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## Our Vision

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

## Our Mission

*“ To be the leading mutual fund in the industry, providing unitholders, in a truly SHARIAH COMPLIANT way, the best combination of current income and future growth on a 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) 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. Mohammad Shoaib, CFA	Chief Executive
Mr. Tasnimul Haq Farooqui	Director
Mr. Aliuddin Ansari	Director
Mr. Rizwan Ata	Director
Mr. Mazhar Sharif	Director
Syed Owais Wasti	Director

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

## SHARIAH ADVISER

Meezan Bank Limited

## BANKERS TO THE FUND

Al Baraka Islamic Bank B.S.C (E.C)  
Bank Alfalah Limited - Islamic Banking  
Bank Al Habib Limited - Islamic Banking  
Bank Islami Pakistan Limited  
Habib Bank Limited - Islamic Banking  
Habib Metropolitan Bank Limited - Islamic Banking  
MCB Bank Limited - Islamic Banking  
Meezan Bank Limited  
Soneri Bank Limited - Islamic Banking  
The Bank of Khyber  
UBL Ameen Islamic Banking

## LEGAL ADVISER

Bawaneey & Partners  
404, 4<sup>th</sup> Floor, Beaumont Plaza, 6-CL-10  
Beaumont Road, Civil Lines  
Karachi - 75530  
Phone: (9221) 565 7658-59  
Fax: (9221) 565 7673  
E-mail: bawaneey@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



Islamic Fund

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of Al Meezan Investment Management Limited, the management company of Meezan Islamic Fund is pleased to present the un-audited financial statements of the fund for the quarter ended September 30, 2008.

### Market Review

Amid increased economic challenges and political uncertainty during the first quarter of FY09, KSE 100 index maintained a relatively bearish trend. Overall, the KSE-100 index during this quarter plunged by 3,110 points or 25.3% to end the quarter at 9,179 points on an average daily turnover of 66.28 million shares.

### Economic Review

The macroeconomic outlook remained bearish during the quarter as inflationary pressures mounted and current account deficit continued to widen unabated. The main reason for widening of the deficit was worsening of trade balance. Due to the extraordinary increase in international crude prices, which peaked at US\$ 147 per barrel in mid July, and hike in food prices, Pakistan's trade deficit for the first quarter FY09 reached US\$ 5.55 billion, an increase of 53% over the corresponding period. As a result, foreign exchange reserves declined from US\$ 11.1 billion in June 2008 to US\$ 8.1 billion at the end of the quarter. This created pressure on rupee against US dollar, which depreciated by 12% to close the quarter at Rs. 78.25.

The economy was further hurt by the uncertain political situation as foreign investors remained cautious during the quarter, resulting in a decline in foreign exchange reserves and foreign portfolio investment. However, the remittance inflows remained strong, with the first quarter FY09 figure totaling US \$ 1.88 billion, and provided some support to the balance of payment situation. On domestic front, Government of Pakistan remained ahead of its tax collection target in three months and collected Rs. 253 billion which also helped in providing some relief to the burgeoning government borrowing.

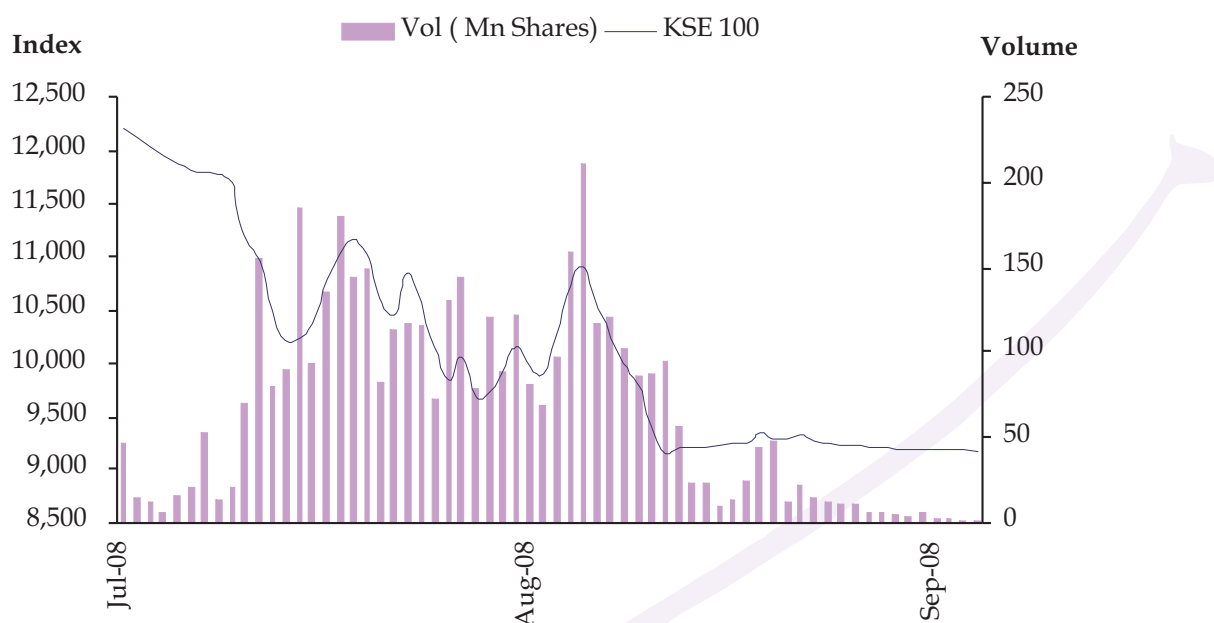
### Equity Market Review

The downward trend at KSE that began in the final quarter of last year continued into the first quarter of FY09. In order to arrest the sharp decline, Securities and Exchange Commission of Pakistan (SECP) had changed the circuit breakers to a floor of 1% and a cap of 10% on June 24, 2008. This measure, however, did not improve the situation and created a problem for margin traders who wanted an exit. Due to drying up of volumes after the introduction of these circuit breakers, the SECP decided to revert them back to the original 5% level on July 11, 2008.

In order to restore investor confidence, SECP and KSE took some market stabilization measures which provided some support to the market. However, the unabated economic pressures along with Moody's warning to downgrade the country's rating resulted in a market meltdown.

To stem further downslide in the market, the KSE Board of Directors on August 27, 2008 decided to place a floor on the index at a level of 9,144 based on the closing prices of securities that day. Since there is no price discovery since then, investors have stayed away from the market during the month of September and volumes are down to less than a million shares a day.

The US sub prime mortgages crises resulting in the collapse of Lehman Brothers, the institution which represented more than a 100 year old legacy of the US financial markets, started the meltdown of the global equities. Even after their governments' continuous liquidity injections, the bearish trend continued so much so that IMF termed this crisis as the worst after Great Depression. In line with increasing outflows from emerging markets, foreigners remained net seller at KSE, with a total net outflow of US\$ 142 million in the first quarter of FY09.



### Performance Review

The return on Dow Jones Islamic Markets Pakistan Index serves as the benchmark for Meezan Islamic Fund (MIF). During the quarter ended September 30, 2008, MIF declined by 26.63% as compared to the benchmark which declined by 27.94%, thus outperforming the benchmark by 1.31% during the quarter.

MIF during the first quarter FY 09 incurred a net loss of Rs. 1,568 million as compared to net profit of Rs. 371 million earned during corresponding period last year.

For the quarter ended September 30, 2008, the fund incurred gross loss of Rs. 1,592 million, main contributors of which were dividend income of Rs. 52 million, capital loss of Rs. 75 million and revaluation loss of Rs. 1,572 million. After accounting for expenses of Rs. 35 million and element of income / capital gain on purchase and sale of units of Rs. 59 million, the fund recorded a net loss of Rs. 1,568 million for the quarter. The net assets of MIF decreased from Rs. 6,034 million at the beginning of the quarter to Rs. 4,320 million by the end of it, mainly due to decline in market value of investments.

During the quarter, units amounting to Rs. 537 million were issued and units amounting to Rs. 623 million were redeemed, resulting in net outflow of Rs. 86 million.

### A New Initiative - Launching of the Islamic Index

The Karachi Stock Exchange (KSE) and Al Meezan Investments launched the first co-branded Islamic Index "KSE-Meezan Index (KMI)" on the 1st of Ramadan (September 2, 2008). The index

comprises of thirty companies which qualify KMI Shariah screening criteria and are weighted by float adjusted market capitalization subject to a 12% cap on weights of individual securities.

### **Investment Policy**

The objective of MIF is to provide the maximum total return to the unit holders from investment in Shariah compliant investments for the given level of risk, while abiding by the "Non-Banking Finance Companies Rules, 2003" and "Non-Banking Finance Companies and Notified Entities Regulations, 2007", and any other prevailing rules and regulations. Total return refers to returns from capital gains, realized and unrealized, and dividend income (from investment in secondary and primary equities - Musharaka), rental income (from operating leases - Ijara), mark-up (from cost-plus sales - Murabaha), and other Shariah compliant investments.

### **Mutual Fund Rating**

We are pleased to inform our investors that both the leading rating agencies operating in Pakistan, i.e. Pakistan Credit Rating Agency (PACRA) and JCR-VIS Credit Rating Company have assigned the highest possible rating for mutual funds to Meezan Islamic Fund. MIF has been rated 5-Star by both the rating agencies which denotes superior performance of MIF versus its peers. PACRA has awarded 5-Star rating to MIF for its superior short term (trailing 12 month period) and long term (trailing 36 month period) performance as compared to its peers. MIF is the only fund in the Islamic Fund category that has been rated 5-Star by JCR-VIS.

### **Future Outlook**

Despite a challenging economic outlook, we are optimistic about the long term growth trend of the country and remain confident about the future prospects of the stock market in general and of Meezan Islamic Fund in particular. Going forward, it is expected that price floor mechanism would be removed along with the establishment of a stabilization fund, which will help to improve investor confidence.

Future direction of the market is likely to be driven by growth prospects, political stability, level of balance of payment and foreign investment in the country. We anticipate growing interest from foreign and local investors in the equity market as it is currently trading at a PE multiple discount of 25% as compared to the regional markets.

### **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 and for making MIF the largest open end equity fund in the private sector. We also thank the regulator, Securities and Exchange Commission of Pakistan, Meezan Islamic Fund's trustee, Central Depository Company of Pakistan and management of Karachi Stock Exchange for all their support and guidance. Last but not the least, we would like to place on record our gratitude for Justice (Retd.) Muhammad Taqi Usmani and other members of the Shariah Board of Meezan Bank for their continued guidance on Shariah aspects of fund management.

For and behalf of the Board

**Date: October 22, 2008  
Karachi.**

**Muhammad Shoab, CFA  
Chief Executive**

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2008

	Note	(Unaudited) September 30, 2008	(Audited) June 30, 2008
(Rupees in '000)			
<b>Assets</b>			
Balances with banks		73,355	264,232
Investments at fair value through profit or loss	5	4,235,743	5,775,714
Dividend receivable		33,430	52,860
Advances, deposits and other receivables		9,286	14,903
<b>Total assets</b>		<b>4,351,814</b>	<b>6,107,709</b>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited - management company of the fund		7,827	15,536
Payable to Central Depository Company of Pakistan Limited - trustee of the fund		451	581
Payable to Meezan Bank Limited - shariah adviser of the fund		1,110	1,581
Payable to Securities and Exchange Commission of Pakistan		1,251	5,040
Payable on redemption of units		14,566	31,913
Payable against purchase of investments		-	11,531
Accrued expenses and other liabilities		6,149	7,059
<b>Total liabilities</b>		<b>31,354</b>	<b>73,241</b>
<b>Net assets</b>		<b>4,320,460</b>	<b>6,034,468</b>
<b>Commitments</b>			
<b>Unit holders' fund (as per statement attached)</b>		<b>4,320,460</b>	<b>6,034,468</b>
<b>Number of units</b>			
<b>Number of units in issue</b>		<b>117,672,046</b>	<b>100,488,707</b>
-----Rupees-----			
<b>Net assets value per unit</b>		<b>36.72</b>	<b>60.05</b>

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 QUARTER ENDED SEPTEMBER 30, 2008 (UNAUDITED)**

	September 30,	
	2008	2007
	(Rupees in '000)	
<b>Income</b>		
Net realised (loss) / gain on sale of investments	(75,085)	28,890
Dividend income	52,252	63,900
Profit on savings accounts with banks	1,845	12,065
Other income	1,344	2,400
	(19,642)	107,255
Unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss (net)	(1,572,423)	123,718
Loss on re-measurement of derivative financial instruments (net)	-	(45,500)
	(1,572,422)	78,218
<b>Total (loss) / income</b>	(1,592,065)	185,473
<b>Expenses</b>		
Remuneration to Al Meezan Investment Management Limited - management company of the fund	30,628	29,425
Remuneration to Central Depository Company of Pakistan Limited - trustee of the fund	1,503	1,233
Remuneration to Meezan Bank Limited - shariah adviser of the fund	148	151
Annual fee to Securities and Exchange Commission of Pakistan	1,251	981
Auditors' remuneration	175	133
Fees and subscription	9	9
Legal and professional charges	47	38
Amortisation of preliminary expenses and floatation costs	-	70
Brokerage	1,109	3,010
Bank and settlement charges	180	355
Printing charges	96	-
<b>Total expenses</b>	35,146	35,405
<b>Net (loss) / income from operating activities</b>	(1,627,210)	150,068
Element of income and capital gains included in prices of units issued less those in units redeemed	58,923	220,621
<b>Net (loss) / income</b>	(1,568,288)	370,689

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 QUARTER ENDED SEPTEMBER 30, 2008 (UNAUDITED)**

	September 30, 2008                      2007 (Rupees in '000)	
Undistributed income brought forward	1,010,031	1,242,346
Less : Final distribution in the form of bonus units for the year ended June 30, 2008 (comparative June 30, 2007)	(1,004,058)	(760,329)
Less : Final distribution in the form of cash dividend for the year ended June 30, 2008 (comparative June 30, 2007)	(829)	-
	(1,004,887)	(760,329)
Net (loss) / income	(1,568,288)	370,689
Undistributed (loss) / income carried forward	(1,563,144)	852,706

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 UNIT HOLDERS' FUND  
FOR THE QUARTER ENDED SEPTEMBER 30, 2008 (UNAUDITED)**

	September 30, 2008                      2007 (Rupees in '000)	
Net assets at the beginning of the period	6,034,468	3,679,298
Issue of 12,353,849 (September 30, 2007: 16,899,352) units	536,709	976,062
Redemption of 15,231,617 ((September 30, 2007: 4,080,010) units	(622,677) (85,968)	(240,032) 736,030
Element of income and capital gains included in prices of units issued less those in units redeemed	(58,923)	(220,621)
Net income less distribution	(2,573,175)	(389,640)
Issue of 20,061,107 bonus units for the year ended June 30, 2008 (June 30, 2007: 12,695,418 bonus units)	1,004,058	760,329
Net assets at the end of the period	4,320,460	4,565,396

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 QUARTER ENDED SEPTEMBER 30, 2008 (UNAUDITED)

	September 30,	
	2008	2007
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss) / income	(1,568,288)	370,689
<b>Adjustments for:</b>		
Dividend income	(52,252)	(63,900)
Profit on savings accounts with banks	(1,845)	(12,065)
Unrealised loss / (gain) on re-measurement of investments at fair value through profit or loss (net)	1,572,423	(123,718)
Loss on re-measurement of derivative financial instruments (net)	-	45,500
Amortisation of preliminary expenses and floatation costs	-	70
Element of income and capital gains included in prices of units issued less those in units redeemed	(58,924)	(220,621)
	(108,886)	(4,045)
<b>(Increase) / decrease in assets</b>		
Investments at fair value through profit or loss	(32,451)	(1,158,077)
Receivable against sale of investments	-	164,947
Deposits and other receivables	(26)	(25)
	(32,477)	(993,155)
<b>Increase / (decrease) in liabilities</b>		
Payable to Al Meezan Investment Management Limited - management company of the fund	(7,709)	9,139
Payable to the Central Depository Company of Pakistan Limited - trustee of the fund	(129)	14
Payable to Meezan Bank Limited - shariah adviser of the fund	(471)	(192)
Payable to Securities and Exchange Commission of Pakistan	(3,789)	981
Payable on redemption of units	(17,348)	(68,185)
Payable against purchase of investments	(11,531)	(13,931)
Accrued expenses and other liabilities	(910)	293
	(41,887)	(71,881)
Dividend received	71,682	7,958
Profit received on savings accounts with banks	7,488	19,578
Dividend paid	(829)	-
<b>Net cash (outflow) / inflow from operating activities</b>	(104,909)	(1,041,545)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from sale of units	536,709	976,062
Payments against redemption of units	(622,677)	(240,032)
<b>Net cash (outflow) / inflow from financing activities</b>	(85,968)	736,030
Net cash outflow during the period	(190,877)	(305,515)
Cash and cash equivalents at the beginning of the year	264,232	747,613
Cash and cash equivalents at the end of the year	73,355	442,097

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 STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2008

### 1. LEGAL STATUS AND NATURE OF BUSINESS

Meezan Islamic 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 June 16, 2003 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 4, 2003 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). On November 21, 2007 Non Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations) were notified. The registered office of the management company of the Fund, is situated in Finance & Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan.

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

The Fund is an open-end fund listed on the Karachi Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The management company of the Fund has been given quality rating of AM-2 and credit rating of A/A-2 by JCR - VIS and the Fund is rated five star by Pakistan Credit Rating Agency and JCR - VIS.

### 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. 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 NBFC rules and the directives issued by the SECP. The disclosures made in these financial statements have, however, been limited based on the requirements of International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and should be read in conjunction with the financial statements as at and for the year ended June 30, 2008. Approved accounting standards comprise of such IASs and International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of these standards, the requirements of NBFC rules and the said directives differ with the requirements of these standards, the requirements of the NBFC Rules and the said directives take precedence.

### 4. ACCOUNTING POLICIES AND ESTIMATES

The accounting policies adopted in the preparation of these financial statements and the significant judgements made by management in applying those accounting policies and the key sources of estimation uncertainty are the same as those applied in the preparation of the financial statements as at and for the year ended June 30, 2008.

### 5. INVESTMENT IN MARKETABLE SECURITIES

- 'at fair value through profit or loss'

		(Unaudited) September 30, 2008	(Audited) June 30, 2008
		(Rupees in '000)	
Held for trading	5.1	3,785,834	5,060,523
Investments 'at fair value through profit or loss upon initial recognition.'	5.2	449,909	715,191
		4,235,743	5,775,714

## 5.1 Held for trading - shares of listed companies / units of funds

Name of the investee	As at July 1, 2008	Purchases during the period	Bonus / rights issue	Sales during the period	As at September 30, 2008	Carrying value	Market value	Percentage of net assets on investment market value (see note 5.1.2. below)	Percentage of total investment
	Number of Shares					As at September 30, 2008			
						Rupees in '000			
<b>Open - end mutual fund</b>									
Meezan Islamic Income Fund (note 6.1.1) (an associate of the Fund)	6,276,250	2,366,942	169,425	6,540,823	2,271,794	114,421	116,498	2.70	2.75
<b>Textile composite</b>									
Nishat Mills Limited	778,000	362,500	-	-	1,140,500	90,914	53,273	1.23	1.26
<b>Jute</b>									
Thal Limited (note 6.1.1)	220,034	-	-	-	220,034	43,131	27,922	0.65	0.66
<b>Cement</b>									
Cherat Cement Company Limited	50,300	-	-	-	50,300	1,363	800	0.02	0.02
D. G. Khan Cement Company Limited	1,609,300	1,875,900	-	-	3,485,200	213,493	136,899	3.17	3.23
Fauji Cement Company Limited	1,278,010	1,455,000	-	-	2,733,010	24,380	18,858	0.44	0.45
Attock Cement Pakistan Limited	519,100	50,000	-	-	569,100	42,928	25,854	0.60	0.61
<b>Refinery</b>									
Pakistan Refinery Limited	-	282,400	-	-	282,400	35,027	29,248	0.68	0.69
<b>Power generation and distribution</b>									
The Hub Power Company Limited	7,980,500	339,500	-	-	8,320,000	236,462	178,547	4.13	4.22
<b>Oil and gas marketing companies</b>									
Pakistan State Oil Company Limited	1,061,200	137,500	-	98,000	1,100,700	448,023	308,184.993	7.13	7.28
Sui Northern Gas Pipelines Limited	1556300	537,700	-	-	2,094,000	89,372	65,773	1.52	1.55
<b>Oil and gas exploration companies</b>									
Oil and Gas Development Company Limited (note 6.1.3)	4,679,866	192,800	-	591,000	4,281,666	530,312	404,318	9.36	9.55
Pakistan Oilfields Limited	1,029,400	15,000	-	35,000	1,009,400	366,887	245,789	5.69	5.80
Pakistan Petroleum Limited	2,899,420	175,500	294,042	134,500	3,234,462	716,511	626,354	14.50	14.79
<b>Automobile assembler</b>									
Indus Motor Company Limited	522,577	17,400	-	-	539,977	107,244	77,379	1.79	1.83
Pak Suzuki Motor Company Limited	310,810	96,700	-	-	407,510	47,281	34,145	0.79	0.81
<b>Automobiles parts and accessories</b>									
Agriauto Industries Limited (note 6.1.1)	589,000	10,000	-	-	599,000	49,187	26,476	0.61	0.63
<b>Technology and communication</b>									
Pakistan Telecommunication Company Limited 'A'	7,325,000	354,300	-	-	7,679,300	295,883	241,898	5.60	5.71
TRG Pakistan Limited - Class 'A'	10,488,000	1,500,000	-	-	11,988,000	74,137	45,794	1.06	1.08
<b>Miscellaneous</b>									
Tri-Pack Films Limited	260,000	139,600	-	-	399,600	66,581	61,135	1.42	1.44
<b>Fertilizer</b>									
Engro Chemicals Pakistan Limited	1,684,738	819,100	-	663,000	1,840,838	477,784	332,161	7.69	7.84
Fauji Fertilizer Company Limited	3,396,062	-	-	-	3,396,062	449,367	339,606	7.86	8.02
Fauji Fertilizer Bin Qasim Limited	9,267,500	100,000	-	-	9,367,500	336,352	213,392	4.94	5.04
<b>Chemical</b>									
Sitara Chemical Industries Limited	87,690	-	-	-	87,690	22,137	156,337	3.62	3.69
ICI Pakistan Limited	1,205,500	25,600	-	-	1,231,100	198,228	19,195	0.44	0.45
<b>Total</b>						<b>5,077,406</b>	<b>3,785,834</b>		
<b>Total cost of Investments</b>							<b>5,328,004</b>		

5.1.1 All shares have a nominal value of Rs 10 each except for the shares of Agriauto Industries Limited and Thal Limited which have a face value of Rs 5 each and units of Meezan Islamic Income Fund which have a face value of Rs 50 each.

5.1.2 Net assets are as defined in regulation 2 (xxvi) of NBFC Regulations.

5.1.3 The SECP through its letter No. NBFC-II/AD/AMIML/97/2008 dated February 22, 2008 has relaxed the investment limits prescribed in regulation 64(5) and (8) of NBFC Regulations to fifteen percent and thirty percent respectively.

**(Unaudited)**  
**September 30,**  
**2008**      **(Audited)**  
**June 30,**  
**2008**

**(Rupees in '000)**

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

Shares of listed companies

**449,909**      **715,191**  
**449,909**      **715,191**

### 5.2.1 Shares of listed companies

Name of the investee	As at July 1, 2008	Purchases during the period	Bonus / rights issue	Sales during the period	As at September 30, 2008	Carrying value	Market value	Percentage of net assets on investment market value (see note 5.1.2. above)	Percentage of total investment
						As at September 30, 2008			
Number of Shares						Rupees in '000			

#### Closed-end mutual funds

Al Meezan Mutual Fund Limited ( an associate of the Fund)	19,570,700	-	-	-	19,570,700	268,119	156,566	3.62	3.70
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#### Commercial banks

Meezan Bank Limited ( an associate of the Fund)	2,647,344	368,000	-	-	3,015,344	91,149	82,017	1.90	1.94
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#### Pharmaceutical

Glaxosmithkline Pakistan Limited	136,093	-	-	-	136,093	23,136	14,793	0.34	0.35
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#### Paper and board

Packages Limited	1,362,569	24,000	-	-	1,386,569	348,357	196,532	4.55	4.64
<b>Grand Total</b>						<b>730,760</b>	<b>449,909</b>		

#### Total cost of Investments

**641,704**

**(Unaudited)**  
**September 30,**

**2008**      **2007**  
**(Rupees in '000)**

## 6 EARNINGS PER UNIT OUTSTANDING AS AT SEPTEMBER 30,

Net (loss) / income for the quarter

**(1,568,288)**      **370,689**

**(Number of units)**

Units outstanding as at September 30,

**117,672,046**      **74,253,772**

**(Rupees)**

(Loss) / Earnings per unit

**(13.33)**      **4.99**

## 7. 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 Income 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 provision of NBFC Rules and Regulations and the Trust Deed respectively.

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

	September 30, 2008	June 30, 2008
	(Rupees in '000)	
<b>Al Meezan Investment Management Limited</b>		
<b>- management company of the fund</b>		
Remuneration payable	<u>7,333</u>	<u>14,551</u>
Sale load payable	<u>213</u>	<u>704</u>
Preliminary expenses and floatation cost	<u>277</u>	<u>277</u>
Certificate charges payable	<u>4</u>	<u>4</u>
<b>Meezan Bank Limited</b>		
Bank balance	<u>8,718</u>	<u>43,444</u>
Shariah advisory fees payable	<u>748</u>	<u>600</u>
Sales load payable	<u>362</u>	<u>981</u>
<b>Central Depository Company of Pakistan Limited</b>		
Trustee fee payable	<u>449</u>	<u>567</u>
Charges payable	<u>2</u>	<u>14</u>
<b>Three months ended September 30,</b>		
<b>2008                      2007</b>		
<b>(Rupees in '000)</b>		
<b>Al Meezan Investment Management Limited</b>		
<b>- management company of the fund</b>		
Remuneration for the period	<u>30,628</u>	<u>29,425</u>
Bonus units issued: 1,057,976 units (2007: 22 units)	<u>52,952</u>	<u>1</u>
Units issued: 1,208,819 units (2007: 1,703,050 units)	<u>52,000</u>	<u>95,000</u>
Redemptions: Nil units (2007: Nil units)	<u>-</u>	<u>-</u>

	Three months ended September 30,	
	2008	2007
<b>Al Meezan Mutual Fund Limited</b>		
Dividend income	-	42,545
<b>Meezan Bank Limited</b>		
Shariah advisory fee	148	151
Bonus units issued: 1,206,062 units (2007: 1,247,409 units)	60,363	74,707
Units issued: Nil units (2007: Nil units)	-	-
Redemptions: Nil units (2007: Nil units)	-	-
<b>Central Depository Company of Pakistan Limited</b>		
Trustee fee	1,503	1,233
CDC charges	25	24
<b>Directors and executives</b>		
Bonus units issued: 109,439 units (2007: 77,453 units)	5,477	4,639
Units issued: 55,627 units (2007: 78,700 units)	2,272	4,407
Redemptions: 17,005 units (2007: 32,781 units)	577	1,989

#### 8. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 22, 2008 by the Board of Directors of the Management Company.

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

Chief Executive

Director





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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) 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. Mohammad Shoaib, CFA	Chief Executive
Mr. Tasnimul Haq Farooqui	Director
Mr. Aliuddin Ansari	Director
Mr. Rizwan Ata	Director
Mr. Mazhar Sharif	Director
Syed Owais Wasti	Director

## 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. 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

AlBaraka Islamic Bank B.S.C (E.C)  
Allied Bank Limited - Islamic Banking  
Bank Al Falah Limited - Islamic Banking  
Bank Al Habaib Limited - Islamic Banking  
BankIslami 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 Limited - Islamic Banking  
Soneri Bank Limited - Islamic Banking  
Standard Chartered Bank (Pakistan) Limited - Islamic Banking  
UBL Ameen Islamic Banking

## LEGAL ADVISER

Bawaneey & Partners  
404, 4<sup>th</sup> Floor, Beaumont Plaza, 6-CL-10  
Beaumont Road, Civil Lines  
Karachi - 75530  
Phone: (9221) 565 7658-59  
Fax: (9221) 565 7673  
E-mail: bawaneey@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 FOR THE QUARTER ENDED SEPTEMBER 30, 2008

The Board of Directors of Al Meezan Investment Management Ltd., the management company of Meezan Islamic Income Fund (MIIF) is pleased to present the un-audited financial statements of the fund for the quarter ended September 30, 2008.

### **Economic Review**

The macroeconomic outlook remained bearish during the quarter as inflationary pressures mounted and current account deficit continued to widen unabated. The main reason for widening of the deficit was worsening of trade balance. Due to the extraordinary increase in international crude prices, which peaked at US\$ 147 per barrel in mid July, and hike in food prices, Pakistan's trade deficit for the first quarter FY09 reached US\$ 5.55 billion, an increase of 53% over the corresponding period. As a result, foreign exchange reserves declined from US\$ 11.1 billion in June 2008 to US\$ 8.1 billion at the end of the quarter. This created pressure on rupee against US dollar, which depreciated by 12% to close the quarter at Rs. 78.25.

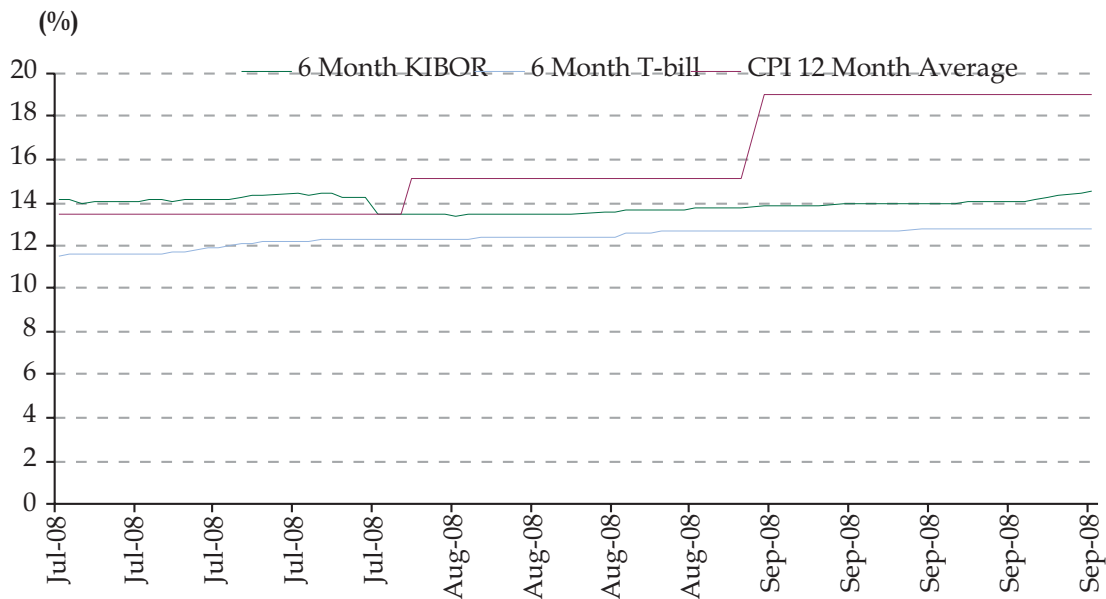
The economy was further hurt by the uncertain political situation as foreign investors remained cautious during the quarter, resulting in a decline in foreign exchange reserves and foreign portfolio investment. However, the remittance inflows remained strong, with the first quarter FY09 figure totaling US \$ 1.88 billion, and provided some support to the balance of payment situation. On domestic front, Government of Pakistan remained ahead of its tax collection target in three months and collected Rs. 253 billion which also helped in providing some relief to the burgeoning government borrowing.

### **Money Market Review - Monetary Tightening**

In order to curb inflation which hovered at around 25% for the quarter against 7% during the same period last year, State Bank of Pakistan (SBP) continued its policy of monetary tightening and increased the discount rate by 100 bps rate to 13% at the end of July 2008. The tight monetary stance resulted in six month T-bill rates to increase from 11.47% on June 30, 2008 to 12.68% by end of September 30, 2008, whereas 6 month KIBOR during the same period increased by 33 basis points closing at a record high of 14.52%. The high interest rate environment at the end of the quarter kept the money market gasping for breath, with overnight rates making new highs of over 40% as market participants felt the pinch of the liquidity crisis.

Despite continued assurance from the government to reduce its fiscal deficit, government borrowing from the SBP continued. In order to promote Islamic Banking industry and to tap other avenues to meet government expenditure, SBP also sold Rs. 6.5 billion worth of GOP Ijarah Sukuk with a pre-auction target of Rs. 10 billion. The coupon rate for the first six months was set at 13.13% (six month T-bill plus 45 bps). The following graph shows the trend in interest rate during the period:

Trends in 6-month KIBOR, 6-Month T-bill and CPI



### Performance Review

The rate of return on Islamic Bank Deposits serves as the benchmark for Meezan Islamic Income Fund. During the quarter ended September 30, 2008, MIIF posted an annualized return of 10.45% as compared to the benchmark of 6.74%, thus outperforming the benchmark by 3.71% during the quarter.

During the quarter ended September 30, 2008, MIIF earned a total income of Rs. 156 million, which consisted of Rs. 71 million earned on placements with banks, Rs. 8 million of income earned on securities sold on deferred settlement basis and Rs. 71 million of income accrued on investment in sukuk certificates. After accounting for expenses of Rs. 18 million, the operating income of the Fund was at Rs. 139 million. The element of loss on units sold less those in units redeemed during the period was of Rs. 8 million. The net income after accounting for above income and expenses was Rs. 131 million.

The net assets of the fund as at September 30, 2008 were Rs. 5,295 million. Before interim payout, the net asset value of the fund as at September 30, 2008 was Rs. 51.28 per unit, providing a total annualized return of 10.45%. The Board of Directors of Management Company approved interim payout for the quarter ended September 30, 2008 of 2.54% to the unit holders.

During the quarter, units amounting to Rs. 2,952 million were issued and units amounting to Rs. 3,498 million were redeemed, resulting in net outflow of Rs. 546 million.

## **Investment Policy**

The Fund's primary objective is to provide investors with a high and stable rate of current income consistent with long-term preservation of capital in a Shariah compliant way. It provides potential to the investors to take advantage of opportunities to realize capital appreciation as well as regular income by investing in a diversified portfolio of long, medium and short term, high quality Islamic income instruments.

## **Mutual Fund Rating**

We are pleased to inform our investors that JCR - VIS, the leading rating agency in Pakistan, has assigned an A(f) stability rating to MIIF, signaling moderate degree of stability in returns with risk factors considered variable if economic variables change.

## **Future Outlook**

Going forward, we expect the central bank to relax its tight stance on the monetary policy. Increasing liquidity shortages in the banking sector and pressure in the foreign exchange market may lead to a cut in the CRR and SLR requirements for commercial and Islamic Banks. Foreign flow of funds in the economy might ease out the pressure in the inter bank rates as well. We expect 6-month KIBOR to remain above 14% for the upcoming months.

With increasing interest rates in the economy, we anticipate that the rate of return for MIIF will also go up as placements are made at higher rates and KIBOR linked coupons on floating rate Sukuks in the portfolio provide higher returns.

## **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 firm in Pakistan and for making MIIF the largest open end fixed income fund in the private sector. We also thank the regulator, Securities and Exchange Commission of Pakistan, MIIF's trustee, Central Depository Company of Pakistan and management of Karachi Stock Exchange for all their support and guidance. Last but not the least; we would like to place on record our gratitude for Justice (Retd.) Muhammad Taqi Usmani and other members of the Shariah Board of Meezan Bank for their continued guidance on Shariah aspects of fund management.

For and behalf of the Board

**Mohammad Shoaib, CFA**  
**Chief Executive**

Karachi.  
October 22, 2008

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2008

	Note	(Unaudited) September 30, 2008	(Audited) June 30, 2008
(Rupees in '000)			
<b>Assets</b>			
Balances with banks		853,370	1,155,498
Placements	5	2,438,750	2,596,250
Investments	6	2,174,257	1,927,564
Financial instruments sold on deferred settlement basis		-	2,863
Deposits and other receivables		174,593	210,647
Preliminary expenses and floatation costs		1,374	1,500
<b>Total assets</b>		<b>5,642,344</b>	<b>5,894,322</b>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited - management company of the fund		6,545	6,717
Payable to Central Depository Company of Pakistan Limited - trustee of the fund		520	540
Payable to Securities and Exchange Commission of Pakistan		1,392	5,784
Payable to Meezan Bank Limited - Shariah adviser of the fund		397	328
Payable on redemption of units		1,360	56,154
Payable against purchase of investments		327,000	87,067
Accrued expenses and other liabilities		10,155	694
Financial instruments sold on deferred settlement basis		-	-
<b>Total liabilities</b>		<b>347,368</b>	<b>157,284</b>
<b>Net assets</b>		<b>5,294,976</b>	<b>5,737,038</b>
<b>Commitments</b>			
<b>Unitholders' funds (as per statement attached)</b>		<b>5,294,976</b>	<b>5,737,038</b>
<b>Number of units</b>			
<b>Number of units in issue</b>	7	<b>103,248,589</b>	<b>111,692,016</b>
<b>Rupees</b>			
<b>Net asset value per unit</b>		<b>51.28</b>	<b>51.36</b>

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, 2008

	Note	September 30, 2008                      2007 (Rupees in '000)	
<b>Income</b>			
Profit on savings accounts with banks		10,566	17,407
Profit on placements		70,841	50,698
Profit on sukuk certificates		65,301	6,972
Profit on diminishing musharaka certificates		5,796	-
Realised income on sale of securities on deferred settlement basis		8,330	8,466
Other income		15	-
		<b>160,849</b>	<b>83,543</b>
Unrealised gain on re-measurement of investments at fair value through profit or loss (net)		(1,516)	4,526
Gain / (loss) on re-measurement of financial instruments sold on deferred settlement basis (net)		(2,863)	3,277
		<b>(4,379)</b>	<b>7,803</b>
<b>Total income</b>		<b>156,470</b>	<b>91,346</b>
<b>Expenses</b>			
Remuneration to Al Meezan Investment Management Limited - management company of the fund		13,921	9,521
Remuneration to Central Depository Company of Pakistan Limited - trustee of the fund		1,644	1,204
Annual fee to Securities and Exchange Commission of Pakistan		1,392	953
Remuneration to Meezan Bank Limited - Shariah adviser of the fund		76	76
Auditors' remuneration		153	88
Fees and subscription		44	38
Legal and professional charges		19	-
Amortisation of preliminary expenses and floatation costs		126	126
Brokerage		209	936
Bank and settlement charges		88	303
<b>Total expenses</b>		<b>17,672</b>	<b>13,245</b>
<b>Net income from operating activities</b>		<b>138,798</b>	<b>78,101</b>
Element of income and capital gains included in prices of units sold less those in units redeemed		(7,904)	33,167
<b>Net income</b>		<b>130,894</b>	<b>111,268</b>
<b>Earnings per unit outstanding - basic (Rupees)</b>	7	<b>1.27</b>	<b>1.06</b>

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, 2008

	September 30, 2008                      2007 (Rupees in '000)	
Undistributed income brought forward	152,437	134,843
Less: Final distribution in the form of bonus units @ 2.7% for the year ended June 30, 2008	(115,970)	(133,201)
Less: Final distribution in the form of cash dividend @ 2.7% for the year ended June 30, 2008	(34,814)	-
Net income for the quarter	130,894	111,268
Undistributed income carried forward	132,547	112,910

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, 2008**

	September 30,	
	2008	2007
	(Rupees in '000)	
Net assets at the beginning of the quarter	5,737,038	3,162,128
Issue of 58,424,983 units (September 30, 2007: issue of 64,171,023 units)	2,952,262	3,259,177
Redemption of 69,187,346 units (September 30, 2007: redemption of 22,316,559 units)	(3,498,308)	(1,133,366)
	(546,046)	2,125,811
Element of income and capital gains included in prices of units sold less those in units redeemed	7,904	(33,167)
Net income for the quarter less distribution	(19,890)	(21,933)
Issue of 2,318,936 bonus units for the year ended June 30, 2008	115,970	133,201
Net assets at the end of the quarter	5,294,976	5,366,040
Net asset value per unit at the beginning of the quarter	51.36	52.23
Net asset value per unit at the end of the quarter	51.28	51.07

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, 2008

	September 30,	
	2008	2007
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	130,894	111,268
<b>Adjustments for non-cash items</b>		
Profit on savings accounts with banks	(10,566)	(17,407)
Profit on placements	(70,841)	(50,698)
Profit on sukuk certificates	(65,301)	(6,972)
Profit on diminishing musharaka certificates	(5,796)	-
Unrealised gain on re-measurement of investments at fair value through profit or loss	1,516	(4,526)
Gain / (loss) on re-measurement of financial instruments sold on deferred settlement basis	2,863	(3,277)
Amortisation of preliminary expenses and floatation costs	126	126
Element of income and capital gains included in prices of units sold less those in units redeemed	7,904	(33,167)
	(140,095)	(115,921)
<b>(Increase) / decrease in assets</b>		
Placements	157,500	-
Investments	(242,413)	(238,917)
Receivable against sale of investments	-	(625)
Deposits and other receivables	(1)	(11)
Preliminary expenses and floatation costs	-	-
	(84,914)	(239,553)
<b>Increase / (decrease) in liabilities</b>		
Payable to Al Meezan Investment Management Limited - management company of the fund	(172)	2,063
Payable to Central Depository Company of Pakistan Limited - trustee of the fund	(20)	160
Payable to Securities and Exchange Commission of Pakistan	(4,392)	952
Payable to Meezan Bank Limited - Shariah adviser of the fund	69	75
Payable on redemption of units	(54,794)	(19,745)
Payable against purchase of investments	239,933	(175,435)
Accrued expenses and other liabilities	9,460	111
	190,084	(191,819)
Profit received on savings accounts with banks	6,571	11,076
Profit received on placements	117,586	45,754
Profit received on sukuk certificates	58,606	3,011
<b>Net cash inflow / (outflow) from operating activities</b>	278,732	(376,184)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from sale of units	2,952,262	3,259,177
Payments against redemption of units	(3,498,308)	(1,133,366)
Dividend paid	(34,814)	-
<b>Net cash inflow / (outflow) from financing activities</b>	(580,860)	2,125,811
Net cash inflow / (outflow) during the quarter	(302,128)	1,749,627
Cash and cash equivalents at the beginning of the quarter	1,155,498	2,277,690
Cash and cash equivalents at the end of the quarter	853,370	4,027,317

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 (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2008

### 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 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). On November 21, 2007, Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations) were notified. 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 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-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. The management company of the Fund is rated AM-2 and 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 held in the name of Central Depository Company of Pakistan Limited as a trustee of the Fund.

### 2. BASIS OF MEASUREMENT

The transactions undertaken by the Fund in accordance with the process prescribed under the Shariah Guidelines issued by the Shariah adviser are accounted for on substance rather than the form prescribed by the 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 financial statements have been prepared in accordance with the requirements of approved accounting standards as applicable in Pakistan, the Trust Deed, the NBFC Rules and NBFC Regulations and the directives issued by the SECP. Approved accounting standards comprise of such International Accounting Standards (IAS) and International Financial Reporting Standards (IFRSs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Trust Deed, the NBFC Rules and NBFC Regulations and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules and NBFC Regulations and the said directives take precedence.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied 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 year ended June 30, 2008.

### 5. PLACEMENTS

Placements carry expected profit at rates ranging from 9.90 percent per annum to 14 percent per annum and are due to mature during the period from October 23, 2008 to March 15, 2009.

			(Unaudited) September 30, 2008	(Audited) June 30, 2008
		Note	(Rupees in '000)	
<b>6.</b>	<b>INVESTMENTS</b>			
	Investments at fair value through profit or loss	6.1	1,965,539	907,293
	Loans and receivables - originated by the enterprise	6.2	208,718	-
			<u>2,174,257</u>	<u>907,293</u>
<b>6.1</b>	Investments at fair value through profit or loss			
	- Held for trading	6.1.1	37,924	752,093
	- Investments at fair value through profit or loss upon initial recognition	6.1.2	1,927,615	155,200
			<u>1,965,539</u>	<u>907,293</u>
<b>6.1.1</b>	Held for trading			
	Shares of listed companies	6.1.1.1	-	752,093
	Sukuk certificates	6.1.1.5	37,924	-
			<u>37,924</u>	<u>752,093</u>

#### 6.1.1.1 Shares of listed companies

Name of the investee company	As at July 1, 2008	Purchases during the quarter	Bonus / rights issue	Sales during the quarter	As at September 30, 2008	Carrying value as at September 30, 2008	Market value as at September 30, 2008	Percentage of net assets on the basis of market value (see note 6.1.1.3 below)	Percentage of total investment
	----- Number of shares -----					----- (Rupees) -----			
<b>Securities sold under deferred settlement basis</b>									
<b>Textile Composite</b>									
Nishat Mills Limited	131,000	732,000	-	863,000	-	-	-	-	-
<b>Cement</b>									
D G Khan Cement Company Limited	265,500	485,500	-	751,000	-	-	-	-	-
<b>Technology and communication</b>									
Pakistan Telecommunication Company Limited 'A'	1,030,000	1,020,000	-	2,050,000	-	-	-	-	-
<b>Oil and gas exploration companies</b>									
Oil and Gas Development Company Limited	-	13,000	-	13,000	-	-	-	-	-
Pakistan Oilfields Limited	130,500	3,000	-	133,500	-	-	-	-	-
Pakistan Petroleum Limited	-	36,000	-	36,000	-	-	-	-	-
<b>Oil and gas marketing companies</b>									
Pakistan State Oil Company Limited	-	122,500	-	122,500	-	-	-	-	-
<b>Fertilizer</b>									
Engro Chemical Pakistan Limited	146,500	334,000	-	480,500	-	-	-	-	-
<b>Grand total</b>						<u>-</u>	<u>-</u>		
<b>Total cost of investments</b>						<u>-</u>	<u>-</u>		

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

6.1.1.3 Net assets are as defined in Regulation 2 (xxvi) of the NBFC Regulations.

6.1.1.4 The SECP through its letter no. NBFC-II/AD/AMIML/97/2008 dated February 22, 2008 has increased the investment limits prescribed in Regulation 64 (5) and (8) of NBFC Regulations to fifteen percent and thirty percent respectively.

### 6.1.1.5 Sukuk certificates

Name of the investee company	Maturity date	Profit rate	As at July 1, 2008	Purchases during the quarter	Sales during the quarter	Redemptions during the quarter	As at September 30, 2008	Carrying value as at September 30, 2008	Market value as at September 30, 2008	Percentage of net assets on the basis of market value (see note 6.1.1.3 above)	Percentage of total investment
WAPDA First Sukuk Certificates (note 6.1.1.6)	October 22, 2012	6 months Kibor plus base rate of 0.35%	7,500	-	-	-	7,500	37,890	37,924	0.72	1.74
GOP Ijarah Sukuk Certificates (note 6.1.1.7)	September 25, 2011	13.1376%	-	150	150	-	-	-	-	-	-
<b>Total cost of investments</b>									<u>37,890</u>		

6.1.1.6 The nominal value of the sukuk certificates of WAPDA is Rs 5,000 each.

6.1.1.7 The nominal value of the sukuk certificates of GOP Ijarah is Rs 100,000 each.

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

### 6.1.2.1 Sukuk certificates

Name of the investee company	Maturity date	Profit rate	As at July 1, 2008	Purchases during the quarter	Sales during the quarter	Redemptions during the quarter	As at September 30, 2008	Carrying value as at September 30, 2008	Market value as at September 30, 2008	Percentage of net assets on the basis of market value (see note 6.1.1.3 above)	Percentage of total investment
Arzoo Textile Mills Limited (note 6.1.2.2)	April 15, 2014	6 months Kibor plus base rate of 2%	14,000	-	-	-	14,000	70,700	70,273	1.33	3.23
Century Paper & Board Mills Limited (note 6.1.2.2)	September 25, 2014	6 months Kibor plus base rate of 1.35%	5,000	10,000	-	-	15,000	75,495	76,327	1.44	3.51
Dawood Hercules Chemicals Limited (note 6.1.2.3)	September 18, 2012	6 months Kibor plus base rate of 1.2%	3,950	-	-	-	3,950	197,500	197,994	3.74	9.11
Eden Builders Limited (note 6.1.2.2)	December 15, 2013	3 months Kibor plus base rate of 2.3%	-	5,300	-	-	5,300	26,500	26,500	0.50	1.22
Eden Housing Limited (note 6.1.2.2)	April 2, 2013	6 months Kibor plus base rate of 2.5%	59,400	-	-	-	59,400	300,267	299,465	5.66	13.77
Engro Chemical Pakistan Limited (note 6.1.2.2)	September 1, 2015	6 months Kibor plus base rate of 1.5%	60,000	-	-	-	60,000	306,510	304,350	5.75	14.00
Security Leasing Corporation Limited II (note 6.1.2.2)	September 19, 2012	6 months Kibor plus base rate of 1.95%	10,000	-	-	-	10,000	50,200	50,200	0.95	2.31
Shahmurad Sugar Mills Limited (note 6.1.2.4)	September 30, 2012	6 months Kibor plus base rate of 2.25%	73	-	-	-	73	72,912	72,912	1.38	3.35
Sitara Chemical Industries Limited II (note 6.1.2.5)	December 17, 2011	3 months Kibor plus base rate of 1.7%	11,040	-	-	-	11,040	48,675	45,007	0.85	2.07
Sitara Chemical Industries Limited III (note 6.1.2.2)	December 31, 2012	3 months Kibor plus base rate of 1%	27,000	-	-	-	27,000	135,000	136,211	2.57	6.26
Karachi Shipyard & Engineering Works (note 6.1.2.2)	November 2, 2015	6 months Kibor plus base rate of 0.4%	-	12,000	-	-	12,000	60,000	60,000	1.13	2.76
Karachi Shipyard & Engineering Works II (note 6.1.2.2)	February 4, 2016	6 months Kibor plus base rate of 0.4%	-	53,400	-	-	53,400	267,000	267,000	5.04	12.28
Maple Leaf Cement Factory Limited (note 6.1.2.2)	December 1, 2013	6 months Kibor plus base rate of 1.7%	64,000	-	-	-	64,000	321,856	321,376	6.07	14.78
<b>Grand Total</b>								<u>1,932,615</u>	<u>1,927,615</u>		
<b>Total cost of investments</b>								<u>1,932,615</u>			

- 6.1.2.2 The nominal value of the sukuk certificates of Arzoo Textile Mills Limited, Century Paper & Board Mills Limited, Eden Builders Limited, Eden Housing Limited, Engro Chemicals Pakistan Limited, Security Leasing Corporation Limited II, Sitara Chemical Industries Limited III, Karachi Shipyard & Engineering Works I & II and Maple Leaf Cement Factory Limited are Rs. 5,000 each.
- 6.1.2.3 The nominal value of the sukuk certificates of Dawood Hercules Chemicals Limited is Rs. 50,000 each.
- 6.1.2.4 The nominal value of the sukuk certificates of Shahmurad Sugar Mills Limited is Rs. 1,000,000 each.
- 6.1.2.5 The nominal value of the sukuk certificates of Sitara Chemical Industries Limited II is Rs. 4,063 each.

## 6.2 Loans and receivables - originated by the enterprise

### 6.2.1 Diminishing musharaka certificates

Name of the investee company	Maturity date	Profit rate	As at July 1, 2008	Purchases during the quarter	Sales during the quarter	Redemptions during the quarter	As at September 30, 2008	Amortised cost as at September 30, 2008	Percentage of net assets on the basis of amortised cost	Percentage of total investment	
			----- Number of certificates -----								
D.G Khan Cement Company Limited Diminishing Musharaka Certificate - I	May 8, 2010	6 months Kibor plus base rate of 0.5%	1,100	-	-	-	1,100	114,796	2.17	5.28	
D.G Khan Cement Company Limited Diminishing Musharaka Certificate - II	May 14, 2010	6 months Kibor plus base rate of 0.5%	500	-	-	-	500	52,127	0.98	2.40	
D.G Khan Cement Company Limited Diminishing Musharaka Certificate - III	June 3, 2010	6 months Kibor plus base rate of 0.5%	400	-	-	-	400	41,795	0.79	1.92	
								<u>208,718</u>	<u>3.94</u>		

6.2.1.1 The nominal value of the diminishing musharaka certificates is Rs 100,000 each.

**(Unaudited)                      (Audited)**  
**September 30,                      June 30,**  
**2008                                      2008**

(Rupees in '000)

## 7. EARNINGS PER UNIT OUTSTANDING - BASIC

Net income for the period	<u>130,894</u>	<u>557,957</u>
	(Number of units)	
Units outstanding	<u>103,248,589</u>	<u>111,692,016</u>
	(Rupees)	
Earnings per unit outstanding	<u>1.27</u>	<u>4.99</u>

## 8. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include AMIML 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 and Meezan Capital Protected Fund - I 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 are as follows:

	For the quarter ended September 30, 2008	For the year ended June 30, 2008
	(Rupees in '000)	
<b>Al-Meezan Investment Management Limited - management company of the fund</b>		
Remuneration for the period	13,921	57,841
Sales load for the period	242	1,082
Preliminary expenses and floatation costs	2,000	2,000
Certificate charges	1	1
	<u>16,164</u>	<u>60,924</u>
Payments made during the period	(9,619)	(54,207)
Balance at the end of the period	<u>6,545</u>	<u>6,717</u>
Units issued: 1,241,997 units (June 30, 2008: 5,970,765 units)	<u>63,000</u>	<u>311,720</u>
Redemptions: 1,452,077 units (June 30, 2008: 4,405,188 units)	<u>73,500</u>	<u>226,000</u>
Bonus units issued: 94,990 units (June 30, 2008: 324,668 units)	<u>4,750</u>	<u>16,373</u>
<b>Meezan Bank Limited - Shariah Adviser of the fund</b>		
Remuneration as the Shariah Adviser	376	300
Sales load for the period	62	333
	<u>438</u>	<u>633</u>
Payments made during the period	(41)	(305)
Balance at the end of the period	<u>397</u>	<u>328</u>
Bank balance in savings account	<u>332,525</u>	<u>396,453</u>
Profit on savings accounts	<u>5,264</u>	<u>111,621</u>



	For the quarter ended September 30, 2008	For the year ended June 30, 2008
	(Rupees in '000)	
Units issued: 3,953,746 units (June 30, 2008: 39,346,905 units)	<u>200,000</u>	<u>2,061,216</u>
Redemptions: nil units (June 30, 2008: 26,729,386 units)	<u>-</u>	<u>1,419,391</u>
Bonus units issued: nil units (June 30, 2008: 237,458 units)	<u>-</u>	<u>11,880</u>
Cash dividend paid	<u>56,144</u>	<u>63,410</u>

**Central Depository Company of Pakistan Limited -  
trustee of the fund**

Remuneration for the period	1,644	6,787
CDS Charges for the period	20	135
	<u>1,664</u>	<u>6,922</u>
Payments made during the period	<u>(1,145)</u>	<u>(6,382)</u>
Balance at the end of the period	<u>520</u>	<u>540</u>

Units issued: 532,649 units (June 30, 2008: 555,627 units)	<u>27,000</u>	<u>28,417</u>
Redemptions: nil units (June 30, 2008: 555,627 units)	<u>-</u>	<u>28,276</u>
Bonus units issued: 43,017 units (June 30, 2008: 55,627 units)	<u>2,151</u>	<u>2,796</u>

**Directors and executives**

Units issued: 147,452 units (June 30, 2008: 509,320 units)	<u>7,466</u>	<u>26,432</u>
Redemptions: 99,195 units (June 30, 2008: 244,218 units)	<u>5,018</u>	<u>12,511</u>
Bonus units issued: 43,054 units (June 30, 2008: 71,739 units)	<u>2,140</u>	<u>3,610</u>

**Pak-Kuwait Investment Company (Private) Limited**

Units issued: nil units (June 30, 2008: nil units)	<u>-</u>	<u>-</u>
Bonus units issued: 35,388 units (June 30, 2008: 66,752 units)	<u>1,770</u>	<u>3,356</u>

**9. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on October 22 , 2008 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