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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. Aliuddin Ansari	Director
Mr. Rana Ahmed Humayun	Director
Mr. P. Ahmed	Director
Mr. Rizwan Ata	Director
Mr. Mazhar Sharif	Director
Mr. Mohammad Shoaib, CFA	Chief Executive

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

SHARIAH ADVISER

Meezan Bank Limited

BANKERS TO THE FUND

Al Baraka Islamic Bank B.S.C (E.C)
Bank Alfalah Limited - Islamic Banking
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
Standard Chartered Bank (Pakistan) Limited - Islamic Banking
UBL Ameen Islamic Banking

LEGAL ADVISER

Bawaney & Partners
404, 4th Floor, Beaumont Plaza, 6-CL-10
Beaumont Road, Civil Lines
Karachi - 75530

TRANSFER AGENT

Meezan Bank Limited
SITE Branch, Plot # B/9-C, Estate Avenue,
SITE, Karachi.
Phone: 32062891, Fax: 32552771

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, 2010.

Brief Overview

During the first half of fiscal year 2011, Meezan Islamic Fund (MIF) provided a return of 26% 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.

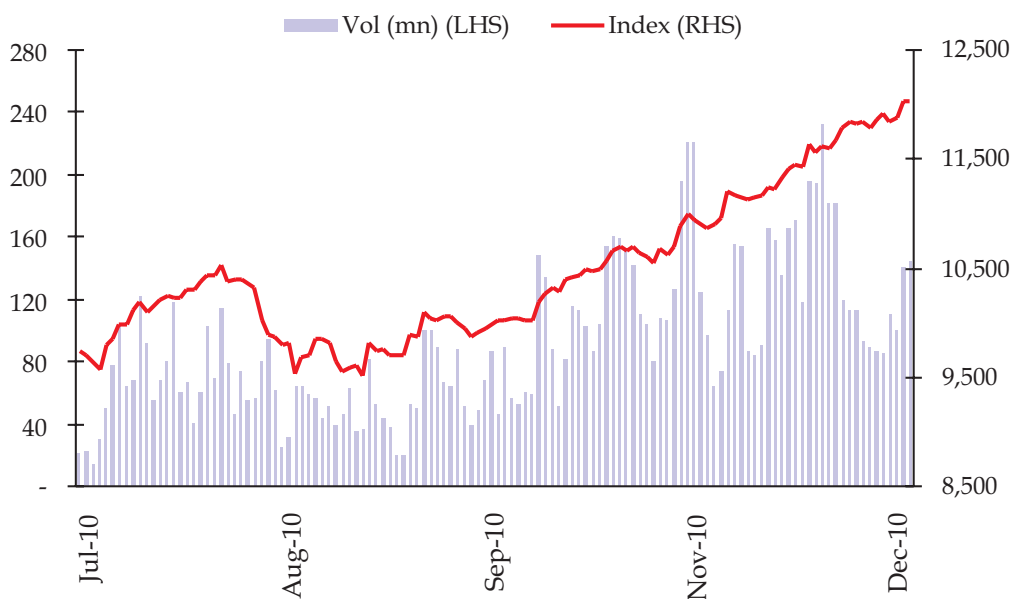
Equity Market Review

Stock market performed exceptionally well during the first half of financial year 2011 with the 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

Meezan Islamic Fund earned a total income of Rs. 621 million in the first half of the fiscal year 2011 as compared to Rs. 1,151 million in the same period last year. Major impetus to this figure was provided by unrealized gains on investments, which was Rs. 318 million. Realized gains and Dividend Income also made noteworthy contributions of Rs. 133 million and Rs. 152 million respectively. During the period under review, the Fund incurred expenses amounting to Rs. 25 million. In all, the MIF posted a net income of Rs. 445 million, as compared to previous year's net profit of Rs. 1,181 million. This translates into a per unit profit of Rs. 8.56 for the half year.

Net Assets of the Fund grew by more than 13% in the first half of fiscal year 2011 to Rs. 4.49 billion. The net asset value of the Fund was Rs. 47.02 per unit at the period end. The Comprehensive Income for the half year stood at 817 million compared to 1,205 in the corresponding period last year.

Outlook

Going forward, the key challenge for the government under the current political environment would be to introduce the reforms demanded by IMF. It is expected that inflation will remain on the higher side because of supply side shortage and hence State Bank may likely go for further monetary tightening in this fiscal year.

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 market. Pakistan's stock market is trading at a P/E multiple of 8.3x, 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 and making it the largest asset management company in the private sector in Pakistan. We also thank the regulator, Securities and Exchange Commission of Pakistan, Trustee, Central Depository Company of Pakistan 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: January 24, 2011
Karachi.**

**Mohammad Shoaib, CFA
Chief Executive**

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED****Head Office**

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-e-Faisal
Karachi - 74400. Pakistan.
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TRUSTEE REPORT TO THE UNIT HOLDERS**MEEZAN ISLAMIC FUND****Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

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, 2010 to December 31, 2010 in accordance with the provisions of the following:

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


Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, February 07, 2011



A.F.FERGUSON & CO.

A member firm of

PRICEWATERHOUSECOOPERS 

A.F.Ferguson & Co
Chartered Accountants
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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 Fund (the Fund) as at December 31, 2010 and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds, condensed interim cash flow statement and the notes forming part thereof for the six month period then ended (here-in-after referred to as the 'condensed interim financial information'). The management company is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim financial information for the quarters ended December 31, 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 10, 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, Fazl-ul-Haq 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 Bariqot, Nahar-e-Darsan, Karte-4, Kabul, Afghanistan. Tel: +93-779-315320, +93-799-315320

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

	December 31, 2010	June 30, 2010
Note	(Rupees in '000)	
Assets		
Balances with banks	518,439	352,749
Investments	5 3,977,833	3,644,759
Receivable against sale of investments	5,988	15
Dividend receivable	1,344	18,049
Advances, deposits, prepayments and other receivables	19,311	10,724
Total assets	4,522,915	4,026,296
Liabilities		
Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund	9,486	7,404
Payable to Central Depository Company of Pakistan Limited (CDC) - trustee of the Fund	474	427
Payable to Meezan Bank Limited (MBL)	114	79
Payable to Securities and Exchange Commission of Pakistan (SECP)	1,993	4,121
Payable on redemption of units	12,070	13,748
Payable against purchase of investments	1,022	1,468
Accrued expenses and other liabilities	11,047	33,139
Total liabilities	36,206	60,386
Net assets	4,486,709	3,965,910
Contingency	6	
Unitholders' fund (as per statement attached)	4,486,709	3,965,910
	Number of units	
Number of units in issue	95,430,338	85,891,040
	(Rupees)	
Net assets value per unit	47.02	46.17

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

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

Mohammad Shoaib, CFA
Chief Executive

Mazhar Sharif
Director



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

	Six months period ended December 31,		Quarter ended December 31,		
	Note	2010	2009	2010	2009
		(Rupees in '000)			
Income					
Net realised gain on sale of investments		132,868	268,583	103,903	125,439
Dividend income		151,559	169,945	86,522	91,917
Profit on savings accounts with banks		17,556	12,503	9,236	6,849
Other income		974	723	471	111
		<u>302,957</u>	<u>451,754</u>	<u>200,132</u>	<u>224,316</u>
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss (net)		318,377	699,480	263,216	(124,396)
Total income		<u>621,334</u>	<u>1,151,234</u>	<u>463,348</u>	<u>99,920</u>
Expenses					
Remuneration to Al Meezan - management company of the Fund		41,950	43,575	21,330	22,278
Remuneration to CDC - trustee of the Fund		2,602	2,683	1,319	1,366
Annual fee to SECP		1,993	2,070	1,013	1,058
Auditors' remuneration		402	361	259	266
Fees and subscription		20	20	10	10
Legal and professional charges		162	483	120	337
Brokerage		1,121	2,424	699	831
Bank and settlement charges		377	537	226	237
Printing charges		407	316	330	160
Reversal of provision for Workers' Welfare Fund	6	(24,242)	-	-	-
Total expenses		<u>24,792</u>	<u>52,469</u>	<u>25,306</u>	<u>26,543</u>
Net income from operating activities		<u>596,542</u>	<u>1,098,765</u>	<u>438,042</u>	<u>73,377</u>
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		(151,291)	82,209	52,539	44,835
Net income for the period		<u>445,251</u>	<u>1,180,974</u>	<u>490,581</u>	<u>118,212</u>
Other comprehensive income for the period					
Unrealised gain on available for sale of investments (net)		386,660	22,854	324,841	31,260
Element of (loss) / income and capital (losses) / gains included in prices of units sold less those in units redeemed pertaining to 'available for sale' investment		(15,057)	706	(13,846)	3
Total comprehensive income for the period		<u>816,854</u>	<u>1,204,534</u>	<u>801,576</u>	<u>149,475</u>

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

For Al Meezan Investment Management Limited (Management Company)

Mohammad Shoaib, CFA
Chief Executive

Mazhar Sharif
Director

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

	Six months period ended December 31,		Quarter ended December 31,	
	2010	2009	2010	2009
	(Rupees in '000)			
Accumulated loss brought forward	(350,397)	(1,558,724)	(1,169,958)	(495,259)
Less : Final distribution in the form of bonus units @ 18% for the year ended June 30, 2010 (June 30, 2009 @ nil)	(771,783)	-	-	-
Less : Final distribution in the form of 18% cash dividend for the year ended June 30, 2010 (June 30, 2009 @ nil)	(1,237)	-	-	-
Net income for the period	445,251	1,180,974	490,581	118,212
Element of (losses) / income and (capital losses) / gains included in prices of units sold less those in units redeemed (net) pertaining to 'available for sale' investments	(15,057)	706	(13,846)	3
Accumulated loss carried forward	<u>(693,223)</u>	<u>(377,044)</u>	<u>(693,223)</u>	<u>(377,044)</u>

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

For Al Meezan Investment Management Limited
(Management Company)

Mohammad Shoaib, CFA
 Chief Executive

Mazhar Sharif
 Director



CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2010 (UNAUDITED - NOTE 3)

	Six months period ended December 31,		Quarter ended December 31,	
	2010	2009	2010	2009
	(Rupees in '000)			
Net assets at the beginning of the period	3,965,910	3,737,293	3,963,065	4,743,989
Issue of 6,161,120 units (2009: 5,690,039 units) and 3,254,647 units (2009: (2,342)) for six months and quarter respectively	254,739	247,374	141,526	(9,381)
Redemption of 17,385,409 (2009: 17,583,651) and 8,813,296 units (2009: 10,924,013) for six months and quarter respectively	(715,905)	(759,140)	(380,765)	(492,099)
	(461,166)	(511,766)	(239,239)	(501,480)
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed (net)				
- transferred to income statement	151,291	(82,209)	(52,539)	(44,835)
- transferred to other comprehensive income	15,057	(706)	13,846	(3)
	166,348	(82,915)	(38,693)	(44,838)
Total comprehensive income for the period less distribution	43,834	1,204,534	801,576	149,475
Issue of 20,763,587 bonus units for the year ended June 30, 2010 (June 30, 2009: nil bonus units)	771,783	-	-	-
Net assets at the end of the period	<u>4,486,709</u>	<u>4,347,146</u>	<u>4,486,709</u>	<u>4,347,146</u>

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

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

Mohammad Shoaib, CFA
Chief Executive

Mazhar Sharif
Director

CONDENSED INTERIM CASH FLOW STATEMENT

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

	Six months period ended December 31,		Quarter ended December 31,	
	2010	2009	2010	2009
	(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	445,251	1,180,974	490,581	118,212
Adjustments for :				
Dividend income	(151,559)	(169,945)	(86,522)	(91,917)
Profit on savings accounts with banks	(17,556)	(12,503)	(9,236)	(6,849)
Unrealised (gain) / loss on investments - 'at fair value through profit or loss' (net)	(318,377)	(699,480)	(263,216)	124,396
Reversal of provision for Workers' Welfare Fund	(24,242)	-	-	-
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed (net)	151,291	(82,209)	(52,539)	(44,835)
	<u>84,808</u>	<u>216,837</u>	<u>79,068</u>	<u>99,007</u>
(Increase) / decrease in assets				
Investments	371,963	151,786	151,511	29,769
Receivable against sale of investments	(5,973)	1,503	34,902	(4,046)
Advances, deposits, prepayments and other receivables	(32)	(20)	(3)	10
	<u>365,958</u>	<u>153,269</u>	<u>186,410</u>	<u>25,733</u>
Increase / (decrease) in liabilities				
Payable to Al Meezan - management company of the Fund	2,082	888	1,258	(885)
Payable to CDC - trustee of the Fund	47	68	49	(1)
Payable to MBL	35	(1,215)	(91)	(288)
Payable to SECP	(2,128)	(1,797)	1,014	1,058
Payable on redemption of units	(1,678)	22,743	(2,206)	20,980
Payable against purchase of investments	(446)	625	(117)	(1,543)
Accrued expenses and other liabilities	2,150	430	507	270
	<u>62</u>	<u>21,742</u>	<u>414</u>	<u>19,591</u>
Dividend received	168,264	168,598	131,817	103,657
Profit received on savings accounts with banks	9,001	11,422	5,002	4,979
Dividend paid	(1,237)	-	-	-
Net cash inflow from operating activities	<u>626,856</u>	<u>571,868</u>	<u>402,711</u>	<u>252,967</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from sale of units	254,739	247,374	141,526	(9,381)
Payments against redemption of units	(715,905)	(759,140)	(380,765)	(492,099)
Net cash outflow from financing activities	(461,166)	(511,766)	(239,239)	(501,480)
Net cash inflow / (outflow) during the period	<u>165,690</u>	<u>60,102</u>	<u>163,472</u>	<u>(248,513)</u>
Cash and cash equivalents at the beginning of the period	352,749	142,537	354,967	451,152
Cash and cash equivalents at the end of the period	<u>518,439</u>	<u>202,639</u>	<u>518,439</u>	<u>202,639</u>

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

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

Mohammad Shoaib, CFA
Chief Executive

Mazhar Sharif
Director



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

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Islamic Fund (the Fund) was established under a Trust Deed executed between Al Meezan as management company and CDC as trustee. The Trust Deed was executed on June 16, 2003 and was approved by the SECP on June 4, 2003 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the management company of the Fund, is situated at Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan.
- 1.2 The Fund has been formed to enable the unit holders to participate in a diversified portfolio of securities, which are shariah compliant. Under the Trust Deed, all the conducts and acts of the Fund are based on shariah. The management company has appointed Meezan Bank Limited (MBL) as its shariah adviser to ensure that the activities of the Fund are in compliance with the principles of shariah. The management company of the Fund is registered with SECP as a Non-Banking Finance Company under the NBFC Rules.
- 1.3 The Fund is an open-end fund listed on the Karachi Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4 The management company of the Fund has been given quality rating of AM2 by JCR-VIS Credit Rating Company Limited. The Fund is rated at 'MFR 5-Star' for one and two years and three years performance rankings by JCR-VIS Credit Rating Company Limited .
- 1.5 Title to the assets of the Fund is held in the name of CDC as a trustee of the Fund.

2. BASIS OF MEASUREMENT

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

3. STATEMENT OF COMPLIANCE

- 3.1 This condensed interim financial report has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of IAS 34: 'Interim Financial Reporting' (IAS 34), the Trust Deed, NBFC Rules, NBFC Regulations and the directives issued by SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, NBFC Regulations or the said directives differ with the requirements of IAS 34, the requirements of the Trust Deed, NBFC Rules, NBFC Regulations or the said directives take precedence.

- 3.2 This condensed interim financial report comprises of the condensed interim statement of assets and liabilities as at December 31, 2010 and the condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes thereto for the six months period ended December 31, 2010, which have been subject to a review but not audited. This condensed interim financial report also includes condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement for the quarter ended December 31, 2010 which is not subject to review.
- 3.3 The comparative condensed interim statement of assets and liabilities presented in this condensed interim financial report as at June 30, 2010 has been extracted from the annual audited financial statements of the Fund for the year ended June 30, 2010 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, 2009 which was subjected to a review but not audited. The comparative condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement for the quarter ended December 31, 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 amendment to an 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 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. 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	June 30, 2010
		(Rupees in '000)	
Investments at fair value through profit or loss	5.1	1,726,416	1,987,091
Investments - 'available for sale'	5.2	2,251,417	1,657,668
		<u>3,977,833</u>	<u>3,644,759</u>

5.1 Investments at fair value through profit or loss

	Note	December 31, 2010	June 30, 2010
Held for trading	5.1.1	1,551,220	1,763,080
Investments 'at fair value through profit or loss upon initial recognition'	5.1.4	175,196	224,011
		<u>1,726,416</u>	<u>1,987,091</u>

5.1.1 Held for trading - shares of listed companies

Name of the investee company	As at July 1, 2010	Bonus issue	Sales during the period	As at December 31, 2010	Carrying value 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 5.1.3 below)	Paid-up capital of investee company (with face value of investment)	Total market value of investments
				Number of Shares	Rupees in '000					
General Industrials										
Thal Limited (note 5.1.2)	331,256	66,251	46,380	351,127	27,780	45,734	17,954	1.02	0.57	1.16
Tri-Pack Films Limited	389,300	-	-	389,300	37,968	47,557	9,589	1.06	1.30	1.20
								2.08	1.87	2.36
Construction and Materials										
Attock Cement Pakistan Limited	219,520	-	166,481	53,039	3,474	3,347	(127)	0.07	0.06	0.08
Lucky Cement Limited	1,135,800	-	580,000	555,800	34,537	42,124	7,587	0.94	0.17	1.06
								1.01	0.23	1.14
Oil and gas										
Pakistan State Oil Company Limited	951,300	-	167,000	784,300	204,075	231,510	27,435	5.16	0.46	5.82
Oil and Gas Development Company Limited	157,077	-	157,077	-	-	-	-	-	-	-
Pakistan Oilfields Limited	1,355,740	-	510,040	845,700	182,587	250,293	67,706	5.58	0.36	6.29
Pakistan Petroleum Limited	1,062,214	212,442	470,650	804,006	123,361	174,590	51,229	3.89	0.07	4.39
								14.63	0.89	16.50
Automobile and parts										
Indus Motor Company Limited	451,135	-	25,016	426,119	111,805	107,582	(4,223)	2.40	0.54	2.70
Pak Suzuki Motor Company Limited	181,163	-	131,140	50,023	3,965	3,493	(472)	0.08	0.06	0.09
Agriauto Industries Limited (note 5.1.2)	679,200	-	-	679,200	46,865	51,755	4,890	1.15	2.36	1.30
								3.63	2.96	4.09
Fixed Line Telecommunication										
Pakistan Telecommunication Company Limited "A"	65,981	-	65,981	-	-	-	-	-	-	-
Chemicals										
Fauji Fertilizer Company Limited	5,837,146	-	1,221,537	4,615,609	475,731	580,921	105,190	12.95	0.68	14.60
Fauji Fertilizer Bin Qasim Limited	2,502,062	-	2,262,448	239,614	6,240	8,561	2,321	0.19	0.03	0.22
ICI Pakistan Limited	26,017	-	-	26,017	3,085	3,753	668	0.08	0.02	0.09
								13.22	0.73	14.91
Total					<u>1,261,473</u>	<u>1,551,220</u>	<u>289,747</u>			
Total cost of investments						<u>1,129,067</u>				

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

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

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

Shares of listed companies, a bank and a fund

Name of the investee company	As at July 1, 2010	Sales during the period	As at December 31, 2010	Carrying value 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 5.1.3 above)
Equity Investment Instruments									
Al Meezan Mutual Fund Limited (AMMF) (an associate of the Fund) (note 5.1.5)	19,570,700	11,090,510	8,480,190	56,393	70,470	14,077	1.57	6.17	1.77
Bank									
Meezan Bank Limited (an associate of the Fund)	6,442,118	253,884	6,188,234	90,040	104,582	14,542	2.33	0.89	2.63
Pharma and Bio Tech									
GlaxoSmithKline Pakistan Limited	1,093	-	1,093	89	96	7	-	-	-
General Industrials									
Packages Limited	374	-	374	44	48	4	-	-	-
Total				<u>146,566</u>	<u>175,196</u>	<u>28,630</u>			
Total cost of investments					<u>200,119</u>				

5.1.5 The SECP through its S.R.O 994(I)/2009 dated October 29, 2009 relaxed the limit prescribed in regulation 58(1)(p) of the NBFC Regulations, upto June 30, 2010. As the Fund holds the investment in the shares of AMMF, the SECP through its letter No. SCD-SD(Enf)/AMIM/2010/45 dated December 30, 2010 has instructed the management company to increase its efforts for disposal of shares of AMMF at a suitable price without compromising the interest of the unit holders.



5.2 Investments categorised as 'available for sale'

Shares of listed companies and a bank

Name of the investee company	As at July 1, 2010	Purchases during the period	Bonus issue	Sales during the period	As at December 31, 2010	Carrying value 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	Net assets of the fund on the basis of market value (see note 5.1.3 above)	Paid-up capital of investee company (with face value of investment)	Total market value of investments
						Rupees in '000						
General Industrials												
Thal Limited (note 5.1.2)	20	-	4	-	24	2	3	1	-	-	-	
Packages Limited	1,201,745	88,000	-	72,668	1,217,077	146,211	156,528	10,317	3.49	1.44	3.94	
Tri-Pack Films Limited	10	-	-	-	10	1	1	-	-	-	-	
									3.49	1.44	3.94	
Construction and Materials												
Attock Cement Pakistan Limited	282,631	21,500	-	-	304,131	19,798	19,194	(604)	0.43	0.35	0.48	
DG Khan Cement Company Limited	-	353,802	-	304,704	49,098	1,304	1,481	177	0.03	0.01	0.04	
Lucky Cement Limited	2,007,720	1,167,439	-	50,000	3,125,159	206,853	236,856	30,003	5.28	0.97	5.95	
									5.74	1.33	6.47	
Bank												
Meezan Bank Limited (an associate of the Fund)	1,906,917	657,655	-	-	2,564,572	39,230	43,341	4,111	0.97	0.37	1.09	
Pharma and Bio Tech												
GlaxoSmithKline Pakistan Limited	40,000	-	-	14,000	26,000	2,088	2,293	205	0.05	0.02	0.06	
Electricity												
The Hub Power Company Limited	-	3,945,012	-	-	3,945,012	142,401	147,583	5,182	3.29	0.34	3.71	
Oil and gas												
Oil and Gas Development Company Limited (note 5.2.1)	1,379,000	284,256	-	834,423	828,833	103,016	141,590	38,574	3.16	0.02	3.56	
Pakistan Oilfields Limited	761,800	-	-	90,000	671,800	145,765	198,826	53,061	4.43	0.28	5.00	
Pakistan Petroleum Limited	1,347,000	-	269,400	65,000	1,551,400	238,868	336,886	98,018	7.51	0.13	8.47	
Pakistan State Oil Company Limited	727,646	-	-	35,000	692,646	182,549	204,455	21,906	4.56	0.40	5.14	
National Refinery Limited	404,351	78,247	-	117,498	365,100	69,841	99,961	30,120	2.23	0.46	2.51	
									21.89	1.29	24.68	
Automobile and Parts												
Indus Motor Company Limited	5,000	66,402	-	-	71,402	17,807	18,027	220	0.40	0.09	0.45	
Fixed Line Telecommunication												
Pakistan Telecommunication Company Limited "A"	9,440,672	930,000	-	1,939,019	8,431,653	149,968	163,743	13,775	3.65	0.22	4.12	
Chemicals												
Fauji Fertilizer Company Limited	105,000	-	-	-	105,000	10,707	13,215	2,508	0.29	0.02	0.33	
Fauji Fertilizer Bin Qasim Limited	4,750,000	-	-	-	4,750,000	116,246	169,718	53,472	3.78	0.51	4.27	
ICI Pakistan Limited	1,400,000	544,357	-	-	1,944,357	233,791	280,454	46,663	6.25	1.40	7.05	
Lotte Pakistan PTA	-	2,320,000	-	1,060,000	1,260,000	16,557	17,262	705	0.38	0.08	0.43	
									10.70	2.01	12.08	
Total						<u>1,843,003</u>	<u>2,251,417</u>	<u>408,414</u>				
Total cost of investments							<u>1,843,003</u>					

5.2.1 210,000 (June 30, 2010: 210,000) shares of Oil and Gas Development Company Limited, having market value of Rs 35.874 million (June 30, 2010: 29.755 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 24.242 million, during the current period. The aggregate unrecognised amount of WWF as at December 31, 2010 amounted to Rs 32.662 million.

7. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include Al Meezan being the management company, CDC being the trustee, MBL being the holding company of the management company, Pakistan Kuwait Investment Company (Private) Limited, directors and officers 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, Meezan Sovereign Fund and Meezan Balanced Fund being the funds under the common management of the management company.

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

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

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

	December 31, 2010	June 30, 2010
	(Rupees in '000)	
Al Meezan - management company of the Fund		
Remuneration payable	7,454	6,607
Sales load payable	2,027	792
Certificate charges payable	5	5
Investment of 4,563,697 units (June 30, 2010: 3,674,477 units)	214,585	169,651
AMMF		
Investment in 8,480,190 shares (June 30, 2010: 19,570,700 shares)	70,470	130,145



	December 31, 2010	June 30, 2010
	(Rupees in '000)	
MBL		
Bank balance	15,994	18,762
Profit receivable on savings accounts	193	141
Sales load payable	114	79
Investment in 8,752,806 shares (June 30, 2010: 8,349,035 shares)	147,923	121,479
Investment of 8,996,011 units (June 30, 2010: 7,242,403 units)	422,992	334,382
CDC - trustee of the Fund		
Trustee fee payable	458	413
CDS charges payable	16	14
Directors and officers of the management company		
Investment of 2,157,106 units (June 30, 2010: 1,726,021 units)	101,427	79,690
	Six months period ended December 31	
	2010	2009
	----- (Rupees in '000) -----	
Al Meezan - management company of the Fund		
Remuneration for the period	41,950	43,575
Bonus units issued: 889,704 units (2009: Nil units)	33,070	-
Units issued: 391,689 units (2009: Nil units)	15,000	-
Redemptions: 392,173 units (2009: 956,217 units)	18,275	42,000
Disposal of 11,000,000 shares of AMMF	77,000	-
AMMF		
Dividend income	7,225	19,571
Disposal of 11,090,510 shares	77,663	-
MBL		
Profit on deposit accounts with bank	168	186
Bonus units issued: 1,753,608 units (2009: Nil units)	65,182	-
Purchase of 657,655 shares of MBL	9,536	-
Disposal of 253,884 shares of MBL	3,808	-
CDC - trustee of the Fund		
Trustee fee	2,602	2,683
CDS charges	65	76
Directors and officers of the management company		
Bonus units issued: 417,923 units (2009: Nil units)	15,535	-
Units issued: 34,225 units (2009: 34,864 units)	1,500	1,481
Redemptions: 21,063 units (2009: 78,741 units)	922	3,510

8. DATE OF AUTHORISATION

This condensed interim financial report was authorised for issue on January 24, 2011 by the Board of Directors of the management company.

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

Mohammad Shoaib, CFA
Chief Executive

Mazhar Sharif
Director



Pure. Profit.

Registered Office

Al Meezan Investment Management Limited

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