

MELEWAR ISLAMIC INVESTMENT COMPANY LTD

Income Statement for the year ended 30 June 2010

| | 30-Jun-10 <u>USD</u> | 30-Jun-09 <u>USD</u> |
|--------------------------------|-------------------------|-------------------------|
| <u>Net Income:</u> | | |
| Annual Fee Income | 9,521,534 | 8,400,496 |
| Performance Fee Income | 7,827,449 | 5,134,645 |
| Interest Income | 2,621,278 | 2,456,525 |
| Other Income | 4,561 | 14,543 |
| Total Operating Income | <u>19,974,823</u> | <u>16,006,209</u> |
| Less: Total Operating expenses | 10,881,705 | 4,699,122 |
| <u>Net profit before tax</u> | <u>9,093,118</u> | <u>11,307,087</u> |
| Less: Income tax expense | 3,267,890 | 834,567 |
| <u>Net profit after tax</u> | <u>5,825,228</u> | <u>10,472,520</u> |

Brief commentary on the financial results of MIIC for the year ended 30 June 2010

- 1 Registered a sharp drop in net profit of 44% or USD4.6 million for the year , a decrease of USD4.9 million, primarily due to the higher operating expenses which has doubled.
- 2 Operating income was up by a modest USD 3.9 million or 24%, mainly contributed by increase in fee income, coming from the back of higher annual fees and performance fees
- 3 Operating expenses have doubled during the year as MIIC continued to receive new inflows of capital totalling USD 153 million which represent a 55% jump, year on year on funds managed.
Given the turbulent markets and with increasing fund size, expenses for fund management have also ballooned.

Market Outlook

After a strong second half of 2009, investors sentiments turned slightly bearish and the markets displayed a lacklustre first half of 2010. Given the not so positive outlook, certain sectors still remain positive such as the energy and commodities sectors.

In our last year annual report, we were optimistic on the energy and commodities sectors and Syariah compliant funds. The markets shifted significantly positive towards these few sectors and our MIIC investors enjoyed the strong growth and yields on these sectors. During the year, saw the launch of the MIIC Global Opportunity Fund which aims to seek investment opportunities in the high growth areas of the global economy. Within the first 4 months of launch , close to USD 40 million was taken up.

The MIIC Dana Adib Energy Fund and MIIC Islamic Equity Fund continued to enjoyed strong confidence from our investors as new monies of almost USD 100 million was invested into these funds. The two funds also registered a Total Return of between 25% to 31% despite the overall challenging market conditions.

For the coming year, the Asian economies are expected to be driven by strong private domestic demand, fiscal stimulus and appropriate monetary policies to sustain growth. In the short term, regional markets will remain volatile and will be driven by how the USA and European markets fared.