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Our Vision

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

Our Mission

“ To be the leading mutual fund in the industry, providing unitholders, in a truly SHARIAH COMPLIANT way,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) 35630722-6, 111-MEEZAN
Fax: (9221) 35676143, 35630808
Web site: www.almeezangroup.com
E-mail: info@almeezangroup.com

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

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

TRUSTEE

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

AUDITORS

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

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

Al Baraka Islamic Bank B.S.C (E.C)
Bank Alfalah Limited - Islamic Banking
Bank Al Habib Limited - Islamic Banking
Bank Islami Pakistan Limited
Habib Bank Limited - Islamic Banking
Habib Metropolitan Bank Limited - Islamic Banking
MCB Bank Limited - Islamic Banking
Meezan Bank Limited
Soneri Bank Limited - Islamic Banking
UBL Ameen Islamic Banking
Standard Chartered Bank (Pakistan) Limited - 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: 32062891
Fax: 32552771
Web site: www.meezanbank.com

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of Al Meezan Investment Management Limited, the management company of Meezan Islamic Income Fund (MIIF) is pleased to present the un-audited financial statements of the fund for the half year ended December 31, 2009.

Economic Review

Pakistan has shown gradual recovery and improvement on the macroeconomic front in the first half of fiscal year 2010. Average year-on-year inflation during the period eased off to 10.3%, which averaged 24.4% during the same period last year. Release of IMF tranche and improved balance of trade numbers have provided a strong impetus to the economy. As a result, foreign exchange reserves increased from US\$ 11.9 billion in June 2009 to US\$ 13.8 billion at the end of December 2009, which is exclusive of the US\$ 1.2 billion tranche received from IMF at the end of 2009. This helped in stabilizing rupee against US dollar, with the rupee depreciating by 4.3% in the period under review. Moreover, remittance inflows made new records, with the first half fiscal year 2010 figure totaling US\$ 4.5 billion, providing crucial support to the balance of payment situation.

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

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

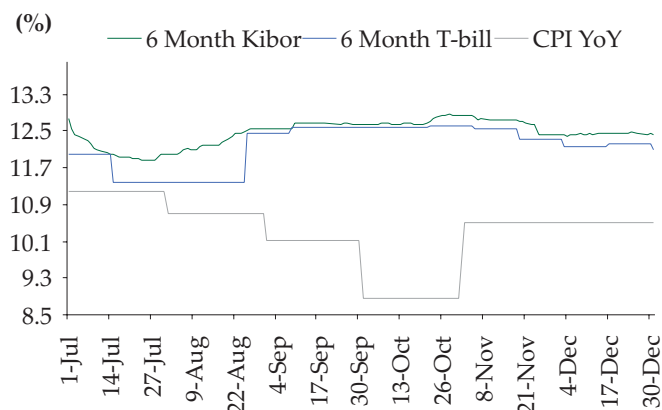
Monetary Softening

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

The soft monetary stance resulted in six month KIBOR to decline by 33bps to close the half year at 12.43%. However, six month T-bill rate increased by 10bps to close at 12.10%. Moreover, the introduction of interest rate corridor stabilized the overnight call and repo rates within a narrow range of 11.5% to 12.5%.

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

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



Performance Review

Meezan Islamic Income Fund recorded a total income of Rs. 256 million for the half year ended December 31, 2009. Profit on Sukuk certificates was the primary driver of earnings contributing about Rs. 140 million to entire profit. A sum of Rs. 98 million was earned on savings accounts with banks while term placements with banks yielded almost Rs. 43 million. The Fund also incurred unrealised losses of Rs. 38 million. After deducting expenses worth Rs. 50 million and adjusting for other small heads, the fund posted a net income of Rs. 185 million, which translates into earnings per unit of almost Rs. 2.3. This represents a complete turnaround of performance of the Fund compared to corresponding period last year when it posted a loss per unit of Rs. 0.55. As at the end of period, MIIF had Rs. 4.1 billion of assets under management, with a net asset value of Rs. 50.83 per unit.

The Board has already approved provisioning policy according to which the provisioning has been made by the management in the sukuks of Arzoo Textile Mills and Maple Leaf Cement Factory. During the first half of financial year, 2010, MIIF was able to provide an annualized return of 7.70% to its investors.

Outlook

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

Acknowledgement

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

For and on behalf of the Board

Date: February 15, 2010
Karachi.

Mohammad Shoaib, CFA
Chief Executive



TRUSTEE REPORT TO THE UNIT HOLDERS

MEEZAN ISLAMIC INCOME FUND

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

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


Muhammad Hanif
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, February 09, 2010

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office: CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shakra-e-Faisal, Karachi-74400, Pakistan. Ph : (92-21) 111-111-500, Fax : (92-21) 34326020-23
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PRICEWATERHOUSECOOPERS 

A.F. Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road, P.O. Box 4716
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Telephone: (021) 32426682-6 / 32426711-5
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AUDITORS' REPORT TO THE UNITHOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction


We have reviewed the accompanying condensed interim statement of assets and liabilities of Meezan Islamic Income Fund (the Fund) as at December 31, 2009 and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unitholders' funds and condensed interim cash flow statement together with the notes forming part thereof for the six months period then ended (here-in-after referred to as the 'condensed interim financial information'). The Management Company is responsible for the preparation and presentation of this condensed interim financial information in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim financial information for the quarters ended December 31, 2009 and 2008 have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2009.

Scope of review

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

Conclusion

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


Chartered Accountants
Karachi, February 17, 2010

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

	December 31, 2009	June 30, 2009
	Note	(Rupees in '000)
Assets		
Balances with banks		126,780
Placements	5	1,301,480
Investments	6	1,335,500
Deposits, prepayments and other receivables (net)		2,963,120
Preliminary expenses and floatation costs		164,797
Total assets		<u>4,180,445</u>
Liabilities		
Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund		6,918
Payable to Central Depository Company of Pakistan Limited (CDC) - trustee of the Fund		464
Payable to Securities and Exchange Commission of Pakistan (SECP)		2,029
Payable to Meezan Bank Limited (MBL)		41
Payable on redemption of units		49,567
Accrued expenses and other liabilities		2,484
Total liabilities		<u>61,503</u>
Net assets		<u>4,118,942</u>
Commitments		
Unitholders' funds (as per statement attached)		<u>4,118,942</u>
		<u>4,872,608</u>
		Number of units
Number of units in issue		<u>81,040,817</u>
		<u>93,860,629</u>
		Rupees
Net asset value per unit		<u>50.83</u>
		<u>51.91</u>

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

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

Chief Executive

Director

CONDENSED INTERIM INCOME STATEMENT

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

	Six months period ended		Quarter ended	
	December 31		December 31	
	2009	2008	2009	2008
	(Rupees in '000)			
Income				
Profit on savings accounts with banks	98,333	38,392	34,169	27,826
Profit on placements	43,259	130,097	25,527	59,256
Profit on sukuk certificates	140,546	134,580	71,436	69,279
Profit on diminishing musharaka certificates	13,789	12,440	6,807	6,644
Realised income / (loss) on sale of securities on deferred settlement basis	-	7,940	-	(390)
Realised gain / (loss) on sale of sukuk certificates	4,357	(16,640)	3,681	(16,640)
Other income	-	15	-	-
	300,284	306,824	141,620	145,975
Unrealised loss on re-measurement of investments at fair value through profit or loss (net)	(38,086)	(276,828)	(46,716)	(275,312)
Unrealised loss on re-measurement of loan and receivables	-	(60,000)	-	(60,000)
Loss on re-measurement of financial instruments sold on deferred settlement basis (net)	-	(2,863)	-	-
Provision against profit on sukuk certificates	(6,110)	-	(6,110)	-
	(44,196)	(339,691)	(52,826)	(335,312)
Total income / (loss)	256,088	(32,867)	88,794	(189,337)
Expenses				
Remuneration to Al Meezan - management company of the Fund	40,589	25,399	19,770	11,478
Remuneration to CDC - trustee of the Fund	3,210	3,044	1,570	1,400
Annual fee to SECP	2,029	2,420	988	1,028
Remuneration to MBL	-	151	-	75
Auditors' remuneration	327	271	209	118
Fees and subscription	111	88	103	44
Legal and professional charges	3,000	38	-	19
Amortisation of preliminary expenses and floatation costs	252	252	126	126
Brokerage	115	234	115	25
Bank and settlement charges	52	124	35	36
Printing expense	293	258	293	258
Total expenses	49,978	32,279	23,209	14,607
Net income / (loss) from operating activities	206,110	(65,146)	65,585	(203,944)
Element of (loss) / income and capital (losses) / gains included in prices of units sold less those in units redeemed	(20,457)	13,490	(32,036)	21,368
Net income / (loss) for the period	185,653	(51,656)	33,549	(182,576)
Other comprehensive income / (loss) for the period				
Unrealised gain on available for sale investments	7,182	-	3,717	-
Element of income and capital gains included in prices of units sold less those in units redeemed pertaining to available for sale investment	11	-	1,479	-
Total comprehensive income / (loss) for the period	192,846	(51,656)	38,745	(182,576)

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

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

Chief Executive

Director

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

	Six months period ended December 31		Quarter ended December 31	
	2009	2008	2009	2008
	(Rupees in '000)			
Undistributed income brought forward	189,474	152,437	175,854	1,447
Less: Final distribution in the form of bonus units @ 3.5% for the year ended June 30, 2009 (June 30, 2008: 2.7%)	(106,440)	(115,970)	-	-
Less: Final distribution in the form of cash dividend @ 3.5% for the year ended June 30, 2009 (June 30, 2008: 2.7%)	(57,816)	(34,814)	-	-
Less: Interim distribution in the form of bonus units @ 2.5% for the quarter ended September 30, 2009 (September 30, 2008: 2.54%)	(99,966)	(83,468)	(99,966)	-
Less: Interim distribution in the form of cash dividend @ 2.5% for the quarter ended September 30, 2009 (September 30, 2008: 2.54%)	(41,300)	(47,658)	(41,300)	-
Net income / (loss) for the period	185,653	(51,656)	33,549	(182,576)
Element of income and capital gains included in prices of units sold less those in units redeemed (net)	11	-	1,479	-
Undistributed income / (loss) carried forward	<u>69,616</u>	<u>(181,129)</u>	<u>69,616</u>	<u>(181,129)</u>

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

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Director

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

	Six months period ended December 31		Quarter ended December 31	
	2009	2008	2009	2008
	(Rupees in '000)			
Net assets at the beginning of the period	4,872,608	5,737,038	5,820,059	5,294,976
Issue of 56,312,545 units (2008: 89,358,550 units) and 16,632,879 units (2008: 30,933,567 units) for the six months and quarter respectively	2,860,083	4,493,415	842,052	1,541,153
Redemption of 73,243,736 units (2008: 116,004,289 units) and 50,594,164 units (2008: 46,816,943 units) for the six months and quarter respectively	(3,727,925)	(5,812,252)	(2,571,171)	(2,361,602)
	(867,842)	(1,318,837)	(1,729,119)	(820,449)
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units redeemed				
- transferred to income statement	20,457	(13,490)	32,036	(21,368)
- transferred directly to distribution statement	(11)	-	(1,479)	-
	20,446	(13,490)	30,557	(21,368)
Total comprehensive income / (loss) for the period	192,846	(51,656)	38,745	(182,576)
Cash distribution during the period	(99,116)	(82,472)	(41,300)	-
Issue of bonus units during the period	(206,406)	(199,438)	(99,966)	-
Net comprehensive (loss) / income for the period less distribution	(112,676)	(333,566)	(102,521)	(182,576)
Issue of 2,122,018 bonus units (2008: 2,318,937 bonus units) for the year ended June 30, 2009	106,440	115,970	-	-
Issue of 1,989,361 bonus units (2008: 1,669,026 bonus units) for the quarter ended September 30, 2009	99,966	83,468	99,966	-
Net assets at the end of the period	<u>4,118,942</u>	<u>4,270,583</u>	<u>4,118,942</u>	<u>4,270,583</u>

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

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

Chief Executive

Director

CONDENSED INTERIM CASH FLOW STATEMENT

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

	Six months period ended		Quarter ended	
	December 31		December 31	
	2009	2008	2009	2008
(Rupees in '000)				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income / (loss)	185,653	(51,656)	33,549	(182,550)
Adjustments for non-cash items				
Profit on savings accounts with banks	(98,333)	(38,392)	(34,169)	(27,826)
Profit on placements	(43,259)	(130,097)	(25,526)	(59,256)
Profit on sukuk certificates	(140,546)	(134,580)	(71,436)	(69,279)
Profit on diminishing musharaka certificates	(13,789)	(12,440)	(6,807)	(6,644)
Unrealised loss on re-measurement of investments at fair value through profit or loss (net)	38,086	276,828	46,716	275,312
Unrealised loss on re-measurement of loan and receivables	-	60,000	-	60,000
Gain on re-measurement of financial instruments sold on deferred settlement basis (net)	-	2,863	-	-
Amortisation of preliminary expenses and floatation costs	252	252	126	126
Provision against profit of sukuk certificates	6,110	-	6,110	-
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units redeemed	20,457	(13,490)	32,036	(21,394)
	<u>(231,022)</u>	<u>10,944</u>	<u>(52,950)</u>	<u>151,039</u>
(Increase) / decrease in assets				
Placements	-	1,196,250	(100,000)	1,038,750
Investments	(850,939)	(4,520)	118,600	237,893
Deposits, prepayments and other receivables	(15)	(17)	7	(16)
	<u>(850,954)</u>	<u>1,191,713</u>	<u>18,607</u>	<u>1,276,627</u>
Decrease / (increase) in liabilities				
Payable to Al Meezan - management company of the Fund	994	(1,123)	(2,188)	(951)
Payable to CDC - trustee of the Fund	(27)	(92)	(96)	(72)
Payable to SECP	(2,230)	(3,364)	(3,271)	1,028
Payable to MBL	(560)	275	(22)	206
Payable on redemption of units	(15,602)	(53,766)	(1,269)	1,028
Payable against purchase of investments	-	(87,067)	-	(327,000)
Accrued expenses and other liabilities	1,695	4,067	(6,653)	(5,393)
	<u>(15,730)</u>	<u>(141,070)</u>	<u>(13,499)</u>	<u>(331,154)</u>
Profit received on savings accounts with banks	96,283	36,682	40,845	30,111
Profit received on placements	60,934	187,939	21,640	70,353
Profit received on diminishing musharakah	13,963	10,589	13,963	10,589
Profit received on sukuk certificates	122,631	121,224	62,717	62,618
Net cash (outflow) / inflow from operating activities	<u>(618,242)</u>	<u>1,366,365</u>	<u>124,872</u>	<u>1,087,633</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from sale of units	2,860,083	4,493,415	842,052	1,541,153
Payments against redemption of units	(3,727,925)	(5,812,252)	(2,571,171)	(2,313,944)
Dividend paid	(99,116)	(82,472)	(41,300)	(47,658)
Net cash outflow from financing activities	<u>(966,958)</u>	<u>(1,401,309)</u>	<u>(1,770,419)</u>	<u>(820,449)</u>
Net cash (outflow) / inflow during the period	<u>(1,585,200)</u>	<u>(34,944)</u>	<u>(1,645,547)</u>	<u>267,184</u>
Cash and cash equivalents at the beginning of the period	2,536,980	1,155,498	2,597,327	853,370
Cash and cash equivalents at the end of the period	<u>951,780</u>	<u>1,120,554</u>	<u>951,780</u>	<u>1,120,554</u>

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

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

Chief Executive

Director

NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2009 (UNAUDITED - NOTE 3)

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan 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) notified through S.R.O 1203(1)/2008 on November 21, 2008. The registered office of the management company of the Fund, is situated at Finance and Trade Centre, Shahrah- e-Faisal, Karachi, Pakistan.
- 1.2 The Fund 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. 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 the trustee of the Fund.

2. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

- 3.1 This condensed interim financial report has been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the Trust Deed, the NBFC Rules, the NBFC Regulations and the directives issued by the SECP.

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

- 3.2 This condensed interim financial report comprises of the condensed interim statement of assets and liabilities as at December 31, 2009 condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unitholders' fund, condensed interim cash flow statement and notes thereto for the six months period ended December 31, 2009, which have been subject to a review but not audited. This condensed interim financial report also includes condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unitholders' fund and condensed interim cash flow statement for the quarter ended December 31, 2009 which is not subject to review.

3.3 The comparative condensed interim statement of assets and liabilities presented in these condensed interim financial report as at June 30, 2009 has been extracted from the annual audited financial statements of the Fund for the year ended June 30, 2009 whereas the comparative condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement have been extracted from the condensed interim financial report for the six months period ended December 31, 2008 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, 2008 included in this condensed interim financial report were not subjected to a review.

3.4 Standards, amendments and interpretations effective from July 1, 2009:

- a) IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14 and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segment information is therefore reported in a manner that is more consistent with the internal reporting provided to the fund manager. The adoption of this standard would not have any impact on this condensed interim financial report.
- b) IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period. The Fund has applied IAS 1 (revised) from July 1, 2009, and has elected to present one statement (the income statement and statement of comprehensive income).
- c) IAS 39 (amendment), 'Financial instruments: Recognition and measurement'. The amendment was part of the IASB's annual improvements project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The adoption of the amendment did not have a significant impact on the Fund's condensed interim financial report.
- d) IFRS 7 (amendment) 'Financial instruments: Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures, which would be detailed in the financial statements for the year ending June 30, 2010, but does not have an impact on the Fund's financial position or performance.

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

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

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or have any significant effect on the Fund's operations and are therefore not detailed in this condensed interim financial report.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of the financial statements for the year ended June 30, 2009, except for the change in an accounting policy as referred to in note 4.1 below.

4.1 Change in an accounting policy

IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity.

The Fund has applied IAS 1 (revised) from July 1, 2009, and has elected to present one performance statement. As a result non-owner changes in equity which were previously credited directly in the statement of movement in unitholders' fund and the distribution statement are now shown as other comprehensive income in the performance statement (referred to as income statement in this condensed interim financial report). The change in presentation has not affected the values of the net assets of the Fund for either the current or any of the prior periods and hence restated statement of assets and liabilities has not been presented.

5. PLACEMENTS

Placements carry expected profit at rates ranging from 11.50 percent per annum to 11.70 percent per annum (June 30, 2009: 9.58 percent per annum to 16.50 percent per annum) and are due to mature from January 30, 2010 to April 27, 2010.

6. INVESTMENTS

		December 31, 2009	June 30, 2009
	Note	(Rupees in '000)	
Investments at fair value through profit or loss	6.1	2,689,273	1,952,983
Investments - available for sale	6.2	273,847	190,102
		<u>2,963,120</u>	<u>2,143,085</u>
6.1 Investments at fair value through profit or loss			
- Held for trading	6.1.1	1,139,830	300,000
- Investments at fair value through profit or loss upon initial recognition	6.1.2	1,549,443	1,652,983
		<u>2,689,273</u>	<u>1,952,983</u>

6.1.1 Held for trading

6.1.1.1 Sukuk certificates

Name of the investee company	Maturity date	Profit rate	As at July 1, 2009	Purchases during the period	Sales during the period	Redemptions during the period	As at December 31, 2009	Carrying value as at December 31, 2009	Market value as at December 31, 2009	Unrealised Gain / (Loss)	Percentage in relation to		
											Net assets of the Fund on the basis of market value (see note 6.3 below)	Paid-up capital of investee company (with face value of investment)	Total market value of investment
----- Number of certificates -----							---- (Rs in '000) ----						
GoP Ijarah Sukuk Certificates - III (note 6.1.1.2)	March 11, 2012	12.58%	3,000	-	1,000	-	2,000	200,000	204,000	4,000	4.95	N/A	6.89
GoP Ijarah Sukuk Certificates - IV (note 6.1.1.2)	September 17, 2012	12.53%	-	9,270	50	-	9,220	922,373	935,830	13,457	22.72	N/A	31.58
								1,122,373	1,139,830	17,457			
Total cost of investments								1,122,373					

6.1.1.2 The nominal value of the sukuk certificates of GoP Ijarah III & IV 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, 2009	Purchases during the period	Sales during the period	Redemptions during the period	As at December 31, 2009	Carrying value as at December 31, 2009	Market value as at December 31, 2009	Unrealised Gain / (Loss)	Percentage in relation to		
											Net assets of the Fund on the basis of market value (see note 6.3 below)	Paid-up capital of investee company (with face value of investment)	Total market value of investment
----- Number of certificates -----							---- (Rs in '000) ----						
Arzoo Textile Mills Limited (note 6.1.2.2 and 6.1.2.5)	April 15, 2014	6 months Kibor plus base rate of 2%	14,000	-	-	-	14,000	52,500	49,000	(3,500)	1.19	10.20	1.65
Century Paper & Board Mills Limited (note 6.1.2.2)	September 25, 2014	6 months Kibor plus base rate of 1.35%	18,940	-	-	-	18,940	92,380	91,078	(1,302)	2.21	13.40	3.07
Eden Builders Limited (note 6.1.2.2)	March 8, 2014	3 months Kibor plus base rate of 2.3%	9,600	5,200	5,200	-	9,600	47,923	47,798	(125)	1.16	4.17	1.61
Eden Housing Limited (note 6.1.2.3)	April 2, 2013	6 months Kibor plus base rate of 2.5%	59,400	-	-	-	59,400	247,948	251,017	3,069	6.09	16.97	8.47
Engro Chemical Pakistan Limited (note 6.1.2.2)	September 1, 2015	6 months Kibor plus base rate of 1.5%	60,500	-	-	-	60,500	297,236	286,467	(10,769)	6.95	10.15	9.67
Karachi Shipyard & Engineering Works (note 6.1.2.2)	November 2, 2015	6 months Kibor plus base rate of 0.4%	12,000	-	-	-	12,000	59,330	59,451	121	1.44	N/A	2.01
Karachi Shipyard & Engineering Works II (note 6.1.2.2)	February 4, 2016	6 months Kibor plus base rate of 0.4%	53,400	-	-	-	53,400	261,798	263,946	2,148	6.41	N/A	8.91
Maple Leaf Cement Factory Limited (note 6.1.2.2)	December 1, 2013	6 months Kibor plus base rate of 1.7%	64,000	-	-	-	64,000	282,404	240,000	(42,404)	5.83	8.60	8.10
Security Leasing Corporation Limited II (note 6.1.2.2)	September 19, 2012	6 months Kibor plus base rate of 1.95%	8,750	-	-	1,250	7,500	33,720	33,071	(649)	0.80	10.33	1.12
Shahmurad Sugar Mills Limited (note 6.1.2.4)	September 30, 2012	6 months Kibor plus base rate of 2.25%	73	-	-	-	73	67,549	68,585	1,036	1.67	0.17	2.31
Sitara Chemical Industries Limited II (note 6.1.2.2)	December 17, 2011	3 months Kibor plus base rate of 1.7%	6,900	-	-	1,380	5,520	27,232	27,321	89	0.66	13.52	0.92
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	134,966	131,709	(3,257)	3.20	66.15	4.45
Grand Total								1,604,986	1,549,443	(55,543)			
Total cost of investments								1,691,721					

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

6.1.2.3 The nominal value of the sukuk certificates of Eden Housing Limited is Rs 4,375 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 market value of sukuk is net of provision amounting to Rs 3.5 million.

6.2 Investments - available for sale

Name of the investee company	Maturity date	Profit rate	As at July 1, 2009	Purchases during the period	Sales during the period	Redemptions during the period	As at December 31, 2009	Carrying value as at December 31, 2009	Market value as at December 31, 2009	Unrealised Gain / (Loss)	Percentage in relation to		
											Net assets of the Fund on the basis of market value (see note 6.3 below)	Paid-up capital of investee company (with face value of investment)	Total market value of investment
----- Number of certificates -----							---- (Rs in '000) ----						
D.G Khan Cement Company Limited Diminishing Musharaka Certificate (note 6.2.1.1)	May 8, 2010	6 months Kibor plus base rate of 0.5%	2,000	-	-	-	2,000	190,102	197,347	7,245	4.79	6.57	6.66
GoP Ijarah Sukuk Certificates - III (note 6.2.1.1)	March 11, 2012	12.58%	-	750	-	-	750	76,563	76,500	(63)	1.86	N/A	2.58
								<u>266,665</u>	<u>273,847</u>	<u>7,182</u>			
Total cost of investments									<u>276,563</u>				

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

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

7. CONTINGENCIES

7.1 In April 2009 the Fund's management company (AI Meezan) and CDC had received notices from WAPDA that further transfers of the sukuk may be stopped until further instructions are given by WAPDA. The Fund, however, in its response stated that it is in the business of purchase and sale of securities and that the Fund is the bonafide holder of these sukuk, which were purchased after taking all necessary steps and measures to ascertain the genuineness of these sukuk including their verification from the issuer (i.e. WAPDA First Sukuk Company Limited (WFSC) therefore, the Fund cannot comply with the instructions of WAPDA.

The Fund disposed off its investment in the aforementioned sukuk having a face value of Rs 180 million by June 30, 2009, i.e. before book closure for rentals due on October 22, 2009.

In September 2009 the Fund received a demand from WAPDA claiming return of Rs 13.6 million being rentals received by it (the Fund) in April 2009 on its holding of W APDA sukuk, WAPDA contends that Fund is not a bonafide owner of those sukuk. The management company of the Fund has rejected WAPDA' s claim and stated that the said sukuk were purchased after their existence had been duly verified from WAPDA at more than one stage and that these sukuk were transferred in its CDS account., hence, the Fund was the bonafide holder of these sukuk.

Al Meezan, the management company of the Fund, and CDC, as trustee of the Fund, against WFSCL and some other defendants have filed a suit in 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.

The defendants (i.e. WAPDA and WFSCL) have also filed an interpleader suit on December 2009 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) seeking a decision from the Court as to who is the lawful owner and to whom the profit payment due on October 22, 2009 and subsequently rentals should be made.

Based on the aforementioned facts and the advise of its legal consultant, the management is confident that the Fund was a legitimate and bonafide owner of those sukuks from the date it acquired them till such time that those sukuks were sold in the normal course of business and accordingly it is not liable to return the aforementioned amount of rental received by it.

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

The Management Company based on the advice of the MUFAP's legal counsel, is confident of a favorable decision and accordingly no provision for the aforementioned liability which has an impact of Rs 0.17 per unit as of December 31, 2009 has been made in this condensed interim financial report.

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

8. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

Remuneration payable to the management company and the trustee is determined in accordance with the 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, 2009	June 30, 2009
	(Rupees in '000)	
Al Meezan - management company of the Fund		
Remuneration payable	5,688	4089
Sales load payable	229	334
Preliminary expenses and floatation costs payable	1,000	1500
Certification charges payable	1	1
Units issued: 726,225 units (June 30, 2009: 4,089,622 units)	37,000	207,000
Redemptions: 18,756 units (June 30, 2009: 4,425,018 units)	950	224,206
Bonus units issued: 121,828 units (June 30, 2009: 164,206 units)	6,146	4,750
Investments as at December 31, 2009: 2,548,353 units (June 30, 2009: 1,719,056 units)	129,533	89,236
MBL		
Shariah adviser fee payable	-	520
Sales load payable	41	81
Balances with bank	35,821	54,595
Profit receivable on savings account	118	99
Placements	100,000	100,000
Profit receivable on placements	2,009	2,318
Units issued: nil units (June 30, 2009: 3,953,746 units)	-	200,000
Cash dividend paid	70,398	97,209
Investments as at December 31, 2009: 23,466,113 units (June 30, 2009: 23,466,113 units)	1,192,783	1,218,126
CDC - trustee of the Fund		
Trustee fee payable	464	491
Deposits	100	100
Units issued: nil units (June 30, 2009: 532,649 units)	-	27,000
Redemptions: nil units (June 30, 2009: 1,131,293 units)	-	55,971
Bonus units issued: nil units (June 30, 2009: 43,017 units)	-	2,151

	December 31, 2009	June 30, 2009
	(Rupees in '000)	
Directors and executives		
Units issued: 157,730 units (June 30, 2009: 4,139,460 units)	<u>7,979</u>	<u>206,427</u>
Redemptions: 756,574 units (June 30, 2009: 3,860,511 units)	<u>38,561</u>	<u>193,162</u>
Bonus units issued: 57,580 units (June 30, 2009: 81,551 units)	<u>2,890</u>	<u>4,100</u>
Investments as at December 31, 2009: 637,304 units (June 30, 2009: 1,178,568 units)	<u>32,394</u>	<u>61,179</u>

Pakistan Kuwait Investment Company (Private) Limited

Redemptions: Nil units (June 30, 2009: 726,632 units)	<u>-</u>	<u>37,719</u>
Bonus units issued: Nil units (June 30, 2009: 59,880 units)	<u>-</u>	<u>3,009</u>

**Six months period
ended December 31**

2009 2008
(Rupees in '000)

Al Meezan - management company of the Fund

Remuneration for the period	<u>40,589</u>	<u>25,399</u>
Preliminary expenses and floatation costs	<u>252</u>	<u>252</u>

MBL

Shariah advisory fee for the period	<u>-</u>	<u>151</u>
Profit on savings accounts	<u>722</u>	<u>12,640</u>
Profit on placements	<u>5,582</u>	<u>-</u>

CDC - trustee of the Fund

Remuneration for the period	<u>3,210</u>	<u>3,044</u>
CDS Charges for the period	<u>18</u>	<u>22</u>

9. DATE OF AUTHORISATION FOR ISSUE

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

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

Chief Executive

Director