



Islamic Fund

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Islamic Fund



## 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.”

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

## CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

## AUDIT COMMITTEE

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

## TRUSTEE

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

## AUDITORS

A.F. 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

Bawaney & 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: bawaney@cyber.net.pk

## TRANSFER AGENT

Meezan Bank Limited  
37-A, Lalazar Branch, Lalazar Area,  
Off: M.T. Khan Road, Karachi, Pakistan.  
Phone: (9221) 5610582, 5610417  
Fax: (9221) 5636244  
Web site: www.meezanbank.com

## DISTRIBUTORS

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

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

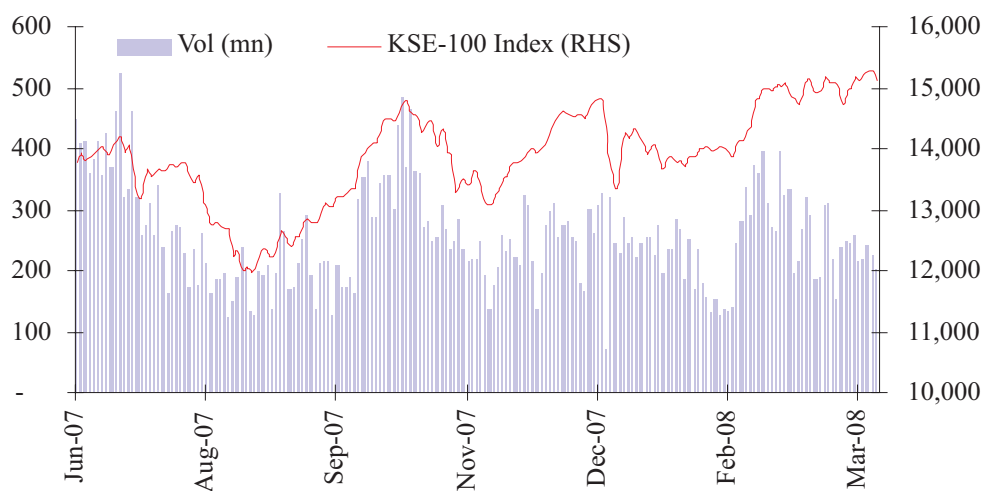
The Board of Directors of Al Meezan Investment Management Limited, the Management Company of Meezan Islamic Fund, is pleased to present the un-audited accounts of Meezan Islamic Fund (MIF) for the nine months ended March 31, 2008. MIF is an open end Islamic equity fund that complies with the provisions of Islamic Shariah. For the period under review MIF recorded an NAV based return of 15.15% and reported net profit of Rs. 1.14 billion. This is the first time in the history of the Fund, that its net profit for any period has crossed the Rs. 1 billion mark.

### Stock Market Review

Stock market showed resilience during the first three quarters of FY08 despite uncertainties on the political front. The KSE-100 Index gained 9.82% during the nine month period, while Dow Jones Islamic market Pakistan Index, an index of Shariah compliant companies listed on Karachi Stock Exchange, registered an increase of 10.32%.

The fiscal year started with positive momentum but soon sentiments turned bearish as political uncertainty and judicial issue started to impact the market. KSE-100 Index touched period's low of 11,955 on August 27, 2007 triggered by outflow of foreign funds. Later, President's re-election led to stock market recovery which was short lived as news of imposition of emergency and assassination of former Prime Minister of Pakistan Benazir Bhutto brought back the negative sentiments. Turn of the calendar year brought some relief to the market. Peaceful elections and creation of broad based coalition government led to a rebound in the stock market post elections. In addition rising international oil prices, up 56% during the period under review, provided an impetus to the rally in KSE 100-index beyond the 15,000 level.

**KSE-100 Index Performance during 9MFY08**

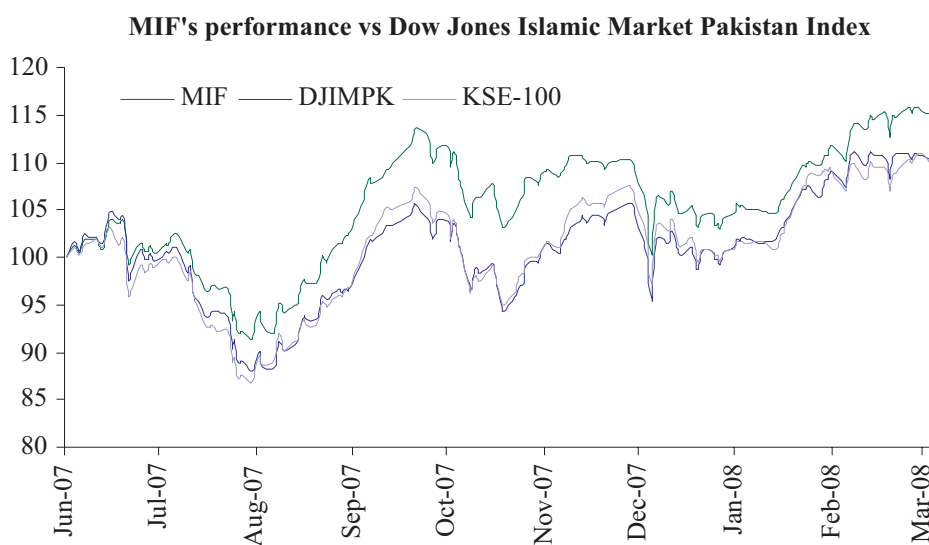


### Performance Review

Meezan Islamic Fund (MIF) yielded an NAV based return of 15.15% during the first nine months of FY08 as against an increase of 10.32% in the benchmark, DJIMPK. This resulted in an out performance of 4.83% by MIF. This out performance over the benchmark has been possible due to efficient security selection and asset allocation by the professional investment management team of Al Meezan Investments.

During the period under review the Fund maintained significant exposures to oil and fertilizer sectors in order to benefit from the rising international oil and fertilizer prices. 50% of the Fund's net assets were invested in oil and fertilizer sectors at the close of the nine month period. Average equity exposure in the Fund during 9MFY08 was maintained at 86.9%. However, in expectation of decline in the market during the July and August 2007 period, exposure was kept in high 70s and low 80s which resulted in the outperformance of MIF versus its benchmark. For the first time since its inception, MIF's net profit crossed Rs. 1 billion mark, with a profit of Rs. 1.14 billion during 9MFY08.

For the nine months ended March 31, 2008, the fund earned gross income of Rs. 893 million (9MFY07: Rs. 363 million), main contributors of which were dividend income of Rs. 171 million (9MFY07: Rs. 172 million) and capital gain (realized and unrealized) of Rs. 676 million (9MFY07: Rs. 168 million). After accounting for expenses of Rs. 126 million (9MFY07: Rs. 97 million) and element of income/ capital gain on purchase and sale of units of Rs. 374 million (9MFY07: Rs. 117 million), the fund recorded net profit of Rs. 1,141 million (9MFY07: Rs. 384 million) for the nine month period. The net assets of MIF increased from Rs. 3,679 million at the beginning of the fiscal year to Rs. 5,901 million by the end of it, thus consolidating its position of being the largest Open End equity fund in the private sector.



### Investment Policy

Being an equity Fund, MIF's performance is linked directly to the performance of the stock market in Pakistan. The fund manager, Al Meezan Investments, actively manages the fund with an aim to provide maximum risk adjusted total return to the investors. This involves a combination of stock selection, sector allocation and asset allocation. Therefore, the fund manager aims to reduce exposure to equities in times when the market risk increases. While this may result in temporary underperformance as exposure is reduced in a rising market, it pays off when market corrects.

### **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 companies 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**

We are optimistic about the future prospects of the stock market in general and of Meezan Islamic Fund in particular. Future direction of the market is likely to be driven by developments on the economic front. We expect the government to give incentives to domestic sectors and agriculture in the upcoming budget which will bode well for the economy and the market. We continue to see value in Pakistani equities and remain positive on the basis of relative attractive valuations and continuing double-digit earnings growth of listed companies.

### **Acknowledgment**

We take this opportunity to thank our valuable investors for reposing faith in Al Meezan Investments and making it the largest Shariah Compliant asset management firm 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, MIF's trustee, Central Depository Company of Pakistan and the 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, in special and other members of the Shariah Board of Meezan Bank in general, for their continued guidance on Shariah aspects of fund management.

**Karachi.**  
**April 22, 2008**

For and on behalf of the Board

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

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2008

		(Unaudited) March 31 2008	(Audited) June 30 2007
	<i>Note</i>	(Rupees in '000)	
<b>Assets</b>			
Balances with banks		830,221	747,613
Investments at fair value through profit or loss	5	5,164,644	2,844,066
Receivable against sale of investments		-	166,388
Dividend receivable		22,570	16,648
Derivative financial instruments	6	13,275	45,562
Deposits, prepayments and other receivables		15,375	11,283
Preliminary expenses and floatation costs		69	277
<b>Total assets</b>		<b>6,046,154</b>	<b>3,831,837</b>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited - management company of the fund		15,711	2,515
Payable to Central Depository Company of Pakistan Limited - trustee of the fund		586	424
Payable to Meezan Bank Limited - shariah adviser of the fund		995	1,083
Payable to Securities and Exchange Commission of Pakistan		3,535	3,582
Payable on redemption of units		5,238	84,150
Payable against purchase of investments		111,342	56,416
Accrued expenses and other liabilities		8,098	4,215
Derivative financial instruments	6	-	154
<b>Total liabilities</b>		<b>145,505</b>	<b>152,539</b>
<b>Net assets</b>		<b>5,900,649</b>	<b>3,679,298</b>
<b>Commitments</b>	6		
<b>Unit holders' fund (as per statement attached)</b>		<b>5,900,649</b>	<b>3,679,298</b>
		Number of units	
<b>Number of units in issue</b>		<b>85,553,970</b>	<b>61,434,430</b>
		-----Rupees-----	
<b>Net assets value per unit</b>		<b>68.97</b>	<b>59.89</b>

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

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

**Chief Executive**

**Director**



Islamic Fund

## CONDENSED INTERIM INCOME STATEMENT FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2008

	Nine months ended		Quarter ended	
	March 31		March 31	
	2008	2007	2008	2007
	(Rupees in '000)			
<b>Income</b>				
Net realised gain on sale of investments	235,335	178,317	56,480	93,918
Dividend income	170,613	171,790	45,204	28,211
Profit on deposit accounts with banks	39,396	21,291	14,934	10,931
Profit on term finance certificates	-	324	-	126
Other income	6,482	2,193	2,587	429
	<b>451,826</b>	<b>373,915</b>	<b>119,205</b>	<b>133,615</b>
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss (net)	<b>473,269</b>	12,804	<b>410,753</b>	129,838
(Loss) / gain on re-measurement of derivative financial instruments (net)	<b>(32,133)</b>	(23,288)	<b>13,275</b>	(5,570)
	<b>441,136</b>	(10,484)	<b>424,028</b>	124,268
<b>Total income</b>	<b>892,962</b>	<b>363,431</b>	<b>543,233</b>	<b>257,883</b>
<b>Expenses</b>				
Remuneration to Al Meezan Investment Management Limited - - management company of the fund	<b>106,036</b>	79,712	<b>40,321</b>	27,128
Remuneration to Central Depository Company of Pakistan Limited - trustee of the fund	<b>4,288</b>	3,402	<b>1,593</b>	1,151
Remuneration to Meezan Bank Limited - shariah adviser of the fund	<b>450</b>	371	<b>148</b>	119
Annual fee to Securities and Exchange Commission of Pakistan	<b>3,535</b>	2,637	<b>1,344</b>	884
Auditors' remuneration	<b>358</b>	378	<b>91</b>	83
Fees and subscription	<b>26</b>	26	<b>9</b>	8
Legal and professional charges	<b>113</b>	250	<b>37</b>	250
Amortisation of preliminary expenses and floatation costs	<b>207</b>	205	<b>68</b>	65
Brokerage	<b>9,321</b>	8,674	<b>3,231</b>	2,440
Bank and settlement charges	<b>1,014</b>	986	<b>341</b>	243
Printing charges	<b>302</b>	-	<b>302</b>	-
<b>Total expenses</b>	<b>125,650</b>	96,641	<b>47,485</b>	32,371
<b>Net income from operating activities</b>	<b>767,312</b>	266,790	<b>495,748</b>	225,512
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	<b>373,621</b>	116,792	<b>173,242</b>	(35,916)
<b>Net income</b>	<b>1,140,933</b>	<b>383,582</b>	<b>668,990</b>	<b>189,596</b>

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

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

**Chief Executive**

**Director**



Islamic Fund



## CONDENSED INTERIM DISTRIBUTION STATEMENT FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2008

	Nine months ended March 31		Quarter ended March 31	
	2008	2007	2008	2007
	(Rupees in '000)			
Undistributed income brought forward	1,242,346	1,097,800	953,960	556,175
Less : Final distribution in the form of bonus units for the year ended June 30, 2007 (comparative June 30, 2006)	(760,329)	(735,611)	-	-
Net income	1,140,933	383,582	668,990	189,596
Undistributed income carried forward	1,622,950	745,771	1,622,950	745,771

The annexed notes 1 to 9 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 NINE MONTHS AND QUARTER ENDED MARCH 31, 2008**

	Nine months ended March 31		Quarter ended March 31	
	2008	2007	2008	2007
	<b>(Rupees in '000)</b>			
Net assets at the beginning of the period	3,679,298	3,199,548	4,612,622	3,512,194
Issue of 47,991,420 (2007 : 14,017,182 units) and 15,969,975 (2007: 2,679,544 units) for the nine months and quarter respectively	2,976,261	848,663	1,027,478	168,475
Redemption of 23,871,880 (2007: 12,111,523 units) and 3,589,191 (2007: 5,301,502 units) for the nine months and quarter respectively	(1,522,222)	(744,935)	(235,199)	(336,115)
	1,454,039	103,728	792,279	(167,640)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(373,621)	(116,792)	(173,242)	35,916
Net income less distribution	380,604	(352,029)	668,990	189,596
Issue of 12,695,418 bonus units for the year ended June 30, 2007 (30 June 2006: 12,548,814 bonus units)	760,329	735,611	-	-
Net assets at the end of the period	5,900,649	3,570,066	5,900,649	3,570,066

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

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

**Chief Executive**

**Director**

## CONDENSED INTERIM CASH FLOW STATEMENT FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2008

	Nine months ended March 31		Quarter ended March 31	
	2008	2007	2008	2007
<b>(Rupees in '000)</b>				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income	1,140,933	383,582	668,989	189,596
<b>Adjustments for :</b>				
Dividend income	(170,613)	(171,790)	(45,204)	(28,211)
Profit on deposit accounts with banks	(39,396)	(21,291)	(14,934)	(10,931)
Profit on term finance certificates	-	(324)	-	(126)
Unrealised loss / (gain) on investments - "at fair value through profit or loss"	(473,269)	(12,804)	(410,753)	(129,838)
Loss on derivative financial instruments (net)	32,133	23,288	(13,275)	5,570
Amortization of preliminary expenses and floatation costs	207	206	68	66
Element of (income) / loss and (capital gains) / losses included in prices of units issued less those in units redeemed	(373,621)	(116,792)	(173,242)	35,916
	<b>116,374</b>	<b>84,075</b>	<b>11,649</b>	<b>62,042</b>
<b>(Increase) / decrease in assets</b>				
Receivable against sale of investments	166,388	179,512	80,206	(91,079)
Advances, deposits, prepayments and other receivables	(2,505)	(9)	10	8
Investment in marketable securities - 'at fair value through profit or loss'	(1,847,309)	(391,471)	(683,540)	161,477
	<b>(1,683,426)</b>	<b>(211,968)</b>	<b>(603,324)</b>	<b>70,406</b>
<b>Increase / (decrease) in liabilities</b>				
Payable to Al Meezan Investment Management Limited - management company of the fund	13,196	(505)	1,817	792
Payable to the Central Depository Company of Pakistan Limited - trustee of the fund	163	39	81	(23)
Payable to Meezan Bank Limited	(89)	(46)	296	190
Payable to Securities and Exchange Commission of Pakistan	(48)	(181)	1,343	(1,934)
Payable against purchase of investments	54,926	98,033	111,342	98,066
Payable on redemption of units	(78,913)	2,256	(18,959)	1,961
Accrued expenses and other liabilities	3,883	1,681	1,867	(22)
	<b>(6,882)</b>	<b>101,277</b>	<b>97,787</b>	<b>99,030</b>
Dividend received	164,691	194,113	41,684	27,024
Profit received on deposit accounts with banks	37,812	16,310	9,555	6,921
Profit received on term finance certificates	-	364	-	126
<b>Net cash (outflow) / inflow from operating activities</b>	<b>(1,371,431)</b>	<b>184,171</b>	<b>(442,649)</b>	<b>265,549</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts from sale of units	2,976,261	848,663	1,027,478	168,475
Payments against redemption of units	(1,522,222)	(744,935)	(235,199)	(336,115)
<b>Net cash inflow from financing activities</b>	<b>1,454,039</b>	<b>103,728</b>	<b>792,279</b>	<b>(167,640)</b>
Net cash (outflow) / inflow during the period	82,608	287,899	349,630	97,909
Cash and cash equivalents at the beginning of the period	747,613	171,183	480,590	361,173
Cash and cash equivalents at the end of the period	<b>830,221</b>	<b>459,082</b>	<b>830,221</b>	<b>459,082</b>

The annexed notes 1 to 9 form an integral part of these condensed interim financial statements.

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

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 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 16 June 2003 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 4 June 2003 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Management Company of the Fund, is situated 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-ended fund listed on the Karachi Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

## 2. BASIS OF PRESENTATION

The transactions undertaken by the Fund in accordance with the process prescribed under the Shariah Guidelines issued by the Shariah 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 30 June 2007. 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, 2007.

## 5. INVESTMENT IN MARKETABLE SECURITIES

- 'at fair value through profit or loss'

		(Unaudited) March 31 2008	(Audited) June 30 2007
	Note	(Rupees in '000)	
Held for trading	5.1	4,285,270	2,250,045
Investments 'at fair value through profit or loss upon initial recognition.'	5.2	879,374	3,111,490
		5,164,644	2,844,066

## 5.1 Held for Trading - Shares of listed companies

Name of the investee company	As at July 01, 2007	Purchases during the period	Bonus / Rights issue	Sales during the period	As at March 31, 2008	Carrying value	Market value	Percentage of net assets on the basis of market value (see note 5.1.2 below)
	----- Number of shares -----					as at March 31, 2008 (Rs in '000)		
<b>Commercial banks</b>								
BankIslami Pakistan Limited	-	7,233,000	-	7,223,000	10,000	139	196	0.00
<b>Textile composite</b>								
Nishat Mills Limited	1,144,500	330,700	-	892,700	582,500	70,880	62,590	1.06
<b>Jute</b>								
Thal Limited (note 5.1.1)	196,180	-	58,854	55,000	200,034	42,930	49,058	0.83
<b>Cement</b>								
Cherat Cement Company Limited	-	50,300	-	-	50,300	2,183	2,233	0.04
D. G. Khan Cement Company Limited	-	2,337,500	-	1,326,200	1,011,300	109,939	114,277	1.94
Fauji Cement Company Limited	-	2,023,000	455,010	1,200,000	1,278,010	21,476	19,042	0.32
Attock Cement Pakistan Limited	348,000	161,100	-	-	509,100	60,011	56,306	0.95
<b>Refinery</b>								
National Refinery Limited	278,000	-	28,200	306,200	-	-	-	-
<b>Power generation and distribution</b>								
Kot Addu Power Company Limited	-	214,000	-	214,000	-	-	-	-
The Hub Power Company Limited	1,464,500	5,266,000	-	100,000	6,630,500	216,184	211,844	3.59
<b>Oil and gas marketing companies</b>								
Pakistan State Oil Company Limited	92,700	1,205,100	-	494,600	803,200	349,717	428,467	7.26
<b>Oil and gas exploration companies</b>								
Oil and Gas Development Company Limited	2,950,966	2,690,900	-	1,227,000	4,414,866	519,250	591,151	10.02
Pakistan Oilfields Limited	328,800	1,082,000	-	521,100	889,700	291,703	326,876	5.54
Pakistan Petroleum Limited	932,500	1,949,800	179,220	1,024,800	2,036,720	496,212	531,686	9.01
<b>Automobile assembler</b>								
Indus Motor Company Limited	458,500	57,500	-	37,500	478,500	145,842	136,373	2.31
Pak Suzuki Motor Company Limited	280,410	50,000	-	40,600	289,810	114,667	73,902	1.25
<b>Automobiles parts and accessories</b>								
Agriauto Industries Limited (note 5.1.1)	570,200	-	-	-	570,200	56,393	47,298	0.80
<b>Technology and communication</b>								
Pakistan Telecommunication Company Limited "A"	50,000	7,911,500	-	2,005,000	5,956,500	301,082	270,425	4.58
TRG Pakistan Limited - Class 'A'	-	9,938,000	-	100,000	9,838,000	127,895	111,661	1.89
<b>Fertilizer</b>								
Engro Chemicals Pakistan Limited	1,425,200	1,262,980	-	1,796,600	891,580	218,843	288,783	4.89
Fauji Fertilizer Company Limited	1,903,262	2,067,800	-	625,000	3,346,062	255,709	470,122	7.97
Fauji Fertilizer Bin Qasim Limited	3,499,000	4,393,500	-	1,681,000	6,211,500	404,952	281,692	4.77
<b>Chemical</b>								
Sitara Chemical Industries Limited	143,300	-	9,790	65,400	87,690	12,695	28,995	0.49
ICI Pakistan Limited	-	1,360,200	-	451,000	909,200	159,292	182,295	3.09
<b>Securities sold under deferred sale arrangements</b>								
<b>Oil and gas exploration companies</b>								
Oil and Gas Development Company Limited	350,000	-	350,000	-	-	-	-	-
Pakistan Oilfields Limited	-	156,500	-	156,500	-	-	-	-
Pakistan Petroleum Limited	-	355,000	-	355,000	-	-	-	-
<b>Fertilizer</b>								
Fauji Fertilizer Company Limited	25,000	168,400	-	193,400	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	288,500	386,000	-	674,500	-	-	-	-
<b>Total</b>						<b>3,977,993</b>	<b>4,285,270</b>	
<b>Total cost of Investments</b>							<b>3,749,947</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.
- 5.1.2 Net assets are as defined in rule 2 (xxvi) of NBFC Regulations.
- 5.1.3 The SECP through its letter No. SC/MF-JD(R)/363/2003 dated July 22, 2003 has increased the investment limits prescribed in rule 71(3) and (4) of NBFC Rules to fifteen percent and thirty percent respectively.

**(Unaudited)**  
**March 31**  
**2008**

**(Audited)**  
**June 30**  
**2007**

**(Rupees in '000)**

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

Shares of listed companies	<b>879,374</b>	594,021
	<b>879,374</b>	594,021

### 5.2.1 Shares of listed companies

Name of the investee company	As at July 01, 2007	Purchases during the period	Bonus / Rights issue	Sales during the period	As at March 31, 2008	Carrying value	Market value		Percentage of net assets on the basis of market value (see note 5.1.2 above)
							as at March 31, 2008		
----- Number of shares -----						(Rs in '000)			
<b>Closed-end mutual funds</b>									
Al Meezan Mutual Fund Limited (an associate of the Fund)	17,018,000	-	2,552,700	-	19,570,700	258,674	254,419		4.31
<b>Commercial banks</b>									
Meezan Bank Limited (an associate of the Fund)	1,847,037	9,500	351,307	100,000	2,107,844	56,198	86,211		1.46
<b>Pharmaceutical</b>									
Glaxosmithkline Pakistan Limited	108,875	-	27,218	-	136,093	20,414	24,714		0.42
<b>Paper and board</b>									
Packages Limited	801,843	628,000	177,726	245,000	1,362,569	378,097	514,029		8.71
<b>Grand Total</b>						<b>713,383</b>	<b>879,374</b>		
<b>Total cost of Investments</b>							<b>609,036</b>		

## 6 DERIVATIVE FINANCIAL INSTRUMENTS

Type of Contract	Number of Shares	Settlement	Underlying	Notional amount	2008	
					Fair value	
					(Assets)	(Liabilities)

(Rupees in '000)      (Rupees in '000)

### 6.1 Deferred Sales

-      -      -      -      -      -      -

### 6.2 Rights Entitlement

Engro Chemical Pakistan Limited	89,158	June 16, 2008	Equity indices	-	13,275	-
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**March 31, 2008 (Unaudited)**      **13,275**      **-**

**June 30, 2007 (Audited)**      **45,562**      **154**

	<b>(Unaudited) Nine months ended March 31</b>		<b>(Unaudited) Quarter ended March 31</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>7 EARNINGS PER UNIT OUTSTANDING AS AT MARCH 31,</b>	<b>(Rupees in '000)</b>			
Net income for the period	<u>1,140,933</u>	<u>383,582</u>	<u>668,990</u>	<u>189,596</u>
	<b>(Number of units)</b>		<b>(Number of units)</b>	
Units outstanding as at March 31	<u>85,553,970</u>	<u>56,485,870</u>	<u>85,553,970</u>	<u>56,485,870</u>
	<b>(Rupees)</b>		<b>(Rupees)</b>	
Earnings per unit	<u>13.34</u>	<u>6.79</u>	<u>7.82</u>	<u>3.36</u>

#### 8. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include Al Meezan Investment Management Limited being the management company, Central Depository Company Limited being the trustee, Meezan Bank Limited being the holding company of the management company, Pakistan Kuwait Investment Company (Private) Limited and Al Meezan Mutual Fund Limited, Meezan Islamic 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:

	<b>March 31 2008</b>	<b>June 30 2007</b>
	<b>(Rupees in '000)</b>	
<b>Al Meezan Investment Management Limited - management company of the fund</b>		
Remuneration payable	<u>14,773</u>	<u>1,511</u>
Sale load payable	<u>658</u>	<u>447</u>
Preliminary expenses and floatation cost	<u>276</u>	<u>553</u>
Certificate charges payable	<u>4</u>	<u>4</u>
<b>Meezan Bank Limited</b>		
Bank balance	<u>29,745</u>	<u>44,963</u>
Shariah advisory fees payable	<u>450</u>	<u>600</u>
Sales load payable	<u>544</u>	<u>483</u>
<b>Central Depository Company of Pakistan Limited</b>		
Trustee fee payable	<u>577</u>	<u>385</u>
Charges payable	<u>9</u>	<u>39</u>

	<b>Nine months period ended March 31</b>	
	<b>2008</b>	<b>2007</b>
	(Rupees in '000)	
<b>Al Meezan Investment Management Limited</b>		
<b>- Investment adviser of the company</b>		
Remuneration for the period	<u>106,036</u>	<u>79,712</u>
Bonus units issued: 22 units (2007: 139,681 units)	<u>1</u>	<u>8,188</u>
Units issued: 2,555,895 units (2007: 413,164 units)	<u>150,500</u>	<u>25,050</u>
Redemptions: Nil units (2007: 14,580 units)	<u>-</u>	<u>87</u>
<b>Al Meezan Mutual Fund Limited</b>		
Dividend income	<u>42,545</u>	<u>51,054</u>
<b>Meezan Bank Limited</b>		
Profit on deposit accounts with bank	<u>995</u>	<u>3,873</u>
Shariah advisory fee	<u>450</u>	<u>371</u>
Bonus units issued: 1,247,409 units (2007: 1,100,976 units)	<u>74,707</u>	<u>64,539</u>
Units issued: 6,036,341 units (2007: Nil units)	<u>380,525</u>	<u>-</u>
Redemptions: 6,036,341 units (2007: Nil units)	<u>380,531</u>	<u>-</u>
<b>Central Depository Company of Pakistan Limited</b>		
Trustee fee	<u>4,288</u>	<u>3,402</u>
CDC charges	<u>130</u>	<u>200</u>
<b>Pakistan Kuwait Investment Company (Private) Limited</b>		
Bonus units issued: 311,852 units (2006: 1,100,976 units)	<u>18,677</u>	<u>64,539</u>
Redemptions: 1,509,085 units (2006: Nil units)	<u>99,690</u>	<u>-</u>
<b>Directors and executives</b>		
Bonus units issued: 77,453 units (2006: 99,644 units)	<u>4,639</u>	<u>5,841</u>
Units issued: 98,701 units (2007: 27,274 units)	<u>5,642</u>	<u>1,713</u>
Redemptions: 120,252 units (2007: 63,390 units)	<u>2,681</u>	<u>4,064</u>

## 9. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on April 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 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. Ariful Islam	Chairman
Mr. Najmul Hassan	Director
Mr. Tasnimul Haq Farooqui	Director
Mr. Mazhar Sharif	Director
Mr. Muhammad Adrees	Director
Syed Owais Wasti	Director
Mr. Mohammad Shoaib, CFA	Chief Executive

## CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

## AUDIT COMMITTEE

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

## TRUSTEE

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

## AUDITORS

A.F. 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 Islami Pakistan Limited  
Dubai Islamic Bank Pakistan Limited  
Habib Metropolitan Bank Limited - Islamic Banking Branch  
MCB Bank Limited - Islamic Banking Branch  
Meezan Bank Limited  
Emirates Global Islamic Bank Limited  
Soneri Bank Limited - Islamic Banking Branch  
UBL Ameen Islamic Banking

## LEGAL ADVISER

Bawaney & 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: bawaney@cyber.net.pk

## TRANSFER AGENT

Meezan Bank Limited  
37-A, Lalazar Branch, Lalazar Area,  
Off: M.T. Khan Road, Karachi, Pakistan.  
Phone: (9221) 5610582, 5610417  
Fax: (9221) 5611427  
Web site: www.meezanbank.com

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited

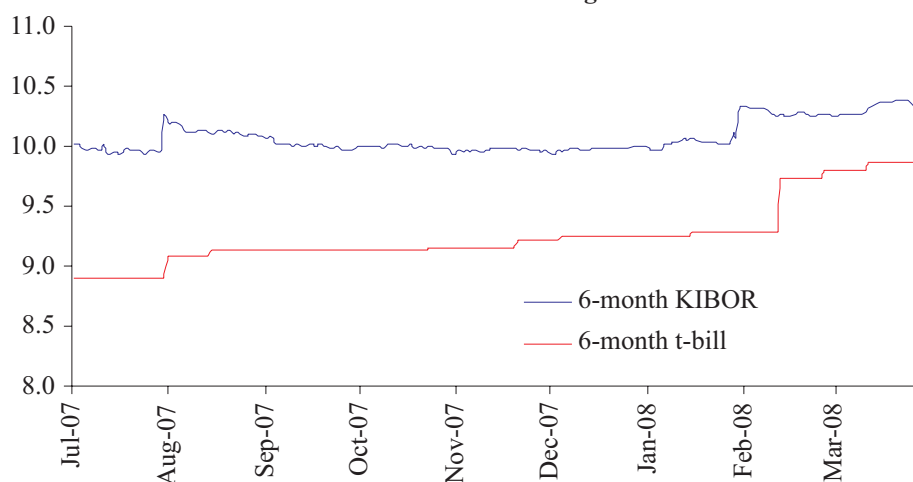
## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of Al Meezan Investment Management Limited, the Management Company of Meezan Islamic Income Fund, is pleased to present the unaudited accounts of Meezan Islamic Income Fund (MIIF) for the nine months ended March 31, 2008. MIIF is an open end Islamic income fund that complies with the provisions of Islamic Shariah. For the period under review MIIF, yielded an annualized return of 9%. The period also saw a 109% increase in net assets of the Fund which at the close of the quarter stood at Rs 6.16 billion, making Meezan Islamic Income Fund, the largest Shariah compliant income fund in Pakistan.

### Market Review

Increasing inflation and central bank's efforts to control it through a tight monetary policy has been the theme of the money markets in the first nine months of FY08. High international oil prices coupled with rising commodity prices, partly due to lower domestic production and partly due to international trends, have fed domestic inflation in recent months. State Bank of Pakistan (SBP) has been trying to control inflationary pressure through a combination of interest rate hikes and by increasing reserve requirements for commercial banks. SBP has twice increased interest rates during the first nine months of the current fiscal year. This has resulted in 6 month t-bill rates to increase from 8.9% in June 2007 to 9.8% by end of March 2008, an increase of almost 90 bps. The impact of tight monetary policy on KIBOR has been less pronounced with an increase of 31 bps during the same period, from 10.01% to 10.32%. With regular mopping up of excess liquidity through OMO's, overnight rates during the last quarter have been high and banks have often resorted to borrowing from the SBP's discount window at 10.5%. The following graph shows the trend in interest rates during the period under review.

**Trend in Interest Rates during 9MFY08**



In the Islamic bond market many new sukuk have been issued during this period and several offerings are in the pipeline. With the increasing interest of the corporate sector in raising debt through Shariah compliant avenues, investors have been provided with an opportunity of investing in Islamic fixed income instruments which provide relatively higher yields compared to other Islamic income instruments. The Government is also planning to issue a local currency sovereign sukuk which will be a major milestone in the development of Islamic debt market in Pakistan.

## Performance Review

For the first nine months of FY08, MIIF yielded an NAV based return of 9%. The period also saw net assets of the Fund to grow from Rs 3,162 million as at June 30, 2007 to Rs 6,164 million as at March 31, 2008, an increase of 109%. As at March 31, 2008, 69% of net assets of the Fund were invested in Shariah compliant bank placements, 6% in spread transactions while the balance 25% were invested in sukuks. Over the months Fund's allocation to sukuks has been increasing. It has gone up from 5% in June 2007 and 16% in December 2007 to the current levels of 25%. Higher allocation to sukuks is likely to improve return of the Fund in the coming months because of higher rates of return on these instruments as compared to bank placements and spread transactions.

MIIF during nine months ended March 31, 2008 earned a total income of Rs. 429 million, which consisted of Rs. 305 million earned on deposit with banks and Rs. 76 million of income accrued on investment in sukuk certificates. After accounting for expenses of Rs. 57 million, the operating income of the Fund remained at Rs. 372 million. The element of income of units sold less those in units redeemed during the period was of Rs. 47 million. The net income after accounting for above income and expenses was Rs. 420 million.

## Investment Policy

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

## Future Outlook

In light of the persistent inflationary pressures on the economy, we expect SBP to continue with its tight monetary policy which will result in a firm interest rate environment. This along with increasing competition in the banking sector resulting in better deposit rates, bodes well for the future outlook of MIIF.

## Acknowledgement

We take this opportunity to thank our valuable investors for reposing faith in Al Meezan Investments and making it the largest Shariah Compliant asset management firm in Pakistan. We also thank the regulator, Securities and Exchange Commission of Pakistan, MIIF's trustee, Central Depository Company of Pakistan and the management of Karachi Stock Exchange for all their support and guidance. Last but not the least, we would like to place on record our gratitude for Justice (Retd.) Muhammad Taqi Usmani, in special and other members of the Shariah Board of Meezan Bank in general, for their continued guidance on Shariah aspects of fund management.

Karachi.  
April 22, 2008

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For and on behalf of the Board

**Mohammad Shoaib, CFA**  
Chief Executive

**CONDENSED INTERIM STATEMENT OF  
ASSETS AND LIABILITIES (UNAUDITED)  
AS AT MARCH 31, 2008**

	(Unaudited) March 31, 2008	(Audited) June 30, 2007
Note	(Rupees in '000)	
<b>Assets</b>		
Balances with banks	540,471	638,720
Placements	4,038,750	1,638,970
Investment at fair value through profit or loss	5 2,000,878	907,293
Receivable against sale of investments	96,163	225,269
Financial instruments sold on deferred settlement basis	6 4,419	4,350
Deposits, prepayments and othe receivables	151,630	33,766
Preliminary expenses and floatation costs	1,623	2,000
<b>Total assets</b>	<b>6,833,934</b>	<b>3,450,368</b>
<b>Liabilities</b>		
Payable to Al Meezan Investment Management Limited - management company of the fund	8,221	4,787
Payable to Central Depository Company of Pakistan Limited - trustee of the fund	695	293
Payable to Securities and Exchange Commission of Pakistan	4,257	730
Payable to Meezan Bank Limited - Shariah adviser of the fund	340	228
Payable on redemption of units	48,355	19,857
Payable against purchase of investments	157,421	231,331
Accrued expenses and other liabilities	586	294
Financial instruments sold on deferred settlement basis	6 -	30,720
<b>Total liabilities</b>	<b>219,875</b>	<b>288,240</b>
<b>Net assets</b>	<b>6,614,059</b>	<b>3,162,128</b>
<b>Deferred sale commitments</b>	6	
<b>Unitholders' funds (as per statement attached)</b>	<b>6,614,059</b>	<b>3,162,128</b>
<b>Number of units</b>		
<b>Number of units in issue</b>	<b>123,858,141</b>	<b>63,208,128</b>
<b>Net asset value per unit</b>	<b>53.40</b>	<b>50.03</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 NINE MONTHS AND QUARTER ENDED MARCH 31, 2008

	Note	Nine months ended March 31, 2008	Quarter ended March 31, 2008	For the period Dec. 13, 2006 - Mar. 31, 2007
<b>Income</b>		(Rupees in '000)		
Profit on deposit accounts with banks		305,412	122,375	11,138
Profit on sukuk certificates		76,111	42,592	672
Realised income on sale of securities on deferred settlement basis		12,282	14,337	22,584
		<b>393,805</b>	<b>179,304</b>	<b>34,394</b>
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss (net)		4,847	22,370	(3,874)
Gain / (loss) on re-measurement of financial instruments sold on deferred settlement basis (net)		30,789	(14,867)	5,547
		<b>35,636</b>	<b>7,503</b>	<b>1,673</b>
<b>Total income</b>		<b>429,441</b>	<b>186,807</b>	<b>36,067</b>
<b>Expenses</b>				
Remuneration to Al Meezan Investment Management Limited - management company of the fund		42,566	18,013	3,377
Remuneration to Central Depository Company of Pakistan Limited - trustee of the fund		5,010	2,051	570
Annual fee to Securities and Exchange Commission of Pakistan		4,257	1,802	225
Remuneration to Meezan Bank Limited - Shariah adviser of the fund		226	75	-
Auditors' remuneration		386	99	105
Fees and subscription		113	37	55
Profit payment to Pre-IPO and core investors		-	-	5,891
Amortisation of preliminary expenses and floatation costs		377	125	273
Brokerage		3,126	991	3,088
Bank and settlement charges		946	352	561
Other expenses		-	-	149
<b>Total expenses</b>		<b>57,007</b>	<b>23,545</b>	<b>14,294</b>
<b>Net income from operating activities</b>		<b>372,434</b>	<b>163,262</b>	<b>21,773</b>
Element of income and capital gains included in prices of units sold less those in units redeemed		47,076	(28,924)	5,529
<b>Net income</b>		<b>419,510</b>	<b>134,338</b>	<b>27,302</b>
<b>Earnings per unit (Rupees)</b>	7	<b>3.39</b>	<b>1.08</b>	<b>0.98</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 NINE MONTHS AND QUARTER ENDED MARCH 31, 2008**

	March 31, 2008 Nine months period ended	March 31, 2008 Quarter ended	For the period Dec. 13, 2006 - Mar. 31, 2007
	<b>(Rupees in '000)</b>		
Undistributed income brought forward	134,843	286,814	-
Less: Final distribution in the form of bonus units for the period December 13, 2006 to June 30, 2007	(133,201)	-	-
Net income for the period	419,510	134,338	27,302
Undistributed income carried forward	<u>421,152</u>	<u>421,152</u>	<u>27,302</u>

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

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

**Chief Executive**

**Director**



**CONDENSED INTERIM STATEMENT OF MOVEMENT IN  
UNITHOLDERS' FUNDS (UNAUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2008**

	March 31, 2008 Nine months period ended	March 31, 2008 Quarter ended	For the period Dec. 13, 2006 - Mar. 31, 2007
	<b>(Rupees in '000)</b>		
Net assets at the beginning of the quarter	3,162,128	6,776,885	-
Issue of 186,896,891 units (June 30, 2007: issue of 78,348,995 units)	9,660,085	2,317,799	1,409,808
Redemption of 126,246,877 units (June 30, 2007: redemption of 17,803,281 units)	(6,580,588)	(2,643,887)	(8,581)
	3,079,497	(326,088)	1,401,227
Element of income and capital gains included in prices of units sold less those in units redeemed	(47,076)	28,924	(5,529)
Net income less distribution for the period	286,309	134,338	27,302
Issue of 2,662,414 bonus units for the period December 13, 2006 to June 30, 2007	133,201	-	-
Net assets at the end of the period	6,614,059	6,614,059	1,423,000

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 NINE MONTHS AND QUARTER ENDED MARCH 31, 2008

	March 31, 2008 Nine months period ended	March 31, 2008 Quarter ended	For the period Dec. 13, 2006 - Mar. 31, 2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>(Rupees in '000)</b>			
Net income	419,510	134,338	27,302
<b>Adjustments for non-cash items</b>			
Profit on deposit accounts with banks	(305,412)	(122,375)	(11,138)
Profit on sukuk certificates	(76,111)	(42,592)	(672)
Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss	(4,847)	(22,370)	3,874
Gain / (loss) on re-measurement of financial instruments sold on deferred settlement basis	(30,789)	14,867	(5,547)
Amortisation of preliminary expenses and floatation costs	377	125	273
Element of income and capital gains included in prices of units sold less those in units redeemed	(47,076)	28,924	(5,529)
	<b>(463,858)</b>	<b>(143,421)</b>	<b>(18,739)</b>
<b>(Increase) / decrease in assets</b>			
Placements	(2,399,780)	400,000	-
Investments at fair value through profit or loss	(1,088,738)	(300,377)	(678,426)
Receivable against sale of investments	129,106	(59,181)	(107,761)
Deposits, prepayments and other receivables	(2,503)	5	(100)
Preliminary expenses and floatation costs	-	-	(2,500)
	<b>(3,361,915)</b>	<b>40,447</b>	<b>(788,787)</b>
<b>Increase / (decrease) in liabilities</b>			
Payable to Al Meezan Investment Management Limited - management company of the fund	3,434	271	4,244
Payable to Central Depository Company of Pakistan Limited - trustee of the fund	402	34	194
Payable to Securities and Exchange Commission of Pakistan	3,527	1,802	225
Payable to Meezan Bank Limited - Shariah adviser of the fund	112	152	242
Payable on redemption of units	28,498	(33,921)	2,115
Payable against purchase of investments	(73,910)	(9,477)	83,552
Accrued expenses and other liabilities	292	(292)	160
	<b>(37,645)</b>	<b>(41,431)</b>	<b>90,732</b>
Profit received on deposit accounts with banks	214,828	123,402	3,711
Profit received on Sukuk certificates	51,335	41,972	-
<b>Net cash outflow from operating activities</b>	<b>(3,177,746)</b>	<b>155,307</b>	<b>(685,781)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts from sale of units	9,660,085	2,317,799	1,409,808
Payments against redemption of units	(6,580,588)	(2,643,887)	(8,581)
<b>Net cash inflow from financing activities</b>	<b>3,079,497</b>	<b>(326,088)</b>	<b>1,401,227</b>
Net cash inflow during the period	(98,249)	(170,782)	715,446
Cash and cash equivalents at the beginning of the period	638,720	711,253	-
Cash and cash equivalents at the end of the period	<b>540,471</b>	<b>540,471</b>	<b>715,446</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 NOTES TO THE FINANCIAL STATEMENTS FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 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, Shahr-e-Faisal, Karachi, Pakistan.
- 1.2 The Fund has been formed to provide the unitholders safe and stable stream of halal income on their investments and to generate superior long term risk adjusted returns. The Fund shall also keep an exposure in short-term instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns if available at any given point of time. Under the Trust Deed all conducts and acts of the Fund are based on Shariah. 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.

## 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 aforementioned guidelines. This practice is being followed to comply with the requirements of approved accounting standards as applicable in Pakistan.

## 3. STATEMENT OF COMPLIANCE

- 3.1 These condensed interim financial statements have been prepared in accordance with the 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 Financial Reporting Standards (IFRS) 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. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the IAS 34: 'Interim Financial Reporting'.
- 3.2 The condensed interim financial statements comprise of the condensed statement of assets and liabilities as at March 31, 2008 and the condensed income statement, condensed distribution statement, condensed statement of movement in unitholders' fund, condensed cashflow statement and notes thereto, for the period ended March 31, 2008, which have been subject to a review but not audited.
- 3.3 The comparative statement of assets and liabilities presented in these condensed financial statements as at June 30, 2007 has been extracted from the audited financial statements of the fund for the period December 13, 2006 to June 30, 2007. Since no financial statements were prepared as of March 31, 2007, therefore comparative income statement, distribution statement, statement of movement in unitholders' fund and the cashflow statement and notes thereto have also been extracted from the financial statements for the period December 13, 2006 to March 31, 2007.

### 3.4 New accounting standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations that are not yet effective:

The following standard and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2008 and are not relevant to the fund operations or are not expected to have significant impact on the Fund's financial statements other than certain increased disclosures in certain cases:

- i. IAS 23 - Borrowing Costs (effective from January 1, 2009)
- ii. IFRIC 12 - Service Concession Agreements (effective from January 1, 2008)
- iii. IFRIC 13 - Customer Loyalty Programmes (effective from July 1, 2008)
- iv. IFRIC 14 - IAS 19- The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective from January 1, 2008)

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements and the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied in the preparation of the financial statements for the period December 13, 2006 to June 30, 2007.

5 INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS	Note	March 31, 2008	June 30, 2007
		(Rupees in '000)	
Held for trading	5.1	414,250	752,093
Investments at fair value through profit or loss upon initial recognition	5.2.1	<u>1,586,628</u>	<u>155,200</u>
		<u>2,000,878</u>	<u>907,293</u>

#### 5.1 Held for trading

Shares of listed companies	5.1.1	375,310	752,093
Sukuk certificates	5.1.5	<u>38,940</u>	<u>-</u>
		<u>414,250</u>	<u>752,093</u>

#### 5.1.1 Shares of listed companies

Name of the investee company	As at July 01, 2007	Purchases during the period	Bonus / rights issue	Sales during the period	As at March 31, 2008	Carrying value	Market value	Percentage of net assets on the basis of market value (see note 5.1.3 below)
	----- Number of shares -----					---- (Rs. in '000) ----		

#### Securities sold under deferred settlement basis

##### Textile Composite

Nishat Mills Limited	200,000	607,500	-	807,500	-	-	-	-
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##### Cement

D G Khan Cement Company Limited	-	100,000	-	100,000	-	-	-	-
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##### Power generation and distribution

Hub Power Company Limited	-	100,000	-	100,000	-	-	-	-
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##### Technology and communication

Pakistan Telecommunication Company Limited 'A'	4,000,000	25,771,000	-	24,621,000	5,150,000	236,128	233,810	3.54
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##### Oil and gas exploration companies

Pakistan Oilfields Limited	227,500	1,155,500	-	1,383,000	-	-	-	-
Oil and Gas Development Company Limited	1,039,000	6,427,300	-	7,466,300	-	-	-	-
Pakistan Petroleum Limited	288,800	1,112,300	-	1,401,100	-	-	-	-

##### Oil and gas marketing companies

Pakistan State Oil Company Limited	50,000	1,174,500	-	1,224,500	-	-	-	-
Sui Southern Gas Company Limited	-	5,000,000	-	-	5,000,000	142,122	141,500	2.14

##### Fertilizer

Engro Chemical Pakistan Limited	17,000	1,374,000	-	1,391,000	-	-	-	-
Fauji Fertilizer Bin Qasim Company Limited	96,000	1,234,500	-	1,330,500	-	-	-	-
Fauji Fertilizer Company Limited	400,000	767,000	-	1,167,000	-	-	-	-

##### Commercial banks

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

<u>378,250</u>	<u>375,310</u>
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5.1.2 All shares have a nominal value of Rs 10 each.

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

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

### 5.1.5 Sukuk Certificates

Name of the investee company	As at July 01, 2007	Purchases during the period	Sales during the period	Redemptions during the period	As at March 31, 2008	Carrying value	Market value	Percentage of net assets on the basis of market value (see note 5.1.3 above)
						as at March 31, 2008		
----- Number of certificates -----						---- (Rs. in '000) ----		
WAPDA First Sukuk Company Limited	-	7,500	-	-	7,500	38,531	38,940	0.59

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

5.1.7 These certificates carry a return at the rate of 10.36% receivable on a semi annual basis with principal redeemable on maturity.

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

### 5.2.1 Sukuk Certificates

Name of the investee company	As at July 01, 2007	Purchases during the period	Sales during the period	Redemptions during the period	As at March 31, 2008	Carrying value	Market value	Percentage of net assets on the basis of cost (see note 5.1.3 above)
						as at March 31, 2008		
----- Number of certificates -----						---- (Rs. in '000) ----		
Century Paper & Board Mills Limited	-	5,000	-	-	5,000	25,000	25,478	0.39
Dawood Hercules Chemicals Limited	-	3,950	-	-	3,950	197,500	197,500	2.99
Engro Chemical Pakistan Limited	-	60,000	-	-	60,000	300,000	306,900	4.64
Security Leasing Corporation Limited II	-	10,000	-	-	10,000	50,000	50,000	0.76
Shahmurad Sugar Mills Limited	-	73	-	-	73	73,000	73,000	1.10
Sitara Chemical Industries Limited	11,040	-	-	-	11,040	51,750	51,750	0.78
Sui Southern Gas Company Limited	30,000	-	-	-	30,000	100,000	100,000	1.51
Karachi Shipyard & Engineering Works	-	12,000	-	-	12,000	60,000	60,000	0.91
Karachi Shipyard & Engineering Works II	-	53,400	-	-	53,400	267,000	267,000	4.04
Maple Leaf Cement Factory Limited	-	64,000	-	-	64,000	320,000	320,000	4.84
Sitara Chemical Industries Limited II	-	27,000	-	-	27,000	135,000	135,000	2.04
<b>Grand Total</b>						<b>1,579,250</b>	<b>1,586,628</b>	

5.2.2 The nominal value of the sukuk certificates of Century Paper & Board Mills Limited, Engro Chemicals Pakistan Limited, Security Leasing Corporation Limited, Sitara Chemical Industries Limited I & II, Karachi Shipyard & Engineering Works Limited I & II and Maple Leaf Cement Factory Limited are Rs. 5,000 each.

5.2.3 The nominal value of the sukuk certificates of Dawood Hercules Chemicals Limited is Rs. 50,000 each.

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

5.2.5 The nominal value of the sukuk certificates of Sui Southern Gas Company Limited is Rs. 3,333.33 each.

5.2.6 These sukuk certificates carry a return at the rate from 10.34% to 12.64% receivable on a semi annual basis except sukuk certificates of Sui Southern Gas Company Limited and Sitara Chemical Industries Limited I & II which carry a return from 10.57% to 11.76% receivable on a quarterly basis with principal redeemable on maturity.

## 6. FINANCIAL INSTRUMENTS SOLD ON DEFERRED SETTLEMENT BASIS

Type of contract	Settlement	Underlying	Notional amount (Rupees in '000)	Note	March 31 2008		
					(Assets) ----- (Rupees in '000) -----	(Liabilities) ----- (Rupees in '000) -----	
6.1	Deferred Sales	April 29, 2008	Equity indices	381,539	6.1.1	4,419	-
<b>June 30, 2007</b>						4,350	30,720
							<b>March 31, 2008 (Rupees in '000)</b>

## 7. EARNINGS PER UNIT

Net income for the period	419,510
	<b>(Number of units)</b>
Units outstanding as at March 31, 2008	123,858,141
	<b>(Rupees)</b>
Earnings per unit outstanding as at March 31, 2008	3.39

## 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 and Meezan Balanced Fund being the funds under the common management of the management company, Sitara Chemical Industries Limited and Pak Kuwait Investment Company (Private) Limited.

Remuneration payable to the management company and the trustee is determined in accordance with the provisions of NBFC Rules and the Trust Deed respectively. Transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

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

	<b>Nine months ended March 31, 2008 (Rupees in '000)</b>
<b>Al Meezan Investment Management Limited - management company</b>	
Remuneration for the period	42,566
Sales load for the period	879
Preliminary expenses and floatation costs	2,000
Certificate charges	1
	<u>45,446</u>
Payments made during the period	<u>(37,226)</u>
Balance at the end of the period	<u>8,221</u>
Issue of 4,477,422 units	<u>231,294</u>

<b>Meezan Bank Limited</b>	<b>Nine months ended March 31, 2008 (Rupees in '000)</b>
Remuneration for the period	226
Sales load for the period	419
	<u>645</u>
Payments made during the period	(304)
Balance at the end of the period	<u>341</u>
Bank balance in deposit accounts	<u>6,612</u>
Profit on deposit accounts	<u>1,424</u>
Issue of 237,458 bonus units	<u>11,880</u>
Issue of 17,873,370 units	<u>908,831</u>
Redemption of 4,000,000 units	<u>208,640</u>
<b>Central Depository Company of Pakistan Limited</b>	
Remuneration for the period	5,010
CDS Charges for the period	104
	<u>5,114</u>
Payments made during the period	(4,419)
Balance at the end of the period	<u>695</u>
Issue of 21,987 bonus units	<u>1,100</u>
<b>Pak Kuwait Investment Company (Private) Limited</b>	
Issue of 26,384 bonus units	<u>1,320</u>
<b>Sitara Chemical Industries Limited</b>	
Investment in sukuk certificates (38,040 certificates)	<u>186,750</u>
<b>Directors and executives</b>	
Issued of 20,561 bonus units	<u>1,029</u>
Issue of 401,116 units	<u>20,805</u>
Redemptions of 74,276 units	<u>3,839</u>

**9. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on April 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**