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Our Mission

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

Our Vision

"To set standards of best practices and performance for the industry through efficient asset allocation & security selection on SHARIAH COMPLIANT 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) 5630722-6, 111-MEEZAN
Fax: (9221) 5676143, 5630808
Web site: www.almeezangroup.com
E-mail: info@almeezangroup.com

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. Najmul Hassan	Director
Mr. Tasnimul Haq Farooqui	Director
Mr. Mazhar Sharif	Director
Mr. Muhammad Adrees	Director
Syed Owais Wasti	Director
Mr. Mohammad Shoaib, CFA	Chief Executive

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

Mr. Ariful Islam	Chairman
Mr. Tasnimul Haq Farooqui	Member
Mr. Mazhar Sharif	Member

TRUSTEE

Central Depository Company of Pakistan Limited
Suite # M 13-16, Mezzanine Floor, Progressive Plaza,
Beaumont Road, Karachi.

AUDITORS

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

SHARIAH ADVISOR

Meezan Bank Limited

BANKERS TO THE FUND

Al Baraka Islamic Bank B.S.C (E.C)
Bank Alfalah Limited
BankIslami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited

LEGAL ADVISOR

Bawanay & Partners
404, 4th Floor, Beaumont Plaza, 6-CL-10
Beaumont Road, Civil Lines
Karachi - 75530
Phone: (9221) 565 7658-59
Fax: (9221) 565 7673
E-mail: bawaney@cyber.net.pk

TRANSFER AGENT

Meezan Bank Limited
37-A, Lalazar Branch, Lalazar Area,
Off: M.T. Khan Road, Karachi, Pakistan.
Phone: (9221) 5610582, 5610417
Fax: (9221) 5611427
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, is pleased to present the unaudited accounts of Meezan Islamic Income Fund (MIIF) for the quarter ended September 30, 2007.

Market Review

The quarter started with little activity in the money market mainly due to the fact that market was expecting monetary policy statement in last week of July. The State Bank's Monetary Policy Statement was in line with market expectations as it reaffirmed its commitment to reign in inflation, contain money supply, and streamline external imbalances. SBP further revised discount rate upwards by 50bp to 9.50% from 9.0%. These steps resulted in liquidity crunch in the market. Moreover S&P altered its rating outlook for Pakistan from 'Positive' to 'Stable' on the back of political and security reasons (in addition to the economic fundamentals like the expansionary fiscal stance witnessed in the budget FY08), causing a rise in the yield for Pakistan's 10-year dollar denominated Eurobond in the middle of the month by around 250bps, resulting in a decline in bond prices.

However towards quarter end, the political scenario improved and an increased interest in PIBs was witnessed. The bond market gained momentum, with 10-year PIB rates declining by 12-15bps. Moreover due to the Fed's rate cut, the rates on Pakistan's Eurobonds declined to 8.22%, which were as high as 9.4% (July, 2007).

On the Islamic Bond Market side, many new Sukuks were issued during the quarter, further expanding the Sukuk market in Pakistan which now amounts to Rs. 30 billion.

Operations Review

MIIF during the quarter ended September 30, 2007 earned a total income of Rs. 91 million, which consisted of Rs. 68 million earned on deposit with banks, Rs. 8 million of income earned on securities sold on deferred settlement basis and Rs. 7 million of income accrued on investment in sukuk certificates. After accounting for expenses of Rs. 13 million, the operating income of the Fund remained at Rs. 78 million. The element of income of units sold less those in units redeemed during the period was of Rs. 33 million. The net income after accounting for above income and expenses was Rs. 111 million.

Investment Policy

MIIF is the first ever Shariah-compliant Income Fund in Pakistan. The purpose of launching an Islamic Income Fund is to provide investors with a safe and stable stream of halal income on their investments and to generate superior long term risk adjusted returns. The Fund also keeps an exposure in short-term instruments for the purpose of maintaining liquidity and to capitalize on exceptional returns if available at any given point in time. The portfolio is geared towards maximizing annual income to the extent consistent with preservation of capital. The portfolio comprises of short-term, medium-term and long-term investments.

Future Outlook

We remain hopeful of the future prospects of the money market in general and of Meezan Islamic Income Fund in particular. With new Sukuk issues coming up and the Government's commitment toward promoting the Islamic Banking products as well as Islamic Financial instruments we expect the coming years to see the development of a huge Islamic Sukuk market in Pakistan.

We take this opportunity to thank our valuable investors for reposing faith in us and making us the largest Shariah Compliant in Pakistan. We also thank the regulator, Securities and Exchange Commission of Pakistan, MIIF's trustee, Central Depository Company of Pakistan and the management of Karachi Stock Exchange for all their support and guidance.

For and on behalf of the Board

October 22, 2007
Karachi

Mohammad Shoaib, CFA
Chief Executive

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)

AS AT SEPTEMBER 30, 2007

	(Unaudited) September 30, 2007	(Audited) June 30, 2007
<i>Note</i>	(Rupees in '000)	
Assets		
Bank balances	4,027,317	2,277,690
Receivable against sale of investments	225,894	225,269
Investment in marketable securities - 'at fair value through profit or loss'	5 1,131,236	907,293
Gain on sales on deferred settlement basis	6 114	4,350
Advances, deposits, prepayments and other receivables	49,013	33,766
Preliminary expenses and floatation costs	1,874	2,000
Total assets	5,435,448	3,450,368
Liabilities		
Payable to Al-Meezan Investment Management Limited - Management Company of the Fund	6,850	4,787
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	453	293
Payable to Meezan Bank Limited - Shariah Advisor and holding company of the Management Company of the Fund	303	228
Payable to Securities and Exchange Commission of Pakistan	1,682	730
Payable on redemption of units	112	19,857
Payable against purchase of investments	55,896	231,331
Accrued expenses and other liabilities	405	294
Loss on sales on deferred settlement basis	7 3,707	30,720
Total liabilities	69,408	288,240
Net assets	5,366,040	3,162,128
Commitments	7	
Unitholders' funds (as per statement attached)	5,366,040	3,162,128
	Number of units	
Number of units in issue	105,062,592	60,545,714
	Rupees	
Net asset value per unit	51.07	52.23

The annexed notes 1 to 10 form an integral part of these financial statements.

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

Chief Executive

Director



**CONDENSED INTERIM
INCOME STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2007**

**September
30, 2007**

(Rupees in '000)

Income	
Income on sale of securities on deferred settlement basis	8,466
Profit on deposit accounts with banks	68,105
Profit on Sukuk certificates	6,972
	83,543
Unrealised gain on investments - 'at fair value through profit or loss'	4,526
Gain on sales on deferred settlement basis (net)	3,277
	7,803
Total income	91,346
Expenses	
Remuneration to Al-Meezan Investment Management Limited - Management Company of the Fund	9,521
Remuneration to Central Depository Company of Pakistan Limited - Trustee of the Fund	1,204
Payable to Meezan Bank Limited - Shariah Advisor	76
Annual fee - Securities and Exchange Commission of Pakistan	953
Auditors' remuneration	88
Fees and subscription	38
Amortization of preliminary expenses and floatation costs	126
Brokerage	936
Bank and settlement charges	303
Total expenses	13,245
Net income from operating activities	78,101
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed	33,167
Net income	111,268

The annexed notes 1 to 10 form an integral part of these financial statements.

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

Chief Executive

Director

**CONDENSED INTERIM
DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2007**

	September 30, 2007
	(Rupees in '000)
Opening balance of undistributed income	134,843
Net income for the quarter	111,268
Less: Final distribution in the form of bonus units for the period December 13, 2006 to June 30, 2007	(133,201)
Undistributed income carried forward	<u>112,910</u>

The annexed notes 1 to 10 form an integral part of these financial statements.

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

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT
IN UNITHOLDERS' FUNDS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2007**

	September 30, 2007
	(Rupees in '000)
Net assets at the beginning of the quarter	3,162,128
Issue of 64,171,023 units	3,259,177
Redemption of 22,316,559 units	(1,133,366)
	2,125,811
Net income for the quarter	111,268
Distribution for the period December 13, 2006 to June 30, 2007	(133,201)
	(21,933)
Element of income and capital gains included in prices of units sold less those in units redeemed	(33,167)
Issue of 2,662,414 bonus units for the period December 13, 2006 to June 30, 2007	133,201
Net assets as at the end of the quarter	5,366,040

The annexed notes 1 to 10 form an integral part of these financial statements.

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

Chief Executive

Director

**CONDENSED INTERIM
CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2007**

**September
30, 2007
(Rupees in '000)**

CASH FLOWS FROM OPERATING ACTIVITIES

Net income for the quarter	111,268
Adjustments for non-cash items	
Profit on deposit accounts with banks	(68,105)
Profit on Sukuk certificates	(6,972)
Unrealised gain on investments - 'at fair value through profit or loss'	(4,526)
Gain on sales on deferred settlement basis	(3,277)
Amortization of preliminary expenses and floatation costs	126
Element of income and capital gains included in prices of units sold less those in units redeemed	(33,167)
	<u>(115,921)</u>
(Increase) / decrease in assets	
Receivable against sale of investments	(625)
Advances, deposits, prepayments and other receivables	(11)
Preliminary expenses and floatation costs	-
Investment in marketable securities - 'at fair value through profit or loss'	(238,917)
	<u>(239,553)</u>
Increase / (decrease) in liabilities	
Payable to Al Meezan Investment Management Limited - Management Company of the Fund	2,063
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	160
Payable to Meezan Bank Limited - Shariah Advisor and holding company of the Fund	75
Payable to Securities and Exchange Commission of Pakistan	952
Payable against purchase of investments	(175,435)
Payable on redemption of units	(19,745)
Accrued expenses and other liabilities	111
	<u>(191,819)</u>
Cash used in operations	(436,025)
Profit received on deposit accounts with banks	56,830
Profit received on Sukuk certificates	3,011
Net cash outflow from operating activities	<u>(376,184)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Receipts from sale of units	3,259,177
Payments against redemption of units	(1,133,366)
Net cash inflow from financing activities	<u>2,125,811</u>
Net cash inflow during the quarter	1,749,627
Cash and cash equivalents at the beginning of the quarter	2,277,690
Cash and cash equivalents at the end of the quarter	<u><u>4,027,317</u></u>

The annexed notes 1 to 10 form an integral part of these financial statements.

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

Chief Executive

Director



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2007

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Islamic Income Fund (the Fund) is an open-ended fund was established under a Trust Deed executed between Al Meezan Investment Management Limited (AMIML) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on September 13, 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) 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 & 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 capitalize on exceptional returns if available at any given point in time. Under the Trust Deed all the conducts and acts of the Fund are based on Shariah. Meezan Bank Limited (MBL) acts as its shariah advisor 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-ended 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.

2. BASIS OF PRESENTATION

The transactions undertaken by the Fund in accordance with the process prescribed under the Shariah Guidelines issued by the Shariah Advisor 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

These financial statements have been prepared in accordance with the requirements of approved accounting standards as applicable in Pakistan, the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003, Trust Deed of the Fund and directives issued by the Securities and Exchange Commission of Pakistan. Approved accounting standards comprise of such International Accounting Standards and International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, the Non-Banking Companies (Establishment & Regulation) Rules, 2003 and the said directives differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003 and the said directives take precedence.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the fund for the period December 13, 2006 to June 30, 2007.

5 INVESTMENT IN MARKETABLE SECURITIES

- 'at fair value through profit or loss'

		September 30, 2007 (Rupees in '000)
Held for trading	5.1	330,536
Investments 'at fair value through profit or loss upon initial recognition.'	5.2	800,700
		<u>1,131,236</u>
5.1 Held for trading		
Shares of listed companies	5.1.1	292,005
Sukuk Certificates	5.1.5	38,531
		<u>330,536</u>

Name of the investee company	As at July 01, 2007	Purchases during the quarter	Bonus / right issue	Sales during the quarter	As at September 30, 2007	Carrying Value	Market value as at September 30, 2007	Percentage of net assets on the basis of market value (see note 5.1.3 below)
	-----Number of shares-----						(Rs. in '000)	
Securities sold under deferred settlement basis								
Textile Composite								
Nishat Mills Limited	200,000	510,500	-	610,500	100,000	11,720	11,680	0.22
Cement								
D G Khan Cement Company Limited	-	50,000	-	-	50,000	5,413	5,500	0.10
Power generation and distribution								
Hub Power Company Limited	-	100,000	-	100,000	-	-	-	-
Technology and communication								
Pakistan Telecommunication Company Limited 'A'	4,000,000	2,500,000	-	4,000,000	2,500,000	127,650	131,250	2.45
Oil and gas exploration companies								
Pakistan Oilfields Limited	227,500	461,000	-	563,500	125,000	38,375	38,688	0.72
Oil and Gas Development Company Limited	1,039,000	3,110,300	-	3,649,300	500,000	57,165	57,500	1.07
Pakistan Petroleum Limited	288,800	489,300	-	778,100	-	-	-	-

Name of the investee company	As at July 01, 2007	Purchases during the quarter	Bonus / right issue	Sales during the quarter	As at September 30, 2007	Carrying Value	Market value as at September 30, 2007	Percentage of net assets on the basis of market value (see note 5.1.3 below)
	-----Number of shares-----						(Rs. in '000)	

Oil and gas marketing companies

Pakistan State Oil Company Limited	50,000	375,000	-	325,000	100,000	35,850	36,055	0.67
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Fertilizer

Engro Chemical Pakistan Limited	17,000	122,000	-	139,000	-	-	-	-
Fauji Fertilizer Bin Qasim Company Limited	96,000	429,500	-	325,500	200,000	8,840	8,860	0.17
Fauji Fertilizer Company Limited	400,000	662,000	-	1,040,500	21,500	2,466	2,473	0.05

Commercial banks

BankIslami Pakistan Limited	10,000,000	20,000,000	-	30,000,000	-	-	-	-
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Grand total

287,479 292,005

5.1.2 All shares have a nominal value of Rs 10 each.

5.1.3 Net assets are as defined in rule 2 (xxxiv) of the NBFC Rules.

5.1.4 The SECP through its letter no. NBFC-II/JE/AMIML/362 dated June 08, 2006 has increased the investment limits prescribed in rule 71(3) of NBFC Rules to fifteen percent.

5.1.5 Sukuk Certificates

Name of the investee company	As at July 01, 2007	Purchases during the quarter	Sales during the quarter	Redemptions during the quarter	As at September 30, 2007	Carrying Value	Market value as at September 30, 2007	Percentage of net assets on the basis of cost (see note 5.1.3 above)
	-----Number of certificates-----						(Rs. in '000)	

WAPDA First Sukuk Company Limited	-	7,500	-	-	7,500	38,531	38,531	0.72
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5.1.6 The nominal value of the WAPDA Sukuk certificates is Rs 5,000 each.

5.1.7 These certificates carry a return at the rate of 10.53% receivable on a semi annual basis with principal redeemable on maturity.

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

Sukuk Certificates

Name of the investee company	As at	Purchases	Sales	Redemptions	As at	Carrying	Market value	Percentage of net	
	July	during the	during the	during	September				
	01, 2007	quarter	quarter	the quarter	30, 2007	Value	as at	assets on the	
							September	basis of cost	
							30, 2007	(see note 5.1.3 above)	
-----Number of certificates-----							(Rs. in '000)		
Century Paper & Board Mills Limited	-	5,000	-	-	5,000	25,000	25,000	0.47	
Dawood Hercules Chemicals Limited	-	3,950	-	-	3,950	197,500	197,500	3.68	
Engro Chemical Pakistan Limited	-	60,000	-	-	60,000	300,000	300,000	5.59	
Security Leasing Corporation Limited	-	80,000	-	-	80,000	50,000	50,000	0.93	
Shahmurad Sugar Mills Limited	-	73	-	-	73	73,000	73,000	1.36	
Sitara Chemical Sukuk Certificates	11,040	-	-	-	11,040	55,200	55,200	1.03	
Sui Southern Gas Company Limited	-	30,000	-	-	30,000	100,000	100,000	1.86	
Grand Total						800,700	800,700		

5.2.1 The nominal value of the Sitara Chemicals sukuk certificates, Century Paper & Board Mills sukuk certificates and Engro Chemicals sukuk certificates is Rs. 5,000 each.

5.2.2 The nominal value of the Dawood Hercules Chemicals sukuk certificate is Rs. 50,000 each.

5.2.3 The nominal value of the Security Leasing Corporation Limited sukuk certificate is Rs. 625 each.

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

5.2.5 The nominal value of the SSGC sukuk certificate is Rs. 3,333.33 each.

5.2.2 These certificates carry a return at the rate from 10.77% to 12.23% receivable on a semi annual basis except SSGC sukuk certificates which carry a return on 10.77% receivable on a quarterly basis with principal redeemable on maturity.

6. FINANCIAL INSTRUMENTS SOLD ON DEFERRED SETTLEMENT BASIS

Type of contract	Settlement	Underlying	Notional amount	Note	September 30, 2007		
					Fair value		
					(Rupees in '000)		
					(Assets)	(Liabilities)	
6.1	Deferred Sales	October 30, 2007	Equity indices	283,505	7.1.1	114	3,707

6.1.1 Deffered sale transactions are commitments to sell a designated financial instrument at a specified future date for a specified price and settled in cash. Deffered sales are standardized exchange-traded contracts. Deffered sale contracts have little credit risk because the counter parties are stock exchanges.

It results in exposure to market risk based on changes in market prices related to contracted amounts. Market risk arises due to the possibility of movement in indices and securities' value underlying these instruments.

Nominal amounts are the underlying reference amounts to stock exchange indices, upon which the fair values of the deffered sale contracts, traded by the Fund are based. While notional amounts do not represent the current fair value and are not necessarily indicative of the future cash flows of the Fund's deffered sale contracts, the underlying price changes in relation to the variables specified by the notional amounts affect the fair value of these derivative financial instruments.

**September
30, 2007
(Rupees in '000)**

7. EARNINGS PER UNIT

Net income for the period	<u>111,268</u>
	(Number of units)
Units outstanding as at September 30, 2007	<u>105,062,592</u>
	(Rupees)
Earnings per unit outstanding as at September 30, 2007	<u>1.06</u>

8. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include Al Meezan Investment Management Limited being the Management Company, Central Depository Company Limited being the Trustee, Meezan Bank Limited being the holding company of the Management Company, Pakistan Kuwait Investment Company (Private) Limited and Al Meezan Mutual Fund Limited, Meezan Islamic Fund, Meezan Tahaffuz Pension 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 provisions of NBFC Rules and the Trust Deed respectively.

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

Al-Meezan Investment Management Limited - management company	September 30, 2007 (Rupees in '000)
Remuneration for the period	9,521
Sales load for the period	638
Preliminary expenses and floatation costs	2,500
Certificate charges	1
	<u>12,660</u>
Payments made during the quarter	<u>(5,810)</u>
Balance at the end of the quarter	<u><u>6,850</u></u>

Issue of 1,769,413 units	90,000
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Central Depository Company of Pakistan Limited

Remuneration for the quarter	1,204
CDS Charges for the quarter	30
	<u>1,234</u>
Payment made during the quarter	<u>(774)</u>
Balance at the end of the quarter	<u><u>460</u></u>

Meezan Bank Limited

Remuneration as the Shariah Advisor	225
Sales load for the quarter	78
	<u>303</u>
Payment made during the quarter	<u>-</u>
Balance at the end of the quarter	<u><u>303</u></u>
Bank balances as at September 30, 2007	<u>12,711</u>
Profit on deposit accounts	<u>519</u>
Issue of 13,873,370 units	<u><u>708,513</u></u>

Pakistan Kuwait Investment Company (Private) Limited

Directors and executives

Issue of 53,793 units	2,729
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9. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 22, 2007 by the Board of Directors of the Management Company.

10. GENERAL

- Figures have been rounded off to the nearest thousand rupees.

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



Chief Executive

Director