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Our Vision

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

Our Mission

“ To be the leading mutual fund in the industry, providing unitholders, in a truly SHARIAH COMPLIANT way, the best combination of current income and future growth on 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 Fund (MIF) 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, 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 from SBP 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'.

Equity Market Review

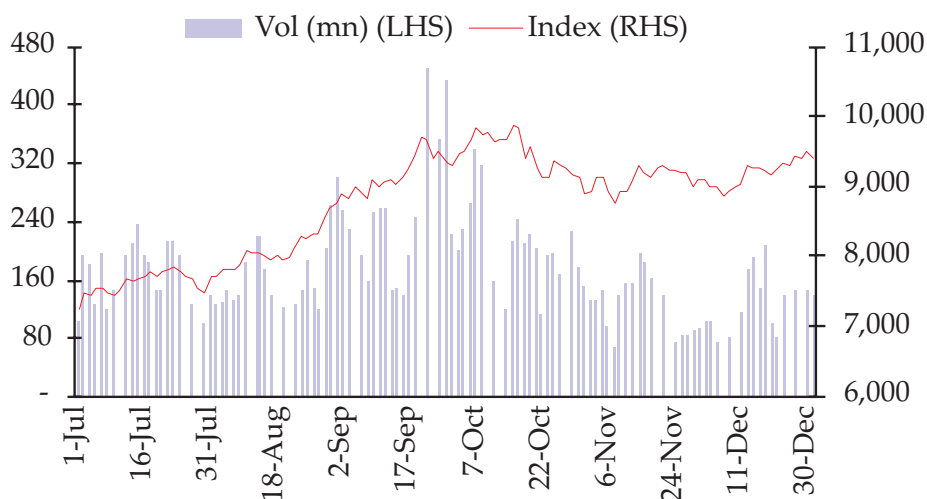
The equity market witnessed a turnaround in the first half ended December 31, 2009 as KSE-100 Index appreciated by 31% or 2,224 points to close the half year at 9,386. This is in sharp contrast to the same period last year when the equity market fell by 52.3%. There was a substantial increase in daily average volume to 172.5 million shares as compared to mere 40.8 million shares in the corresponding period last year during which floor was imposed in the stock market.

At the beginning of the year, uncertainty about the discount rate cut by the Central Bank in the monetary policy statement and late release of IMF tranche caused some concern in the minds of investors and kept market moving at the slow pace. However, it quickly regained its momentum with the discount rate cut, disbursement of IMF tranche and continuous decline in CPI inflation. Later, foreign buying provided impetus to the momentum and made a high of 9,839 in mid of October, 2009.

This momentum was arrested in mid of October as the uncertain law and order situation led to apprehension among investors. Also, on the domestic political front, the uproar from different fronts relating to conditions attached to the Kerry Lugar Bill and later the controversy regarding National Reconciliation Ordinance (NRO) kept the market dull as the focus was diverted from large cap to lower tier stocks and Index dipped below 9,000. However, in the end news about unlocking of NIT LOC units brought about rally in the banking sector and approval of 4th tranche of IMF helped market to close at 9,384 on December 31, 2009. During the same period, KMI-30, the benchmark index, appreciated by 29% to close around 13,754.

Foreign Flows

Imposition of the price floor and exclusion from the MSCI Emerging Markets index along with the global financial crisis had caused a massive exodus (US\$ 446 million) of foreign portfolio investments from the equity market in 2008. However, eventually macro recovery and inclusion in MSCI Frontier Market Index encouraged offshore investments to return to Pakistan with a net foreign inflow of US\$ 291 million in the first half of fiscal year 2010. With the interest rates in most developed countries hitting rock bottom and Pakistan stock market trading at a significant discount to the regional markets, it is expected that foreign portfolio investment will continue to flow in the local market.



Performance Review

The KSE-Meezan Index - 30 (KMI-30) serves as the benchmark for Meezan Islamic Fund (MIF). The Fund posted a return of 31.04% in the first six months as compared to its benchmark which rose by 29.17% and hence outperforming it by 1.87%

The performance of Meezan Islamic Fund improved considerably as the fund recorded a total income of Rs. 1.15 billion in the first half of the fiscal year 2010, compared to a loss of Rs. 3.25 billion in the same period last year. Major impetus to this figure was provided by unrealized gains on investments, which totalled almost Rs. 700 million. Realized gains and Dividend Income also made noteworthy contributions of Rs. 269 million and Rs. 170 million respectively. During the period under review, the Fund incurred expenses amounting to Rs. 52 million. In all, the MIF posted a net income of Rs. 1.18 billion, as compared to previous year's net loss of Rs. 3.15 billion. This translates into a per unit profit of Rs. 12.6 for the half year.

Net Assets of the Fund grew by more than 16% in the first half of fiscal year 2010 to Rs. 4.35 billion, equivalent to Rs. 46.23 per unit, up from a per unit figure of Rs. 35.28 on June 30, 2009.

Outlook

After a turbulent 2008, Pakistan's economy has seen a steady turnaround in the year 2009 and all major economic indicators are pointing to greater stability ahead. The S&P rating upgrade has accelerated a pickup in foreign investment in Pakistan's equity market. Since June 2009, when KSE-100 Index entered the MSCI Frontier Index, nearly US\$ 315 million has flowed into the stock market, reversing 18 months of capital flight. The significant build up of foreign exchange reserves has also improved confidence in country's ability in meeting its commitments.

One of the major issues for the equity market is the introduction of a margin financing product that hopefully would be launched in soon. The other major issue that investors will likely deal with is the introduction of capital gains tax on stocks in the next federal budget. Currently, Pakistan's capital market is trading at a P/E multiple of around 7.2, which is almost at a 47% discount to the regional markets. This makes KSE an attractive option for the foreign investors, who are expected to continue their investment at the local bourse.

Acknowledgement

We take this opportunity to thank our valued investors for reposing faith in Al Meezan 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 FUND

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

Meezan Islamic Fund (the Fund), an open-end scheme was established under a trust deed dated June 16, 2003, executed between Al Meezan Investment Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the period from July 01, 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
URL: www.cdcPakistan.com E-mail: info@cdcpak.com

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

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of Meezan Islamic Fund (the Fund) as at December 31, 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		202,639	142,537
Investments	5	4,139,251	3,568,703
Receivable against sale of investments		4,573	6,076
Dividend receivable		37,367	36,020
Advances, deposits, prepayments and other receivables		10,689	9,588
Total assets		4,394,519	3,762,924
Liabilities			
Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund		7,554	6,666
Payable to Central Depository Company of Pakistan Limited (CDC) - trustee of the Fund		465	397
Payable to Meezan Bank Limited (MBL)		8	1,223
Payable to Securities and Exchange Commission of Pakistan (SECP)		2,070	3,867
Payable on redemption of units		28,352	5,609
Payable against purchase of investments		630	5
Accrued expenses and other liabilities		8,294	7,864
Total liabilities		47,373	25,631
Net assets		4,347,146	3,737,293
CONTINGENCIES	6		
Unitholders' fund (as per statement attached)		4,347,146	3,737,293
		Number of units	
Number of units in issue		94,026,705	105,920,317
		Rupees	
Net assets value per unit		46.23	35.28

The annexed notes 1 to 8 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 ended		Quarter ended	
	December 31		December 31	
	2009	2008	2009	2008
	(Rupees in '000)			
Income				
Net realised gain / (loss) on sale of investments	268,583	(72,451)	125,439	2,634
Dividend income	169,945	156,799	91,917	104,547
Profit on savings accounts with banks	12,503	6,630	6,849	4,785
Other income	723	1,345	111	1
	<u>451,754</u>	<u>92,323</u>	<u>224,316</u>	<u>111,967</u>
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss (net)	699,480	(3,337,574)	(124,396)	(1,765,151)
Gain on re-measurement of derivative financial instruments (net)	-	142	-	142
	<u>699,480</u>	<u>(3,337,432)</u>	<u>(124,396)</u>	<u>(1,765,009)</u>
Total income / (loss)	<u>1,151,234</u>	<u>(3,245,109)</u>	<u>99,920</u>	<u>(1,653,042)</u>
Expenses				
Remuneration to Al Meezan - management company of the Fund	43,575	50,753	22,278	20,125
Remuneration to CDC - trustee of the Fund	2,683	2,756	1,366	1,253
Remuneration to MBL	-	302	-	154
Annual fee to SECP	2,070	2,237	1,058	986
Auditors' remuneration	361	313	266	138
Fees and subscription	20	18	10	9
Legal and professional charges	483	96	337	49
Brokerage	2,424	1,192	831	83
Bank and settlement charges	537	223	237	43
Printing charges	316	482	160	386
Total expenses	<u>52,469</u>	<u>58,372</u>	<u>26,543</u>	<u>23,226</u>
Net income / (loss) from operating activities	<u>1,098,765</u>	<u>(3,303,481)</u>	<u>73,377</u>	<u>(1,676,268)</u>
Element of income and capital gains included in prices of units issued less those in units redeemed	82,209	148,807	44,835	89,884
Net income / (loss) for the period	<u>1,180,974</u>	<u>(3,154,674)</u>	<u>118,212</u>	<u>(1,586,384)</u>
Other comprehensive income for the period				
Unrealised gain on available for sale investments	22,854	-	31,260	-
Element of income and capital gains included in prices of units sold less those in units redeemed pertaining to 'available for sale' investment	706	-	3	-
Total comprehensive income / (loss) for the period	<u>1,204,534</u>	<u>(3,154,674)</u>	<u>149,475</u>	<u>(1,586,384)</u>

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

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

Chief Executive

Director

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

	Six months ended		Quarter ended	
	December 31		December 31	
	2009	2008	2009	2008
	(Rupees in '000)			
Accumulated (loss) / undistributed income brought forward	(1,558,724)	1,010,031	(495,259)	(1,563,146)
Less : Final distribution in the form of bonus units @ nil for the year ended June 30, 2009 (June 30, 2008 @ 20%)	-	(1,004,058)	-	-
Less : Final distribution in the form of nil cash dividend for the year ended June 30, 2009 (June 30, 2008 @ 20%)	-	(829)	-	-
Net income / (loss) for the period	1,180,974	(3,154,674)	118,212	(1,586,384)
Element of income and capital gains included in prices of units sold less those in units redeemed (net)	706	-	3	-
Accumulated losses carried forward	<u>(377,044)</u>	<u>(3,149,530)</u>	<u>(377,044)</u>	<u>(3,149,530)</u>

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

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

Chief Executive

Director

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

	Six months ended		Quarter ended	
	December 31		December 31	
	2009	2008	2009	2008
	(Rupees in '000)			
Net assets at the beginning of the period	3,737,293	6,034,468	4,743,989	4,320,458
Issue of 5,690,039 units (2008: 12,373,434 units) and (2,342) units (2008: 19,585) for six months and quarter respectively	247,374	537,160	(9,381)	451
Redemption of 17,583,651 (2008: 19,253,302) and 10,924,013 units (2008: 4,021,685) for six months and quarter respectively	(759,140)	(733,349)	(492,099)	(110,672)
	(511,766)	(196,189)	(501,480)	(110,221)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed (net)				
- transferred to income statement	(82,209)	(148,807)	(44,835)	(89,884)
- transferred to other comprehensive income	(706)	-	(3)	-
	(82,915)	(148,807)	(44,838)	(89,884)
Total comprehensive income / (loss) for the period	1,204,534	(3,154,674)	149,475	(1,586,384)
Cash distribution during the period	-	(829)	-	-
Issue of bonus units during the period	-	(1,004,058)	-	-
Total comprehensive income / (loss) for the period less distribution	1,204,534	(4,159,561)	149,475	(1,586,384)
Issue of nil bonus units for the year ended June 30, 2009 (June 30, 2008: 20,061,107 bonus units)	-	1,004,058	-	-
Net assets at the end of the period	4,347,146	2,533,969	4,347,146	2,533,969

The annexed notes 1 to 8 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 ended		Quarter ended	
	December 31		December 31	
	2009	2008	2009	2008
(Rupees in '000)				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	1,180,974	(3,154,674)	118,212	(1,586,384)
Adjustments for :				
Dividend income	(169,945)	(156,799)	(91,917)	(104,547)
Profit on deposit accounts with banks	(12,503)	(6,630)	(6,849)	(4,785)
Unrealised (gain) / loss on investments - 'at fair value through profit or loss'	(699,480)	3,337,574	124,396	1,765,151
Gain on re-measurement of derivative financial instruments (net)	-	(142)	-	(142)
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	(82,209)	(148,807)	(44,835)	(89,884)
	<u>216,837</u>	<u>(129,478)</u>	<u>99,007</u>	<u>(20,591)</u>
(Increase) / decrease in assets				
Investments	151,786	27,120	29,769	59,571
Receivable against sale of investments	1,503	-	(4,046)	-
Advances, deposits, prepayments and other receivables	(20)	(18)	10	8
	<u>153,269</u>	<u>27,102</u>	<u>25,733</u>	<u>59,579</u>
Increase / (decrease) in liabilities				
Payable to Al Meezan - management company of the Fund	888	(9,704)	(885)	(1,995)
Payable to CDC - trustee of the Fund	68	(205)	(1)	(76)
Payable to MBL	(1,215)	(715)	(288)	(244)
Payable to SECP	(1,797)	(2,803)	1,058	986
Payable on redemption of units	22,743	36,479	20,980	53,827
Payable against purchase of investments	625	21,584	(1,543)	33,115
Accrued expenses and other liabilities	430	(2,436)	270	(1,526)
	<u>21,742</u>	<u>42,200</u>	<u>19,591</u>	<u>84,087</u>
Dividend received	168,598	184,924	103,657	113,242
Profit received on deposit accounts with banks	11,422	14,604	4,979	7,115
Dividend paid	-	(829)	-	-
Net cash inflow from operating activities	<u>571,868</u>	<u>138,523</u>	<u>252,967</u>	<u>243,432</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from sale of units	247,374	537,160	(9,381)	451
Payments against redemption of units	(759,140)	(733,349)	(492,099)	(110,672)
Net cash outflow from financing activities	<u>(511,766)</u>	<u>(196,189)</u>	<u>(501,480)</u>	<u>(110,221)</u>
Net cash inflow / (outflow) during the period	<u>60,102</u>	<u>(57,666)</u>	<u>(248,513)</u>	<u>133,211</u>
Cash and cash equivalents at the beginning of the period	<u>142,537</u>	<u>264,232</u>	<u>451,152</u>	<u>73,355</u>
Cash and cash equivalents at the end of the period	<u>202,639</u>	<u>206,566</u>	<u>202,639</u>	<u>206,566</u>

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

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

Chief Executive

Director

NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2009

1. LEGAL STATUS AND NATURE OF BUSINESS

Meezan Islamic Fund (the Fund) was established under a Trust Deed executed between Al Meezan as management company and CDC as trustee. The Trust Deed was executed on June 16, 2003 and was approved by the SECP on June 4, 2003 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the management company of the Fund, is situated at Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan.

The Fund has been formed to enable the unit holders to participate in a diversified portfolio of securities, which are shariah compliant. Under the Trust Deed, all the conducts and acts of the Fund are based on shariah. The management company has appointed Meezan Bank Limited (MBL) as its shariah adviser to ensure that the activities of the Fund are in compliance with the principles of shariah. The management company of the Fund is registered with SECP as a Non-Banking Finance Company under the NBFC Rules.

The Fund is an open-end fund listed on the Karachi Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund is rated at 'MFR 3-Star' for one and two year performance rankings by JCR-VIS Credit Rating Company Limited.

Title to the assets of the Fund is held in the name of CDC as a trustee of the Fund.

2. BASIS OF MEASUREMENT

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

3. STATEMENT OF COMPLIANCE

- 3.1 This condensed interim financial report has been prepared in accordance with the approved accounting standards as applicable in Pakistan. 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 and the condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes thereto, for the six months period then ended, which have been subjected to a review but not audited. This condensed interim financial report also includes condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement for the quarter ended December 31, 2009 which have not been subjected to a review.

3.3 The comparative statement of assets and liabilities presented in this 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 and condensed interim cash flow statement have been extracted from the condensed interim financial report for the six months period ended December 31, 2008 which was subjected to a review but not audited. The comparative condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and 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 statements (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, amendments and interpretations of the approved accounting standards are mandatory for accounting periods beginning on or before July 1, 2009 but are considered not to be relevant or have any significant effect to the Fund's operations and are therefore not disclosed 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 of approved accounting standards are effective for accounting periods beginning on or after July 1, 2009 but are considered not to be relevant or have any significant effect to the Fund's operations and are therefore not detailed in this condensed interim financial report.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of the financial statements for the year ended June 30, 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 unit holders' fund and the distribution statement are now shown as other comprehensive income in the performance statement (referred to as income statement in these condensed interim financial statements). 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. INVESTMENTS

		December 31, 2009	June 30, 2009
	Note	(Rupees in '000)	
Investments at 'at fair value through profit or loss'			
- Held for trading - shares of listed companies	5.1	3,092,753	3,194,878
- Investments 'at fair value through profit or loss upon initial recognition'	5.2	342,312	373,825
Investments categorised as 'available for sale'	5.3	704,186	-
		<u>4,139,251</u>	<u>3,568,703</u>

5.1 Held for trading - shares of listed companies

Name of the investee company	As at July 1, 2009	Purchases during the period	Bonus / rights issue	Sales 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		
									Total market value of investments	Net assets of the Fund on the basis of market value (see note 5.1.3 below)	Paid-up capital of investee company (with face value of investment)
Textile composite											
Nishat Mills Limited	1,213,750	677,000	-	860,000	1,030,750	41,111	72,049	30,938	1.74	1.66	0.43
Jute											
Thal Limited (note 5.1.1)	301,047	20,000	60,209	20,000	361,256	23,827	30,660	6,833	0.74	0.71	0.71
Cement											
Attock Cement Pakistan Limited	414,400	25,000	87,880	307,760	219,520	13,024	11,415	(1,609)	0.28	0.26	0.25
D. G. Khan Cement Company Limited	62,880	-	-	62,880	-	-	-	-	-	-	-
Fauji Cement Company Limited	790,510	-	-	775,000	15,510	102	96	(6)	-	-	-
Lucky Cement Limited	2,021,900	106,600	-	857,700	1,270,800	74,810	84,178	9,368	2.03	1.94	0.39
Refinery											
Pakistan Refinery Limited	238,300	-	-	238,300	-	-	-	-	-	-	-
Power generation and distribution											
The Hub Power Company Limited	11,933,000	279,889	-	692,860	11,520,029	313,300	358,042	44,742	8.65	8.24	1
Oil and gas marketing companies											
Pakistan State Oil Company Limited	1,113,300	258,700	-	363,500	1,008,500	223,967	299,968	76,001	7.25	6.90	0.59
Sui Northern Gas Pipelines Limited	788,400	70,000	-	858,400	-	-	-	-	-	-	-
Oil and gas exploration companies											
Oil and Gas Development Company Limited (note 5.1.2)	5,875,766	250,000	-	4,008,500	2,117,266	167,409	234,191	66,782	5.66	5.39	0.05
Pakistan Oilfields Limited	1,519,080	450,000	-	567,000	1,402,080	219,376	323,558	104,182	7.82	7.44	0.59
Pakistan Petroleum Limited	1,701,062	306,200	323,452	997,500	1,333,214	211,326	252,764	41,438	6.11	5.81	0.13
Automobile assembler											
Indus Motor Company Limited	532,577	-	-	67,000	465,577	50,152	91,495	41,343	2.21	2.10	0.59
Pak Suzuki Motor Company Limited	370,910	-	-	-	370,910	25,185	32,996	7,811	0.80	0.76	0.45
Automobiles parts and accessories											
Agriauto Industries Limited (note 5.1.1)	679,200	-	-	-	679,200	22,169	40,922	18,753	0.99	0.94	2.36
Technology and communication											
Pakistan Telecommunication Company Limited "A"	10,065,900	-	-	2,992,262	7,073,638	121,950	124,850	2,900	3.02	2.87	0.19
Fertilizer											
Engro Chemicals Pakistan Limited	795,873	-	-	795,873	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	6,044,529	250,000	-	309,000	5,985,529	521,809	616,090	94,281	14.87	14.17	0.88
Fauji Fertilizer Bin Qasim Limited	8,823,500	875,000	-	1,721,800	7,976,700	142,762	208,431	65,669	5.04	4.79	0.85
Chemical											
ICI Pakistan Limited	1,715,600	20,000	-	223,001	1,512,599	212,206	254,858	42,652	6.15	5.86	1.09
Sitara Chemical Industries Limited	87,690	-	-	-	87,690	13,680	14,032	352	0.34	0.32	0.43
Miscellaneous											
Tri-Pack Films Limited	409,300	-	-	-	409,300	40,885	42,158	1,273	1.02	0.97	1.36
Total						2,439,050	3,092,753	653,703			
Total cost of investments							2,912,792				

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

5.1.2 200,000 shares of Oil and Gas Development Company Limited, having market value of Rs 22.122 million as at December 31, 2009, have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

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

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

5.2.1 Shares of listed companies, a bank and a fund

Name of the investee company	As at July 1, 2009	Purchases during the period	Bonus / rights issue	Sales during the period	As at December 31, 2009	Carrying value	Market value	Unrealised gain / (loss)	Percentage in relation to			
									as at December 31, 2009	Total market value of investments	Net assets of the Fund on the basis of market value (see note 5.1.3 above)	Paid-up capital of investee company (with face value of investment)
Closed-end mutual funds												
Al Meezan Mutual Fund Limited (an associate of the Fund)	19,570,700	-	-	-	19,570,700	101,768	129,166	27,398	3.12	2.97	14.23	
Commercial banks												
Meezan Bank Limited (an associate of the Fund)	6,507,016	-	-	371,710	6,135,306	67,488	96,570	29,082	2.33	2.22	0.92	
Pharmaceutical												
Glaxosmithkline Pakistan Limited	41,093	-	-	-	41,093	4,923	4,490	(433)	0.11	0.10	0.02	
Paper and board												
Packages Limited	1,245,269	43,850	-	510,745	778,374	122,356	112,086	(10,270)	2.71	2.58	0.92	
Grand Total						296,535	342,312	45,777				
Total cost of Investments							521,406					

5.3 Investments categorised as 'available for sale'

5.3.1 Shares of listed companies and a bank

Name of the investee company	As at July 1, 2009	Purchases during the period	Bonus / rights issue	Sales during the period	As at December 31, 2009	Carrying value	Market value	Unrealised gain / (loss)	Percentage in relation to			
									as at December 31, 2009	Total market value of investments	Net assets of the Fund on the basis of market value (see note 5.1.3 above)	Paid-up capital of investee company (with face value of investment)
Textile composite												
Nishat Mills Limited	-	177,905	-	-	177,905	10,101	12,436	2,335	0.30	0.29	0.07	
Cement												
Lucky Cement Limited	-	43,000	-	-	43,000	2,936	2,848	(88)	0.07	0.07	0.01	
Power generation and distribution												
The Hub Power Company Limited	-	635,000	-	-	635,000	19,866	19,736	(130)	0.48	0.45	0.05	
Technology and communication												
Pakistan Telecommunication Company Limited "A"	-	600,000	-	-	600,000	11,056	10,590	(466)	0.26	0.24	0.02	
Paper and board												
Packages Limited	-	423,745	-	-	423,745	59,506	61,019	1,513	1.47	1.40	0.5	
Oil and gas exploration companies												
Oil and Gas Development Company Limited (note 5.1.2)	-	550,000	-	-	550,000	62,026	60,836	(1,190)	1.47	1.40	0.01	
Pakistan Oilfields Limited	-	530,000	-	-	530,000	112,376	122,308	9,932	2.95	2.81	0.22	
Pakistan Petroleum Limited	-	740,400	38,600	-	779,000	142,063	147,691	5,628	3.57	3.40	0.08	
Oil and gas marketing companies												
Pakistan State Oil Company Limited	-	390,346	-	-	390,346	118,368	116,104	(2,264)	2.81	2.67	0.23	
Fertilizer												
Fauji Fertilizer Company Limited	-	105,000	-	-	105,000	10,702	10,807	105	0.26	0.25	0.02	
Fauji Fertilizer Bin Qasim Limited	-	4,400,000	-	-	4,400,000	106,918	114,972	8,054	2.78	2.64	0.47	
Commercial banks												
Meezan Bank Limited (an associate of the Fund)	-	1,578,017	-	-	1,578,017	25,413	24,838	(575)	0.59	0.57	0.24	
Miscellaneous												
Tri-Pack Films Limited	-	10	-	-	10	1	1	-	-	-	-	
Grand Total						681,332	704,186	22,854				
Total cost of Investments							681,332					

6. CONTINGENCIES

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 0.25 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.

7. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

Remuneration payable to the management company and the trustee is determined in accordance with the provision of NBFC Rules and NBFC Regulations and the trust deed respectively.

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

	December 31, 2009	June 30, 2009
	(Rupees in '000)	
Al Meezan - management company of the Fund		
Remuneration payable	7,322	6,084
Sales load payable	228	578
Certificate charges payable	4	4
Investment of 5,409,225 units (June 30, 2009: 6,365,442 units)	250,068	224,573
Al Meezan Mutual Fund Limited		
Investment of 19,570,700 units (June 30, 2009: 19,570,700 units)	129,166	101,768
MBL		
Bank balance	7,159	14,439
Shariah advisory fees payable	-	1,044
Sales load payable	8	179
Investment in 7,713,323 shares (June 30, 2009: 6,507,016 shares)	121,408	71,577
Investment of 7,242,403 units (June 30, 2009: 7,242,403 units)	334,816	255,512

	December 31, 2009	June 30, 2009
	(Rupees in '000)	
CDC - trustee of the Fund		
Trustee fee payable	<u>451</u>	<u>386</u>
CDS Charges payable	<u>14</u>	<u>11</u>

Directors and executives

Investment of 1,709,702 units (June 30, 2009: 1,753,579 units)	<u>79,049</u>	<u>61,866</u>
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**Six months
ended December 31**

2009	2008
(Rupees in '000)	

Al Meezan - management company of the Fund

Remuneration for the period	<u>43,575</u>	<u>50,753</u>
Bonus units issued: Nil units (2008: 1,057,976 units)	<u>-</u>	<u>52,952</u>
Units issued: Nil units (2008: 1,208,819 units)	<u>-</u>	<u>52,000</u>
Redemptions: 956,217 units (2008: Nil units)	<u>42,000</u>	<u>-</u>

Al Meezan Mutual Fund Limited

Dividend income	<u>19,571</u>	<u>19,571</u>
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MBL

Profit on deposit accounts with bank	<u>186</u>	<u>336</u>
Shariah advisory fee	<u>-</u>	<u>302</u>
Bonus units issued: Nil units (2008: 1,206,062)	<u>-</u>	<u>60,363</u>

CDC - trustee of the Fund

Trustee fee	<u>2,683</u>	<u>2,756</u>
CDS Charges	<u>76</u>	<u>32</u>

Directors and executives

Bonus units issued: Nil units (2008: 102,048 units)	<u>-</u>	<u>5,107</u>
Units issued: 34,864 units (2008: 61,247 units)	<u>1,481</u>	<u>2,560</u>
Redemptions: 78,741 units (2008: 560,481 units)	<u>3,510</u>	<u>20,671</u>

8. DATE OF AUTHORISATION

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