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Al Meezan
Investment Management Ltd.



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 a 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. Irfan Siddiqui	Chairman
Mr. Ariful Islam	Director
Mr. Najmul Hassan	Director
Mr. Tasnimul Haq Farooqui	Director
Mr. Shabbir Hamza Khandwala	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. Tasnimul Haq Farooqui	Member
Mr. Shabbir Hamza Khandwala	Member
Mr. Mazhar Sharif	Member

TRUSTEE

Central Depository Company of Pakistan Limited
8th Floor, Karachi Stock Exchange Building
Stock Exchange Road
Karachi

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants
First Floor, Sheikh Sultan Trust Building No. 2
Beaumont Road, Karachi-75530, Pakistan.

BANKERS TO THE FUND

Meezan Bank Limited
Bank Al Habib Limited
MCB Bank Limited
The Bank of Khyber
Faysal Bank Limited
Habib Bank AG Zurich
Al Baraka Islamic Bank B.S.C (E.C)

LEGAL ADVISER

Bawany & 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: bawany@cyber.net.pk

TRANSFER AGENT

Meezan Bank Limited
3rd Floor P.N.S.C. Building
M.T. Khan Road
Phone: (9221) 561 0582, 561 0417
Fax: (9221) 561 1427
Web site: www.meezanbank.com

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited
The Bank of Khyber





DIRECTORS REPORT FOR MEEZAN ISLAMIC INCOME FUND

The Board of Directors of Al Meezan Investment Management Limited, the Management Company of Meezan Islamic Income Fund, is pleased to present you the un-audited accounts of Meezan Islamic Income Fund (MIIF) for the period ended 31 March 2007.

Market Review

The money market during 3QFY07 showed a mixed trend. While 6-month KIBOR generally witnessed a declining trend during the period, the average rates during the quarter were still 10 bps higher than the average rates during 1HFY07. Towards the end of quarter there were expectations in the market regarding easing of interest rates which were demolished by increase in cut-off yields on Treasury bills of all tenors in the last week of March 07.

On the Islamic debt market side, a number of companies like SSGC, PIA and WAPDA are in the process of raising funds through sukuks (Islamic Bonds). MIIF plans to be an active participant in these sukuk issues. Furthermore, efforts are underway at government level to develop a Shariah compliant alternative to Treasury Bills that can be used by Islamic Banks for their liquidity and statutory placement requirements. We believe that launch of such a product will also significantly help Islamic mutual funds as there are currently limited options available on the Shariah compliant fixed income/ debt side.

Operational Review

Meezan Islamic Income Fund was launched in December 2006 and its IPO was held from 15th to 17th January 2007. During the first quarter since inception MIIF has witnessed large inflows and within the first quarter its Net Assets have crossed PKR 1.4 billion mark. The annualized return since inception is 9.8% which is slightly below the return on six month KIBOR of 10.4%. Considering the liquid nature of this investment vehicle, where investors are not required to lock in their investment for a number of years to get higher returns, MIIF offers an ideal opportunity to retail investors to earn Shariah Compliant and Halal returns.

For the quarter ended 31 March 2007, the fund earned gross income of Rs. 36 million, main contributors of which were gain on sale of investments of Rs. 23 million and Rs. 12 million was earned as profit on sukuks and other Shariah compliant income/ debt instruments. After accounting for expenses of Rs. 14 million, the fund recorded a net profit of Rs. 27 million for the period. The net assets of MIIF as at 31 March 2007 were Rs. 1,423 million translating into net asset value per certificate of Rs. 50.98.

The launch of MIIF as the first ever Shariah compliant Open end Income fund is another landmark for Al Meezan Investments which is committed to providing our valuable customers a wide variety of Shariah compliant investment opportunities.





Investment Policy

MIIF invests in Islamic instruments such as Islamic Sukuk (bonds), certificates of Islamic investments, musharikhah certificates and similar instruments. MIIF does not take direct exposure in the stock market however it makes use of a shariah compliant ready buy - deferred sale mechanism to provide the investors with a locked-in profit in a completely Shariah compliant manner. The Fund's primary objective is to provide investors with a stable rate of current income consistent with long-term preservation of capital in a Shariah compliant manner. A secondary objective is to take advantage of opportunities to realize capital appreciation. The Fund shall seek to provide the investors with a rate of total return consistent with a broadly diversified portfolio of long, medium and short term, high quality Islamic income Instruments.

Future Outlook

Going forward we expect the State Bank of Pakistan to maintain its tight monetary policy to control inflation. The market is expecting that inflationary pressures shall ease off in the coming months and interest rates will not see further hike from current levels. The expected development of Shariah compliant instruments and availability of new investment avenues shall result in a wider variety of instruments and competitive return offerings which will bode well for MIIF's investors.

We take this opportunity to thank our valuable investors for reposing faith in us. 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

24 April, 2007
Karachi.

Mohammad Shoaib, CFA
Chief Executive





**CONDENSED INTERIM STATEMENT OF
ASSETS AND LIABILITES (UNAUDITED)**

AS AT 31 MARCH 2007

		31 March 2007 (Rupees in '000)
	Note	
Assets		
Bank balances in deposit accounts	5	715,446
Receivable against sale of investments		101,896
Investment in marketable securities - 'at fair value through profit or loss'	6	673,399
Dividend receivable		5,865
Gain / (loss) on sales on deferred settlement basis	7	7,047
Advances, prepayments and other receivables	8	9,352
Preliminary expenses and floatation costs	9	2,227
Total assets		<u>1,515,232</u>
Liabilities		
Payable to Al-Meezan Investment Management Limited - Management Company of the Fund	10	4,244
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	11	194
Payable to Meezan Bank Limited		242
Payable to Securities and Exchange Commission of Pakistan	12	225
Payable on redemption of units		2,115
Payable against purchase of investments		83,552
Accrued expenses and other liabilities	13	160
Gain / (loss) on sales on deferred settlement basis	7	1,500
Total liabilities		<u>92,232</u>
Net assets		<u>1,423,000</u>
Commitments	7	
Unitholders' funds (as per statement attached)		<u>1,423,000</u>
		Number of units
Number of units in issue	14	<u>27,913,968</u>
		Rupees
Net asset value per unit		<u>50.98</u>

The annexed notes 1 to 21 form an integral part of these financial statements.

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

Chief Executive

Director



Al Meezan
Investment Management Ltd.

06



CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE PERIOD FROM 13 DECEMBER 2006 TO 31 MARCH 2007

	For the period	
	13 Dec 06 -	
	31 Mar 07	
	Note	(Rupees in '000)
Income		
Gain on sale of investments (net)		22,584
Profit on deposit accounts with banks		11,138
Profit on Sukuk certificates		672
		<u>34,394</u>
Unrealised (loss) / gain on investments - 'at fair value through profit or loss'		(3,874)
Gain on derivative financial instruments (net)		5,547
		<u>1,673</u>
Total income		<u>36,067</u>
Expenses		
Remuneration to Al-Meezan Investment Management Limited - Management Company of the Fund		3,377
Remuneration to Central Depository Company of Pakistan Limited - Trustee of the Fund	11	570
Annual fee - Securities and Exchange Commission of Pakistan		225
Auditors' remuneration		105
Fees and subscription		55
Profit payment to Pre-IPO and core investors		5,891
Amortization of preliminary expenses and floatation costs	9	273
Brokerage		3,088
Bank and settlement charges		561
Other expense		149
Total expenses		<u>14,294</u>
Net income from operating activities		<u>21,773</u>
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed		5,529
Net income		<u><u>27,302</u></u>

The annexed notes 1 to 21 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 PERIOD FROM 13 DECEMBER 2006 TO 31 MARCH 2007

	For the period 13 Dec 06 - 31 Mar 07 (Rupees in '000)
Opening balance of undistributed income	-
Net income for the period	27,302
Undistributed income carried forward	<u>27,302</u>

The annexed notes 1 to 21 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' FUND (UNAUDITED)**
FOR THE PERIOD FROM 13 DECEMBER 2006 TO 31 MARCH 2007

	For the period 13 Dec 06 - 31 Mar 07 (Rupees in '000)
Net assets at the beginning of the period	-
Issue of 28,083,311 units	1,409,808
Redemption of 169,343 units	(8,581)
	1,401,227
Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed	(5,529)
Net income for the period	27,302
Net assets as at the end of the period	1,423,000

The annexed notes 1 to 21 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 PERIOD FROM 13 DECEMBER 2006 TO 31 MARCH 2007

	For the period 13 Dec 06 - 31 Mar 07 (Rupees in '000)
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	27,302
Adjustments for non-cash items	
Profit on deposit accounts with banks	(11,138)
Profit on Sukuk certificates	(672)
Unrealised loss / (gain) on investments - 'at fair value through profit or loss'	3,874
Loss / (Gain) on sales on deferred settlement basis	(5,547)
Amortization of preliminary expenses and floatation costs	273
Element of (income) / loss and (capital gains) / losses included in prices of units sold less those in units redeemed	<u>(5,529)</u>
	8,563
(Increase) / decrease in assets	
Receivable against sale of investments	(101,896)
Dividend receivable	(5,865)
Advances and prepayments	(100)
Preliminary expenses and floatation costs	(2,500)
Investment in marketable securities	(678,426)
	(788,787)
Increase / (decrease) in liabilities	
Payable to Al Meezan Investment Management Limited - Management Company of the Fund	4,244
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	194
Payable to Meezan Bank Limited	242
Payable to Securities and Exchange Commission of Pakistan	225
Payable against purchase of investments	83,552
Payable on redemption of units	2,115
Accrued expenses and other liabilities	160
	90,732
Profit received on deposit accounts with banks	3,711
Net cash (outflow) / inflow from operating activities	(685,781)
CASH FLOWS FROM FINANCING ACTIVITIES	
Receipt from sale of units	1,409,808
Payments against redemption of units	(8,581)
Net cash inflow from financing activities	1,401,227
Net cash inflow during the period	<u>715,446</u>
Cash and cash equivalents at the end of the period	<u><u>715,446</u></u>

The annexed notes 1 to 21 form an integral part of these financial statements.

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

Chief Executive

Director



Al Meezan
Investment Management Ltd.



**NOTES TO THE CONDENSED INTERIM FINANCIAL
STATEMENTS (UNAUDITED)**
FOR THE PERIOD FROM 13 DECEMBER 2006 TO 31 MARCH 2007

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 Investment Management Limited (AMIML) as management company and Central Depository Company of Pakistan Limited (CDC) as trustee. The Trust Deed was executed on 13 September 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 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.

2. BASIS OF PRESENTATION

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.

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, and directives issued by the Securities and Exchange Commission of Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) 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 principal accounting policies adopted by the management are set out below. These policies have been consistently applied to the period presented in these financial statements.





4.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except for investments and derivatives which are carried at fair value.

4.2 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires the Management Company to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.3 Financial instruments

(i) *Classification*

The Fund has classified financial instruments in following categories

a) *Financial instruments held-for-trading*

These include financial instruments acquired principally for the purpose of generating profit from short-term fluctuations in prices or dealers' margins or are securities included in a portfolio in which a pattern of short-term profit taking exists.

All derivatives in a net receivable position (positive fair value), are reported as financial assets held-for-trading. All derivatives in a net payable position (negative fair value), are reported as financial liabilities held-for-trading.

b) *Financial instruments designated 'at fair value through profit or loss upon initial recognition'.*

These include investments that are not held for trading purposes and which may be sold.

c) *Loans and receivables originated by the enterprise*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Group as fair value through profit or loss or available-for-sale. This includes receivable against sale of investments and other receivables.

d) *Available for sale*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.





(ii) *Recognition*

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

A regular way purchase of financial assets is recognised using trade date accounting. From this date, any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

(iii) *Measurement*

Financial instruments are measured initially at fair value (transaction price) plus, in case of a 'financial asset or financial liability not at fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, instruments classified as 'financial assets 'at fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising, from changes in the fair value of the 'financial assets at fair value through profit or loss' are recognised in the income statement. Changes in the fair value of instruments classified as "available for sale" are recognised in equity until derecognised or impaired when the accumulated fair value adjustments recognised in equity are included in the income statement.

Financial assets classified as loans and receivables are carried at amortized cost using the effective yield method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortized cost using the effective yield method.

(iv) *Fair value measurement principles*

The fair value of marketable securities and derivatives is based on their price quoted on the Karachi Stock Exchange at the balance sheet date without any deduction for estimated future selling costs. Financial assets and financial liabilities are priced at their fair market value.

(v) *Derecognizing*

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

The Fund uses the weighted average method to determine realised gains and losses on derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.



4.4 Unit holders' fund

Unit holders' fund representing the units issued by the Fund, are carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

4.5 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours of the day when the application is received. The offer price represents the net assets value of the units as of the close of that business day plus the allowable sales load wherever applicable, provision of duties and charges and provision for transaction costs, if applicable. The sales load is payable to the distributors and the Management Company.

Units redeemed are recorded at the redemption price prevalent on the date on which the distributors receive redemption application during business hours on that date. The redeemed price represents the net assets value per unit less back end load wherever applicable, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

4.6 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called 'element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed' is set up in order to prevent the dilution of income per unit and distribution of income already paid out on redemption.

The net element of accrued income / (loss) and realised capital gains / (losses) relating to units issued and redeemed during an accounting period is taken to the income statement.

4.7 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of that obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

4.8 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortized over a period of five years commencing from 13 December 2006.

4.9 Net assets value per Unit

The net assets value (NAV) per unit is calculated by dividing the net assets of the Fund by the number of units in issue.





4.10 Taxation

Current

The income of the Fund is exempt from income tax under clause 99 of part I of the second schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders.

Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax assets on unutilised tax losses to the extent that these will be available for set off against future taxable profits.

However, the Fund intends to avail the tax exemption by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year. Accordingly, no tax liability and deferred tax has been recognised in these financial statements.

4.11 Offsetting financial instruments

A financial asset and financial liability are set off and the net amount is reported in the statement of assets and liabilities if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.12 Zakat

Units held by resident Pakistani unitholders are subject to zakat at 2.5% of the face value or redemption value, whichever is lower, of units under the Zakat and Ushr Ordinance, 1980 (XVII of 1980), except those exempted. Zakat is deducted at source from the dividend amount or from the redemption payment, if units are redeemed during the zakat year before payment of dividend after it becomes leviable.

4.13 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the income statement on that date.
- Unrealised gains / (losses) arising on revaluation of securities classified as at fair value through profit or loss are included in the income statement in the period in which they arise.
- Gains / (losses) arising on the revaluation of the derivatives to the fair value are taken to the income statement.
- Profit on deposit accounts with banks and investments in debt instruments are recognised on accrual basis using the effective yield method.
- Transaction costs are recognised as income as and when the units are issued.



- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is included in the income statement on the date of issue and redemption of units.

4.14 Transactions with connected persons

Transactions between the Fund and its connected persons, as defined in the NBFC Rules, are carried out on an arm's length basis substantiated in a manner set out in note 16.

4.15 Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

		31 Mar 07
	Note	(Rupees in '000)
5. BALANCE WITH BANKS		
In deposit accounts		715,446
In current accounts		-
		<u>715,446</u>
6 INVESTMENT IN MARKETABLE SECURITIES		
- 'at fair value through profit or loss'		
Held for trading	6.1	618,199
Investments 'at fair value through profit or loss upon initial recognition.'	6.2	55,200
		<u>673,399</u>
6.1 Held for trading		
Shares of listed companies	6.1.1	579,770
Sukuk Certificates	6.1.5	38,429
		<u>618,199</u>





Name of the investee company	As at 13 December 2006	Purchases during the period	Bonus / rights issue	Sales during the period	As at 31 March 2007	Market value as at 31 March 2007	Percentage of net assets on the basis of market value (see note 6.1.3 below)
	Number of shares					Rs in '000	
Securities sold under deferred settlement							
Textile Composite							
Nishat Mills Limited	-	275,000	-	275,000	-	-	-
Cement							
D G Khan Cement Company Limited	-	1,190,500	-	1,140,500	50,000	4,325	0.30
Pioneer Cement Limited	-	5,169,500	-	5,169,500	-	-	-
Power generation and distribution							
Hub Power Company Limited	-	9,621,000	-	6,697,500	2,923,500	84,635	5.95
Technology and communication							
Pakistan Telecommunication Company Limited 'A'	-	7,112,000	-	5,112,000	2,000,000	94,800	6.66
Oil and gas exploration companies							
Pakistan Oilfields Limited	-	25,000	-	25,000	-	-	-
Oil and Gas Development Company Limited	-	4,067,500	-	2,443,500	1,624,000	192,931	13.56
Pakistan Petroleum Limited	-	1,571,500	-	1,175,500	396,000	97,159	6.83
Oil and gas marketing companies							
Pakistan State Oil Company Limited	-	432,000	-	432,000	-	-	-
Fertilizer							
Engro Chemical Pakistan Limited	-	87,000	-	87,000	-	-	-
Fauji Fertilizer Bin Qasim Company Limited	-	11,392,500	-	9,392,500	2,000,000	63,700	4.48
Fauji Fertilizer Company Limited	-	2,393,500	-	1,993,500	400,000	42,220	2.97
Grand total						579,770	
Total carrying cost of investment						583,644	

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

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

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



6.1.5 Sukuk Certificates

Name of the investee company	As at 13 December 2006	Purchases during the period	Sales during the period	Redemptions during the period	As at 31 March 2007	Market value as at 31 March 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	-	10,000	2,500	-	7,500	<u>38,429</u>	2.70

6.1.6 The nominal value of the WAPDA Sukuk certificates is Rs 5,000 each.

6.1.7 These certificates carry a return at the rate of 10.88% receivable on a semi annual basis with principal redeemable on maturity.

6.2 Investments 'at fair value through profit or loss upon initial recognition' Sukuk Certificates

Name of the investee company	As at 13 December 2006	Purchases during the period	Sales during the period	Redemptions during the period	As at 31 March 2007	Market value as at 31 March 2007	Percentage of net assets on the basis of cost (see note 5.1.3 above)
	Number of certificates					Rs in '000	
Sitara Chemical Sukuk Certificates	-	11,040	-	-	11,040	<u>55,200</u>	3.88

6.2.1 The nominal value of the SITARA Sukuk certificates is Rs 5,000 each.

6.2.2 These certificates carry a return at the rate of 11.99% receivable on a semi annual basis with principal redeemable on maturity.

7. FINANCIAL INSTRUMENTS SOLD ON DEFERRED SETTLEMENT BASIS	31 Mar 2007	
	(Assets)	(Liabilities)
	Fair Value (Rupees in '000)	
	(Rupees in '000)	
Type of contract	Settlement	Underlying Notional amount
Note		
7.1 Deferred Sales	04 April 2007	Equity indices
		586,814
		7.1.1
		<u>7,047</u>
		<u>1,500</u>

7.1.1 Deferred sale transactions are commitments to sell a designated financial instrument at specified future date for a specified price and settled in cash. Deferred sales are standardized exchange-traded contracts. Deferred 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 amount to stock exchange indices, upon which the fair values of the deferred 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 deferred sale contracts, the underlying price changes in relation to the variables specified by the notional amounts effect the fair value of these derivative financial instruments.



31 Mar 2007
(Rupees in '000)

8. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES	
Deposits	100
Profit receivable on deposit accounts with banks	7,427
Profit receivable on Sukuk certificates	1,825
	<u>9,352</u>
9. PRELIMINARY EXPENSES AND FLOATATION COSTS	
Preliminary expenses and floatation costs	2,500
Less: Amortisation during the period	273
	<u>2,227</u>
10. PAYABLE TO AL MEEZAN INVESTMENT MANAGEMENT LIMITED – MANAGEMENT COMPANY	
Management fee	1,636
Sales load payable	108
Preliminary expenses and floatation costs	2,500
	<u>4,244</u>
11. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	
<p>The trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed in accordance with the tariff specified therein, based on the daily net assets value of the Fund.</p>	
12. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)	
<p>This represents annual fee of one tenth of one percent of the average annual net assets of the Fund.</p>	
13. ACCRUED EXPENSES AND OTHER LIABILITIES	
Auditors' remuneration	105
Legal & professional charges payable	45
Listing Fee payable	10
	<u>160</u>





14. CLASSES OF UNITS IN ISSUE

14.1 The Fund may issue following classes of units:

Class	Description
A (Restricted) – note 14.1.1	Units that shall be charged with no sales load.
A	Units that shall be charged with no sales load.
B	Units that shall be charged with front-end load.
C	Units that shall be charged with contingent back-end load.

14.1.1 Class A (Restricted) units were issued as initial subscription in the form of seed capital which was received by the Fund during the period 13 December 2006 to 15 December 2006 with the restriction that these units are not redeemable or transferable for a period of two years from the date of such subscription.

14.2 The units in issue as at 31 March 2007 and their par values were as follows:

	<u>From 13-Dec-06 to 31-Mar-07</u>	
	Number of Units in issue	(Rupees in '000)
	27,913,968	1,395,698
Total	<u>27,913,968</u>	<u>1,395,698</u>

The par value of each unit is Rs 50. The Management Company of the Fund has set a minimum initial investment limit of Rs 5,000. All units carry equal rights and are entitled to dividends and payment of net value on liquidation.

31 Mar 2007
Note (Rupees in '000)

14.3 Number of units in issue:

Units issued during the period	28,083,311
Units redeemed during the period	(169,343)
Units as at 31 March 2007	<u>27,913,968</u>

15. EARNINGS PER UNIT

Net income for the period	<u>27,302</u>
	(Number of units)
units outstanding as at 31 March 2007	<u>27,913,968</u>
	(Rupees)
Earnings per unit outstanding as at 31 March 2007	<u>0.98</u>





16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The key related party relationships maintained by the Fund are those with the Management Company, the Trustee, Meezan Bank Limited and Pakistan Kuwait Investment Company (Private) Limited.

Transactions with connected persons / related parties are entered into in the normal course of business.

**13 Dec 2006 -
31 Mar 2007
(Rupees in '000)**

Al-Meezan Investment Management Limited - management company

Remuneration	3,377
Sales load	115
Issue of 850,000 units	42,500
Payable as at 31 March 2007	4,244

Central Depository Company of Pakistan Limited

Remuneration as trustee	570
Central Depository System / Investment Accounting services charges	49
Payable as at 31 March 2007	194

Meezan Bank Limited

Bank balances as at 31 March 2007	17,400
Profit on deposit accounts with that bank	3,843
Sales load	86
Issue of 5,400,000 units	270,000
Payable as at 31 March 2007	242

Pakistan Kuwait Investment Company (Private) Limited

Issue of 600,000 units	30,000
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Directors and executives

Issue of 323,715 units	16,538
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17. MARKET RATE OF RETURN (MROR) SENSITIVITY POSITION

17.1 The Fund's MROR sensitivity related to financial assets and financial liabilities as at 31 March 2007 can be determined from the following:

31-Mar-07					
Exposed to MROR risk					
Effective rate of profit / return (%)	Upto three months	More than three months and upto one year	More than one year	Not exposed to MROR risk	Total
	(Rupees in '000)				

On-balance sheet financial instruments

Financial assets

Bank balances in deposit accounts	3.0 to 9.0	715,446	-	-	-	715,446
Receivable against sale of investments		-	-	-	101,896	101,896
Investment in marketable securities						
- 'at fair value through profit or loss'		-	-	55,200	618,199	673,399
Dividend receivable		-	-	-	5,865	5,865
Gain / (loss) on sales on deferred settlement basis		-	-	-	7,047	7,047
Other receivables		7,427	-	-	1,925	9,352
Total financial assets		722,873	-	55,200	734,932	1,513,005

Financial liabilities

Payable to Al Meezan Investment Management Limited - Management Company of the Fund		-	-	-	4,244	4,244
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund		-	-	-	194	194
Payable to Meezan Bank Limited		-	-	-	242	242
Payable to Securities and Exchange Commission of Pakistan		-	-	-	225	225
Payable on redemption of units		-	-	-	2,115	2,115
Payable against purchase of investments		-	-	-	83,552	83,552
Accrued expenses and other liabilities		-	-	-	160	160
Gain / (loss) on sales on deferred settlement basis		-	-	-	1,500	1,500

Total financial liabilities

Total financial liabilities		-	-	-	92,232	92,232
On-balance sheet gap		722,873	-	55,200	642,700	1,420,773
Cumulative MROR		722,873	722,873	778,073	1,420,773	

18. MATURITIES OF ASSETS AND LIABILITIES

	31 March 2007			
	Total	Upto three months	Over three months and upto one year	Over one year
	----- (Rupees in '000) -----			
Assets				
Bank balances in deposit accounts	715,446	715,446	-	-
Receivable against sale of investments	101,896	101,896	-	-
Investment in marketable securities - 'at fair value through profit or loss'	673,399	618,199	-	55,200
Dividend receivable	5,865	5,865	-	-
Gain / (loss) on sales on deferred settlement basis	7,047	7,047	-	-
Advances, deposits, prepayments and others receivables	9,352	9,252	-	100
Preliminary expenses and floatation costs	2,227	273	-	1,954
	<u>1,515,232</u>	<u>1,457,978</u>	-	<u>57,254</u>
Liabilities				
Payable to Al-Meezan Investment Management Limited - Management Company of the Fund	4,244	1,744	273	2,227
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	194	194	-	-
Payable to Meezan Bank Limited	242	242	-	-
Holding company of the Management Company of the Fund	-	-	-	-
Payable to Securities and Exchange Commission of Pakistan	225	225	-	-
Payable on redemption of units	2,115	2,115	-	-
Payable against purchase of investments	83,552	83,552	-	-
Accrued expenses and other liabilities	160	-	160	-
Gain / (loss) on sales on deferred settlement basis	1,500	1,500	-	-
	<u>92,232</u>	<u>89,572</u>	<u>433</u>	<u>2,227</u>
	<u>1,423,000</u>	<u>1,368,406</u>	<u>(433)</u>	<u>55,027</u>
Unitholders' funds	<u>1,423,000</u>			

19. RISK MANAGEMENT

The fund primarily invests in Certificates of investments based on shariah compliant structures, bank deposits with licensed Islamic Banks, spread transactions, secured and unsecured, listed or privately placed shariah compliant debt securities including Sukuks certificates or any other shariah compliant instrument as per the guidelines of the Fund's Sharaii Advisor. These investments are subject to varying degrees of risks, which emanates from various factors that include, but are not limited to;



19.1 Performance Risk

Performance risk is the uncertainty relating to the performance of the Fund with respect to its ability to earn consistent income stream as outlined in its investment objective. The NAV of the Fund might go down.

19.2 Interest Rate Risk

Since MIIF is an income fund, changes in interest rate environment in the economy may affect its Net Asset value as prices of income securities including Shariah compliant income securities may increase as interest rates decline and vice versa.

19.3 Credit Risk

Comprises Default Risk and Credit Spread Risk. Each can have negative impact on the value of the Shariah compliant income and money market instruments including sukuk etc:

- **Default Risk**

The risk that the issuer of the security will not be able to pay the obligation, either on time or at all.

- **Credit Spread Risk**

The risk that there may be an increase in the difference between the return of any issuer's security and the return of a risk free security. The difference between this return is called a "credit spread". Credit spreads are based on macroeconomic events in the domestic or global financial markets. An increase in credit spread will decrease the value of Shariah Compliant income and including money market instruments.

19.4 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Fund's prospectus provides for the daily creation and cancellation of units and its is therefore exposed to the liquidity risk of meeting unit holder's redemptions at any time. The Fund manages the liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

20. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 24 April 2007 by the Board of Directors of the Management Company.

21. GENERAL

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

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

Chief Executive

Director



Al Meezan
Investment Management Ltd.