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Our Vision

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

Our Mission

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

FUND INFORMATION

MANAGEMENT COMPANY

Al Meezan Investment Management Limited
Ground Floor, Block "B", Finance & Trade Centre
Shahrah-e-Faisal, Karachi 74400, Pakistan.
Phone: (9221) 35630722-6, 111-MEEZAN
Fax: (9221) 35676143, 35630808
Web site: www.almeezangroup.com
E-mail: info@almeezangroup.com

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. Mohammad Shoaib, CFA	Chief Executive
Mr. Aliuddin Ansari	Director
Mr. P. 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)
Allied Bank Limited - Islamic Banking
Askari Bank Limited - Islamic Banking
Bank Alfalah Limited - Islamic Banking
Bank Al Habib Limited - Islamic Banking
Bank Islami Pakistan Limited
Dawood Islamic Bank Limited
Dubai Islamic Bank Pakistan Limited
Emirates Global Islamic Bank Limited
Habib Bank Limited - Islamic Banking
Habib Metropolitan Bank Limited - Islamic Banking
MCB Bank Limited - Islamic Banking
Meezan Bank Limited
Royal Bank of Scotland - Islamic Banking
Soneri Bank Limited - Islamic Banking
Standard Chartered Bank (Pakistan) Limited - Islamic Banking
UBL Ameen Islamic Banking

LEGAL ADVISER

Bawaney & Partners
404, 4th Floor, Beaumont Plaza, 6-CL-10
Beaumont Road, Civil Lines
Karachi - 75530
Phone: (9221) 3565 7658-59
Fax: (9221) 3565 7673
E-mail: bawaney@cyber.net.pk

TRANSFER AGENT

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

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of Al Meezan Investment Management Limited, the management company of Meezan Islamic Income Fund (MIIF) is pleased to present the un-audited financial statements of the fund for the nine months ended March 31, 2010.

Economic Review

Pakistan has shown gradual recovery and improvement on the macroeconomic front in the first nine months of fiscal year 2010. Average year-on-year inflation during the period eased off to 11.28%, which averaged 23.03% during the same period last year. The release of funds from IMF and improved balance of trade numbers has provided a strong impetus to the economy. As a result, foreign exchange reserves increased from US\$ 11.9 billion in June 2009 to US\$ 14.94 billion at the end of March 2010. This helped in stabilizing Pak Rupee against US Dollar, which depreciated by 3.2% in the nine months of fiscal year compared to depreciation of 15% in the corresponding period last year. Moreover, remittance inflows made new records, with nine month figure totaling to US\$ 6.55 billion, providing crucial support to the balance of payment situation.

On domestic front, tax collection for the period was approximately Rs. 903 billion, which helped Government of Pakistan limit its incremental borrowing from the State Bank to Rs. 64 billion at the end of March 2010 from Rs. 88 billion in the corresponding period last year. In view of declining inflation, State Bank reduced the policy rate by 150 basis points to 12.5% in November 2009. Moreover, to meet IMF requirements and to stabilize interest rates, the State Bank introduced an interest rate corridor, providing a reverse repo facility at 300 basis points below the repo rate. However, since inflation started to inch up from January 2010, the State Bank has remained cautious in easing the monetary policy.

The gradual improvement in Pakistan's risk perception has resulted in the yield of Pakistan Eurobond, maturing in 2016, to drop below 8% for the first time since May 2008. Likewise, the spread on Pakistan's 5 year credit default swap has also eased off to 775 basis points from over 5000 basis points in late 2008.

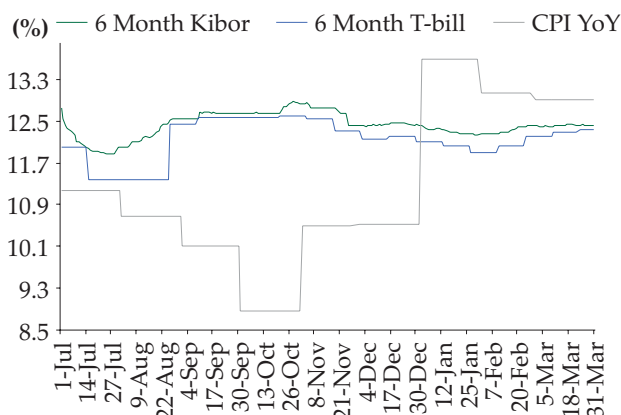
Money Market Review

With the beginning of new financial year, as inflation started easing off, the State Bank continued to ease monetary policy reducing the discount rate by another 150 basis points to 12.5% in first half of fiscal year 2010. However, the State Bank maintained an unchanged policy stance throughout the past quarter.

The soft monetary stance resulted in six month KIBOR to decline by 35 basis points to close the nine months at 12.41%. However, six month T-bill cut off rate increased by 33 basis points to close at 12.34%. Moreover, the introduction of interest rate corridor stabilized the overnight call and repo rates within a narrow band of 11.5% to 12.5%. In the nineteen T-bill auctions conducted by the State Bank during the current fiscal year, a sum of Rs. 921 billion was mopped up from the market, while T-bills worth Rs. 645 billion matured in the same period.

To reduce government borrowing from State Bank and to promote Islamic mode of financing, State Bank conducted fourth Ijarah Sukuk auction in September 2009 and accepted Rs. 14.4 billion at the cut off rate of T-bill minus 5 basis points (current coupon of 12.25%). With this auction, the total size of Ijarah Sukuks issued increased to Rs. 42 billion. The government is also planning to make another Ijarah Sukuk issue before June 30, with a target issue size of Rs. 100 billion.

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



Performance Review

Meezan Islamic Income Fund recorded a total income of Rs. 312 million for the nine months ended March 31, 2010. Profit on Sukuk certificates was the primary driver of earnings contributing about Rs. 231 million to the profit. A sum of Rs. 110 million was earned on savings accounts with banks while term placements with banks yielded almost Rs. 60 million. The Fund also incurred net unrealized losses of Rs. 109 million on account of losses on changes in valuation of sukuks. The Fund also created provision against profit on sukuk certificates worth Rs. 6.1 million. After deducting expenses of Rs. 66 million, the fund posted a net income of Rs. 223 million, which translates into earnings per unit of Rs. 3.02. As at the end of period, MIIF had Rs. 3.7 billion of assets under management.

The Board has already approved provisioning policy according to which the provisioning was made by the management in the sukuks of Arzoo Textile Mills and Maple Leaf Cement. The sukuk of Maple Leaf Cement has been restructured, while the restructuring process of sukuks of Security Leasing and Arzoo Textiles is in process. During the first nine months of financial year, 2010, MIIF was able to provide an annualized return of 6.65% to its investors. With the rescheduling of Maple Leaf sukuk, it is anticipated that the return will increase during the last quarter of the fiscal year.

During the nine months, a total distribution of Rs. 1.885 per unit has been made in the form of interim dividends.

Outlook

After a turbulent 2008, Pakistan's economy has seen a steady turnaround in 2009 with most economic indicators pointing to greater stability ahead. The improvement in economic and industrial activity will lead to improvement in corporate profitability and hence would reduce the corporate credit risk. Moreover, as the inflation is likely to remain high, interest rates will likely remain sticky on the higher side for the short term. MIIF is well placed to benefit from the upturn in the economy and higher rates. On a medium to long term, however, as economy improves and the State Bank eases monetary policy, we expect the interest rates to marginally decline going forward.

Acknowledgement

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

Mohammad Shoab, CFA
Chief Executive

Date: April 27, 2010
Karachi.

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2010

		(Unaudited) March 31, 2010	(Audited) June 30, 2009
	Note	(Rupees in '000)	
Assets			
Balances with banks		421,405	1,301,480
Placements		400,000	1,335,500
Investments	5	2,867,677	2,143,085
Deposits, prepayments and other receivables (net)		74,854	168,776
Preliminary expenses and floatation costs		625	1,000
Total assets		3,764,561	4,949,841
Liabilities			
Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund		5,815	5,924
Payable to Central Depository Company of Pakistan Limited (CDC) - trustee of the Fund		387	491
Payable to Securities and Exchange Commission of Pakistan (SECP)		2,777	4,259
Payable to Meezan Bank Limited (MBL)		14	601
Payable on redemption of units		16,855	65,169
Accrued expenses and other liabilities		1,120	789
Total liabilities		26,968	77,233
Net assets		3,737,593	4,872,608
Contingencies	6		
Unitholders' funds (as per statement attached)		3,737,593	4,872,608
Number of units			
Number of units in issue		73,651,835	93,860,629
Rupees			
Net asset value per unit		50.75	51.91

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

CONDENSED INTERIM INCOME STATEMENT

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010 (UNAUDITED)

	Nine months period ended		Quarter ended	
	March 31,		March 31,	
	2010	2009	2010	2009
	(Rupees in '000)			
Income				
Profit on savings accounts with banks	109,696	85,131	11,363	46,739
Profit on placements	60,280	169,487	17,021	39,390
Profit on sukuk certificates	230,949	206,230	90,403	71,650
Profit on diminishing musharaka certificates	20,328	20,395	6,539	7,955
Realised income on sale of securities on deferred settlement basis	-	7,940	-	-
Realised gain / (loss) on sale of sukuk certificates	5,779	(16,745)	1,422	(105)
Other income	-	15	-	-
	<u>427,032</u>	<u>472,453</u>	<u>126,748</u>	<u>165,629</u>
Unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss (net)	(109,284)	(90,002)	(71,198)	186,826
Unrealised (loss) / gain on re-measurement of loan and receivables	-	(11,689)	-	48,311
Loss on re-measurement of financial instruments sold on deferred settlement basis (net)	-	(2,863)	-	-
Provision against profit on sukuk certificates	(6,110)	-	-	-
	<u>(115,394)</u>	<u>(104,554)</u>	<u>(71,198)</u>	<u>235,137</u>
Total income	<u>311,638</u>	<u>367,899</u>	<u>55,550</u>	<u>400,766</u>
Expenses				
Remuneration to Al Meezan - management company of the Fund	55,386	36,805	14,797	11,406
Remuneration to CDC - trustee of the Fund	4,440	4,431	1,230	1,387
Annual fee to SECP	2,769	3,276	740	856
Remuneration to MBL	-	220	-	69
Auditors' remuneration	427	350	100	79
Fees and subscription	166	131	55	43
Legal and professional charges	1,680	56	(1,320)	18
Amortisation of preliminary expenses and floatation costs	375	375	123	123
Brokerage	115	243	-	9
Bank and settlement charges	115	142	63	18
Printing expense	293	288	-	30
Total expenses	<u>65,766</u>	<u>46,317</u>	<u>15,788</u>	<u>14,038</u>
Net income from operating activities	<u>245,872</u>	<u>321,582</u>	<u>39,762</u>	<u>386,728</u>
Element of (loss) / income and capital (losses) / gains included in prices of units sold less those in units redeemed	(23,212)	22,078	(2,755)	8,588
Net income for the period	<u>222,660</u>	<u>343,660</u>	<u>37,007</u>	<u>395,316</u>
Other comprehensive income for the period				
Unrealised gain on available for sale investments	8,945	-	1,763	-
Element of income and capital gains included in prices of units sold less those in units redeemed pertaining to available for sale investment	497	-	486	-
Total comprehensive income for the period	<u>232,102</u>	<u>343,660</u>	<u>39,256</u>	<u>395,316</u>

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

CONDENSED INTERIM DISTRIBUTION STATEMENT
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010 (UNAUDITED)

	Nine months period ended		Quarter ended	
	March 31,		March 31,	
	2010	2009	2010	2009
	(Rupees in '000)			
Undistributed income / (loss) brought forward	189,474	152,437	69,616	(181,129)
Less: Final distribution for the year ended June 30, 2009				
- bonus units @ 3.5% (June 30, 2008: 2.7%)	(106,440)	(115,970)	-	-
- cash dividend @ 3.5%(June 30, 2008: 2.7%)	(57,816)	(34,814)	-	-
Less: Interim distribution for the quarter ended September 30, 2009				
- bonus units @ 2.5% (September 30, 2008: 2.54%)	(99,966)	(83,468)	-	-
- cash dividend @ 2.5%(September 30, 2008: 2.54%)	(41,300)	(47,658)	-	-
Less: Interim distribution for the quarter ended December 31, 2009				
- bonus units @ 1% (December 31, 2008: nil)	(24,043)	-	(24,043)	-
- cash dividend @ 1%(December 31, 2008: nil)	(16,477)	-	(16,477)	-
Less: Interim distribution for the period ended February 28, 2010				
- bonus units @ 0.27% (February 21, 2009: 1.5%)	(6,186)	(44,428)	(6,186)	(44,428)
- cash dividend @ 0.27% (February 21, 2009: 1.5%)	(4,449)	(25,020)	(4,449)	(25,020)
Net income for the period	222,660	343,660	37,007	395,316
Element of income and capital gains included in prices of units sold less those in units redeemed (net)	497	-	486	-
Undistributed income carried forward	<u>55,954</u>	<u>144,739</u>	<u>55,954</u>	<u>144,739</u>

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

For Al Meezan Investment Management Limited
(Management Company)

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNITHOLDERS' FUNDS
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010 (UNAUDITED)**

	Nine months period ended March 31,		Quarter ended March 31,	
	2010	2009	2010	2009
	(Rupees in '000)			
Net assets at the beginning of the period	4,872,608	5,737,038	4,118,942	4,270,583
Issue of 64,494,606 units (2009: 114,114,371 units) and 8,182,061 units (2009: 24,755,821 units) for the six months and quarter respectively	3,271,908	5,747,495	411,825	1,254,080
Redemption of 89,415,370 units (2009: 133,604,006 units) and 16,171,634 units (2009: 17,599,718 units) for the six months and quarter respectively	(4,541,698)	(6,700,318)	(813,773)	(888,066)
	(1,269,790)	(952,823)	(401,948)	366,014
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units redeemed				
- transferred to income statement	23,212	(22,078)	2,755	(8,588)
- transferred directly to distribution statement	(497)	-	(486)	-
	22,715	(22,078)	2,269	(8,588)
Total comprehensive income for the period	232,102	-	39,256	-
Cash distribution during the period	(120,042)	-	(20,926)	-
Issue of bonus units during the period	(236,635)	-	(30,229)	-
Net comprehensive (loss) / income for the period less distribution	(124,575)	(7,698)	(11,899)	325,868
Issue of 2,122,018 bonus units (2008: 2,318,937 bonus units) for the year ended June 30, 2009	106,440	115,970	-	-
Issue of 1,989,361 bonus units (2008: 1,669,026 bonus units) for the quarter ended September 30, 2009	99,966	83,468	-	-
Issue of 477,705 bonus units (2008: nil units) for the half year ended December 31, 2009	24,043	-	24,043	-
Issue of 122,886 bonus units (2009: 880,991 bonus units) for the period ended February 28, 2010	6,186	44,428	6,186	44,428
Net assets at the end of the period	<u>3,737,593</u>	<u>4,998,305</u>	<u>3,737,593</u>	<u>4,998,305</u>

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010 (UNAUDITED)

	Nine months period ended		Quarter ended	
	March 31,		March 31,	
	2010	2009	2010	2009
(Rupees in '000)				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	222,660	343,660	37,007	395,316
Adjustments for non-cash items				
Profit on savings accounts with banks	(109,696)	(85,131)	(11,363)	(46,739)
Profit on placements	(60,280)	(169,487)	(17,021)	(39,390)
Profit on sukuk certificates	(230,949)	(206,230)	(90,403)	(71,650)
Profit on diminishing musharaka certificates	(20,328)	(20,395)	(6,539)	(7,955)
Unrealised loss / (gain) on re-measurement of investments at fair value through profit or loss (net)	109,284	90,002	71,198	(186,826)
Unrealised loss / (gain) on re-measurement of loan and receivables	-	11,689	-	(48,311)
Loss on re-measurement of financial instruments sold on deferred settlement basis (net)	-	2,863	-	-
Amortisation of preliminary expenses and floatation costs	375	375	123	123
Provision against profit of sukuk certificates	6,110	-	-	-
Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed	23,212	(22,078)	2,755	(8,588)
	<u>(282,272)</u>	<u>(398,392)</u>	<u>(51,250)</u>	<u>(409,336)</u>
(Increase) / decrease in assets				
Placements	100,000	2,223,250	100,000	1,027,000
Investments	(824,931)	(492,621)	26,008	(488,101)
Deposits, prepayments and other receivables	(7)	(9)	8	8
	<u>(724,938)</u>	<u>1,730,620</u>	<u>126,016</u>	<u>538,907</u>
(Decrease) / increase in liabilities				
Payable to Al Meezan - management company of the Fund	(109)	(133)	(1,103)	990
Payable to CDC - trustee of the Fund	(104)	(41)	(77)	51
Payable to SECP	(1,482)	(2,508)	748	856
Payable to MBL	(587)	344	(27)	69
Payable on redemption of units	(48,314)	(10,605)	(32,712)	43,161
Payable against purchase of investments	-	(87,067)	-	-
Accrued expenses and other liabilities	331	4,478	(1,364)	411
	<u>(50,265)</u>	<u>(95,532)</u>	<u>(34,535)</u>	<u>45,538</u>
Profit received on savings accounts with banks	155,332	66,897	59,049	30,215
Profit received on placements	83,838	300,252	22,904	112,313
Profit received on diminishing musharaka	13,963	10,589	-	-
Profit received on sukuk certificates	255,939	176,203	133,308	54,979
Net cash (outflow) / inflow from operating activities	<u>(325,743)</u>	<u>2,134,297</u>	<u>292,498</u>	<u>767,932</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from sale of units	3,271,908	5,747,495	411,825	1,254,080
Payments against redemption of units	(4,541,698)	(6,700,318)	(813,772)	(888,066)
Dividend paid	(120,042)	(107,492)	(20,926)	(25,020)
Net cash (outflow) / inflow from financing activities	<u>(1,389,832)</u>	<u>(1,060,315)</u>	<u>(422,873)</u>	<u>340,994</u>
Net cash (outflow) / inflow during the period	<u>(1,715,575)</u>	<u>1,073,982</u>	<u>(130,375)</u>	<u>1,108,926</u>
Cash and cash equivalents at the beginning of the period	<u>2,536,980</u>	<u>1,155,498</u>	<u>951,780</u>	<u>1,120,554</u>
Cash and cash equivalents at the end of the period	<u>821,405</u>	<u>2,229,480</u>	<u>821,405</u>	<u>2,229,480</u>

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010 (UNAUDITED)

1. LEGAL STATUS AND NATURE OF BUSINESS

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

2. BASIS OF MEASUREMENT

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

3. STATEMENT OF COMPLIANCE

These 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'.

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 applied in the preparation of the financial statements for the year ended June 30, 2009 except for the change in an accounting policy as referred to in note 4.1 below.

4.1 Change in an accounting policy

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

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

	Note	March 31, 2010 (Rupees in '000)	June 30, 2009
5. INVESTMENTS			
Investments at fair value through profit or loss	5.1	2,592,067	1,952,983
Investments - available for sale	5.2	275,610	190,102
		<u>2,867,677</u>	<u>2,143,085</u>
5.1 Investments at fair value through profit or loss			
- Held for trading	5.1.1	1,146,745	300,000
- Investments at fair value through profit or loss upon initial recognition	5.1.2	1,445,322	1,652,983
		<u>2,592,067</u>	<u>1,952,983</u>

5.1.1 Held for trading

5.1.1.1 Sukuk certificates

Name of the investee company	Maturity date	Profit rate	As at July 1, 2009	Purchases during the period	Sales during the period	Redemptions during the period	As at March 31, 2010	Carrying value as at March 31, 2010	Market value as at March 31, 2010	Unrealised Gain / (Loss)	Percentage in relation to		
											Number of certificates	(Rs in '000)	Net assets of the Fund on the basis of market value (see note 5.3 below)
GoP Ijarah Sukuk Certificates - III (note 5.1.1.2)	March 11, 2012	12.2150%	3,000	-	1,000	-	2,000	200,000	204,000	4,000	5.46	N/A	7.12
GoP Ijarah Sukuk Certificates - IV (note 5.1.1.2)	September 17, 2012	12.2500%	-	9,270	50	-	9,220	922,373	942,745	20,372	25.22	N/A	32.88
								<u>1,122,373</u>	<u>1,146,745</u>	<u>24,372</u>			
Total cost of investments								<u>1,122,373</u>					

5.1.1.2 The nominal value of the sukuk certificates of GoP Ijarah III & IV is Rs 100,000 each.

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

5.1.2.1 Sukuk certificates

Name of the investee company	Maturity date	Profit rate	As at July 1, 2009	Purchases during the period	Sales during the period	Redemptions during the period	As at March 31, 2010	Carrying value as at March 31, 2010	Market value as at March 31, 2010	Unrealised Gain / (Loss)	Percentage in relation to		
											Number of certificates		
Arzoo Textile Mills Limited (note 5.1.2.2)	April 15, 2014	6 months Kibor plus base rate of 2%	14,000	-	-	-	14,000	52,500	49,000	(3,500)	1.31	10.20	1.71
Century Paper & Board Mills Limited (note 5.1.2.2)	September 25, 2014	6 months Kibor plus base rate of 1.35%	18,940	-	-	1,894	17,046	83,142	82,566	(576)	2.21	12.06	2.88
Eden Builders Limited (note 5.1.2.2)	March 8, 2014	3 months Kibor plus base rate of 2.3%	9,600	5,200	5,200	-	9,600	47,923	46,182	(1,741)	1.24	4.17	1.62
Eden Housing Limited (note 5.1.2.3)	April 2, 2013	6 months Kibor plus base rate of 2.5%	59,400	-	-	-	59,400	247,948	194,906	(53,042)	5.21	14.85	6.80
Engro Chemical Pakistan Limited (note 5.1.2.2)	September 1, 2015	6 months Kibor plus base rate of 1.5%	60,500	-	-	-	60,500	297,236	287,678	(9,558)	7.70	10.15	10.04
Karachi Shipyard & Engineering Works (note 5.1.2.2)	November 2, 2015	6 months Kibor plus base rate of 0.4%	12,000	-	-	-	12,000	59,330	58,333	(997)	1.56	N/A	2.04
Karachi Shipyard & Engineering Works II (note 5.1.2.2)	February 4, 2016	6 months Kibor plus base rate of 0.4%	53,400	-	-	-	53,400	261,798	258,885	(2,913)	6.93	N/A	9.03
Maple Leaf Cement Factory Limited (note 5.1.2.2)	December 1, 2013	6 months Kibor plus base rate of 1.7%	64,000	-	-	-	64,000	282,404	227,200	(55,204)	6.08	8.60	7.93
Security Leasing Corporation Limited II (note 5.1.2.2)	September 19, 2012	6 months Kibor plus base rate of 1.95%	8,750	-	-	1,719	7,031	31,612	26,367	(5,245)	0.71	9.68	0.92
Shahmurad Sugar Mills Limited (note 5.1.2.4)	September 30, 2012	6 months Kibor plus base rate of 2.25%	73	-	-	12	61	56,291	58,224	1,933	1.56	0.14	2.04
Sitara Chemical Industries Limited II (note 5.1.2.2)	December 17, 2011	3 months Kibor plus base rate of 1.7%	6,900	-	-	2,070	4,830	23,828	23,966	138	0.64	11.83	0.84
Sitara Chemical Industries Limited III (note 5.1.2.2)	December 31, 2012	3 months Kibor plus base rate of 1%	27,000	-	-	-	27,000	134,966	132,015	(2,951)	3.53	66.15	4.61
Grand Total								1,578,978	1,445,322	(133,656)			
Total cost of investments								1,664,290					

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

5.1.2.3 The nominal value of the sukuk certificates of Eden Housing Limited is Rs 4,375 each.

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

5.2 Investments - available for sale

Name of the investee company	Maturity date	Profit rate	As at July 1, 2009	Purchases during the period	Sales during the period	Redemptions during the period	As at March 31, 2010	Carrying value as at March 31, 2010	Market value as at March 31, 2010	Unrealised Gain / (Loss)	Percentage in relation to		
											Net assets of the Fund on the basis of market value (see note 5.3 below)	Paid-up capital of investee company (with face value of investment)	Total market value of investment
----- Number of certificates -----							----- (Rs in '000) -----						
D.G. Khan Cement Company Limited Diminishing Musharaka Certificate (note 5.2.1.1)	May 8, 2010	6 months Kibor plus base rate of 0.5%	2000	-	-	-	2,000	190,102	199,110	9,008	5.33	6.57	6.95
GoP Ijarah Sukuk Certificates - III (note 5.1.1.2)	March 11, 2012	12.2150%	-	750	-	-	750	76,563	76,500	(63)	2.05	N/A	2.67
								<u>266,665</u>	<u>275,610</u>	<u>8,945</u>			
Total cost of investments								<u>276,563</u>					

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

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

6. CONTINGENCIES

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

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

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

Al Meezan, the management company of the Fund, and CDC, as trustee of the Fund, against WFSCCL and some other defendants have filed a suit in October 2009 in the High Court of Sindh (the High Court) for declaration, injunction and damages against the defendants claim for return of the aforementioned rental payments.

The defendants (i.e. WAPDA and WFSCCL) have also filed an interpleader suit in December 2009 against Al Meezan, CDC in its capacity as the trustee of the Fund and some other parties in the senior civil court of Lahore (the Court) seeking a decision from the Court as to who is the lawful owner and to whom the profit payment due on October 22, 2009 and subsequently rentals should be made.

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

- 6.2 Through Finance Act, 2008 an amendment was made in section 2(f) of the Worker's 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 Worker's 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 of 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 0.06 per unit as of March 31, 2010 has been made in this condensed interim financial report.

There were no other contingencies and commitments outstanding as at March 31, 2010 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, Al Meezan Mutual Fund Limited, 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 and Pakistan Kuwait Investment Company (Private) Limited.

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

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

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

	March 31, 2010	June 30, 2009
	(Rupees in '000)	
Al Meezan - management company of the Fund		
Remuneration payable	<u>4,689</u>	<u>4,089</u>
Sales load payable	<u>125</u>	<u>334</u>
Preliminary expenses and floatation costs payable	<u>1,000</u>	<u>1,500</u>
Certificate charges payable	<u>1</u>	<u>1</u>
Investments as at March 31, 2010: 2,580,571 units (June 30, 2009: 1,719,056 units)	<u>130,964</u>	<u>89,236</u>
MBL		
Shariah adviser fee payable	<u>-</u>	<u>520</u>
Sales load payable	<u>14</u>	<u>81</u>
Balances with bank	<u>1,087</u>	<u>54,595</u>
Profit receivable on savings account	<u>79</u>	<u>99</u>
Placements	<u>100,000</u>	<u>100,000</u>
Profit receivable on placements	<u>4,749</u>	<u>2,318</u>
Investments as at March 31, 2010: 23,466,113 units (June 30, 2009: 23,466,113 units)	<u>1,190,905</u>	<u>1,218,126</u>
CDC - trustee of the Fund		
Trustee fee payable	<u>387</u>	<u>491</u>
Deposits	<u>100</u>	<u>100</u>
Directors and executives		
Investments as at March 31, 2010: 628,136 units (June 30, 2009: 1,178,568 units)	<u>31,878</u>	<u>61,179</u>

**Nine months period
ended March 31,
2010 2009
(Rupees in '000)**

Al Meezan - management company of the Fund

Remuneration for the period	<u>55,386</u>	<u>36,805</u>
Preliminary expenses and floatation costs	<u>375</u>	<u>375</u>
Units issued: 726,225 units (March 31, 2009: 3,225,337 units)	<u>37,000</u>	<u>163,000</u>
Redemptions: 18,756 units (March 31, 2009: 4,425,018 units)	<u>950</u>	<u>162,598</u>
Bonus units issued: 154,046 units (March 31, 2009: 94,990 units)	<u>6,493</u>	<u>4,750</u>

MBL

Shariah advisory fee for the period	<u>-</u>	<u>220</u>
Profit on savings accounts	<u>830</u>	<u>12,888</u>
Profit on placements	<u>8,322</u>	<u>-</u>
Units issued: nil units (March 31, 2009: 3,953,746 units)	<u>-</u>	<u>200,000</u>
Cash dividend paid	<u>73,566</u>	<u>73,743</u>

CDC - trustee of the Fund

Remuneration for the period	<u>4,440</u>	<u>4,431</u>
CDS Charges for the period	<u>65</u>	<u>24</u>
Units issued: nil units (March 31, 2009: 532,649 units)	<u>-</u>	<u>27,000</u>
Redemptions: nil units (March 31, 2009: 1,131,293 units)	<u>-</u>	<u>55,971</u>
Bonus units issued: nil units (March 31, 2009: 43,017 units)	<u>-</u>	<u>2,151</u>

Pakistan Kuwait Investment Company (Private) Limited

Bonus units issued: nil units (March 31, 2009: 45,830 units)	<u>-</u>	<u>2,296</u>
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Directors and executives

Units issued: 207,449 units (March 31, 2009: 2,880,130 units)	<u>10,486</u>	<u>142,510</u>
Redemptions: 816,791 units (March 31, 2009: 2,632,335 units)	<u>41,590</u>	<u>130,449</u>
Bonus units issued: 65,159 units (March 31, 2009: 60,517 units)	<u>3,271</u>	<u>3,024</u>

8. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on April 27, 2010 by the board of directors of the management company.

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

Chief Executive

Director