

Contents

| | |
|--|----|
| Vision & Mission Statements | 01 |
| Fund Information | 02 |
| Report of the Directors of the Management Company | 03 |
| Condensed Interim Statement of Assets and Liabilities | 06 |
| Condensed Interim Income Statement | 07 |
| Condensed Interim Distribution Statement | 08 |
| Condensed Interim Statement of Movement in Unitholders' Fund | 09 |
| Condensed Interim Cash Flow Statement | 10 |
| Notes to the Condensed Interim Financial Statements | 11 |

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 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) 35630722-6, 111-MEEZAN
Fax: (9221) 35676143, 35630808
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. Aliuddin Ansari | Director |
| Mr. P. Ahmed | Director |
| Mr. Rana Ahmed Humayun | Director |
| Mr. Rizwan Ata | Director |
| Mr. Mazhar Sharif | Director |

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

| | |
|---------------------|----------|
| Mr. Ariful Islam | Chairman |
| Mr. Aliuddin Ansari | Member |
| Mr. Mazhar Sharif | Member |

TRUSTEE

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block B, S.M.C.H.S., Main Sharah-e-Faisal, 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 Islamic Banking
Standard Chartered Bank (Pakistan) Limited - Islamic Banking

LEGAL ADVISER

Bawaney & Partners
404, 4th Floor, Beaumont Plaza, 6-CL-10
Beaumont Road, Civil Lines
Karachi - 75530
Phone: (9221) 3565 7658-59
Fax: (9221) 3565 7673
E-mail: bawaney@cyber.net.pk

TRANSFER AGENT

Meezan Bank Limited
SITE Branch
Plot # B/9-C, Estate Avenue,
SITE, Karachi.
Phone: 32062891
Fax: 32552771
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 Fund (MIF) is pleased to present the un-audited financial statements of the fund for the nine months ended March 31, 2010.

Economic Review

Pakistan has shown gradual recovery and improvement on the macroeconomic front in the first nine months of fiscal year 2010. Average year-on-year inflation during the period eased off to 11.28%, which averaged 23.03% during the same period last year. The release of funds from IMF and improved balance of trade numbers has provided a strong impetus to the economy. As a result, foreign exchange reserves increased from US\$ 11.9 billion in June 2009 to US\$ 14.94 billion at the end of March 2010. This helped in stabilizing Pak Rupee against US Dollar, which depreciated by 3.2% in the nine months of fiscal year compared to depreciation of 15% in the corresponding period last year. Moreover, remittance inflows made new records, with nine month figure totaling US\$ 6.55 billion, providing crucial support to the balance of payment situation.

On domestic front, tax collection for the period was approximately Rs. 903 billion, which helped Government of Pakistan limit its incremental borrowing from the State Bank to Rs. 64 billion at the end of March 2010 from Rs. 88 billion in the corresponding period last year. In view of declining inflation, State Bank reduced the policy rate by 150 basis points to 12.5% in November 2009. Moreover, to meet IMF requirements and to stabilize interest rates, the State Bank introduced an interest rate corridor, providing a reverse repo facility at 300 basis points below the repo rate. However, since inflation started to inch up from January 2010, the State Bank has remained cautious in easing the monetary policy.

The gradual improvement in Pakistan's risk perception has resulted in the yield of Pakistan Eurobond, maturing in 2016, to drop below 8% for the first time since May 2008. Likewise, the spread on Pakistan's 5 year credit default swap has also eased off to 775 basis points from over 5000 basis points in late 2008.

Equity Market Review

The equity market continued to perform well in the nine months ended March 31, 2010 as KSE-100 Index appreciated by 42.1% or 3,016 points to close the period at 10,178. This is in sharp contrast to the same period last year when the equity market fell by 55.8%. Our benchmark KSE - Meezan Index appreciated by 44.9% during the same period. There was a reasonable increase in daily average volume to 171.6 million shares compared to mere 80.2 million shares during the corresponding period last year.

At the beginning of the financial year, uncertainty about the discount rate cut by the State Bank in the monetary policy statement and late release of IMF tranche caused some concern in the minds of investors and hence the market moved at slow pace. However, it quickly regained its momentum with the discount rate cut, disbursement of IMF tranche, continuous decline in inflation and foreign inflows.

This momentum was arrested in mid of October as uncertain law and order situation led to apprehension among investors. Also on the domestic political front, the uproar from different fronts relating to conditions attached to the Kerry Lugar Bill and controversy regarding National Reconciliation Ordinance (NRO) kept the market dull.

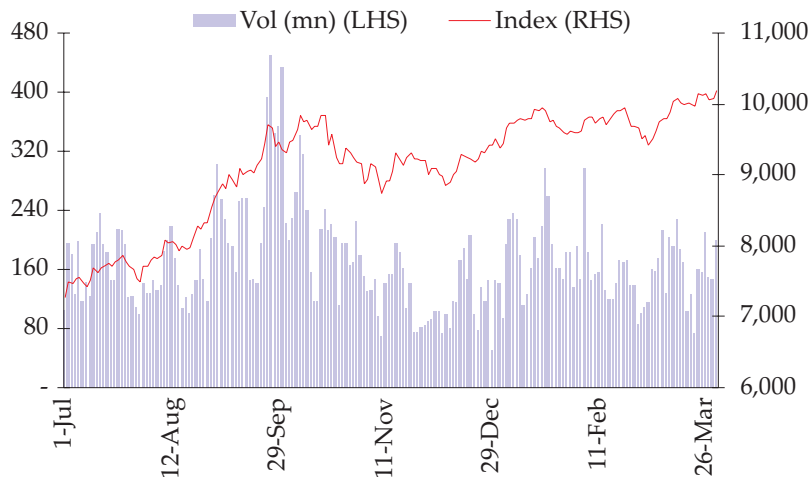
Later, investors welcomed the New Year with cautious note as uncertainty gripped the market on mechanism of capital gain tax and resignation of Mr. Shaukat Tarin as Finance Minister which kept the market in the dull phase with index hovering below 10,000 level and volume remained thin.

However, the lackluster behavior did not continue for long. Continuous inflow of foreign funds, improved law and order situation, appointment of Mr. Abdul Hafeez Shaikh as the Advisor to Prime Minister on Finance coupled with improvements reported in macroeconomic indicators, such as workers' remittances and the continued reduction in the trade deficit, helped KSE 100 index to close above 10,000, for the first time since August 2008 (after 19 months). Another key factor behind the rally in the market was healthy corporate earnings from fertilizer, power and E&P sectors helping the market to close at 10,178 on March 31, 2010.

Foreign Flows

Imposition of the price floor and exclusion from the MSCI Emerging Markets index along with the global financial crisis caused a massive outflow (US\$446 million) of foreign portfolio investments from the equity market in calendar year 2008. However, eventually macro recovery and inclusion in MSCI Frontier Market Index in June 2009 encouraged offshore investors to return to Pakistan with a net inflow of US\$ 432 million in the nine months of fiscal year 2010. With interest rates in most developed countries hitting rock bottom and Pakistan's stock market trading at a significant discount to the regional markets, it seems that foreign investors have realized the growth potential in Pakistani market and foreign portfolio investment will continue to flow.

Performance of KSE-100 Index



Performance Review

The KSE-Meezan Index - 30 (KMI-30) serves as the benchmark for Meezan Islamic Fund (MIF). The Fund posted a return of 42.5% in the first nine months as compared to its benchmark which rose by 44.9%.

The performance of Meezan Islamic Fund improved considerably as the fund recorded a total income of Rs. 1.49 billion in the first nine months of the fiscal year 2010, compared to a loss of Rs. 2.0 billion in the same period last year. Major impetus to this figure was provided by unrealized gains on investments, which totaled almost Rs. 795 million. Realized gains and Dividend Income also made noteworthy contributions of Rs. 401 million and Rs. 272 million respectively. During the period under review, the Fund incurred expenses amounting to Rs. 78 million. In all, MIF posted a net income of Rs. 1.50 billion, as compared to previous year's net loss of Rs. 2.2 billion. This translates into a per unit profit of Rs. 17.0 for the nine months.

Net Assets of the Fund grew by 18.7% in the first nine months of fiscal year 2010 to Rs. 4.44 billion, equivalent to Rs. 50.29 per unit, up from a per unit NAV of Rs. 35.28 on June 30, 2009.

Outlook

After a turbulent 2008, Pakistan's economy has seen a steady turnaround in the year 2009 and all major economic indicators are pointing to greater stability ahead. The S&P rating upgrade has accelerated a pickup in foreign investment in Pakistan's equity market. Since June 2009, when KSE-100 index entered the MSCI Frontier Index, nearly US\$ 431 million has flowed into the stock market, reversing 18 months of capital flight. The significant build up of foreign exchange reserves has also improved confidence in country's ability in meeting its commitments.

The consensus achieved by Parliamentary Committee on Constitutional reforms in the draft of 18th amendment to the Constitution will bode positively for the political situation in the country as well as stock market.

One of the major issues for the equity market is the introduction of margin financing product which is expected to be launched soon. The other major issue that investors will likely deal with is the introduction of capital gains tax on stocks in the next federal budget. Currently, Pakistan's stock market is trading at a P/E multiple of around 8, which is almost at a 45% discount to other regional markets. This makes KSE an attractive option for foreign investors, who are expected to continue their investment at the local bourse.

Acknowledgement

We take this opportunity to thank our valued investors for reposing faith in Al Meezan Investments and making it the largest Shariah Compliant asset management company in Pakistan. We also thank the regulator, Securities and Exchange Commission of Pakistan, Trustee, Central Depository Company of Pakistan and management of Karachi Stock Exchange for their support. We would also like to thank the members of the Shariah Supervisory Board of Meezan Bank for their continued assistance and support on shariah aspects of fund management.

For and on behalf of the Board

Date: April 27, 2010
Karachi.

Mohammad Shoaib, CFA
Chief Executive

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2010 (UNAUDITED)

| | | (Unaudited) March 31, 2010 | (Audited) June 30, 2009 |
|---|------|----------------------------------|-------------------------------|
| | Note | (Rupees in '000) | |
| Assets | | | |
| Balances with banks | | 56,692 | 142,537 |
| Investments | 5 | 4,333,748 | 3,568,703 |
| Receivable against sale of investments | | - | 6,076 |
| Dividend receivable | | 75,324 | 36,020 |
| Advances, deposits, prepayments and other receivables | | 5,597 | 9,588 |
| Total assets | | 4,471,361 | 3,762,924 |
| Liabilities | | | |
| Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund | | 7,458 | 6,666 |
| Payable to Central Depository Company of Pakistan Limited (CDC) - trustee of the Fund | | 469 | 397 |
| Payable to Meezan Bank Limited (MBL) | | 716 | 1,223 |
| Payable to Securities and Exchange Commission of Pakistan (SECP) | | 3,109 | 3,867 |
| Payable on redemption of units | | 14,703 | 5,609 |
| Payable against purchase of investments | | 844 | 5 |
| Accrued expenses and other liabilities | | 8,557 | 7,864 |
| Total liabilities | | 35,856 | 25,631 |
| Net assets | | 4,435,505 | 3,737,293 |
| Contingencies | 6 | | |
| Unit holders' fund (as per statement attached) | | 4,435,505 | 3,737,293 |
| | | Number of units | |
| Number of units in issue | | 88,193,825 | 105,920,317 |
| | | Rupees | |
| Net assets value per unit | | 50.29 | 35.28 |

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

CONDENSED INTERIM INCOME STATEMENT
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010 (UNAUDITED)

| | Nine months ended March 31, | | Quarter ended March 31, | |
|--|--------------------------------|--------------------|----------------------------|------------------|
| | 2010 | 2009 | 2010 | 2009 |
| | (Rupees in '000) | | | |
| Income | | | | |
| Net realised gain / (loss) on sale of investments | 400,686 | (753,186) | 132,103 | (680,735) |
| Dividend income | 271,790 | 228,071 | 101,845 | 71,272 |
| Profit on savings accounts with banks | 17,151 | 13,438 | 4,648 | 6,808 |
| Other income | 919 | 1,768 | 196 | 423 |
| | <u>690,546</u> | <u>(509,909)</u> | <u>238,792</u> | <u>(602,232)</u> |
| Unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss (net) | 794,894 | (1,633,334) | 95,414 | 1,704,240 |
| Gain on re-measurement of derivative financial instruments (net) | - | 74,189 | - | 74,047 |
| | <u>794,894</u> | <u>(1,559,145)</u> | <u>95,414</u> | <u>1,778,287</u> |
| Total income / (loss) | <u>1,485,440</u> | <u>(2,069,054)</u> | <u>334,206</u> | <u>1,176,055</u> |
| Expenses | | | | |
| Remuneration to Al Meezan - management company of the Fund | 65,446 | 66,099 | 21,871 | 15,346 |
| Remuneration to CDC - trustee of the Fund | 4,023 | 3,775 | 1,340 | 1,019 |
| Remuneration to MBL | - | 441 | - | 139 |
| Annual fee to SECP | 3,109 | 2,966 | 1,039 | 729 |
| Auditors' remuneration | 488 | 402 | 127 | 89 |
| Fees and subscription | 29 | 26 | 9 | 8 |
| Legal and professional charges | 719 | 143 | 236 | 47 |
| Brokerage | 3,033 | 3,056 | 609 | 1,864 |
| Bank and settlement charges | 695 | 411 | 158 | 188 |
| Printing charges | 473 | 619 | 157 | 137 |
| Total expenses | <u>78,015</u> | <u>77,938</u> | <u>25,546</u> | <u>19,566</u> |
| Net income / (loss) from operating activities | <u>1,407,425</u> | <u>(2,146,992)</u> | <u>308,660</u> | <u>1,156,489</u> |
| Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed | 94,942 | (58,578) | 12,733 | (207,385) |
| Net income/ (loss) | <u>1,502,367</u> | <u>(2,205,570)</u> | <u>321,393</u> | <u>949,104</u> |
| Other comprehensive income for the period | | | | |
| Unrealised gain on available for sale investments | 85,098 | - | 62,244 | - |
| Element of loss and capital losses included in prices of units sold less those in units redeemed pertaining to 'available for sale' investment | (2,928) | - | (3,634) | - |
| Total comprehensive income / (loss) for the period | <u>1,584,537</u> | <u>(2,205,570)</u> | <u>380,003</u> | <u>949,104</u> |

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

CONDENSED INTERIM DISTRIBUTION STATEMENT
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010 (UNAUDITED)

| | Nine months ended March 31, | | Quarter ended March 31, | |
|---|--|--------------------|------------------------------------|--------------------|
| | 2010 | 2009 | 2010 | 2009 |
| | (Rupees in '000) | | | |
| Accumulated (loss) / undistributed income brought forward | (1,558,724) | 1,010,031 | (377,044) | (3,149,530) |
| Less : Final distribution in the form of bonus units @ nil for the year ended June 30, 2009 (June 30, 2008 @ 20%) | - | (1,004,058) | - | - |
| Less : Final distribution in the form of nil cash dividend for the year ended June 30, 2009 (June 30, 2008 @ 20%) | - | (829) | - | - |
| | - | (1,004,887) | - | - |
| Element of loss and capital losses included in prices of units sold less those in units redeemed pertaining to 'available for sale' investment | (2,928) | - | (3,634) | - |
| Net income / (loss) | 1,502,367 | (2,205,570) | 321,393 | 949,104 |
| Accumulated losses carried forward | <u>(59,285)</u> | <u>(2,200,426)</u> | <u>(59,285)</u> | <u>(2,200,426)</u> |

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN
UNITHOLDERS' FUND
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010 (UNAUDITED)**

| | Nine months ended March 31, | | Quarter ended March 31, | |
|---|--------------------------------|------------------|----------------------------|------------------|
| | 2010 | 2009 | 2010 | 2009 |
| | (Rupees in '000) | | | |
| Net assets at the beginning of the period | 3,737,293 | 6,034,468 | 4,347,146 | 2,533,969 |
| Issue of 7,115,696 units (2009: 18,049,174 units) and 1,425,657 units (2009: 5,675,740 units) for nine months and quarter respectively | 316,302 | 695,351 | 68,928 | 158,191 |
| Redemption of 24,842,188 units (2009: 14,747,631) and 7,528,537 units (2009: -4,505,671) for nine months and quarter respectively | (1,110,613) | (589,855) | (351,473) | 143,494 |
| | (794,311) | 105,496 | (282,545) | 301,685 |
| Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed (net) | | | | |
| - transferred to income statement | (94,942) | 58,578 | (12,733) | 207,385 |
| - transferred to other comprehensive income | 2,928 | - | 3,634 | - |
| | (92,014) | 58,578 | (9,099) | 207,385 |
| Total comprehensive income / (loss) for the period | 1,584,537 | (2,205,570) | 380,003 | 949,104 |
| Cash distribution during the period | - | (829) | - | - |
| Issue of bonus units during the period | - | (1,004,058) | - | - |
| Total comprehensive income / (loss) for the period less distribution | 1,584,537 | (3,210,457) | 380,003 | 949,104 |
| Issue of Nil bonus units for the year ended June 30, 2009 (June 30, 2008: 20,061,107 bonus units) | - | 1,004,058 | 1,004,887 | - |
| Net assets at the end of the period | <u>4,435,505</u> | <u>3,992,143</u> | <u>4,435,505</u> | <u>3,992,143</u> |

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010 (UNAUDITED)

| | Nine months ended March 31, | | Quarter ended March 31, | |
|---|--------------------------------|------------------|----------------------------|------------------|
| | 2010 | 2009 | 2010 | 2009 |
| | (Rupees in '000) | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net income for the period | 1,502,367 | (2,205,570) | 321,393 | 949,104 |
| Adjustments for : | | | | |
| Dividend income | (271,790) | (228,071) | (101,845) | (71,272) |
| Profit on deposit accounts with banks | (17,151) | (13,438) | (4,648) | (6,808) |
| Unrealised loss / (gain) on investments - "at fair value through profit or loss" | (794,894) | 1,633,334 | (95,414) | (1,704,240) |
| Gain on re-measurement of derivative financial instruments (net) | - | (74,189) | - | (74,047) |
| Element of (income) / loss and (capital gains) / losses included in prices of units issued less those in units redeemed | (94,942) | 58,578 | (12,733) | 207,385 |
| | <u>323,590</u> | <u>(829,356)</u> | <u>106,753</u> | <u>(699,878)</u> |
| (Increase) / decrease in assets | | | | |
| Investments | 114,947 | 792,617 | (36,839) | 765,497 |
| Receivable against sale of investments | 6,076 | - | 4,573 | - |
| Advances, deposits, prepayments and other receivables | (10) | (8) | 10 | 10 |
| | <u>121,013</u> | <u>792,609</u> | <u>(32,256)</u> | <u>765,507</u> |
| Increase / (decrease) in liabilities | | | | |
| Payable to Al Meezan - management company of the Fund | 792 | (9,301) | (96) | 403 |
| Payable to the CDC - trustee of the Fund | 72 | (190) | 4 | 15 |
| Payable to MBL | (507) | (193) | 708 | 522 |
| Payable to SECP | (758) | (2,074) | 1,039 | 729 |
| Payable on redemption of units | 9,094 | (29,111) | (13,649) | (65,590) |
| Payable against purchase of investments | 839 | (6,269) | 214 | (27,853) |
| Accrued expenses and other liabilities | 693 | 413 | 263 | 2,849 |
| | <u>10,225</u> | <u>(46,725)</u> | <u>(11,517)</u> | <u>(88,925)</u> |
| Dividend received | 232,486 | 225,543 | 63,888 | 40,619 |
| Profit received on deposit accounts with banks | 21,152 | 21,984 | 9,730 | 7,380 |
| Dividend paid | - | (829) | - | - |
| Net cash (outflow) / inflow from operating activities | <u>708,466</u> | <u>163,226</u> | <u>136,598</u> | <u>24,703</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Receipts from sale of units | 316,302 | 695,351 | 68,928 | 158,191 |
| Payments against redemption of units | (1,110,613) | (589,855) | (351,473) | 143,494 |
| Net cash inflow from financing activities | <u>(794,311)</u> | <u>105,496</u> | <u>(282,545)</u> | <u>301,684</u> |
| Net cash (outflow) / inflow during the period | <u>(85,845)</u> | <u>268,722</u> | <u>(145,947)</u> | <u>326,388</u> |
| Cash and cash equivalents at the beginning of the period | <u>142,537</u> | <u>264,232</u> | <u>202,639</u> | <u>206,566</u> |
| Cash and cash equivalents at the end of the period | <u>56,692</u> | <u>532,954</u> | <u>56,692</u> | <u>532,954</u> |

The annexed notes 1 to 8 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2010 (UNAUDITED)

1. LEGAL STATUS AND NATURE OF BUSINESS

Meezan Islamic Fund (the Fund) was established under a Trust Deed executed between Al Meezan as management company and CDC as trustee. The Trust Deed was executed on June 16, 2003 and was approved by the SECP on June 4, 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 at Finance and Trade Centre, Shahr-ah-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 the NBFC Rules.

The Fund is an open-end fund listed on the Karachi Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

Title to the assets of the Fund is held in the name of CDC as a trustee of the Fund.

2. BASIS OF MEASUREMENT

The transactions undertaken by the Fund in accordance with the process prescribed under the shariah guidelines issued by the shariah adviser are accounted for on substance rather than the form prescribed by the 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

This condensed interim financial report of the Fund for the nine months period ended March 31, 2010 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, the trust deed, NBFC Rules, Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations) and the directives issued by SECP. In case where the requirements of the trust deed, NBFC Rules, NBFC Regulations and the said directives differ with requirements of the standard, the requirements of the trust deed, NBFC Rules, NBFC Regulations and the said directives have been followed.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of the financial statements for the year ended June 30, 2009, except for the change in an accounting policy as referred to in note 4.1 below.

4.1 Change in an accounting policy

IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity.

The Fund has applied IAS 1 (revised) from July 1, 2009, and has elected to present one performance statement. As a result non-owner changes in equity which were previously credited directly in the statement of movement in unit holders' fund and the distribution statement are now shown as other comprehensive income in the performance statement (referred to as income statement in these condensed interim financial statements). The change in presentation has not affected the values of the net assets of the Fund for either the current or any of the prior periods and hence restated statement of assets and liabilities has not been presented.

5. INVESTMENTS

| | Note | March 31, 2010 (Rupees in '000) | June 30, 2009 |
|---|------|---------------------------------------|------------------|
| Investments at 'at fair value through profit or loss' | | | |
| - Held for trading - shares of listed companies | 5.1 | 2,926,113 | 3,194,878 |
| - Investments 'at fair value through profit or loss upon initial recognition' | 5.2 | 338,155 | 373,825 |
| Investments categorised as 'available for sale' | 5.3 | 1,069,480 | - |
| | | <u>4,333,748</u> | <u>3,568,703</u> |

5.1 Held for trading - shares of listed companies

| Name of the investee company | As at July 1, 2009 | Purchases during the period | Bonus / rights issue | Sales during the period | As at March 31, 2010 | Carrying value | Market value | Unrealised gain / (loss) | Percentage in relation to | | |
|--|--------------------|-----------------------------|----------------------|-------------------------|----------------------|--------------------------|------------------|--------------------------|-----------------------------------|--|---|
| | | | | | | | | | Total market value of investments | Net assets of the Fund on the basis of market value (see note 5.1.3 below) | Paid-up capital of investee company (with face value of investment) |
| | | | | | | | | | | | |
| -----Number of shares / units----- | | | | | | -----Rupees in '000----- | | | | | |
| Textile composite | | | | | | | | | | | |
| Nishat Mills Limited | 1,213,750 | 677,000 | - | 1,890,750 | - | - | - | - | - | - | - |
| Jute | | | | | | | | | | | |
| Thal Limited (note 5.1.1) | 301,047 | 20,000 | 60,209 | 50,000 | 331,256 | 21,848 | 26,828 | 4,980 | 0.62 | 0.60 | 0.65 |
| Cement | | | | | | | | | | | |
| Attock Cement Pakistan Limited | 414,400 | 25,000 | 87,880 | 307,760 | 219,520 | 13,024 | 15,606 | 2,582 | 0.36 | 0.35 | 0.25 |
| D. G. Khan Cement Company Limited | 62,880 | - | - | 62,880 | - | - | - | - | - | - | - |
| Fauji Cement Company Limited | 790,510 | - | - | 790,510 | - | - | - | - | - | - | - |
| Lucky Cement Limited | 2,021,900 | 106,600 | - | 857,700 | 1,270,800 | 74,810 | 103,303 | 28,493 | 2.38 | 2.33 | 0.39 |
| Refinery | | | | | | | | | | | |
| Pakistan Refinery Limited | 238,300 | - | - | 238,300 | - | - | - | - | - | - | - |
| Power generation and distribution | | | | | | | | | | | |
| The Hub Power Company Limited | 11,933,000 | 279,889 | - | 1,553,860 | 10,659,029 | 289,884 | 365,285 | 75,401 | 8.43 | 8.24 | 0.92 |
| Oil and gas marketing companies | | | | | | | | | | | |
| Pakistan State Oil Company Limited | 1,113,300 | 258,700 | - | 363,500 | 1,008,500 | 223,967 | 312,423 | 88,456 | 7.21 | 7.04 | 0.59 |
| Sui Northern Gas Pipelines Limited | 788,400 | 70,000 | - | 858,400 | - | - | - | - | - | - | - |
| Oil and gas exploration companies | | | | | | | | | | | |
| Oil and Gas Development Company Limited (note 5.1.2) | 5,875,766 | 250,000 | - | 4,158,500 | 1,967,266 | 155,549 | 255,469 | 99,920 | 5.89 | 5.76 | 0.05 |
| Pakistan Oilfields Limited | 1,519,080 | 450,000 | - | 613,340 | 1,355,740 | 212,126 | 317,026 | 104,900 | 7.32 | 7.15 | 0.57 |
| Pakistan Petroleum Limited | 1,701,062 | 306,200 | 323,452 | 1,102,500 | 1,228,214 | 194,682 | 240,018 | 45,336 | 5.54 | 5.41 | 0.12 |
| Automobile assembler | | | | | | | | | | | |
| Indus Motor Company Limited | 532,577 | - | - | 67,000 | 465,577 | 50,152 | 96,910 | 46,758 | 2.24 | 2.18 | 0.59 |
| Pak Suzuki Motor Company Limited | 370,910 | - | - | 136,747 | 234,163 | 15,900 | 18,632 | 2,732 | 0.43 | 0.42 | 0.28 |
| Automobiles parts and accessories | | | | | | | | | | | |
| Agriauto Industries Limited (note 5.1.1) | 679,200 | - | - | - | 679,200 | 22,169 | 43,469 | 21,300 | 1.00 | 0.98 | 2.36 |
| Technology and communication | | | | | | | | | | | |
| Pakistan Telecommunication Company Limited "A" | 10,065,900 | - | - | 4,459,919 | 5,605,981 | 96,647 | 117,782 | 21,135 | 2.72 | 2.66 | 0.15 |
| Carried forward | | | | | | <u>1,370,758</u> | <u>1,912,751</u> | <u>541,993</u> | | | |

| Name of the investee company | As at July 1, 2009 | Purchases during the period | Bonus / rights issue | Sales during the period | As at March 31, 2010 | Carrying value | Market value | Unrealised gain / (loss) | Percentage in relation to | | |
|------------------------------------|--------------------|-----------------------------|----------------------|-------------------------|----------------------|------------------|------------------|--------------------------|-----------------------------------|--|---|
| | | | | | | | | | Total market value of investments | Net assets of the Fund on the basis of market value (see note 5.1.3 below) | Paid-up capital of investee company (with face value of investment) |
| | | | | | | | | | | | |
| Brought forward | | | | | | 1,370,758 | 1,912,751 | 541,993 | | | |
| Fertilizer | | | | | | | | | | | |
| Engro Corporation Limited | 795,873 | - | - | 795,873 | - | - | - | - | - | 0.00 | - |
| Fauji Fertilizer Company Limited | 6,044,529 | 250,000 | - | 457,383 | 5,837,146 | 508,874 | 640,276 | 131,402 | 14.76 | 14.44 | 0.86 |
| Fauji Fertilizer Bin Qasim Limited | 8,823,500 | 875,000 | - | 6,196,438 | 3,502,062 | 62,677 | 111,471 | 48,794 | 2.57 | 2.51 | 0.37 |
| Chemical | | | | | | | | | | | |
| ICI Pakistan Limited | 1,715,600 | 20,000 | - | 369,583 | 1,366,017 | 191,642 | 221,459 | 29,817 | 5.10 | 4.99 | 0.98 |
| Sitara Chemical Industries Limited | 87,690 | - | - | 87,690 | - | - | - | - | 0.00 | 0.00 | 0 |
| Miscellaneous | | | | | | | | | | | |
| Tri-Pack Films Limited | 409,300 | - | - | 20,000 | 389,300 | 38,887 | 40,156 | 1,269 | 0.93 | 0.91 | 1.3 |
| Total | | | | | | <u>2,172,838</u> | <u>2,926,113</u> | <u>753,275</u> | | | |
| Total cost of investments | | | | | | | <u>2,530,819</u> | | | | |

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.

5.1.2 200,000 shares of Oil and Gas Development Company Limited, having market value of Rs 25.972 million as at December 31, 2009, have been pledged as collateral in favour of National Clearing Company of Pakistan Limited against exposure margins and mark to market losses.

5.1.3 Net assets are as defined in regulation 66 of NBFC Regulations, 2008.

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

5.2.1 Shares of listed companies, a bank and a fund

| Name of the investee company | As at July 1, 2009 | Purchases during the period | Bonus / rights issue | Sales during the period | As at March 31, 2010 | Carrying value | Market value | Unrealised gain / (loss) | Percentage in relation to | | |
|--|--------------------|-----------------------------|----------------------|-------------------------|----------------------|----------------|----------------|--------------------------|-----------------------------------|--|---|
| | | | | | | | | | Total market value of investments | Net assets of the Fund on the basis of market value (see note 5.1.3 above) | Paid-up capital of investee company (with face value of investment) |
| | | | | | | | | | | | |
| Closed-end mutual funds | | | | | | | | | | | |
| Al Meezan Mutual Fund Limited (an associate of the Fund) | 19,570,700 | - | - | - | 19,570,700 | 101,768 | 121,338 | 19,570 | 2.80 | 2.74 | 14.23 |
| Commercial banks | | | | | | | | | | | |
| Meezan Bank Limited (an associate of the Fund) | 6,507,016 | - | 306,812 | 371,710 | 6,442,118 | 67,488 | 111,642 | 44,154 | 2.58 | 2.52 | 0.92 |
| Pharmaceutical | | | | | | | | | | | |
| Glaxosmithkline Pakistan Limited | 41,093 | - | - | - | 41,093 | 4,923 | 3,986 | (937) | 0.09 | 0.09 | 0.02 |
| Paper and board | | | | | | | | | | | |
| Packages Limited | 1,245,269 | 43,850 | - | 510,745 | 778,374 | 122,357 | 101,189 | (21,168) | 2.33 | 2.28 | 0.92 |
| Grand Total | | | | | | <u>296,536</u> | <u>338,155</u> | <u>41,619</u> | | | |
| Total cost of Investments | | | | | | | <u>521,406</u> | | | | |

5.3 Investments categorised as 'available for sale'

5.3.1 Shares of listed companies and a bank

| Name of the investee company | As at July 1, 2009 | Purchases during the period | Bonus / rights issue | Sales during the period | As at March 31, 2010 | Carrying value | Market value | Unrealised gain / (loss) | Percentage in relation to | | |
|--|--------------------|-----------------------------|----------------------|-------------------------|----------------------|----------------|------------------|--------------------------|-----------------------------------|--|---|
| | | | | | | | | | Total market value of investments | Net assets of the Fund on the basis of market value (see note 5.1.3 above) | Paid-up capital of investee company (with face value of investment) |
| | | | | | | | | | | | |
| Textile composite | | | | | | | | | | | |
| Nishat Mills Limited | - | 177,905 | - | 177,905 | - | - | - | - | 0.00 | 0.00 | 0 |
| Jute | | | | | | | | | | | |
| Thal Limited (note 5.1.1) | - | 20 | - | - | 20 | 2 | 2 | - | 0.00 | 0.00 | 0 |
| Cement | | | | | | | | | | | |
| Attock Cement Pakistan Limited | - | 50,000 | - | - | 50,000 | 3,575 | 3,555 | (20) | 0.08 | 0.08 | 0.06 |
| Lucky Cement Limited | - | 1,388,720 | - | - | 1,388,720 | 97,819 | 112,889 | 15,070 | 2.60 | 2.55 | 0.43 |
| Power generation and distribution | | | | | | | | | | | |
| The Hub Power Company Limited | - | 635,000 | - | - | 635,000 | 19,869 | 21,761 | 1,892 | 0.50 | 0.49 | 0.05 |
| Technology and communication | | | | | | | | | | | |
| Pakistan Telecommunication Company Limited "A" | - | 660,000 | - | - | 660,000 | 12,199 | 13,866 | 1,667 | 0.32 | 0.31 | 0.02 |
| Paper and board | | | | | | | | | | | |
| Packages Limited | - | 423,745 | - | - | 423,745 | 59,509 | 55,086 | (4,423) | 1.27 | 1.24 | 0.5 |
| Oil and gas marketing companies | | | | | | | | | | | |
| Pakistan State Oil Company Limited | - | 605,346 | - | - | 605,346 | 187,031 | 187,530 | 499 | 4.33 | 4.23 | 0.35 |
| Oil and gas exploration companies | | | | | | | | | | | |
| Oil and Gas Development Company Limited (note 5.1.2) | - | 950,000 | - | - | 950,000 | 110,502 | 123,368 | 12,866 | 2.85 | 2.78 | 0.02 |
| Pakistan Oilfields Limited | - | 530,000 | - | - | 530,000 | 112,376 | 123,936 | 11,560 | 2.86 | 2.79 | 0.22 |
| Pakistan Petroleum Limited | - | 1,120,400 | 38,600 | - | 1,159,000 | 218,147 | 226,492 | 8,345 | 5.23 | 5.11 | 0.12 |
| National Refinery Limited | - | 114,753 | - | - | 114,753 | 20,319 | 20,711 | 392 | 0.48 | 0.47 | 0.00 |
| Fertilizer | | | | | | | | | | | |
| Fauji Fertilizer Company Limited | - | 105,000 | - | - | 105,000 | 10,702 | 11,517 | 815 | 0.27 | 0.26 | 0.02 |
| Fauji Fertilizer Bin Qasim Limited | - | 4,400,000 | - | - | 4,400,000 | 106,918 | 140,052 | 33,134 | 3.23 | 3.16 | 0.47 |
| Commercial banks | | | | | | | | | | | |
| Meezan Bank Limited (an associate of the Fund) | - | 1,578,017 | 78,900 | - | 1,656,917 | 25,413 | 28,714 | 3,301 | 0.65 | 0.65 | 0.24 |
| Miscellaneous | | | | | | | | | | | |
| Tri-Pack Films Limited | - | 10 | - | - | 10 | 1 | 1 | - | - | 0.00 | - |
| Grand Total | | | | | | 984,382 | 1,069,480 | 85,098 | | | |
| Total cost of Investments | | | | | | 984,382 | | | | | |

6 CONTINGENCIES

Through Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to an establishment to which the West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment it can be construed that all Collective Investment Schemes (CIS) whose income exceeds Rs 0.5 million in a tax year may have been brought within the purview and scope of the WWF Ordinance, thus rendering them liable to pay two percent of their total income (as defined in section 4 of the Workers' Welfare Fund Ordinance, 1971). However, during the period the Mutual Funds Association of Pakistan (MUFAP), of which the Management Company is a member, has filed a constitutional petition in the High Court of Sindh (SHC) praying it to declare that CIS are not liable to pay contribution to the WWF on the grounds that CIS do not have any workers or employees. The legal proceedings in respect of the aforementioned petition are currently in progress and the outcome cannot be reasonably ascertained.

The Management Company based on the advice of the MUFAP's legal counsel, is confident of a favorable decision and accordingly no provision for the aforementioned liability which has an impact of Rs 0.34 per unit as of March 31, 2010 has been made in this condensed interim financial report.

7 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 and Al Meezan Mutual Fund Limited, Meezan Islamic Income Fund, Meezan Tahaffuz Pension Fund, Meezan Capital Protected Fund - I, Meezan Cash Fund, Meezan Sovereign Fund 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 and Regulations and the Trust Deed respectively.

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

| | March 31, 2010 | June 30, 2009 |
|--|-------------------|------------------|
| | (Rupees in '000) | |
| Al Meezan - management company of the fund | | |
| Remuneration payable | <u>7,453</u> | <u>6,084</u> |
| Sales load payable | <u>-</u> | <u>578</u> |
| Certificate charges payable | <u>5</u> | <u>4</u> |
| Investment of 4,886,431 units (June 30, 2009: 6,365,442 units) | <u>245,739</u> | <u>224,573</u> |
| Al Meezan Mutual Fund Limited | | |
| Investment in 19,570,700 shares (June 30, 2009: 19,570,700 shares) | <u>121,338</u> | <u>101,768</u> |
| MBL | | |
| Bank balance | <u>2</u> | <u>14,439</u> |
| Shariah advisory fees payable | <u>-</u> | <u>1,044</u> |
| Sales load payable | <u>716</u> | <u>179</u> |
| Investment in 7,713,323 shares (June 30, 2009: 6,507,016 shares) | <u>140,356</u> | <u>71,577</u> |
| Investment of 7,242,403 units (June 30, 2009: 7,242,403 units) | <u>364,220</u> | <u>255,512</u> |
| CDC - trustee of the Fund | | |
| Trustee fee payable | <u>458</u> | <u>386</u> |
| CDS Charges payable | <u>11</u> | <u>11</u> |
| Directors and executives | | |
| Investment of 1,713,207 units (June 30, 2009: 1,753,579 units) | <u>86,261</u> | <u>61,866</u> |

**Nine months ended
March 31,
2010 2009
(Rupees in '000)**

Al Meezan - management company of the fund

| | | |
|--|---------------|---------------|
| Remuneration for the period | <u>65,446</u> | <u>66,099</u> |
| Bonus units issued: Nil unitd (2009:1,057,976 units) | <u>-</u> | <u>52,952</u> |
| Units issued: Nil units (2009: Nil units) | <u>-</u> | <u>-</u> |
| Redemptions: 1,479,011 units (2009: Nil units) | <u>67,000</u> | <u>-</u> |

Al Meezan Mutual Fund Limited

| | | |
|-----------------|---------------|---------------|
| Dividend income | <u>19,571</u> | <u>19,571</u> |
|-----------------|---------------|---------------|

MBL

| | | |
|---|------------|---------------|
| Profit on deposit accounts with bank | <u>257</u> | <u>336</u> |
| Shariah advisory fee | <u>-</u> | <u>441</u> |
| Bonus units issued: Nil units (2009: 1,206,062 units) | <u>-</u> | <u>60,363</u> |

CDC - trustee of the fund

| | | |
|-------------|--------------|--------------|
| Trustee fee | <u>4,023</u> | <u>3,775</u> |
| CDS charges | <u>98</u> | <u>107</u> |

Directors and executives

| | | |
|---|--------------|---------------|
| Bonus units issued: Nil units (2009: 109,439 units) | <u>-</u> | <u>5,477</u> |
| Units issued: 56,523 units (2009: 72,437 units) | <u>2,518</u> | <u>3,340</u> |
| Redemptions: 95,682 units (2009: 567,179 units) | <u>4,321</u> | <u>20,862</u> |

8 DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on April 27, 2010 by the board of directors of the management company.

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

Chief Executive

Director