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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  
UBL Ameen

## 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  
SITE Branch  
Plot # B/9-C, Estate Avenue,  
SITE, Karachi.  
Phone: 2062891  
Fax: 2552771  
Web site: www.meezanbank.com

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited



## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS ENDED MARCH 31, 2009

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 nine months ended March 31, 2009.

### Brief overview

The first nine months of fiscal year 2009 were most volatile for the global economy with challenges involving sub-prime default, financial market crisis, stock market crashes and souring commodity prices including food inflation. The national macroeconomic fundamentals were initially also negatively impacted by global economic downturn in addition to various economic concerns including growing fiscal deficit and widening trade deficit, essentially due to external shocks. This has resulted into decline of KSE-100 Index by 52% in its bearish spell till December 31, 2008. The fund's benchmark DJIMPK fell by 55%.

Consequently, tight monetary stance adopted by SBP and lower commodity prices helped in easing pressure and economic recovery steadily progressed. Lower commodity prices have continued to ease pressure on external accounts, which along with 23-month Stand-By Arrangement by IMF and other inflows, have lent some degree of stability to Pak-Rupee. Moreover, rescinding inflation paved the way for decline in interest rates which helped in bringing overall stability. This also helped in recovery of stock market which increased by 43% from the lowest level of 4,815 to close the nine months at 6,860.

For the nine months ended March 31, 2009, DJIMPK has declined by 40% closing at 10,913 points.

### Economic Review

The macroeconomic outlook mostly remained bearish during the last nine months as inflationary pressures mounted and current account deficit continued to widen unabated. The main reason for widening of the current account deficit was worsening of trade deficit which rose to US\$ 5.84 billion in initial period of fiscal year 09. This was mainly due to the extraordinary increase in international crude prices, which peaked at US\$ 147 per barrel in mid July, and later hike in food prices. As a result, foreign exchange reserves declined from US\$ 11.1 billion in June 2008 to their lowest level of US\$ 6.75 billion as on November 1, 2008.

Subsequently, government took much needed macro stabilization measures like subsidy removal, fiscal deficit management, monetary tightening and tightening of forex market regulations. The impact of these decisions along with reversal in global commodity prices helped in bringing down current account deficit and inflationary pressure. Subsequently, approval of US\$ 7.6 billion 23-month Stand-By Arrangement by IMF along with strong remittance inflows helped in reserve replenishment which crossed US\$ 10 billion again and also helped in stabilization in the rupee-dollar parity. The rupee, however, remained under pressure and closed at Rs. 80.52 versus US\$, depreciating by 15% for the period under review.

On the domestic front, although FBR has so far met its tax collection target during nine months collecting Rs. 810 billion, the tax collection target of Rs 1.3 trillion for fiscal year 09 seems difficult to achieve. Although improvements have been witnessed on many economic fronts, Government revised downward the GDP growth target for fiscal year 09 to 2.5%.

## Equity Market Review

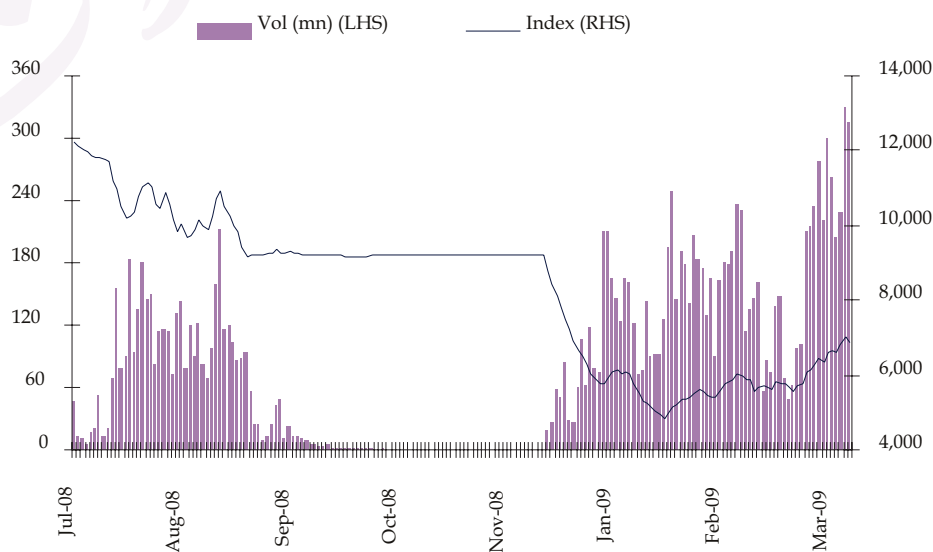
The downward trend at KSE that began towards the end of fiscal year 08 continued its extension into fiscal year 09. To arrest the sharp decline, Securities and Exchange Commission of Pakistan (SECP) had changed the circuit breakers to a floor of 1% and a cap of 10% at the end of fiscal year 08. This measure, however, did not improve the situation and created a problem for margin traders who wanted an exit. Due to the drying up of volumes after the introduction of these circuit breakers, the SECP decided to revert them back to the original 5% level in early July 2008.

Nonetheless, the unabated economic pressures continued to create further downward pressure. To stem further downslide in the market, 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 August 27. As a result, investors decided to stay away from the regular market and trading mainly took place in off the market counter at 20%-50% discount from the floor prices.

After 110 days, the floor was finally removed on December 15, 2008 with the KSE-100 Index undergoing heavy correction falling to the lowest level of 4,815 by the end of January 2009. With the removal of the price floors, the brokers, who got margin calls from the financiers and were on the verge of default, were ultimately bailed out by financiers and government institutions. Initially trading in the ready market was nominal as prices corrected by 5% daily downward limit for several days.

Subsequently, Government administered macro stabilization measures began to lead to some recovery. Consequently, stock started improving in beginning of calendar year 2009. The major booster for the market came in March with the restoration of the judges and anticipation of political stability. This provided a further impetus to the market with index breaching psychological barrier of 7,000 points and appreciated 19% in the last 15 days of March 2009 with staggered rise in market volumes touching a high of 330mn shares. Other factors contributing to the bull run were inclusion of KSE in MSCI Frontier Index, incentive driven petroleum policy, and encouraging prospects of funding from the Friends of Democratic Pakistan meeting in April 2009.

Since normalization of market activity, KSE-100 Index appreciated 17% and closed at 6,860 level with the average trading volume of 161 million shares as compared to just 12.6 million shares during the period when market was on floor.



## Performance Review

Meezan Islamic Fund's (MIF) during the first nine months of fiscal year 09 incurred a net loss of Rs. 2,206 million as compared to net profit of Rs. 1,141 million earned during the first nine months of fiscal year 08.

For the nine months ended March 31, 2009, the fund incurred gross loss of Rs. 2,069 million (First nine months of fiscal year 08: Gross profit of Rs. 893 million), main contributors of which was capital loss (realized and unrealized) of Rs. 2,312 million (First nine months of fiscal year 08: Capital gain of Rs. 676 million) compensated by dividend income of Rs. 228 million (First nine months of fiscal year 08: Rs. 171 million). After accounting for expenses of Rs. 78 million (First nine months of fiscal year 08: Rs. 126 million) and element loss / capital loss on purchase and sale of units of Rs. 59 million (First nine months of fiscal year 08: Rs element of income / capital gain of 374 million), the fund recorded net loss of Rs. 2,206 million (First nine months of fiscal year 08: Net profit of Rs. 1,141 million) for the nine month period. The net assets of MIF decreased from Rs. 6,034 million at the beginning of the nine month period to Rs. 3,992 million by the end of it, mainly due to decline in market value of investment. It will be important to mention here that MIF still continuous to be the largest equity fund in private sector.

## Future Outlook

With greater financial discipline, tight monetary policy, stabilization of the rupee and sustained weakness in international commodity prices, the government has now firmed up its grip on underlying economic fundamentals through the help of various multilateral donor agencies particularly IMF which is spearheading Pakistan's economic revival. We expect that these corrective measures will bring back the country into more stable economic territory. With expectation of decline in inflation rate during the next quarter, we anticipate that central bank will ease monetary policy. This will lead to further decline in interest rates and financial costs for listed companies and also lead to continued recovery in stock market.

## Acknowledgement

We thank all our investors who have placed their confidence in us. We also offer our sincere gratitude to the Securities and Exchange Commission of Pakistan, the Trustee - Central Depository Company of Pakistan Limited and the management of the Karachi Stock Exchange. We also wish to place on record our appreciation for the personnel of the Management Company.

April 15, 2009  
Karachi

For and behalf of the Board

**Muhammad Shoaib, CFA**  
Chief Executive

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2009

	Note	(Unaudited) March 31, 2009	(Audited) June 30, 2008
(Rupees in '000)			
<b>Assets</b>			
Balances with banks		532,954	264,232
Investments at fair value through profit or loss	5	3,349,763	5,775,714
Dividend receivable		55,388	52,860
Derivative financial instruments	6	74,188	-
Advances, deposits, prepayments and other receivables		6,366	14,903
<b>Total assets</b>		<b>4,018,659</b>	<b>6,107,709</b>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited - management company of the Fund		6,235	15,536
Payable to Central Depository Company of Pakistan Limited - trustee of the Fund		391	581
Payable to Meezan Bank Limited - shariah adviser of the Fund		1,388	1,581
Payable to Securities and Exchange Commission of Pakistan		2,966	5,040
Payable on redemption of units		2,802	31,913
Payable against purchase of investments		5,262	11,531
Accrued expenses and other liabilities		7,472	7,059
<b>Total liabilities</b>		<b>26,516</b>	<b>73,241</b>
<b>Net assets</b>		<b>3,992,143</b>	<b>6,034,468</b>
<b>Commitments</b>			
<b>Unit holders' fund (as per statement attached)</b>		<b>3,992,143</b>	<b>6,034,468</b>
<b>Number of units</b>			
<b>Number of units in issue</b>		<b>123,851,357</b>	<b>100,488,707</b>
-----Rupees-----			
<b>Net assets value per unit</b>		<b>32.23</b>	<b>60.05</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

## CONDENSED INTERIM INCOME STATEMENT FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2009 (UNAUDITED)

	Nine months ended March 31,		Quarter ended March 31,	
	2009	2008	2009	2008
	<b>(Rupees in '000)</b>			
<b>Income</b>				
Net realised (loss) / gain on sale of investments	(753,186)	235,335	(680,735)	56,480
Dividend income	228,071	170,613	71,272	45,204
Profit on savings accounts with banks	13,438	39,396	6,808	14,934
Other income	1,768	6,482	423	2,587
	<u>(509,909)</u>	<u>451,826</u>	<u>(602,232)</u>	<u>119,205</u>
Unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss (net)	<u>(1,633,334)</u>	<u>473,269</u>	<u>1,704,240</u>	<u>410,753</u>
Gain / (loss) on re-measurement of derivative financial instruments (net)	<u>74,189</u>	<u>(32,133)</u>	<u>74,047</u>	<u>13,275</u>
	<u>(1,559,145)</u>	<u>441,136</u>	<u>1,778,287</u>	<u>424,028</u>
<b>Total income</b>	<u>(2,069,054)</u>	<u>892,962</u>	<u>1,176,055</u>	<u>543,233</u>
<b>Expenses</b>				
Remuneration to Al Meezan Investment Management Limited - management company of the Fund	<u>66,099</u>	<u>106,036</u>	<u>15,346</u>	<u>40,321</u>
Remuneration to Central Depository Company of Pakistan Limited - trustee of the Fund	<u>3,775</u>	<u>4,288</u>	<u>1,019</u>	<u>1,593</u>
Remuneration to Meezan Bank Limited-shariah adviser of the Fund	<u>441</u>	<u>450</u>	<u>139</u>	<u>148</u>
Annual Fee to Securities and Exchange Commission of Pakistan	<u>2,966</u>	<u>3,535</u>	<u>729</u>	<u>1,344</u>
Auditors' remuneration	<u>402</u>	<u>358</u>	<u>89</u>	<u>91</u>
Fees and subscription	<u>26</u>	<u>26</u>	<u>8</u>	<u>9</u>
Legal and professional charges	<u>143</u>	<u>113</u>	<u>47</u>	<u>37</u>
Amortisation of preliminary expenses and floatation costs	<u>-</u>	<u>207</u>	<u>-</u>	<u>68</u>
Brokerage	<u>3,056</u>	<u>9,321</u>	<u>1,864</u>	<u>3,231</u>
Bank and settlement charges	<u>411</u>	<u>1,014</u>	<u>188</u>	<u>341</u>
Printing expenses	<u>619</u>	<u>302</u>	<u>137</u>	<u>302</u>
<b>Total expenses</b>	<u>77,938</u>	<u>125,650</u>	<u>19,566</u>	<u>47,485</u>
<b>Net income from operating activities</b>	<u>(2,146,992)</u>	<u>767,312</u>	<u>1,156,489</u>	<u>495,748</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	<u>(58,578)</u>	<u>373,621</u>	<u>(207,385)</u>	<u>173,242</u>
<b>Net income</b>	<u>(2,205,570)</u>	<u>1,140,933</u>	<u>949,104</u>	<u>668,990</u>

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 DISTRIBUTION STATEMENT  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2009 (UNAUDITED)**

	Nine months ended March 31,		Quarter ended March 31,	
	2009	2008	2009	2008
	<b>(Rupees in '000)</b>			
Undistributed income brought forward	1,010,031	1,242,346	(3,149,530)	953,960
Less : Final distribution in the form of bonus units @ 20% for the year ended June 30, 2008 (June 30, 2007 @ 31.2%)	(1,004,058)	(760,329)	-	-
Less : Final distribution in the form of cash dividend for the year ended June 30, 2008 (June 30, 2007)	(829)	-	-	-
Net (loss) / income	(2,205,570)	1,140,933	949,104	668,990
Undistributed income carried forward	<u>(2,200,426)</u>	<u>1,622,950</u>	<u>(2,200,426)</u>	<u>1,622,950</u>

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, 2009 (UNAUDITED)**

	Nine months ended March 31,		Quarter ended March 31,	
	2009	2008	2009	2008
	<b>(Rupees in '000)</b>			
Net assets at the beginning of the period	6,034,468	3,679,298	2,533,969	4,612,622
Issue of 18,049,174 units (2007 : 47,991,420 units) and 5,675,740 units (2007: 15,969,975 units) for the nine months and quarter respectively	695,351	2,976,261	158,191	1,027,478
Redemption of 14,747,631 units (2007: 23,871,880 units) and -4,505,671 units (2007: 3,589,191 units) for the nine months and quarter respectively	(589,855)	(1,522,222)	143,494	(235,199)
	105,496	1,454,039	301,684	792,279
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	58,578	(373,621)	207,385	(173,242)
Net income less distribution	(3,210,457)	380,604	949,105	668,990
Issue of 20,061,107 bonus units for the year ended June 30, 2007 (30 June 2006: 12,548,814 bonus units)	1,004,058	760,329	-	-
Net assets at the end of the period	<u>3,992,143</u>	<u>5,900,649</u>	<u>3,992,143</u>	<u>5,900,649</u>

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, 2009 (UNAUDITED)

	Nine months ended		Quarter ended	
	March 31,		March 31,	
	2009	2008	2009	2008
<b>(Rupees in '000)</b>				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income	(2,205,570)	1,140,933	949,104	668,989
<b>Adjustments for :</b>				
Dividend (loss) / income	(228,071)	(170,613)	(71,272)	(45,204)
Profit on deposit accounts with banks	(13,438)	(39,396)	(6,808)	(14,934)
Unrealised loss / (gain) on investments - 'at fair value through profit or loss'	1,633,334	(473,269)	(1,704,240)	(410,753)
(Gain) / loss on derivative financial instruments (net)	(74,189)	32,133	(74,047)	(13,275)
Amortization of preliminary expenses and floatation costs	-	207	-	68
Element of (income) / loss and (capital gains) / losses included in prices of units issued less those in units redeemed	58,578	(373,621)	207,385	(173,242)
	<u>(829,356)</u>	<u>116,374</u>	<u>(699,878)</u>	<u>11,649</u>
<b>(Increase) / decrease in assets</b>				
Receivable against sale of investments	-	166,388	-	(2,406,760)
Advances, deposits, prepayments and other receivables	(8)	(2,505)	10	10
Investment in marketable securities - 'at fair value through profit or loss'	792,617	(1,847,309)	765,497	1,803,426
	<u>792,609</u>	<u>(1,683,426)</u>	<u>765,507</u>	<u>(603,324)</u>
<b>Increase / (decrease) in liabilities</b>				
Payable to Al Meezan Investment Management Limited - management company of the Fund	(9,301)	13,196	403	1,817
Payable to the Central Depository Company of Pakistan Limited - trustee of the Fund	(190)	163	15	81
Payable to Meezan Bank Limited - shariah Adviser	(193)	(89)	522	296
Payable to Securities and Exchange Commission of Pakistan	(2,074)	(48)	729	1,343
Payable against purchase of investments	(6,269)	54,926	(27,853)	111,342
Payable on redemption of units	(29,111)	(78,913)	(65,590)	(18,959)
Accrued expenses and other liabilities	413	3,883	2,849	1,867
	<u>(46,725)</u>	<u>(6,882)</u>	<u>(88,925)</u>	<u>97,787</u>
Dividend received	225,543	164,691	40,619	41,684
Profit received on deposit accounts with banks	21,984	37,812	7,380	9,555
Dividend paid	(829)	-	-	-
<b>Net cash (outflow) / inflow from operating activities</b>	<u>163,226</u>	<u>(1,371,431)</u>	<u>24,703</u>	<u>(442,649)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts from sale of units	695,351	2,976,261	158,191	1,027,478
Payments against redemption of units	(589,855)	(1,522,222)	143,494	(235,199)
<b>Net cash inflow from financing activities</b>	<u>105,496</u>	<u>1,454,039</u>	<u>301,684</u>	<u>792,280</u>
Net cash (outflow) / inflow during the period	268,722	82,608	326,388	349,630
Cash and cash equivalents at the beginning of the period	264,232	747,613	206,566	480,590
Cash and cash equivalents at the end of the period	<u>532,954</u>	<u>830,221</u>	<u>532,954</u>	<u>830,221</u>

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

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2009

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 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, 2007) were notified which are now superseded by the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations, 2008) issued through S.R.O.1203(I)/2008 on November 21, 2008. The registered office of the management company of the fund, is situated in Finance & Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan.
- 1.2 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.
- 1.3 The Fund is an open-end fund listed on the Karachi Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund is rated 3 star and 5 star based on the performance of one year period and two year average period ended June 30, 2008 respectively by JCR- VIS. The SECP through its circular No.23 of 2008 dated October 7, 2008, suspended the pricing, issuance and redemption of units by mutual funds with direct exposure to equity securities which was uplifted on December 17, 2008. The Fund, further suspended dealing in its units from December 17, 2008 till December 29, 2008.
- 1.4 Title to the assets of the Fund are held in the name of CDC as a trustee of 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 condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, the Trust Deed, NBFC Rules, NBFC Regulations, 2007, NBFC Regulations, 2008 and the directives issued by the SECP. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Trust Deed, NBFC Rules, NBFC Regulations, 2007, NBFC Regulations, 2008 and the said directives differ with requirements of these standards, the requirements of the Trust Deed, NBFC Rules, NBFC Regulations, 2007, NBFC Regulations, 2008 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'.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements and the significant judgments 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 as at and for the year ended June 30, 2008.

## 5. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

		(Unaudited) March 31, 2009	(Audited) June 30, 2008
	Note	(Rupees in '000)	
Held for trading	5.1	2,975,193	5,060,523
Investments at fair value through profit or loss upon initial recognition	5.2	374,570	715,191
		3,349,763	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 March 31, 2009	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					Rupees in '000			
						As at March 31, 2009			
<b>Open - end mutual fund</b>									
Meezan Islamic Income Fund - (note 5.1.1) (an associate of the Fund)	6,276,250	2,594,059	-	8,870,309	-	-	-	-	-
<b>Textile composite</b>									
Nishat Mills Limited	778,000	362,500	570,250	430,000	1,280,750	73,361	38,832	0.97	1.16
<b>Jute</b>									
Thal Limited (note 5.1.1)	220,034	10,000	88,013	-	318,047	43,611	17,448	0.44	0.52
<b>Cement</b>									
Cherat Cement Company Limited	50,300	-	-	50,300	-	-	-	-	-
D. G. Khan Cement Company Limited	1,609,300	1,875,900	-	3,485,200	-	-	-	-	-
Lucky Cement Limited	-	819,900	-	-	819,900	27,778	40,495	1.01	1.21
Fauji Cement Company Limited	1,278,010	1,455,000	-	-	2,733,010	24,380	17,109	0.43	0.51
Attock Cement Pakistan Limited	519,100	60,300	-	-	579,400	43,465	39,086	0.98	1.17
								<b>2.43</b>	<b>2.88</b>
<b>Refinery</b>									
Pakistan Refinery Limited	-	288,300	-	-	288,300	35,389	19,728	0.49	0.59
<b>Power generation and distribution</b>									
The Hub Power Company Limited	7,980,500	3,759,000	-	700,000	11,039,500	268,438	227,634	5.70	6.80
<b>Oil and gas marketing companies</b>									
Pakistan State Oil Company Limited	1,061,200	337,700	-	603,900	795,000	282,892	155,772	3.90	4.65
Sui Northern Gas Pipeline Ltd	1,556,300	537,700	-	-	2,094,000	89,372	63,281	1.59	1.89
								<b>5.49</b>	<b>6.54</b>
<b>Oil and gas exploration companies</b>									
Oil and Gas Development Company Limited (note 5.1.3)	4,679,866	2,228,800	-	1,291,000	5,617,666	562,278	404,865	10.14	12.09
Pakistan Oilfields Limited	1,029,400	430,000	201,880	200,000	1,461,280	370,761	249,967	6.26	7.46
Pakistan Petroleum Limited	2,899,420	573,800	294,042	1,182,400	2,584,862	548,166	447,879	11.22	13.37
								<b>27.62</b>	<b>32.92</b>
<b>Automobile assembler</b>									
Indus Motor Company Limited	522,577	17,400	-	-	539,977	107,244	39,878	1.00	1.19
Pak Suzuki Motor Company Limited	310,810	96,700	-	5,600	401,910	46,631	21,916	0.55	0.65
								<b>1.55</b>	<b>1.84</b>
<b>Automobiles parts and accessories</b>									
Agriauto Industries Limited (note 5.1.1)	589,000	10,000	119,800	-	718,800	49,187	20,098	0.50	0.60
<b>Technology and communication</b>									
Pakistan Telecommunication Company Limited "A"	7,325,000	4,390,900	-	1,200,000	10,515,900	315,781	175,405	4.39	5.24
TRG Pakistan Limited - Class 'A'	10,488,000	1,500,000	-	11,860,500	127,500	788	171	0.00	0.01
								<b>4.40</b>	<b>5.25</b>
<b>Fertilizer</b>									
Engro Chemical Pakistan Limited	1,684,738	819,100	-	1,382,800	1,121,038	290,962	162,158	4.06	4.84
Fauji Fertilizer Company Limited	3,396,062	1,636,600	1,055,265	470,000	5,617,927	522,015	488,310	12.23	14.58
Fauji Fertilizer Bin Qasim Limited	9,267,500	100,000	-	2,625,000	6,742,500	242,098	115,432	2.89	3.45
								<b>19.20</b>	<b>22.85</b>
<b>Chemical</b>									
Sitara Chemical Industries Limited	87,690	-	-	-	87,690	22,137	14,986	0.38	0.45
ICI Pakistan Limited	1,205,500	667,600	-	75,000	1,798,100	235,508	172,941	4.33	5.16
								<b>4.71</b>	<b>5.61</b>
<b>Miscellaneous</b>									
Tri-Pack Films Limited	260,000	164,600	-	-	424,600	69,182	41,802	1.05	1.25
<b>Total</b>						<b>4,271,424</b>	<b>2,975,193</b>		
<b>Total cost of Investments</b>							<b>4,363,920</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 has a face value of Rs 50 each.

5.1.2 Net assets are as defined in regulation 66 of NBFC & NE Regulations, 2008.



## 8. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include AMIML being the management company, CDC being the trustee, MBL being the shariah adviser of the Fund and holding company of the management company and Al Meezan Mutual Fund Limited, Meezan Islamic Income Fund, Meezan Tahaffuz Pension Fund, Meezan Capital Protected Fund-1 and Meezan Balanced Fund being the Funds under the common management of the management company and Pakistan Kuwait Investment Company (Private) Limited.

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

Remuneration payable to the management company and the trustee is determined in accordance with the provision of NBFC Rules, NBFC Regulations, 2007 and NBFC Regulations, 2008 and the Trust Deed respectively.

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

	March 31, 2009	June 30, 2008
	(Rupees in '000)	
<b>Al Meezan Investment Management Limited</b>		
<b>- management company of the Fund</b>		
Remuneration payable	<u>5,796</u>	<u>14,551</u>
Sales load payable	<u>435</u>	<u>704</u>
Preliminary expenses and floatation cost	<u>-</u>	<u>277</u>
Certificate charges payable	<u>4</u>	<u>4</u>
Investment of 7,561,968 units (June 30, 2008: 5,295,172 units)	<u>203,341</u>	<u>317,975</u>
<b>Al Meezan Mutual Fund Limited</b>		
Investment in 19,570,700 shares (June 30, 2008: 19,570,700 shares)	<u>88,068</u>	<u>268,119</u>
<b>Meezan Islamic Income Fund</b>		
Investment in Nil units (June 30, 2008: 6,276,250 units)	<u>-</u>	<u>322,160</u>
<b>Meezan Bank Limited</b>		
Bank balance	<u>30,092</u>	<u>43,444</u>
Shariah advisory fees payable	<u>1,041</u>	<u>600</u>
Sales load payable	<u>347</u>	<u>981</u>
Investment in 3,574,663 shares (June 30, 2008: 2,647,344 shares)	<u>48,258</u>	<u>80,718</u>
Investment of 7,242,403 units (June 30, 2008: 6,036,341 units)	<u>194,748</u>	<u>362,482</u>
<b>Central Depository Company of Pakistan Limited</b>		
Trustee fee payable	<u>375</u>	<u>567</u>
Charges payable	<u>16</u>	<u>14</u>
<b>Directors and executives</b>		
Investment of 174,082 units (June 30, 2008: 536,036 units)	<u>5,611</u>	<u>32,189</u>

	Nine months ended March 31,	
	2009	2008
	(Rupees in '000)	
<b>Al Meezan Investment Management Limited</b>		
<b>- management company of the Fund</b>		
Remuneration for the period	<u>66,099</u>	<u>106,036</u>
Bonus units issued: 1,057,976 units (2007: 22 units)	<u>52,952</u>	<u>1</u>
Units issued: Nil units (2007: 2,313,774 units)	<u>-</u>	<u>150,500</u>
<b>Al Meezan Mutual Fund Limited</b>		
Dividend income	<u>19,571</u>	<u>42,545</u>
<b>Meezan Islamic Income Fund</b>		
Investment in 2,594,059 units (2007: Nil units)	<u>120,000</u>	<u>-</u>
Redemptions: 8,870,309 units (2007: Nil units)	<u>448,055</u>	<u>-</u>
<b>Meezan Bank Limited</b>		
Profit on deposit accounts with bank	<u>336</u>	<u>995</u>
Shariah advisory fee	<u>441</u>	<u>450</u>
Bonus units issued: 1,206,062 units (2007: 1,247,409 units)	<u>60,363</u>	<u>74,707</u>
Units issued: Nil (2007: 6,036,341 units)	<u>-</u>	<u>380,525</u>
Redemptions: Nil (2007: 6,036,341 units)	<u>-</u>	<u>380,531</u>
Bonus shares received: 259,319 shares (2007: Nil)	<u>-</u>	<u>-</u>
<b>Central Depository Company of Pakistan Limited</b>		
Trustee fee	<u>3,775</u>	<u>4,288</u>
CDC charges	<u>107</u>	<u>130</u>
<b>Pakistan Kuwait Investment Company (Private) Limited</b>		
Bonus units issued: Nil (2007: 311,852 units)	<u>-</u>	<u>18,677</u>
Redemptions: Nil (2007: 1,509,085 units)	<u>-</u>	<u>99,690</u>
<b>Directors and executives</b>		
Bonus units issued: 109,439 units (2008: 77,453 units)	<u>5,477</u>	<u>4,639</u>
Units issued: 72,437 units (2007: 84,139 units)	<u>3,340</u>	<u>5,642</u>
Redemptions: 567,179 units (2007: 118,414 units)	<u>20,862</u>	<u>2,681</u>

## 9. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on April 15, 2009 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 OF THE MANAGEMENT COMPANY

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  
Askari Bank Limited - Islamic Banking  
Bank Al Falah Limited - Islamic Banking  
Bank Al Habib 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

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  
SITE Branch  
Plot # B/9-C, Estate Avenue,  
SITE, Karachi.  
Phone: 2062891  
Fax: 2552771  
Web site: www.meezanbank.com

## DISTRIBUTORS

Al Meezan Investment Management Limited  
Meezan Bank Limited

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS ENDED MARCH 31, 2009

The Board of Directors of Al Meezan Investment Management Limited, the management company of Meezan Islamic Income Fund is pleased to present the un-audited financial statements of the fund for the nine months ended March 31, 2009.

### Review - Summary

The first nine months of fiscal year 2009 were most volatile for the global economy with challenges involving sub-prime default, financial market crisis, stock market crashes and souring commodity prices including food inflation. The national macroeconomic fundamentals were initially also negatively impacted by global economic downturn in addition to various economic concerns including growing fiscal deficit and widening trade deficit, essentially due to external shocks.

Consequently, tight monetary stance adopted by SBP and lower commodity prices helped in easing pressure and economic recovery steadily progressed. Lower commodity prices have continued to ease pressure on external accounts, which along with 23-month Stand-By Arrangement by IMF and other inflows, have lent some degree of stability to Pak-Rupee. Moreover, rescinding inflation paved the way for decline in interest rates which helped in bringing overall stability.

### Economic Review

The macroeconomic outlook remained bearish during the initial months of fiscal year 09 as inflationary pressures mounted and current account deficit continued to widen unabated. The main reason for widening of the current account deficit was worsening of trade balance which rose to US\$ 5.84 billion in initial period of fiscal year 2009. This was mainly due to the extraordinary increase in international crude prices, which peaked at US\$ 147 per barrel in mid July, and later hike in food prices. As a result, foreign exchange reserves declined from US\$ 11.1 billion in June 2008 to US\$ 6.75 billion at November 1, 2008, the lowest level.

Subsequently, government administered much needed macro stabilization measures like subsidy removal, fiscal deficit management, monetary tightening and tightening of forex market regulations. The impact of these decisions along with reversal in global commodity prices helped in bringing down current account deficit and inflationary pressure. Subsequently, adoption by Pakistan of 23-month Stand-By Arrangement with IMF along with strong remittance inflows helped in reserve replenishment which crossed US\$ 10 billion again and also helped in stabilization in the rupee-dollar parity. The rupee remained under pressure vis-à-vis the dollar and closed at Rs. 80.52, depreciation of 15% for the period under review.

On the domestic front, although the Government of Pakistan so far steadily met its tax collection target during nine months and collected Rs. 810 billion, the tax collection target of Rs 1.3 trillion for fiscal year 2009 seems difficult to achieve. Although improvements have been witnessed on many economic fronts, Government revised downward the GDP growth target for fiscal year 2009 to 2.5%.

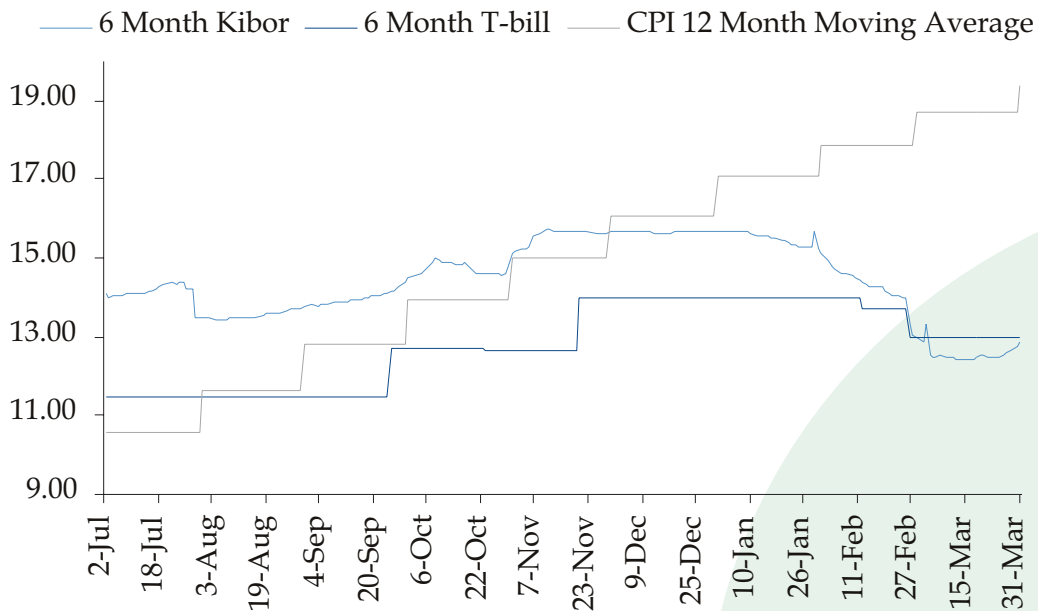
### Money Market Review - Monetary Tightening

In order to arrest the unabated inflation which had reached alarming level of 25% in first four months of fiscal year 2009, and to adhere to IMF conditions, the State Bank of Pakistan (SBP) continued its policy of monetary tightening and raised the discount rate by 1% in July and subsequently 2% in November to 15%. The tight monetary stance resulted in six month KIBOR and T-bill rates to peak at 15.71% and 14.01% respectively. The interest rate environment during the period under review kept the money market very tight with overnight rates making new highs of over 40%.

Later, with some corrective measures by SBP including reducing Cash Reserve Requirement (CRR) and Statutory Liquidity Requirement (SLR) for commercial banks helped to ease of the liquidity crunch in the market. Subsequently, in the monetary policy statement in January 09, SBP stopped further monetary tightening which helped to improve the liquidity position and hence interest rates reversed their increasing trend. As a result, overnight rates experienced declined sharply to 10-11%.

The effect of these measures was also reflected in the six month KIBOR and T bill rates which dropped from their peak by 286 bps and 212 bps respectively to close at 12.85% and 11.89% respectively as on March 31, 2009.

To reduce government borrowing from SBP and to promote Islamic mode of financing, SBP conducted three auctions of Ijara sukuks in which it sold Rs. 27.5 billion worth of sukuks against the target of Rs. 30 billion. The following graph shows the trend in interest rates during the period under review:



### Performance Review

During the nine months ended March 31, 2009, MIIF earned a total income of Rs. 368 million, which consisted of Rs. 254 million earned on placements and deposits with banks, Rs. 8 million of income earned on securities sold on deferred settlement basis, Rs. 17 million of loss incurred on sale of sukuk certificates, Rs. 206 million of income earned on investment in sukuk certificates, Rs. 90 million of unrealised loss on investments at fair value and Rs. 12 million of unrealised loss on loan and receivable. After accounting for expenses of Rs. 46 million, the operating profit of the Fund was at Rs. 322 million. The element of gain on units sold less those in units redeemed during the period was of Rs. 22 million. The net profit after accounting for above income and expenses was Rs. 344 million. The net assets of the fund as at March 31, 2009 were Rs. 4,998 million.

During the nine months, units amounting to Rs. 5,747 million were issued and units amounting to Rs. 6,700 million were redeemed, resulting in net outflow of Rs. 953 million.

## **Future Outlook**

With greater fiscal discipline, tight monetary policy, stable currency and sustained weakness in international commodity prices, the government has now firmed up its grip on underlying economic fundamentals through the help of various multilateral donor agencies, particularly the IMF which is spearheading Pakistan's economic revival. We expect that these corrective measures will take the country back into more stable economic territory. Moreover, as Pakistan has succeeded in meeting all IMF targets, we expect SBP to decrease the discount rate by the end of the year.

## **Acknowledgement**

We thank all our investors who have placed their confidence in us. We also offer our sincere gratitude to the Securities and Exchange Commission of Pakistan, the Trustee - Central Depository Company of Pakistan Limited and the management of the Karachi Stock Exchange. We also wish to place on record our appreciation for the personnel of the Management Company .

**April 15, 2009**  
**Karachi.**

For and on behalf of the Board

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

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2009

	Note	(Unaudited) March 31, 2009	(Audited) June 30, 2008
(Rupees in '000)			
<b>Assets</b>			
Balances with banks		2,229,480	1,155,498
Placements		373,000	2,596,250
Investments	5	2,328,300	1,927,564
Financial instruments sold on deferred settlement basis	6	-	2,863
Deposits and other receivables		128,152	210,647
Preliminary expenses and floatation costs		1,125	1,500
<b>Total assets</b>		<b>5,060,057</b>	<b>5,894,322</b>
<b>Liabilities</b>			
Payable to Al Meezan Investment Management Limited - management company of the fund		6,584	6,717
Payable to Central Depository Company of Pakistan Limited - trustee of the fund		499	540
Payable to Securities and Exchange Commission of Pakistan		3,276	5,784
Payable to Meezan Bank Limited - Shariah adviser of the fund		672	328
Payable on redemption of units		45,549	56,154
Payable against purchase of investments		-	87,067
Accrued expenses and other liabilities		5,172	694
<b>Total liabilities</b>		<b>61,752</b>	<b>157,284</b>
<b>Net assets</b>		<b>4,998,305</b>	<b>5,737,038</b>
<b>Commitments</b>			
<b>Unitholders' funds (as per statement attached)</b>		<b>4,998,305</b>	<b>5,737,038</b>
<b>Number of units</b>			
<b>Number of units in issue</b>		<b>97,071,335</b>	<b>111,692,016</b>
<b>Rupees</b>			
<b>Net asset value per unit</b>		<b>51.49</b>	<b>51.36</b>

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

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

Chief Executive

Director

## CONDENSED INTERIM INCOME STATEMENT FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2009 (UNAUDITED)

	Nine months period ended March 31,		Quarter ended March 31,	
	2009	2008	2009	2008
	<b>(Rupees in '000)</b>			
<b>Note</b>				
<b>Income</b>				
Profit on savings accounts with banks	85,131	305,412	46,739	122,375
Profit on placements	169,487	-	39,390	-
Profit on sukuk certificates	206,230	76,111	71,650	42,592
Profit on diminishing musharaka certificates	20,395	-	7,955	-
Realised income on sale of securities on deferred settlement basis	7,940	12,282	-	14,337
Realised loss on sale of sukuk certificates	(16,745)	-	(105)	-
Other income	15	-	-	-
	<b>472,453</b>	<b>393,805</b>	<b>165,629</b>	<b>179,304</b>
Unrealised (loss) / gain on re-measurement of investments at fair value through profit or loss (net)	(90,002)	4,847	186,826	22,370
Unrealised (loss) / gain on re-measurement of loan and receivables	(11,689)	-	48,311	-
(Loss) / gain on re-measurement of financial instruments sold on deferred settlement basis (net)	(2,863)	30,789	-	(14,867)
	<b>(104,554)</b>	<b>35,636</b>	<b>235,137</b>	<b>7,503</b>
<b>Total income</b>	<b>367,899</b>	<b>429,441</b>	<b>400,766</b>	<b>186,807</b>
<b>Expenses</b>				
Remuneration to Al Meezan Investment Management Limited - management company of the fund	36,805	42,566	11,406	18,013
Remuneration to Central Depository Company of Pakistan Limited - trustee of the fund	4,431	5,010	1,387	2,051
Annual fee to Securities and Exchange Commission of Pakistan	3,276	4,257	856	1,802
Remuneration to Meezan Bank Limited - Shariah adviser of the fund	220	226	69	75
Auditors' remuneration	350	386	79	99
Fees and subscription	131	113	43	37
Legal and professional charges	56	-	18	-
Amortisation of preliminary expenses and floatation costs	375	377	123	125
Brokerage	243	3,126	9	991
Bank and settlement charges	142	946	18	352
Printing expense	288	-	30	-
<b>Total expenses</b>	<b>46,317</b>	<b>57,007</b>	<b>14,038</b>	<b>23,545</b>
<b>Net income from operating activities</b>	<b>321,582</b>	<b>372,434</b>	<b>386,728</b>	<b>163,262</b>
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed	22,078	47,076	8,588	(28,924)
<b>Net income</b>	<b>343,660</b>	<b>419,510</b>	<b>395,316</b>	<b>134,338</b>
<b>Earnings per unit outstanding - basic (Rupees)</b>	<b>3.54</b>	<b>3.39</b>	<b>4.07</b>	<b>1.08</b>

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

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

Chief Executive

Director



## CONDENSED INTERIM DISTRIBUTION STATEMENT FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2009 (UNAUDITED)

	Nine months period ended March 31,		Quarter ended March 31,	
	2009	2008	2009	2008
	----- (Rupees in '000) -----			
Undistributed income / (loss) brought forward	152,437	134,843	(181,129)	286,814
Less: Final distribution in the form of bonus units @ 2.7% for the year ended June 30, 2008 (June 30, 2007: @ 4.4%)	(115,970)	(133,201)	-	-
Less: Final distribution in the form of cash dividend @ 2.7% for the year ended June 30, 2008 (June 30, 2007: Nil)	(34,814)	-	-	-
Less: Interim distribution in the form of bonus units @ 2.54% for the quarter ended September 30, 2008	(83,468)	-	-	-
Less: Interim distribution in the form of cash dividend @ 2.54% for the quarter ended September 30, 2008	(47,658)	-	-	-
Less: Interim distribution in the form of bonus units @ 1.50% for the period ended February 21, 2009	(44,428)	-	(44,428)	-
Less: Interim distribution in the form of cash dividend @ 1.50% for the period ended February 21, 2009	(25,020)	-	(25,020)	-
Net income for the period	343,660	419,510	395,316	134,338
Undistributed income carried forward	<u>144,739</u>	<u>421,152</u>	<u>144,739</u>	<u>421,152</u>

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

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

Chief Executive

Director

## CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNITHOLDERS' FUNDS FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2009 (UNAUDITED)

	Nine months period ended March 31,		Quarter ended March 31,	
	2009	2008	2009	2008
	----- (Rupees in '000) -----			
Net assets at the beginning of the period	5,737,038	3,162,128	4,270,583	6,776,885
Issue of 114,114,371 units (2008: 186,896,891 units) and 24,755,821 units for the six months and quarter respectively	5,747,495	9,660,085	1,254,080	2,317,799
Redemption of 133,604,006 units (2008: 126,246,877 units) and 17,599,718 for the six months and quarter respectively	(6,700,318)	(6,580,588)	(888,066)	(2,643,887)
	(952,823)	3,079,497	366,014	(326,088)
Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed	(22,078)	(47,076)	(8,588)	28,924
Net (loss) / income for the period less distribution	(7,698)	286,309	325,868	134,338
Issue of 2,318,937 bonus units for the year ended June 30, 2008	115,970	133,201	-	-
Issue of 1,669,026 bonus units for the quarter ended September 30, 2008	83,468	-	-	-
Issue of 880,991 bonus units for the period ended February 21, 2009	44,428	-	44,428	-
Net assets at the end of the period	4,998,305	6,614,059	4,998,305	6,614,059

The annexed notes 1 to 10 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, 2009 (UNAUDITED)

	Nine months period ended March 31,		Quarter ended March 31,	
	2009	2008	2009	2008
----- (Rupees in '000) -----				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income	343,660	419,510	395,316	134,338
<b>Adjustments for non-cash items</b>				
Profit on savings accounts with banks	(85,131)	(305,412)	(46,739)	(122,375)
Profit on placements	(169,487)	-	(39,390)	-
Profit on sukuk certificates	(206,230)	(76,111)	(71,650)	(42,592)
Profit on diminishing musharaka certificates	(20,395)	-	(7,955)	-
Unrealised loss / (gain) on re-measurement of investments at fair value through profit or loss (net)	90,002	(4,847)	(186,826)	(22,370)
Unrealised loss / (gain) on re-measurement of loan and receivables	11,689	-	(48,311)	-
Loss / (gain) on re-measurement of financial instruments sold on deferred settlement basis (net)	2,863	(30,789)	-	14,867
Amortisation of preliminary expenses and floatation costs	375	377	123	125
Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed	(22,078)	(47,076)	(8,588)	28,924
	(398,392)	(463,858)	(409,336)	(143,421)
<b>Decrease / (increase) in assets</b>				
Placements	2,223,250	(2,399,780)	1,027,000	400,000
Investments	(492,621)	(1,088,738)	(488,101)	(300,377)
Receivable against sale of investments	-	129,106	-	(59,181)
Deposits, prepayments and other receivables	(9)	(2,503)	8	5
	1,730,620	(3,361,915)	538,907	40,447
<b>(Increase) / decrease in liabilities</b>				
Payable to Al Meezan Investment Management Limited - management company of the fund	(133)	3,434	990	271
Payable to Central Depository Company of Pakistan Limited - trustee of the fund	(41)	402	51	34
Payable to Securities and Exchange Commission of Pakistan	(2,508)	3,527	856	1,802
Payable to Meezan Bank Limited - Shariah adviser of the fund	344	112	69	152
Payable on redemption of units	(10,605)	28,498	43,161	(33,921)
Payable against purchase of investments	(87,067)	(73,910)	-	(9,477)
Accrued expenses and other liabilities	4,478	292	411	(292)
	(95,532)	(37,645)	45,538	(41,431)
Profit received on savings accounts with banks	66,897	214,828	30,215	123,402
Profit received on placements	300,252	-	112,313	-
Profit received on diminishing musharaka	10,589	-	-	-
Profit received on sukuk certificates	176,203	51,335	54,979	41,972
<b>Net cash inflow / (outflow) from operating activities</b>	<b>2,134,297</b>	<b>(3,177,746)</b>	<b>767,932</b>	<b>155,307</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts from sale of units	5,747,495	9,660,085	1,254,080	2,317,799
Payments against redemption of units	(6,700,318)	(6,580,588)	(888,066)	(2,643,887)
Dividend paid	(107,492)	-	(25,020)	-
<b>Net cash (outflow) / inflow from financing activities</b>	<b>(1,060,315)</b>	<b>3,079,497</b>	<b>340,994</b>	<b>(326,088)</b>
Net cash inflow / (outflow) during the period	1,073,982	(98,249)	1,108,926	(170,782)
Cash and cash equivalents at the beginning of the period	1,155,498	638,720	1,120,554	711,253
Cash and cash equivalents at the end of the period	2,229,480	540,471	2,229,480	540,471

The annexed notes 1 to 10 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 NINE MONTHS AND QUARTER ENDED MARCH 31, 2009 (UNAUDITED)

### 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Meezan Islamic Income Fund (the Fund) was established under a Trust Deed executed between Al Meezan 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 2007) were notified which are now superseded by the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations, 2008) issued through S.R.O. 1203(I)/2008 on November 21, 2008. The registered office of the management company of the Fund, is situated at Finance and Trade Centre, Shahrah- e-Faisal, Karachi, Pakistan.
- 1.2 The Fund has been formed to provide the unitholders safe and stable stream of halal income on their investments and to generate superior long term risk adjusted returns. The Fund shall also keep an exposure in short-term instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns if available at any given point of time. Under the trust deed all conducts and acts of the Fund are based on shariah. Meezan Bank Limited (MBL) acts as its shariah adviser to ensure that the activities of the Fund are in compliance with the principles of shariah. The management company of the Fund is registered with the SECP as a Non-Banking Finance Company under the NBFC Rules.
- 1.3 The Fund is an open-end fund listed on the Karachi Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The stability rating of the Fund is A(f) given by JCR-VIS Credit Rating Company Limited.

### 2. BASIS OF MEASUREMENT

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

### 3. STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, the trust deed, NBFC Rules, NBFC Regulations, 2007, NBFC Regulations, 2008 and the directives issued by the SECP. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the trust deed, NBFC Rules, NBFC Regulations, 2007, NBFC Regulations, 2008 and the said directives differ with the requirements of these standards, the requirements of the trust deed, NBFC Rules, NBFC Regulations, 2007, NBFC Regulations, 2008 and the said directives take precedence.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 4.1 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 year ended June 30, 2008, except those for the 'fair value measurement principles' as stated in note 4.2 below.
- 4.2 The fair value of marketable securities and derivatives and financial instruments sold on deferred settlement basis is based on their prices quoted on the Karachi Stock Exchange and Mutual Funds Association of Pakistan upto November 4, 2008 without any deduction for estimated future selling costs. The SECP through its circular No. 26/2008 dated November 5, 2008 (the circular) has directed that for valuation of debt securities a fixed discount rate be applied on the face value of the securities based on the security / entity rating. Accordingly, subsequent to the date of circular valuation of debt securities has been determined by this method upto the balance sheet date.

	Note	March 31, 2009	June 30, 2008
		(Rupees in '000)	
<b>5. INVESTMENTS</b>			
Investments at fair value through profit or loss	5.1	2,127,262	1,724,642
Loans and receivables - originated by the enterprise	5.2	201,038	202,922
		<u>2,328,300</u>	<u>1,927,564</u>
<b>5.1 Investments at fair value through profit or loss</b>			
- Held for trading	5.1.1	480,000	195,527
- Investments at fair value through profit or loss upon initial recognition	5.1.2	1,647,262	1,529,115
		<u>2,127,262</u>	<u>1,724,642</u>
<b>5.1.1 Held for trading</b>			
Shares of listed companies	5.1.1.1	-	157,637
Sukuk certificates	5.1.1.5	480,000	37,890
		<u>480,000</u>	<u>195,527</u>
<b>5.1.1.1 Shares of listed companies</b>			

Name of the investee company	As at July 1, 2008	Purchases during the period	Bonus / rights issue	Sales during the period	As at March 31, 2009	Carrying value as at March 31, 2009	Market value as at March 31, 2009	Percentage of net assets on the basis of market value (see note 5.1.1.3 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>		

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

5.1.1.3 Net assets are as defined in Regulation 66 of the NBFC Regulations, 2008.

### 5.1.1.4 Sukuk certificates

Name of the investee company	Maturity date	Profit rate	As at July 1, 2008	Purchases during the period	Sales during the period	Redemptions during the period	As at March 31, 2009	Carrying value as at March 31, 2009	Market value as at March 31, 2009	Percentage of net assets on the basis of market value (see note 5.1.1.3 above)	Percentage of total investment	
												----- Number of certificates -----
WAPDA First Sukuk Certificates (note 5.1.1.5)	October 22, 2012	6 months Kibor plus base rate of 0.35%	7,500	36,000	7,500	-	36,000	180,000	180,000	3.60	7.73	
GoP Ijarah Sukuk Certificates (note 5.1.1.6)	March 11, 2012	12.96%	-	3,150	150	-	3,000	300,000	300,000	6.00	12.88	
Total cost of investments									<u>480,000</u>			

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

5.1.1.6 The nominal value of the sukuk certificates of GoP Ijarah is Rs 100,000 each.

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

#### 5.1.2.1 Sukuk certificates

Name of the investee company	Maturity date	Profit rate	As at July 1, 2008	Purchases during the period	Sales during the period	Redemptions during the period	As at March 31, 2009	Carrying value as at March 31, 2009	Market value as at March 31, 2009	Percentage of net assets on the basis of market value (see note 5.1.1.3 above)	Percentage of total investment
Arzoo Textile Mills Limited (note 5.1.2.2)	April 15, 2014	6 months Kibor plus base rate of 2%	14,000	-	-	-	14,000	70,700	52,500	1.05	2.25
Century Paper & Board Mills Limited (note 5.1.2.2)	September 25, 2014	6 months Kibor plus base rate of 1.35%	5,000	13,940	-	-	18,940	93,402	91,386	1.83	3.93
Dawood Hercules Chemicals Limited (note 5.1.2.3)	September 18, 2012	6 months Kibor plus base rate of 1.2%	3,950	-	3,950	-	-	-	-	-	-
Eden Builders Limited (note 5.1.2.2)	December 15, 2013	3 months Kibor plus base rate of 2.3%	-	5,300	-	-	5,300	26,500	24,322	0.49	1.04
Eden Housing Limited (note 5.1.2.2)	April 2, 2013	6 months Kibor plus base rate of 2.5%	59,400	-	-	-	59,400	300,267	281,741	5.64	12.10
Engro Chemical Pakistan Limited (note 5.1.2.2)	September 1, 2015	6 months Kibor plus base rate of 1.5%	60,000	500	-	-	60,500	309,010	306,886	6.14	13.18
Karachi Shipyard & Engineering Works (note 5.1.2.2)	November 2, 2015	6 months Kibor plus base rate of 0.4%	-	36,000	24,000	-	12,000	59,715	58,062	1.16	2.49
Karachi Shipyard & Engineering Works II (note 5.1.2.2)	February 4, 2016	6 months Kibor plus base rate of 0.4%	-	160,200	106,800	-	53,400	265,732	260,087	5.20	11.17
Maple Leaf Cement Factory Limited (note 5.1.2.2)	December 1, 2013	6 months Kibor plus base rate of 1.7%	64,000	-	-	-	64,000	321,856	294,621	5.89	12.65
Security Leasing Corporation Limited II (note 5.1.2.2)	September 19, 2012	6 months Kibor plus base rate of 1.95%	10,000	-	-	-	10,000	43,925	39,957	0.80	1.72
Shahmurad Sugar Mills Limited (note 5.1.2.4)	September 30, 2012	6 months Kibor plus base rate of 2.25%	73	-	-	-	73	72,912	68,569	1.37	2.95
Sitara Chemical Industries Limited II (note 5.1.2.5)	December 17, 2011	3 months Kibor plus base rate of 1.7%	11,040	-	-	-	11,040	38,245	36,831	0.74	1.58
Sitara Chemical Industries Limited III (note 5.1.2.2)	December 31, 2012	3 months Kibor plus base rate of 1%	27,000	-	-	-	27,000	135,000	132,300	2.65	5.68
Grand Total								<u>1,737,264</u>	<u>1,647,262</u>		
Total cost of investments									<u>1,724,055</u>		

5.1.2.2 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, Karachi Shipyard & Engineering Works I & II, Maple Leaf Cement Factory Limited, Security Leasing Corporation Limited II and Sitara Chemical Industries Limited III are Rs 5,000 each.

- 5.1.2.3 The nominal value of the sukuk certificates of Dawood Hercules Chemicals Limited is Rs 50,000 each.
- 5.1.2.4 The nominal value of the sukuk certificates of Shahmurad Sugar Mills Limited is Rs 1,000,000 each.
- 5.1.2.5 The nominal value of the sukuk certificates of Sitara Chemical Industries Limited II is Rs 3,437.50 each.

## 5.2 Loans and receivables - originated by the enterprise

### 5.2.1 Diminishing musharaka certificates

Name of the investee company	Maturity date	Profit rate	As at July 1, 2008	Purchases during the period	Sales during the period	Redemptions during the period	As at March 31, 2009	Amortised cost as at March 31, 2009	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%	2,000	-	-	-	2,000	201,038	4.02	8.63
								<u>201,038</u>	<u>4.02</u>	

- 5.2.1.1 The nominal value of the diminishing musharaka certificate is Rs 100,000 each.

## 6. FINANCIAL INSTRUMENTS SOLD ON DEFERRED SETTLEMENT BASIS

Financial Instruments sold on deferred settlement basis outstanding as at March 31, 2009 amounted to Rs nil (June 30, 2008: Rs 2.863 million).

## 7. EARNINGS PER UNIT OUTSTANDING - BASIC

	----- (Unaudited) -----			
	Nine months period ended March 31,		Quarter ended March 31,	
	2009	2008	2009	2008
	----- (Rupees in '000) -----			
Net income for the period	<u>343,660</u>	<u>419,510</u>	<u>395,316</u>	<u>-</u>
	----- (Number of units) -----			
Units outstanding	<u>97,071,335</u>	<u>123,858,141</u>	<u>97,071,335</u>	<u>-</u>
	----- (Rupees) -----			
Earnings per unit outstanding	<u>3.54</u>	<u>3.39</u>	<u>4.07</u>	<u>-</u>

## 8. INTERIM DISTRIBUTION

- 8.1 The board of directors of the management company of the Fund had approved the interim distribution in the form of bouns units amounting to Rs 83.468 million and interim cash dividend amounting to Rs 47.658 million on September 30, 2008.
- 8.2 The board of directors of the management company of the Fund had approved the interim distribution in the form of bouns units amounting to Rs 44.428 million and interim cash dividend amounting to Rs 25.020 million on February 23, 2009.

## 9. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

The connected persons include AMIML being the management company, CDC being the Trustee, MBL being the shariah adviser of the Fund and holding company of the management company, Pakistan Kuwait Investment Company (Private) Limited and Al Meezan Mutual Fund Limited, Meezan Islamic Fund, Meezan Tahaffuz Pension Fund, Meezan Balanced Fund and Meezan Capital Protected Fund - I being the Funds under the common management of the management company.

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

Remuneration payable to the management company and the trustee is determined in accordance with the provisions of NBFC Regulations, 2007, NBFC Regulations, 2008 and the trust deed respectively.

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

	(Unaudited) March 31, 2009	(Audited) June 30, 2008
	(Rupees in '000)	
<b>Al-Meezan Investment Management Limited - management company of the Fund</b>		
Remuneration for the period	36,805	57,841
Sales load for the period	1,751	1,082
Preliminary expenses and floatation costs	1,500	2,000
Certificate charges	1	1
	<u>40,057</u>	<u>60,924</u>
Payments made during the period	<u>(33,474)</u>	<u>(54,207)</u>
Balance at the end of the period	<u>6,584</u>	<u>6,717</u>
Units issued: 3,225,337 units (June 30, 2008: 5,970,765 units)	<u>163,000</u>	<u>311,720</u>
Redemptions: 3,226,232 units (June 30, 2008: 4,405,188 units)	<u>162,598</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 - holding company and shariah adviser of the Fund</b>		
Opening balance of remuneration	300	-
Remuneration as the shariah adviser	220	300
Sales load for the period	152	333
	<u>672</u>	<u>633</u>
Payments made during the period	-	(305)
Balance at the end of the period	<u>672</u>	<u>328</u>
Bank balance in savings account	<u>3,856</u>	<u>396,453</u>
Profit on savings accounts	<u>12,888</u>	<u>111,621</u>
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>73,743</u>	<u>63,410</u>



**(Unaudited) (Audited)**  
**March 31, June 30,**  
**2009 2008**  
**(Rupees in '000)**

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

Remuneration for the period	4,431	6,787
CDS Charges for the period	24	135
	4,455	6,922
Payments made during the period	(3,956)	(6,382)
Balance at the end of the period	499	540
Units issued: 532,649 units (June 30, 2008: 555,627 units)	27,000	28,417
Redemptions: 1,131,293 units (June 30, 2008: 555,627 units)	55,971	28,276
Bonus units issued: 43,017 units (June 30, 2008: 55,627 units)	2,151	2,796

**Directors and executives**

Units issued: 2,880,130 units (June 30, 2008: 509,320 units)	142,510	26,432
Redemptions: 2,632,335 units (June 30, 2008: 244,218 units)	130,449	12,511
Bonus units issued: 60,517 units (June 30, 2008: 71,739 units)	3,024	3,610

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

Units issued: nil units (June 30, 2008: nil units)	-	-
Bonus units issued: 45,830 units (June 30, 2008: 66,752 units)	2,296	3,356

**10. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised for issue on April 15, 2009 by the board of directors of the management company.

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

**Chief Executive**

**Director**