000</u>	<u>2,061,216</u>
Redemptions: nil units (June 30, 2008: 26,729,386 units)	<u>-</u>	<u>1,419,391</u>
Bonus units issued: nil units (June 30, 2008: 237,458 units)	<u>-</u>	<u>11,880</u>
Cash dividend paid	<u>56,144</u>	<u>63,410</u>

	December 31, 2008	June 30, 2008
	(Rupees in '000)	
Central Depository Company of Pakistan Limited - trustee of the Fund		
Remuneration for the period	3,044	6,787
CDS charges for the period	22	135
	<u>3,066</u>	<u>6,922</u>
Payments made during the period	<u>(2,618)</u>	<u>(6,382)</u>
Balance at the end of the period	<u>448</u>	<u>540</u>
Units issued: 532,649 units (June 30, 2008: 555,627 units)	<u>27,000</u>	<u>28,417</u>
Redemptions: 1,131,293 units (June 30, 2008: 555,627 units)	<u>55,971</u>	<u>28,276</u>
Bonus units issued: 43,017 units (June 30, 2008: 55,627 units)	<u>2,151</u>	<u>2,796</u>

Directors and executives

Units issued: 1,654,904 units (June 30, 2008: 509,320 units)	<u>82,997</u>	<u>26,432</u>
Redemptions: 1,174,059 units (June 30, 2008: 244,218 units)	<u>59,287</u>	<u>12,511</u>
Bonus units issued: 45,131 units (June 30, 2008: 71,739 units)	<u>2,257</u>	<u>3,610</u>

Pak Kuwait Investment Company (Private) Limited

Bonus units issued: 35,388 units (June 30, 2008: 66,752 units)	<u>1,770</u>	<u>3,356</u>
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11. DATE OF AUTHORISATION FOR ISSUE

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

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

Chief Executive

Director