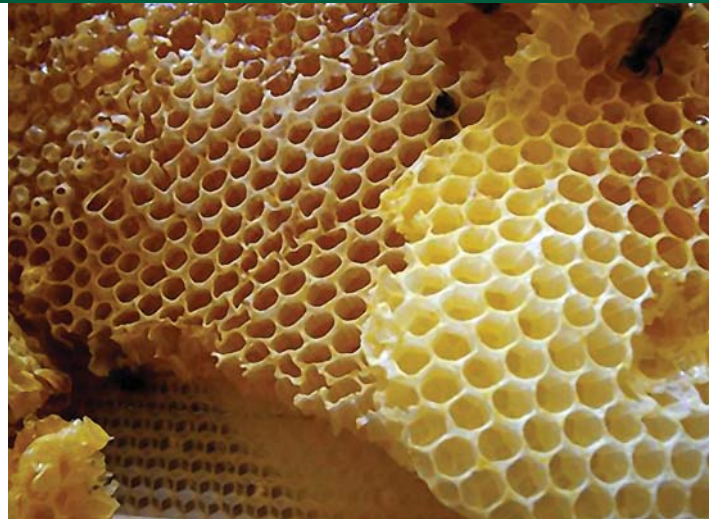


AL MEEZAN
Mutual Fund



Half Yearly Report December 31, 2010



Al Meezan Investment Management Limited
A subsidiary of Meezan Bank



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**Our Vision**

To set standards of best practices and performance for the industry through efficient asset allocation & security selection.

Our Mission

To be the leading mutual fund in the industry, outperforming the bench mark on a consistent basis, and providing shareholders with the best combination of current income and future growth on a risk adjusted basis.

FUND INFORMATION

BOARD OF DIRECTORS

Mr. Irfan Siddiqui	Chairman
Mr. Ariful Islam	
Mr. Nabil Daudur Rahman	
Mr. Muhammad Abdul Faisal Khan	
Mr. Muhammad Asad	
Syed Owais Wasti	
Mr. Mohammad Shoaib, CFA	Chief Executive

AUDIT COMMITTEE

Mr. Ariful Islam	Chairman
Mr. Nabil Daudur Rahman	Member
Mr. Muhammad Abdul Faisal Khan	Member

CFO & COMPANY SECRETARY

Syed Owais Wasti

MANAGEMENT COMPANY

Al Meezan Investment Management Limited

AUDITORS

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

SHARIAH ADVISOR

Meezan Bank Limited

CUSTODIAN

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

BANKERS

AlBaraka Islamic Bank
Bank Alfalah Limited
BankIslami Pakistan Limited
Habib Metropolitan Bank Limited
Meezan Bank Limited
MCB Bank Limited

REGISTERED OFFICE

Ground Floor, Block "B", Finance & Trade Centre,
Shahrah-e-Faisal, Karachi 74400, Pakistan
Phone: (9221) 3563 0722-26, 111 MEEZAN
Fax: (9221) 3567 6143, 3563 0808
Web site: www.almeezangroup.com
E-mail: marketing@almeezangroup.com

SHARE REGISTRAR

THK Associates (Pvt.) Limited
Ground Floor, State Life Building-3,
Dr. Ziauddin Ahmed Road, Karachi 75530
P.O. Box No. 8533
Phone: (9221) 111-000-322
Fax: (9221) 3565 5595



DIRECTORS' REPORT

The Board of Directors of Al Meezan Mutual Fund Limited (AMMF) is pleased to present the un-audited financial statements of the company for the half year ended December 31, 2010.

Brief Overview

During the first half of fiscal year 2011, Al Meezan Mutual Fund provided a return of 25% to its investors while the benchmark index, Karachi Meezan Index (KMI-30) increased by 31% to 19,071 points. The KSE 100 index during the same period closed at 12,022 points posting a 24% increase.

Economic Review

The Fiscal year beginning 1st July 2010 was pinned with hopes of further economic recovery with the GDP target of 4.5%. However, the whole situation changed with the devastating floods in the first quarter of 2011 with about one-fifth of the country being flooded and 10% of the population being directly affected. As a result all the macroeconomic targets are expected to be missed. The GDP growth target has already been revised down by 1-2% mainly because of sharply lower agricultural output growth which accounts for 21% of GDP and 45% of employment.

Floods caused a sharp increase in food inflation which led CPI to touch a 16-month high of 15.7% in September, 2010. To counter spiraling inflationary expectations, SBP proactively raised discount rate by a cumulative 150bps in 1HFY11 from 12.5% to 14.0%. Floods and delay in structural reforms are likely to have an adverse impact on fiscal deficit which is now expected to cross 6.0% of GDP for fiscal year 2011 against IMF target of 4.7% of GDP. To finance increasing fiscal deficit, government borrowing from SBP has increased to approximately Rs. 272 billion while borrowing from commercial banks has increased to Rs. 178 billion during the period under review. However, tax revenue collection during 1FY11 (provisional) stood at Rs. 642 billion, up 10% year on year, short of target by about Rs. 11 billion.

While inflation and fiscal position have worsened, Pakistan's external position remained comfortable with balance of payment posting a surplus of US\$105 million in Jul-Nov10. Likewise, current account deficit also narrowed to US\$504 million in Jul-Nov10 by posting a surplus for the third consecutive month in November, on the back of upbeat remittances (up 16% YoY) and textile exports (up 23% YoY). Resultantly, this also supported dollar rupee exchange rate which moved in a narrow band of Rs. 85.2 to Rs. 86.3 vis-à-vis dollar.

During the entire period, government faced major resistance while addressing key structural issues in economy such as low tax to GDP ratio, higher subsidies, and excessive borrowings from central bank and implementation of Reformed GST. As a result, IMF delayed dates for fifth and sixth reviews to August 2011. With upward rally in crude price putting pressure on forex reserves and weak fiscal position, IMF's timely release of final payments would play a key role in fiscal stability of the economy.

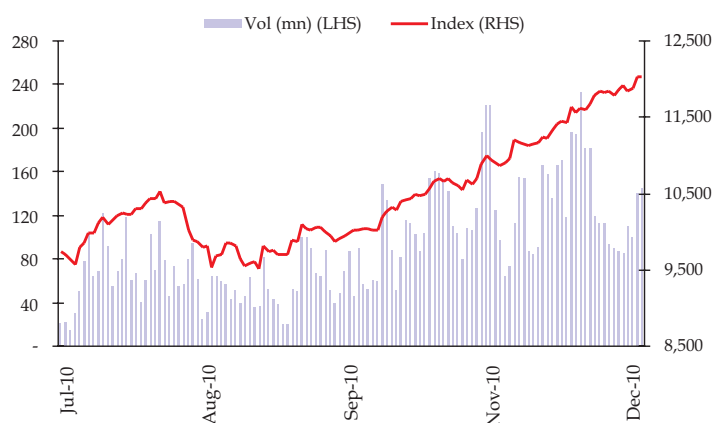
Equity Market Review

The Stock market performed exceptionally well during the first half of financial year 2011 with the benchmark KSE-100 index rising by 24% to close at 12,022. However, trading volumes remained low due to imposition of capital gains tax (CGT) from 1st July and absence of leverage. Average daily trading volume in the first half declined by 47% to 92 million shares as compared to 173 million shares in the corresponding period last year.

Despite concerns related to CGT, the fiscal year started on a bullish note on the back of expectations of positive corporate results along with foreign interest, which helped the market to post an extraordinary return of 8.2% for the month of July. However, this rally was arrested by the unexpected 50 bps increase in the discount rate by State bank in its bimonthly monetary policy statement at the end of July. Later, the market performance was further derailed by the devastating floods in the country which adversely affected major sectors of the economy leading to 1-2% cut in the GDP growth target of 4.5%.

However, even after another 50 bps increase in discount rate in September, the investors shunned macroeconomic concerns and the sentiments turned bullish due to news about European Union allowing duty free import of textile related goods from Pakistan, above expectation corporate results with no negative impact of floods and increase in cement prices. As a result market crossed 11,000 level in November 2010. Further 50 bps hike in the discount rate at the end of November did not break the momentum of the market.

Towards the end of the period under review, sale of British Petroleum assets to United Energy Group at a better than expected price created excitement in oil and gas sector. Fertilizers also exhibited a bull run on the back of news of urea price hike. Moreover, continuous foreign interest, with net inflow of US\$ 249 million for the period under review, helped the KSE-100 to close at 12,022 and KMI-30 at 19,072.





Performance Review

During the first half of fiscal year 2011, Al Meezan Mutual Fund (AMMF) earned a gross income of Rs. 185 million as compared to an income of Rs. 386 million in the same period last year. The major sources of income were realized and unrealized capital gains of Rs. 50 million and Rs. 73 million respectively. Dividend income contributed Rs. 53 million, while profit on savings account at banks added Rs. 8 million. After accounting for expenses of Rs. 14.5 million, AMMF posted net profit of Rs. 170 million. This translates into an earnings per share of Rs. 1.24 as compared to an earning per shares of Rs. 2.68 in the corresponding period last year. The net assets of the fund were Rs. 1,637 million as at period ended 31 December, 2010 as compared to Rs. 1,396 as at the same period last year. The net asset value (NAV) per share appreciated from Rs. 10.21 as at June 30, 2010 to Rs. 11.90 as at December 31, 2010.

Outlook

Investors going forward will be focusing on the macro-economic impact of flood and rising commodity prices and effective response of the government to the rehabilitation and rebuilding country's infrastructure. The key challenge for the government under the current political environment would be to achieve the key milestones on reforms demanded by IMF. With upward rally in crude price putting pressure on forex reserves, IMF timely payment would play a key role in fiscal stability of the economy.

Although the implementation of capital gain tax has negatively impacted volumes, we believe that the introduction of the leverage product in the market will improve the liquidity position and attract the investors back to the equity market. On the basis of earnings multiples and dividend yields, Pakistan remains one of the cheapest emerging market. Pakistan's stock market is trading at a P/E multiple of 8.3%, which is almost at 38% discount to other frontier markets. This makes KSE an attractive option for foreign investors, who are expected to continue to make investments at the local bourses.

Acknowledgement

We take this opportunity to thank our valued investors for reposing faith in Al Meezan Investments making it the largest asset management company in the private sector in Pakistan. We also thank the regulator, Securities and Exchange Commission of Pakistan, Custodian, 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 17, 2011
Karachi.

Mohammad Shoaib, CFA
Chief Executive

A.F.FERGUSON & CO.

A member firm of

PRICEWATERHOUSECOOPERS 

A.F.Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
I.I.Chundrigar Road, P.O.Box 4716
Karachi-74000, Pakistan
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AUDITORS' REPORT TO THE SHAREHOLDERS 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 Limited (the Fund) as at December 31, 2010 and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in equity and reserves per share, condensed interim statement of changes in equity, 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 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, 2010 and 2009 have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2010.

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 this matter.


Chartered Accountants

Karachi, February 22, 2011

Lahore Office: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P. O. Box 39, Lahore, Pakistan Tel: (92-42) 35715864-71 Fax: (92-42) 35715872
Islamabad Office: PIA Building, 3rd Floor, 49 Blue Area, F-7/1, H-8 Road, P.O.Box 3021, Islamabad-44000, Pakistan Tel: (92-51) 2273457-60 Fax: (92-51) 2277924
Kabul Office: House No. 1916, Street No. 1, Behind Cinema Baitop, Nahare-Darsan, Karte-4, Kabul, Afghanistan. Tel: +93-779-315320, +93-799-315320

AL MEEZAN
Mutual Fund



**CONDENSED INTERIM STATEMENT
OF ASSETS AND LIABILITIES**
AS AT DECEMBER 31, 2010 (UNAUDITED - NOTE 3)

	Note	December 31 2010 (Rupees in '000)	June 30 2010
Assets			
Balances with banks		205,959	131,182
Investments	5	1,429,998	1,274,965
Receivable against sale of investment		3,027	407,206
Dividend receivable		431	7,047
Advances, deposits, prepayments and other receivables		9,943	8,793
Total assets		1,649,358	1,829,193
Liabilities			
Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the fund		2,785	2,324
Payable to the Central Depository Company of Pakistan Limited (CDC) - custodian of the fund		61	53
Payable to the Securities and Exchange Commission of Pakistan (SECP)		725	1,369
Payable against purchase of investments		-	406,958
Accrued expenses and other liabilities		3,984	10,203
Unclaimed dividend		5,125	4,365
Total liabilities		12,680	425,272
Net assets		1,636,678	1,403,921
Contingency	6		
Shareholders' equity			
Authorised share capital 150,000,000 (June 30, 2010: 150,000,000) ordinary shares of Rs 10 each		1,500,000	1,500,000
Issued, subscribed and paid-up share capital		1,375,400	1,375,400
Accumulated Profit		47,023	(6,223)
Surplus on revaluation of investments categorised as 'available for sale investments'		214,255	34,744
		1,636,678	1,403,921
Net assets value per share (Rupees)		11.90	10.21

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

Muhammad Shoaib, CFA
Chief Executive

Muhammad Abdul Faisal Khan
Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2010 (UNAUDITED - NOTE 3)

	Note	Six months period ended December 31		Quarter ended December 31	
		2010	2009	2010	2009
----- (Rupees in '000) -----					
Income					
Net realised gain on sale of investments		50,341	181,515	42,153	139,413
Dividend income		53,360	48,386	30,928	24,371
Profit on savings accounts with banks		7,796	4,773	4,307	3,440
		<u>111,497</u>	<u>234,674</u>	<u>77,388</u>	<u>167,224</u>
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss (net)	5	73,175	151,606	53,121	(119,181)
Total income		<u>184,672</u>	<u>386,280</u>	<u>130,509</u>	<u>48,043</u>
Expenses					
Remuneration to Al Meezan - management company of the fund		15,265	14,291	7,749	7,206
Remuneration to CDC - custodian of the fund		387	403	199	202
Annual fee to SECP		725	679	368	342
Auditors' remuneration		370	336	209	190
Fees and subscription		102	64	59	32
Brokerage		366	974	256	349
Legal and professional charges		75	115	18	57
Bank and settlement charges		188	247	102	140
Printing expenses		365	58	365	58
Advance tax written off		3,796	-	-	-
Reversal of provision for Workers' Welfare Fund (WWF)	6	(7,122)	-	-	-
Total expenses		<u>14,517</u>	<u>17,167</u>	<u>9,325</u>	<u>8,576</u>
Net income		<u>170,155</u>	<u>369,113</u>	<u>121,184</u>	<u>39,467</u>
Other comprehensive Income for the period					
(Surplus) / deficit realised on disposal of available for sale investments' transferred to income statement on disposal		(9,480)	215	(4,538)	215
Surplus / (deficit) on investments categorised as 'available for sale' investments		188,991	(9,741)	165,578	(13,483)
Total comprehensive income for the period		<u>349,666</u>	<u>359,587</u>	<u>282,224</u>	<u>26,199</u>
Earning per share - basic (Rupees)	7	<u>1.24</u>	<u>2.68</u>	<u>0.88</u>	<u>0.29</u>

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

Muhammad Shoab, CFA
Chief Executive

Muhammad Abdul Faisal Khan
Director



CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2010 (UNAUDITED - NOTE 3)

Note	Six months period ended December 31		Quarter ended December 31	
	2010	2009	2010	2009
	----- (Rupees in '000) -----			
	(6,223)	(224,797)	42,748	104,849
	Less: Interim distribution in the form of cash dividend			
	For the year ending June 30, 2011: nil			
	(June 30, 2010: 10%)			
	-	(137,540)	-	(137,540)
	Less: Final distribution in the form of cash dividend			
	For the year ended June 30, 2010 @ 8.5%			
	(June 30, 2009: nil)			
	(116,909)	-	(116,909)	-
	170,155	369,113	121,184	39,467
	<u>47,023</u>	<u>6,776</u>	<u>47,023</u>	<u>6,776</u>

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

Muhammad Shoaib, CFA
Chief Executive

Muhammad Abdul Faisal Khan
Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN
EQUITY AND RESERVES PER SHARE (UNAUDITED)**
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2010 (UNAUDITED - NOTE 3)

Note	Six months period ended December 31		Quarter ended December 31	
	2010	2009	2010	2009
	----- (Rupees in '000) -----			
Net assets value per share at the beginning of the period	10.21	8.54	10.73	10.96
Net realised gain on sale of investments	0.37	1.32	0.31	1.01
Dividend income	0.39	0.35	0.23	0.18
Profit on savings accounts with banks	0.06	0.03	0.03	0.02
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss (net)	0.53	1.10	0.38	(0.87)
Expenses	(0.11)	(0.12)	(0.06)	(0.05)
Net income / (loss) for the year	1.24	2.68	0.89	0.29
Dividend @ 8.5% (2009: 10%)	(0.85)	(1.00)	(0.85)	(1.00)
Net changes in surplus on revaluation of available for sale investments	1.30	(0.07)	1.13	(0.10)
Net assets value per share at the end of the period	<u>11.90</u>	<u>10.15</u>	<u>11.90</u>	<u>10.15</u>

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

Muhammad Shoaib, CFA
Chief Executive

Muhammad Abdul Faisal Khan
Director



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2010 (UNAUDITED - NOTE 3)

	Share capital	Unappro- riated income / (accumu- lated loss)	Surplus / (deficit) on revaluation of investments	Total
	----- (Rupees in '000) -----			
Balance as at July 1, 2009	1,375,400	(224,797)	23,571	1,174,174
Comprehensive income for the period				
Net income for the six months period ended December 31, 2009	-	369,113	-	369,113
<i>Other comprehensive income</i>				
-Deficit on revaluation of 'available for sale investments' (net)	-	-	(9,741)	(9,741)
-Deficit realised on available for sale investments transferred to income statement on disposal	-	-	215	215
<i>Total other comprehensive loss</i>	-	-	(9,526)	(9,526)
Total comprehensive income / (loss) for the six months period ended December 31, 2009	-	369,113	(9,526)	359,587
<i>Transactions with owners</i>				
Interim dividend for the year ending June 30, 2010 @ 10% (Re 1.00 per share)	-	(137,540)	-	(137,540)
Total transactions with owners	-	(137,540)	-	(137,540)
Balance as at December 31, 2009	1,375,400	6,776	14,045	1,396,221
Comprehensive income for the period				
Net loss for the six months period ended June 30, 2010	-	(12,999)	-	(12,999)
<i>Other comprehensive income</i>				
-Surplus on revaluation of 'available for sale investments' (net)	-	-	20,680	20,680
-Deficit realised on available for sale investments transferred to income statement on disposal	-	-	19	19
<i>Total other comprehensive income</i>	-	-	20,699	20,699
Total comprehensive loss / (income) for the six months period ended June 30, 2010	-	(12,999)	20,699	7,700
Balance as at June 30, 2010	1,375,400	(6,223)	34,744	1,403,921
Comprehensive income for the period				
Net income for the six months period ended December 31, 2010	-	170,155	-	170,155
<i>Other comprehensive income</i>				
-Surplus on revaluation of 'available for sale investments' (net)	-	-	188,991	188,991
-Surplus realised on available for sale investments transferred to income statement on disposal	-	-	(9,480)	(9,480)
<i>Total other comprehensive income</i>	-	-	179,511	179,511
Total comprehensive income for the six months period ended December 31, 2010	-	170,155	179,511	349,666
<i>Transactions with owners</i>				
Final dividend for the year ended June 30, 2010 @ 8.5% (Re 0.85 per share)	-	(116,909)	-	(116,909)
Total transactions with owners	-	(116,909)	-	(116,909)
Balance as at December 31, 2010	1,375,400	47,023	214,255	1,636,678

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

Muhammad Shoaib, CFA
Chief Executive

Muhammad Abdul Faisal Khan
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2010 (UNAUDITED - NOTE 3)

Note	Six months period ended December 31		Quarter ended December 31	
	2010	2009	2010	2009
	----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES				
	170,155	369,113	121,184	39,467
	Net income for the period			
	Adjustments for non-cash items			
	(53,360)	(48,386)	(30,928)	(24,371)
	3,796	-	-	-
	(7,796)	(4,773)	(4,307)	(3,440)
	(73,175)	(151,606)	(53,121)	119,181
	(7,122)	-	-	-
	(137,657)	(204,765)	(88,356)	91,370
	(Increase) / decrease in assets			
	97,653	(54,416)	54,540	(54,681)
	404,179	1,996	9,161	(7,107)
	(166)	(153)	(134)	(43)
	501,666	(52,573)	63,567	(61,831)
	Increase / (decrease) in liabilities			
	461	1,347	354	(106)
	8	10	7	-
	(644)	(564)	368	(900)
	-	(434)	-	-
	(406,958)	(2,539)	-	(704)
	903	114	454	(566)
	(406,230)	(2,066)	1,183	(2,276)
	127,934	109,709	97,578	66,730
	59,976	45,852	46,346	26,471
	3,016	3,228	512	1,394
	190,926	158,789	144,436	94,595
CASH FLOWS FROM FINANCING ACTIVITIES				
	(116,149)	(122,163)	(116,016)	(122,154)
	(116,149)	(122,163)	(116,016)	(122,154)
	74,777	36,626	28,420	(27,559)
	131,182	35,681	177,539	99,866
	205,959	72,307	205,959	72,307

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

Muhammad Shoab, CFA
Chief Executive

Muhammad Abdul Faisal Khan
Director



**NOTES TO THE CONDENSED INTERIM
FINANCIAL REPORT (UNAUDITED)**
FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2010 (UNAUDITED - NOTE 3)

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Al Meezan Mutual Fund Limited (the Fund) was incorporated in Pakistan on July 13, 1995 as a public limited company under the Companies Ordinance, 1984 having its registered office at Finance and Trade Centre, Shahrah-e-Faisal, Karachi. The Fund is listed on the Karachi Stock Exchange.
- 1.2 The Fund is registered as an 'investment company' under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) vide License no. NBFC-II\11 AMMFL-IC-04\05 issued by the SECP.
- 1.3 The Fund has an agreement with Al Meezan, an associated undertaking, to provide asset management services. Al Meezan has been rated AM2 by JCR-VIS.
- 1.4 The objective of the Fund is to carry on the business as a closed-end mutual fund and to invest its assets in securities, which are listed or proposed to be listed on the stock exchanges.
- 1.5 According to clause 65 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations), a closed end fund or an investment company shall, upon expiry of every five years from November 21, 2007 or the date of launch of the fund whichever is later, hold a meeting of shareholders within one month of such period to seek approval of the shareholders (by special resolution), to convert into an open end scheme or revoke the closed end scheme or wind up the investment company.

2. BASIS OF MEASUREMENT

The transaction 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 requirements of the Companies Ordinance, 1984, NBFC Rules, NBFC Regulations and the directives issued by SECP. Wherever the requirements of the Companies Ordinance, 1984, the NBFC Rules, NBFC Regulations or the said directives differ with the requirements of IAS 34, the requirements of the Companies Ordinance, 1984, 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, 2010 and the condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in equity and reserves per share, condensed interim statement of changes in equity and condensed interim cash flow statement, for the six months period ended December 31, 2010, which have been subject to a review but not audited. This condensed interim financial report also include condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in equity and reserves per share, condensed interim statement of changes in equity and condensed interim cash flow statement for the quarter ended December 31, 2010 which is not subject to a review.

3.3 The comparative statement of assets and liabilities presented in this condensed interim financial report as at June 30, 2010 has been extracted from the audited financial statements of the Fund for the year ended June 30, 2010 whereas the condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in equity and reserves per share, condensed interim statement of changes in equity and condensed interim cash flow statement, for the six months period ended December 31, 2009 were subject to review but not audited. The comparative condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in equity and reserves per share and condensed interim cashflow statement for the quarter ended December 31, 2009 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, 2010:

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, 2010 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 Standards, amendments to published approved accounting standards and interpretations as adopted in Pakistan, that are not yet effective:

The following standard and amendment to existing standard has been published and is mandatory for accounting periods beginning on or after July 1, 2011 or later periods:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the Fund's related party disclosures.



There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 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, 2010.

5. INVESTMENTS

	Note	December 31 2010 (Rupees in '000)	June 30, 2010
Investments categorised as 'available for sale'	5.1	1,088,723	852,767
Investments at 'fair value through profit or loss'	5.2	341,275	422,198
		<u>1,429,998</u>	<u>1,274,965</u>

5.1 Investments categorised as 'available for sale'

Shares of listed companies and a bank

Name of the investee company	As at July 1, 2010	Purchases / Bonus issue during the period	Sales during the period	As at December 31, 2010	Carrying value (cost) as at December 31, 2010	Market value as at December 31, 2010	Unrealised gain / (loss) as at December 31, 2010	Percentage in relation to		
								Net assets of the Fund on the basis of market value (see note 5.4 below)	Paid-up capital of investee company (with face value of investment)	Total market value
				Number of shares	Rupees in '000					
Sector / companies										
Banks										
Meezan Bank Limited (an associate of the Fund)	197,948	-	-	197,948	3,171	3,345	174	0.20	0.03	0.23
Construction and Materials										
Attock Cement Pakistan Limited	10,000	-	-	10,000	716	631	(85)	0.04	0.01	0.04
Lucky Cement Company Limited	712,469	239,000	-	951,469	62,117	72,112	9,995	4.41	0.29	5.04
DG Khan Cement Company Limited	-	125,000	75,000	50,000	1,331	1,509	178	0.09	0.01	0.11
								4.54	0.31	5.19
Electricity										
The Hub Power Company Limited	-	1,784,000	-	1,784,000	64,642	66,739	2,097	4.08	0.15	4.67
Oil and Gas										
National Refinery Limited	149,909	-	41,911	107,998	20,141	29,569	9,428	1.81	0.14	2.07
Pakistan State Oil Company Limited	577,043	10,000	90,000	497,043	131,172	146,717	15,545	8.96	0.29	10.26
Oil & Gas Development Company Limited (note 5.5)	436,976	253,883	403,619	287,240	37,228	49,069	11,841	3.00	0.01	3.43
Pakistan Oilfields Limited	292,900	-	49,000	243,900	53,193	72,185	18,992	4.41	0.10	5.05
Pakistan Petroleum Limited	433,315	86,663	20,000	499,978	76,946	108,570	31,624	6.63	0.04	7.59
								24.81	0.58	28.40
Automobile and Parts										
Agriauto Industries Limited (note 5.3)	700,000	-	-	700,000	46,690	53,340	6,650	3.26	2.43	3.73
Indus Motor Company Limited	-	21,200	-	21,200	5,396	5,353	(43)	0.33	0.03	0.37
								3.59	2.46	4.10

Name of the investee company	As at July 1, 2010	Purchases / Bonus issue during the period	Sales during the period	As at December 31, 2010	Carrying value (cost) as at December 31, 2010	Market value as at December 31, 2010	Unrealised gain / (loss) as at December 31, 2010	Percentage in relation to		
								Number of shares	Rupees in '000	Net assets of the Fund on the basis of market value (see note 5.4 below)
Fixed Line and telecommunication										
Pakistan Telecommunication Company Limited "A"	1,090,000	130,000	250,000	970,000	17,643	18,837	1,194	1.15	0.03	1.32
Chemicals										
Fauji Fertilizer Company Limited	1,943,769	-	100,583	1,843,186	163,155	231,983	68,828	14.17	0.27	16.22
Fauji Fertilizer Bin Qasim Limited	1,604,000	-	195,000	1,409,000	34,368	50,344	15,976	3.08	0.15	3.52
ICI Pakistan Limited	390,400	264,115	-	654,515	79,171	94,407	15,236	5.77	0.47	6.60
Lotte Pakistan PTA Limited	-	800,000	-	800,000	10,607	10,960	353	0.67	0.05	0.77
								23.69	0.94	27.11
Pharma and Bio tech										
GlaxoSmithKline (Pakistan) Limited	40,000	-	1,094	38,906	3,131	3,431	300	0.21	0.02	0.24
General Industrials										
Packages Limited	450,369	10,000	14,013	446,356	53,940	57,406	3,466	3.51	0.53	4.01
Tri-Pack Films Limited	100,000	-	-	100,000	9,710	12,216	2,506	0.75	0.33	0.85
								4.26	0.86	4.86
Total					874,468	1,088,723	214,255			
Total cost of investments - 'available for sale'					874,468					

5.2 Investments at 'fair value through profit or loss'

Shares of listed companies and a bank - held for trading

Name of the investee company	As at July 1, 2010	Purchases / Bonus issue during the period	Sales during the period	As at December 31, 2010	Carrying value (cost) as at December 31, 2010	Market value as at December 31, 2010	Unrealised gain / (loss) as at December 31, 2010	Percentage in relation to		
								Number of shares	Rupees in '000	Net assets of the Fund on the basis of market value (see note 5.4 below)
Banks										
Meezan Bank Limited (an associate of the Fund)	1,898,092	-	700,000	1,198,092	17,432	20,248	2,816	1.24	0.17	1.42
Construction and Materials										
Attock Cement Pakistan Limited	135,305	-	20,000	115,305	7,553	7,277	(276)	0.45	0.13	0.51
Lucky Cement Company Limited	358,190	-	160,000	198,190	12,316	15,021	2,705	0.92	0.06	1.05
								1.37	0.19	1.56
Oil and Gas										
Oil & Gas Development Company Limited (note 5.5)	120,915	-	120,915	-	-	-	-	-	-	-
Pakistan Oilfields Limited	461,951	-	147,000	314,951	67,998	93,213	25,215	5.70	0.13	6.52
Pakistan Petroleum Limited	437,725	87,545	192,500	332,770	51,058	72,261	21,203	4.42	0.03	5.05
								10.12	0.16	11.57
Automobile and Parts										
Indus Motor Company Limited	157,742	-	32,278	125,464	32,919	31,676	(1,243)	1.94	0.16	2.22
Pak Suzuki Motor Company Limited	128,980	-	70,000	58,980	4,675	4,118	(557)	0.25	0.07	0.29
Agriauto Industries Limited (note 5.3)	8,960	-	-	8,960	618	683	65	0.04	0.03	0.05
								2.23	0.26	2.56
Fixed Line and telecommunication										
Pakistan Telecommunication Company Limited "A"	2,606,200	-	486,550	2,119,650	37,730	41,163	3,433	2.52	0.06	2.88



Name of the investee company	As at July 1, 2010	Purchases / Bonus issue during the period	Sales during the period	As at December 31, 2010	Carrying value (cost) as at December 31, 2010	Market value as at December 31, 2010	Unrealised gain / (loss) as at December 31, 2010	Percentage in relation to		
								Number of shares	Rupees in '000	Net assets of the Fund on the basis of market value (see note 5.4 below)
Chemicals										
Fauji Fertilizer Company Limited	59,417	-	59,417	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	1,343,561	-	900,000	443,561	11,550	15,848	4,298	0.97	0.05	1.11
ICI Pakistan Limited	600	-	-	600	71	87	16	0.01	-	0.01
								0.98	0.05	1.12
Pharmaceutical										
GlaxoSmithKline (Pakistan) Limited	3,906	-	3,906	-	-	-	-	-	-	-
General Industrials										
Packages Limited	987	-	987	-	-	-	-	-	-	-
Thal Limited (note 5.3)	267,960	53,592	20,000	301,552	23,858	39,277	15,419	2.40	0.49	2.75
Tri-Pack Films Limited	3,300	-	-	3,300	322	403	81	0.02	0.01	0.03
								2.42	0.50	2.78
Total					268,100	341,275	73,175			
Total cost of investments - 'held for trading'						279,676				

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

5.4 Net assets are as defined in Regulation 66 of NBFC Regulations.

5.5 190,000 shares (June 30, 2010: 190,000 shares) of Oil and Gas Development Company Limited, having market value of Rs 32.458 million (June 30, 2010: 26.921 million) as at December 31, 2010 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, 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. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.

Subsequent to the year ended June 30, 2010, 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. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. No such notice was received by the Fund.

On December 14, 2010, the Ministry has filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the Court.

However, 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 has reversed the liability recognised as at June 30, 2010 amounting to Rs 7.122 million, during the current period. The aggregate unrecognised amount of WWF as at December 31, 2010 amounted to Rs 10.383 million.

There were no other contingencies and commitments outstanding as at December 31 and June 30, 2010.

7. BASIC EARNINGS PER SHARE

	Six months period ended December 31		Quarter ended December 31	
	2010	2009	2010	2009
	----- (Rupees in '000) -----			
Net profit for the period (Rupees in '000)	170,155	369,113	121,184	39,467
	----- (Number of Shares) -----			
Weighted average number of ordinary shares outstanding during the period	137,539,986	137,539,986	137,539,986	137,539,986
Basic and diluted earning per share (Rupees)	1.24	2.68	0.88	0.29

7.1 The Fund has no issued dilutive potential ordinary shares as at December 31, 2010.

7.2 Non adjusting event

The Board of Directors in its meeting held on February 17, 2011 has announced an interim cash dividend of 5% amounting to Rs. 68.770 million. The condensed interim financial report for the half year ended December 31, 2010 does not include the effect of this appropriation which will be accounted for in the financial statements for the year ending June 30, 2011.

8. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include Al Meezan being the management company, CDC being the custodian, MBL being the holding company of the management company, Pakistan Kuwait Investment Company (Private) Limited, directors and officers of the management company and Meezan Islamic Income Fund, Meezan Islamic Fund, Meezan Tahaffuz Pension Fund, Meezan Balanced Fund, Meezan Capital Protected Fund - I, 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 custodian is determined in accordance with the provisions of NBFC Rules and the NBFC Regulations.



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

	December 31 2010	June 30, 2010
	(Rupees in '000)	
Al Meezan - management company of the Fund		
Remuneration payable	<u>2,785</u>	<u>2,324</u>
Investment of 33,915,550 shares (June 30, 2010: 23,205,692 shares)	<u>281,838</u>	<u>154,318</u>
Meezan Islamic Fund		
Investment of 8,480,190 shares (June 30, 2010: 19,570,700 shares)	<u>70,470</u>	<u>130,145</u>
MBL		
Balances with bank	<u>3,937</u>	<u>2,408</u>
Investment of 5,561,607 shares (June 30, 2010: 5,561,607 shares)	<u>46,217</u>	<u>36,985</u>
Investment in 1,396,040 shares (June 30, 2010: 2,096,040 shares)	<u>23,593</u>	<u>30,497</u>
CDC - custodian of the Fund		
Deposits	<u>138</u>	<u>138</u>
Remuneration payable	<u>61</u>	<u>53</u>
Pakistan Kuwait Investment Company (Private) Limited		
Investment of 16,895,690 shares (June 30, 2010: 16,895,690 shares)	<u>140,403</u>	<u>112,356</u>
Directors and officers of the management company		
Investment of 356,878 shares (June 30, 2010: 372,878 shares)	<u>2,966</u>	<u>2,480</u>

	Six months period ended December 31	
	2010	2009
	(Rupees in '000)	
Al Meezan - management company of the Fund		
Remuneration for the period	<u>15,265</u>	<u>14,291</u>
Dividend for the period	<u>28,828</u>	<u>23,206</u>
Shares purchased during the period : 10,709,858 shares (December 31, 2009: nil shares)	<u>74,969</u>	<u>-</u>
Meezan Islamic Fund		
Shares sold during the period : 11,090,510 shares (December 31, 2009: nil shares)	<u>77,663</u>	<u>-</u>
Dividend for the period	<u>7,225</u>	<u>19,571</u>
MBL		
Profit on deposit account with bank	<u>2</u>	<u>2</u>
Shares purchased during the period : nil shares (December 31, 2009: 188,522 shares)	<u>-</u>	<u>3,171</u>
Shares sold during the period : 700,000 shares (December 31, 2009: 171,000 shares)	<u>10,495</u>	<u>2,944</u>
Dividend for the period	<u>4,727</u>	<u>5,562</u>
CDC - custodian of the Fund		
Remuneration for the period	<u>387</u>	<u>403</u>
Pakistan Kuwait Investment Company (Private) Limited		
Dividend for the period	<u>14,361</u>	<u>16,896</u>
Directors and officers of the management company		
Shares purchased during the period : nil shares (December 31, 2009: 16,000 shares)	<u>-</u>	<u>106</u>
Shares sold during the period : 16,000 shares (December 31, 2009: nil shares)	<u>106</u>	<u>-</u>
Dividend for the period	<u>317</u>	<u>373</u>



9. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial report was authorised for issue on February 17, 2011 by the Board of Directors of the Fund.

Muhammad Shoaib, CFA
Chief Executive

Muhammad Abdul Faisal Khan
Director

**STATEMENT OF INCOME & EXPENDITURE OF MANAGEMENT COMPANY
IN RELATION TO THE FUND
FOR THE SIX MONTHS ENDED DECEMBER 31, 2010**

	December 31,	
	2010	2009
	(Rupees in '000)	
INCOME		
Remuneration from Al Meezan Mutual Fund Limited	15,265	14,291
Dividend income	28,825	23,206
	44,090	37,497
OPERATING EXPENSES		
Salaries and other benefits	4,081	5,503
Motor vehicle running expenses	97	99
Fees and subscription	83	137
Insurance expense	57	55
Printing and stationery	75	72
Communication	183	395
Depreciation	259	339
Travelling and conveyance	13	53
Entertainment	21	10
Legal and professional charges	127	136
Repair and maintenance	83	25
Office supplies	34	33
Training and development	11	14
Rent, rates and taxes	224	345
Utilities	53	47
Shariah advisory fee	97	125
Miscellaneous expenses	10	12
	5,505	7,400
OPERATING PROFIT	<u>38,585</u>	<u>30,097</u>

Note: Other revenue and expenditure not related to the Fund has not been included in the above statement.



Pure. Profit.

Registered Office

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