



Pure. Profit.



Quarterly Report March 31, 2011



MEEZAN
Islamic Fund

MIF
MEEZAN
Islamic Income Fund

MEEZAN
SOVEREIGN FUND

MEEZAN
CASH FUND

Al Meezan Investment Management Limited
A subsidiary of Meezan Bank



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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) 3563 0722-6, 111-MEEZAN
Fax: (9221) 3567 6143, 3563 0808
Web site: www.almeezangroup.com
E-mail: info@almeezangroup.com

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Mr. Ariful Islam	Chairman
Mr. Aliuddin Ansari	Director
Mr. Rana Ahmed Humayun	Director
Mr. P. Ahmed	Director
Mr. Rizwan Ata	Director
Mr. Mazhar Sharif	Director
Mr. Mohammad Shoaib, CFA	Chief Executive

CFO & COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Syed Owais Wasti

AUDIT COMMITTEE

Mr. Ariful Islam	Chairman
Mr. 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-74400.

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)
Allied Bank Limited - Islamic Banking
Askari Bank Limited - Islamic Banking
Bank Alfalah Limited - Islamic Banking
Bank Al Habib Limited - Islamic Banking
Bank Islami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Habib Bank Limited - Islamic Banking
Habib Metropolitan Bank Limited - Islamic Banking
MCB Bank Limited - Islamic Banking
Meezan Bank Limited
Faysal Bank Limited
Soneri Bank Limited - Islamic Banking
Standard Chartered Bank (Pakistan) Limited - Islamic Banking
UBL Ameen Islamic Banking

LEGAL ADVISER

Bawaney & Partners
404, 4th Floor, Beaumont Plaza, 6-CL-10
Beaumont Road, Civil Lines
Karachi - 75530

TRANSFER AGENT

Meezan Bank Limited
SITE Branch
Plot # B/9-C, Estate Avenue,
SITE, Karachi.
Phone: (9221) 3206 2891
Fax: (9221) 3255 2771
Web site: www.meezanbank.com

DISTRIBUTORS

Al Meezan Investment Management Limited
Meezan Bank Limited



REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of Al Meezan Investment Management Limited, the management company of Meezan Islamic Income Fund (MIIF) is pleased to present the un-audited financial statements of the Fund for the nine months ended March 31, 2011.

Brief Overview

During the first nine months of fiscal year 2011, Meezan Islamic Income Fund (MIIF) provided an annualized return of 10.64% to its investors as compared to benchmark return of 5.88%. MIIF is benchmarked against average return on deposits with three Islamic banks, namely Meezan Bank, Bank Islami and Dubai Islamic Bank.

Economic Review

The economic performance of the country improved significantly after the devastating floods in the first quarter of the fiscal year as most of the macro economic targets which were expected to slump in the aftermath of the floods showed signs of recovery. The revised GDP target for FY11 now stands at ~2.5-3% as compared to the initial target of 1.5%-2%. Inflation pressure eased off with CPI touching a low of 12.91% in February 2011 after recent respite in food inflation. Moreover, the government's commitment to reduce borrowing from SBP did materialize to some extent, where during the eight months total amount borrowed stood at Rs 76 billion and Rs 204 billion from SBP and commercial banks respectively. On account of these favourable developments, the SBP decided to keep the discount rate unchanged at 14% in the last two monetary policy statements against a total increase of 1.5% in the previous three monetary policy statements.

On the external front, the country's current account position showed a healthy picture with an overall deficit of USD 98 million in the eight months as compared to a massive deficit of USD 3 billion in the same period last year. The overall figure was bolstered by remittances (↑20.3% YoY) and exports which crossed USD 2 billion each for four consecutive months. These positive developments helped the country's FX reserves to hit an all time high of USD 17.9 billion as the currency showed a steady trend during the period under review.

On the fiscal side, the government's revenue collection crossed the Rs 1 trillion mark for the nine months of the fiscal year. To ensure the collection of the revised target of Rs 1,588 billion, some new tax measures were introduced for the remaining months of fiscal year including 15% flood surcharge, increase in special excise duty (SED) from 1% to 2.5% and withdrawal of zero rating facility to some key sectors including fertilizers. During the period under review, a single round of talks was held between government of Pakistan (GoP) and International Monetary Fund (IMF), where the parties principally agreed to enhance the fiscal deficit target to 5.3% of GDP for FY11.

Despite the government's effort to increase the tax base, implement RGST from the next fiscal year and limit the fiscal deficit, the talks with IMF regarding the release of last two tranches remained inconclusive with the next meeting likely in May 2011.

Money Market Review

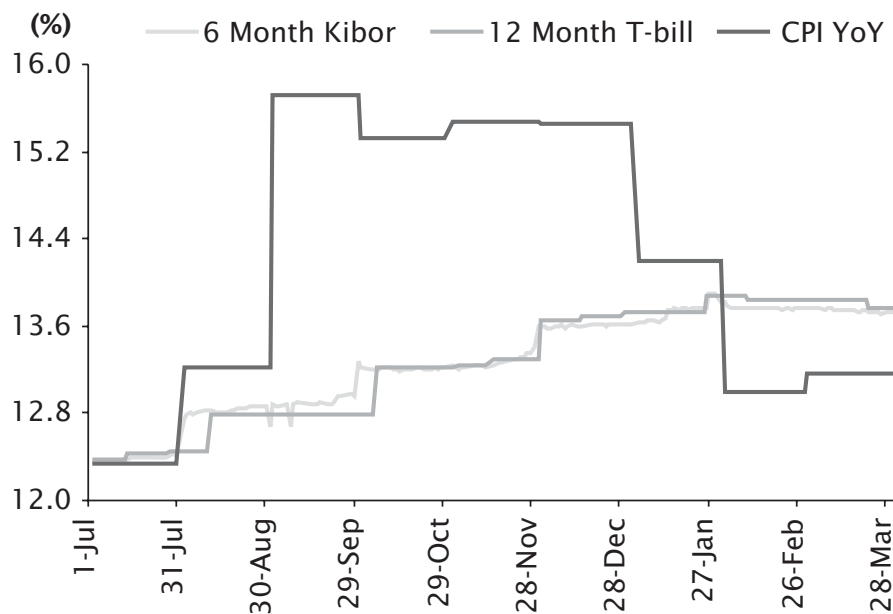
During the first nine months of fiscal year 2011, the money market remained highly volatile and to normalize the liquidity situation, State Bank of Pakistan (SBP) regularly conducted Open market operations. With the resurgence of inflation, SBP changed its monetary policy stance after 20 months and increased the policy rate by 50 bps to 13% in its bimonthly monetary policy statement at the end of July 2010.

Further hike in inflation occurred as the country was hit by one of the worst floods in its history. Thus to curb the inflationary pressures, SBP went for further monetary tightening increasing the policy rate to 14%, with consecutive 50 bps hikes in September and November. Subsequently, Inflation pressure eased off with CPI touching a low of 12.91% in February 2011 after decent respite in food inflation. Moreover, the government's commitment to reduce the borrowing from the SBP did materialize to some extent. On account of these positive developments, the SBP decided to keep the discount rate unchanged at 14% in the last two monetary policy statements.

As a result, KIBOR rates also increased, with six month rate increasing by 86 bps to close the nine months at 13.73%. During this period, SBP conducted 15 T-Bill auctions in which it accepted Rs. 1,875 billion against a target of Rs. 1,815 billion with a maturity of Rs. 1,749 billion. The cut off rate of six month T-Bill also increased by 98 bps to close the period at 13.64%.

Apart from borrowing from SBP, government also tapped other avenues to meet government expenditure. During the period, SBP conducted three auctions of Ijarah Sukuks worth Rs. 137 billion at coupon rate of six month T-Bill.

The following graph shows the trend in interest rate during the period:



Performance Review

The Fund earned a total income of Rs. 261 million for the nine months ended March 31, 2011. For the period under consideration, profit on sukuk certificates and deposit with saving accounts placed with various Islamic Banks was Rs. 234 million and Rs. 79 million respectively. After accounting for unrealized loss on investments in sukuk certificates of Rs. 41 million and a provisioning of Rs. 32 million on sukuks of Arzoo Textile Mills Limited and other expenses of the Fund, the net income for the period was Rs. 222 million.

The net assets of the Fund were at Rs. 2,743 million as at March 31, 2011. The net asset value (NAV) of the Fund at the period end was Rs. 50.26 per unit, providing a total annualized return of 10.64%. During the period, fresh units worth Rs. 1,036 million were issued while units amounting to Rs. 1,790 million were redeemed, resulting in net outflow of Rs. 754 million.



Payouts

Details of Interim payouts paid during the fiscal year 2010-11 are as under:

Quarter Ended	Rs. per unit	%
September 30, 2010	1.50	3.00
December 31, 2010	1.00	2.00
March 31, 2011	1.75	3.50

Outlook

Going forward, the key challenge for the government under the current political environment would be to implement the reforms demanded by IMF. In line with the government's commitment to keep SBP borrowing within limits, and as inflation has tapered off from its peak, we are of the view that the government will continue its 'wait and watch' policy before increasing the discount rate in the last quarter of the fiscal year. This bodes well on portfolio return of MIIF.

Acknowledgement

We take this opportunity to thank our valued investors for reposing faith in Al Meezan Investments and making it the largest asset management company in the private sector 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 21, 2011
Karachi.

Mohammad Shoaib, CFA
Chief Executive

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2011

		(Unaudited) March 31, 2011	(Audited) June 30, 2010
	Note	(Rupees in '000)	
Assets			
Balances with banks		482,757	1,132,702
Investments	5	2,221,210	2,204,674
Deposits, prepayments and other receivables (net)		94,954	92,576
Preliminary expenses and floatation costs		125	500
Total assets		2,799,046	3,430,452
Liabilities			
Payable to Al Meezan Investment Management Limited (Al Meezan) - management company of the Fund		4,131	5,561
Payable to Central Depository Company of Pakistan Limited (CDC) - trustee of the Fund		274	359
Payable to Securities and Exchange Commission of Pakistan (SECP)		1,748	3,439
Payable to Meezan Bank Limited (MBL)		-	46
Payable on redemption of units		1,424	9,709
Dividend payable		45,707	-
Accrued expenses and other liabilities		2,519	17,304
Total liabilities		55,803	36,418
Net assets		2,743,243	3,394,034
Contingencies	6		
Unitholders' funds (as per statement attached)		2,743,243	3,394,034
		Number of units	
Number of units in issue		54,576,590	65,432,399
		Rupees	
Net asset value per unit		50.26	51.87

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, 2011 (UNAUDITED)

	Nine months period ended March 31,		Quarter ended March 31,	
	2011	2010	2011	2010
	(Rupees in '000)			
Income				
Profit on savings accounts with banks	79,467	109,696	18,127	11,363
Profit on placements	-	60,280	-	17,021
Profit on sukuk certificates	234,200	230,949	81,633	90,403
Profit on diminishing musharaka certificates	-	20,328	-	6,539
Realised gain on sale of sukuk certificates	13,565	5,779	5,147	1,422
	<u>327,232</u>	<u>427,032</u>	<u>104,907</u>	<u>126,748</u>
Unrealised loss on re-measurement of investments at fair value through profit or loss (net)	(41,132)	(109,284)	(1,102)	(71,198)
Provision for accrued profit on investments	-	(6,110)	-	-
Reversal of provision against sukuk certificate	7,593	-	-	-
Provision against sukuk certificate	(32,200)	-	-	-
	<u>(65,739)</u>	<u>(115,394)</u>	<u>(1,102)</u>	<u>(71,198)</u>
Total income	<u>261,493</u>	<u>311,638</u>	<u>103,805</u>	<u>55,550</u>
Expenses				
Remuneration to Al Meezan - management company of the Fund	34,959	55,386	10,631	14,797
Remuneration to CDC - trustee of the Fund	2,938	4,440	812	1,230
Annual fee to SECP	1,748	2,769	531	740
Auditors' remuneration	446	427	105	100
Fees and subscription	183	166	57	55
Legal and professional charges	-	1,680	-	(1,320)
Amortisation of preliminary expenses and floatation costs	375	375	123	123
Brokerage	61	115	14	-
Bank and settlement charges	60	115	24	63
Printing expense	632	293	176	-
Reversal of provision for Workers' Welfare Fund (WWF)	(15,649)	-	-	-
Total expenses	<u>25,753</u>	<u>65,766</u>	<u>12,473</u>	<u>15,788</u>
Net income from operating activities	<u>235,740</u>	<u>245,872</u>	<u>91,332</u>	<u>39,762</u>
Element of loss and capital losses included in prices of units sold less those in units redeemed (net)	(14,214)	(23,212)	(4,982)	(2,755)
Net income for the period	<u>221,526</u>	<u>222,660</u>	<u>86,350</u>	<u>37,007</u>
Other comprehensive income for the period				
Unrealised (loss) / gain on available for sale investments	(1,455)	8,945	(1,455)	1,763
Element of income and capital gains included in prices of units sold less those in units redeemed pertaining to available for sale investment	-	497	-	486
Total comprehensive income for the period	<u>220,071</u>	<u>232,102</u>	<u>84,895</u>	<u>39,256</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)**

CONDENSED INTERIM DISTRIBUTION STATEMENT FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011 (UNAUDITED)

	Nine months period ended March 31,		Quarter ended March 31,	
	2011	2010	2011	2010
	(Rupees in '000)			
Undistributed income brought forward	122,521	189,474	23,519	69,616
Less: Final distribution for the year ended June 30, 2010				
- bonus units @ 2.5% (June 30, 2009: 3.5%)	(55,493)	(106,440)	-	-
- cash dividend @ 2.5% (June 30, 2009: 3.5%)	(26,298)	(57,816)	-	-
Less: Interim distribution for the quarter ended September 30, 2010				
- bonus units @ 3% (September 30, 2009: 2.5%)	(61,353)	(99,966)	-	-
- cash dividend @ 3% (September 30, 2009: 2.5%)	(31,558)	(41,300)	-	-
Less: Interim distribution for the quarter ended December 31, 2010				
- bonus units @ 2% (December 31, 2009: 1%)	(32,387)	(24,043)	-	(24,043)
- cash dividend @ 2% (December 31, 2009: 1%)	(27,089)	(16,477)	-	(16,477)
Less: Interim distribution for the quarter ended March 31, 2011				
- bonus units @ 3.5% (February 28, 2010: 0.27%)	(48,187)	(6,186)	(48,187)	(6,186)
- cash dividend @ 3.5% (February 28, 2010: 0.27%)	(45,707)	(4,449)	(45,707)	(4,449)
Net income for the period	221,526	222,660	86,350	37,007
Element of income and capital gains included in prices of units sold less those in units redeemed (net)	-	497	-	486
Undistributed income carried forward	15,975	55,954	15,975	55,954

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' FUNDS FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011 (UNAUDITED)

	Nine months period ended March 31,		Quarter ended March 31,	
	2011	2010	2011	2010
	(Rupees in '000)			
Net assets at the beginning of the period	3,394,034	4,872,608	3,022,577	4,118,942
Issue of 20,099,736 units (2010: 64,494,606 units) and 4,767,603 units (2010: 8,182,061 units) for the six months and quarter respectively	1,036,434	3,271,908	244,587	411,825
Redemption of 34,861,497 units (2010: 89,415,370 units) and 11,134,214 units (2010: 16,171,634 units) for the six months and quarter respectively	(1,790,858) (754,424)	(4,541,698) (1,269,790)	(568,091) (323,504)	(813,773) (401,948)
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units redeemed				
- transferred to income statement	14,214	23,212	4,982	2,755
- transferred directly to distribution statement	-	(497)	-	(486)
	14,214	22,715	4,982	2,269
Total comprehensive income for the period less distribution	(108,001)	(124,575)	(8,999)	(11,899)
Issue of 1,096,257 bonus units (2009: 2,122,018 bonus units) for the year ended June 30, 2010	55,493	106,440	-	-
Issue of 1,206,545 bonus units (2009: 1,989,361 bonus units) for the quarter ended September 30, 2010	61,353	99,966	-	-
Issue of 643,248 bonus units (2009: 477,705 bonus units) for the quarter ended December 31, 2010	32,387	24,043	-	24,043
Issue of 959,902 bonus units (2010: 122,886 bonus units) for the period ended March 31, 2011	48,187	6,186	48,187	6,186
Net assets at the end of the period	<u>2,743,243</u>	<u>3,737,593</u>	<u>2,743,243</u>	<u>3,737,593</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, 2011 (UNAUDITED)

	Nine months period ended March 31,		Quarter ended March 31,	
	2011	2010	2011	2010
	(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	221,526	222,660	86,350	37,007
Adjustments for non-cash items				
Profit on savings accounts with banks	(79,467)	(109,696)	(18,127)	(11,363)
Profit on placements	-	(60,280)	-	(17,021)
Profit on sukuk certificates	(234,200)	(230,949)	(81,633)	(90,403)
Profit on diminishing musharaka certificates	-	(20,328)	-	(6,539)
Reversal of provision for WWF	(15,649)	-	-	-
Unrealised loss on re-measurement of investments at fair value through profit or loss (net)	41,132	109,284	1,102	71,198
Provision for accrued profit on sukuk certificate	-	6,110	-	-
Amortisation of preliminary expenses and floatation costs	375	375	123	123
Provision against sukuk certificate	32,200	-	-	-
Reversal of provision against sukuk certificate	(7,593)	-	-	-
Element of loss and capital losses included in prices of units sold less those in units redeemed	14,214	23,212	4,982	2,755
	(248,988)	(282,272)	(93,553)	(51,250)
Decrease / (increase) in assets				
Placements	-	100,000	-	100,000
Investments	(83,730)	(824,931)	(2,760)	26,008
Deposits and prepayments	(7)	(7)	8	8
	(83,737)	(724,938)	(2,752)	126,016
Increase / (decrease) in liabilities				
Payable to Al Meezan - management company of the Fund	(1,430)	(109)	(794)	(1,103)
Payable to CDC - trustee of the Fund	(85)	(104)	(72)	(77)
Payable to SECP	(1,691)	(1,482)	532	748
Payable to MBL	(46)	(587)	(76)	(27)
Payable on redemption of units	(8,285)	(48,314)	(8,802)	(32,712)
Accrued expenses and other liabilities	864	331	475	(1,364)
	(10,673)	(50,265)	(8,737)	(34,535)
Profit received on savings accounts with banks	90,357	155,332	38,597	59,049
Profit received on placements	-	83,838	-	22,904
Profit received on diminishing musharaka	-	13,963	-	-
Profit received on sukuk certificates	220,939	255,939	79,663	133,308
Net cash inflow / (outflow) from operating activities	189,424	(325,743)	99,568	292,498
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	1,036,434	3,271,908	244,587	411,825
Payments against redemption of units	(1,790,858)	(4,541,698)	(568,091)	(813,772)
Dividend paid	(84,945)	(120,042)	(27,089)	(20,926)
Net cash outflow from financing activities	(839,369)	(1,389,832)	(350,593)	(422,873)
Net cash outflow during the period	(649,945)	(1,715,575)	(251,025)	(130,375)
Cash and cash equivalents at the beginning of the period	1,132,702	2,536,980	733,782	951,780
Cash and cash equivalents at the end of the period	482,757	821,405	482,757	821,405

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

MIF
MEEZAN
Islamic Income Fund



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011 (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 as the management company and CDC as the trustee. The trust deed was executed on September 13, 2006 and was approved by the SECP under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). 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 unit holders 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. 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 management company of the Fund has been given quality rating of AM2 by JCR - VIS. The Fund has been given a stability rating of A(f) by JCR - VIS.
- 1.4 Title to the assets of the Fund are on the name of CDC as the trustee of the Fund.

2. BASIS OF MEASUREMENT

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

3. STATEMENT OF COMPLIANCE

These condensed interim financial report has been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the Trust Deed, the NBFC Rules, the NBFC Regulations and the directives issued by the SECP.

Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the said directives differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the said directives take precedence. The disclosures made in this condensed interim financial report have, however, been limited based on the requirements of the IAS 34: 'Interim Financial Reporting'.

4. SUMMARY OF 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, 2010.

5. INVESTMENTS

	Note	March 31, 2011 (Rupees in '000)	June 30, 2010
Investments at fair value through profit or loss	5.1	2,146,210	2,128,219
Investments - available for sale	5.2	75,000	76,455
		<u>2,221,210</u>	<u>2,204,674</u>
5.1 Investments at fair value through profit or loss			
- Held for trading	5.1.1	1,045,803	722,527
- Investments at fair value through profit or loss upon initial recognition	5.1.2	1,100,407	1,405,692
		<u>2,146,210</u>	<u>2,128,219</u>

5.1.1 Held for trading

5.1.1.1 Sukuk certificates

Name of the investee company	Maturity date	Profit rate	As at July 1, 2010	Purchases during the period	Sales / redemptions during the period	As at March 31, 2011	Carrying value as at March 31, 2011	Market value as at March 31, 2011	Unrealised gain / (loss) as at March 31, 2011	Percentage in relation to		
										Number of Certificates	(Rupees in '000)	Net assets of the Fund on the basis of market value (see note 5.3 below)
Century Paper & Board Mills Limited (note 5.1.1.3)	September 25, 2014	6 months Kibor plus base rate of 1.35%	4,320	9,000	7,335	5,985	28,303	28,803	500	1.05	N/A	1.30
GoP Ijarah Sukuk Certificates - III (note 5.1.1.2)	March 11, 2012	13.65%	2,000	-	-	2,000	203,880	200,000	(3,880)	7.29	N/A	9.01
GoP Ijarah Sukuk Certificates - IV (note 5.1.1.2)	September 17, 2012	13.60%	4,870	-	3,500	1,370	140,082	137,000	(3,082)	4.99	N/A	6.17
GoP Ijarah Sukuk Certificates - V (note 5.1.1.2)	November 15, 2013	13.11%	-	5,500	200	5,300	530,000	530,000	-	19.32	N/A	23.87
GoP Ijarah Sukuk Certificates - VII (note 5.1.1.2)	March 7, 2013	13.68%	-	2,000	500	1,500	150,000	150,000	-	5.47	N/A	6.76
							<u>1,052,265</u>	<u>1,045,803</u>	<u>(6,462)</u>			
Total cost of investments								<u>1,045,355</u>				

5.1.1.2 The nominal value of the sukuk certificates of GoP Ijarah III, IV, V & VII is Rs 100,000 each.

5.1.1.3 The nominal value of these sukuk certificates is Rs 5,000 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, 2010	Purchases during the period	Sales / redemptions during the period	As at March 31, 2011	Carrying value as at March 31, 2011	Provision / (reversal of provision) for the period	Market value as at March 31, 2011	Unrealised gain / (loss) as at March 31, 2011	Percentage in relation to		
											Number of Certificates	(Rupees in '000)	
Arzoo Textile Mills Limited (note 5.1.1.3)	April 15, 2014	6 months Kibor plus base rate of 2%	14,000	-	-	14,000	32,200	32,200	-	-	-	10.20	-
Century Paper & Board Mills Limited (note 5.1.1.3)	September 25, 2014	6 months Kibor plus base rate of 1.35%	17,046	-	3,875	13,171	63,075	-	63,383	308	2.31	9.32	2.86
Eden Builders Limited (note 5.1.1.3)	March 8, 2014	3 months Kibor plus base rate of 2.3%	9,000	-	1,800	7,200	34,429	-	30,998	(3,431)	1.13	3.13	1.40
Eden Housing Limited (note 5.1.2.2)	September 29, 2014	3 months Kibor plus base rate of 2.5%	59,400	-	-	59,400	162,885	-	150,863	(12,022)	5.50	12.41	6.80
Engro Fertilizers Limited (note 5.1.1.3)	September 1, 2015	6 months Kibor plus base rate of 1.5%	60,500	-	20,000	40,500	198,450	-	202,500	4,050	7.38	6.18	9.12
Karachi Shipyard & Engineering Works (note 5.1.1.3)	November 2, 2015	6 months Kibor plus base rate of 0.4%	12,000	-	-	12,000	58,160	-	59,780	1,620	2.18	N/A	2.70
Karachi Shipyard & Engineering Works II (note 5.1.1.3)	February 4, 2016	---- do ----	53,400	-	-	53,400	258,335	-	264,548	6,213	9.64	N/A	11.92
Maple Leaf Cement Factory Limited (note 5.1.1.3)	December 3, 2018	3 months Kibor plus base rate of 1%	63,973	-	41	63,932	223,762	(7,593)	200,473	(30,882)	7.31	6.08	9.03
Maple Leaf Cement Factory Limited II (note 5.1.1.3)	March 30, 2014	3 months Kibor plus base rate of 1%	-	2,400	-	2,400	8,400	-	8,449	49	0.31	0.23	0.39
Security Leasing Corporation Limited II (note 5.1.1.3)	March 19, 2014	3% on cash basis and 3% on accrual basis	7,031	-	1,406	5,625	21,094	-	19,810	(1,284)	0.72	7.75	0.90
Shahmurad Sugar Mills Limited	September 30, 2012	6 months Kibor plus base rate of 2.25%	61	-	61	-	-	-	-	-	-	-	-
Sitara Chemical Industries Limited II (note 5.1.1.3)	December 17, 2011	3 months Kibor plus base rate of 1.7%	4,140	-	2,070	2,070	10,312	-	10,338	26	0.38	4.83	0.47
Sitara Chemical Industries Limited III (note 5.1.1.3)	December 31, 2012	3 months Kibor plus base rate of 1%	24,750	-	6,750	18,000	88,582	-	89,265	683	3.25	42.00	4.02
Grand Total							1,159,684	24,607	1,100,407	(34,670)			
Total cost of investments													1,317,192

5.1.2.2 The nominal value of the sukuk certificates of Eden Housing Limited is Rs 3,656 each.

5.2 Investments - available for sale

Name of the issuer	Maturity date	Profit rate	As at July 1, 2010	Purchases during the period	Sales / redemptions during the period	As at March 31, 2011	Carrying value as at March 31, 2011	Market value as at March 31, 2011	Unrealised gain / (loss) as at March 31, 2011	Percentage in relation to			
										Number of Certificates	(Rupees in '000)	Net assets of the Fund on the basis of market value (see note 5.3 below)	Paid-up capital of investee company (with face value of investment)
GoP Ijarah Sukuk Certificates - III (note 5.1.1.2)	March 11, 2012	13.65%	750	-	-	750	76,563	75,000	(1,563)	2.73	N/A	3.38	
							<u>76,563</u>	<u>75,000</u>	<u>(1,563)</u>				
Total cost of investments								<u>76,563</u>					

5.3 Net assets are as defined in regulation 66 of NBFC Regulations.

5.4 Following investments of the Fund are in the sukuk which are below 'investment grade' securities:

Name of the investee company	Type of investments	Value of investment before provision	Provision held as at March 31, 2011	Value of investment after provision	Percentage of net assets	Percentage of total assets
		Rs '000			%	
Arzoo Textile Mills Limited	Non-traded sukuk certificates	52,500	52,500	-	-	-
Eden Housing Limited	Non-traded sukuk certificates	162,885	-	162,885	5.94	5.82
Maple Leaf Cement Factory Limited	Non-traded sukuk certificates	223,762	-	223,762	8.16	7.99
Maple Leaf Cement Factory Limited II	Non-traded sukuk certificates	8,400	-	8,400	0.31	0.30
Security Leasing Corporation Limited II	Non-traded sukuk certificates	21,094	-	21,094	0.77	0.75
		<u>468,641</u>	<u>52,500</u>	<u>416,141</u>		

5.5 As at March 31, 2011 the Funds investment in non-traded sukuk certificates represent 37.80% of the net assets of the Fund.

6 CONTINGENCIES

6.1 As explained in note 18 to the financial statements of the Fund for the year ended June 30, 2010, WAPDA First Sukuk Company Limited (WFSCCL) had claimed a profit installment of Rs. 13.6 million, received by MIF on WAPDA sukuk certificates. The Fund based on the advice of its legal consultant is confident that the Fund will not be liable to return the amount of profit received by it, as the Fund is a legitimate and bonafide owner of those sukuk from the date it acquired them till such time those sukuk were sold in the normal course of business and accordingly it is not liable to return the aforementioned amount of rental (Rs 13.6 million) received by it.



- 6.2 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. No such notice was received by the Fund.

On December 14, 2010, the Ministry has filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the Court.

However, the Management Company believes that the aforementioned constitutional petition pending in the Court has strong grounds for decision in favour of the mutual funds. Accordingly, the management has reversed the liability recognised as at June 30, 2010 amounting to Rs 15.649 million, during the current period. The aggregate unrecognised amount of WWF as at March 31, 2011 amounted to Rs 19.685 million.

There were no other contingencies and commitments outstanding as at March 31, 2011 and June 30, 2010.

7. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

	(Unaudited) March 31, 2011	(Audited) June 30, 2010
	(Rupees in '000)	
Al Meezan - management company of the Fund		
Remuneration payable	<u>3,561</u>	<u>4,148</u>
Sales load payable	<u>69</u>	<u>412</u>
Preliminary expenses and floatation costs payable	<u>500</u>	<u>1,000</u>
Certificate charges payable	<u>1</u>	<u>1</u>
Investments as at March 31, 2011: 5,344,785 units (June 30, 2010: 4,739,846 units)	<u>268,629</u>	<u>245,856</u>
MBL		
Sales load payable	<u>-</u>	<u>46</u>
Balances with bank	<u>2,451</u>	<u>13,248</u>
Profit receivable on savings account	<u>182</u>	<u>176</u>
Investments as at March 31, 2011: 17,642,001 units (June 30, 2010: 17,642,001 units)	<u>886,687</u>	<u>915,091</u>
CDC - trustee of the Fund		
Trustee fee payable	<u>274</u>	<u>359</u>
Deposits	<u>2,600</u>	<u>2,600</u>
Directors and executives		
Investments as at March 31, 2011: 631,774 units (June 30, 2010: 611,003 units)	<u>31,753</u>	<u>31,693</u>



**Nine months period ended
March 31,**

2011 2010

(Rupees in '000)

Al-Meezan - management company of the Fund

Remuneration for the period	34,959	55,386
Units issued: 4,668,353 units (March 31, 2010: 726,225 units)	240,000	37,000
Redemptions: 4,560,769 units (March 31, 2010: 18,756 units)	234,003	950
Bonus units issued: 497,354 units (March 31, 2010: 154,046 units)	726	6,493

MBL

Profit on savings accounts	338	830
Cash dividend paid	97,031	73,566

CDC - trustee of the Fund

Remuneration for the period	2,938	4,440
CDS Charges for the period	5	65

Directors and officers of the management company

Units issued: 7,919 units (2009: 157,730 units)	400	10,486
Redemptions: 53,775 units (2009: 756,574 units)	2,759	41,590
Bonus units issued: 66,626 units (2009: 57,580 units)	2,333	3,271

8. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on April 21, 2011 by the board of directors of the management company.

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

Chief Executive

Director



Pure. Profit.

Registered Office

Al Meezan Investment Management Limited

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