



ANNUAL
R e p o r t

For the Period from November 30, 2011 to June 30, 2012

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VISION

“Creating investment solutions
within everyone’s reach”



MISSION & CORE VALUES

MISSION & CORE VALUES

- To create a conducive working environment, to attract the best talent in the Asset Management Sector. ABL AMC strives to be the 'employer of choice' for young and experienced talent.
- To set the highest industry standards in terms of product ranges and innovations, in order to offer products for clients of all demographics.
- To adhere to the highest industry standard for integrity and quality across all the spheres of the company.
- To use technology and financial structuring to serve as a "cutting-edge" compared to the competition.
- To enhance Stakeholders Value.

FUND'S INFORMATION

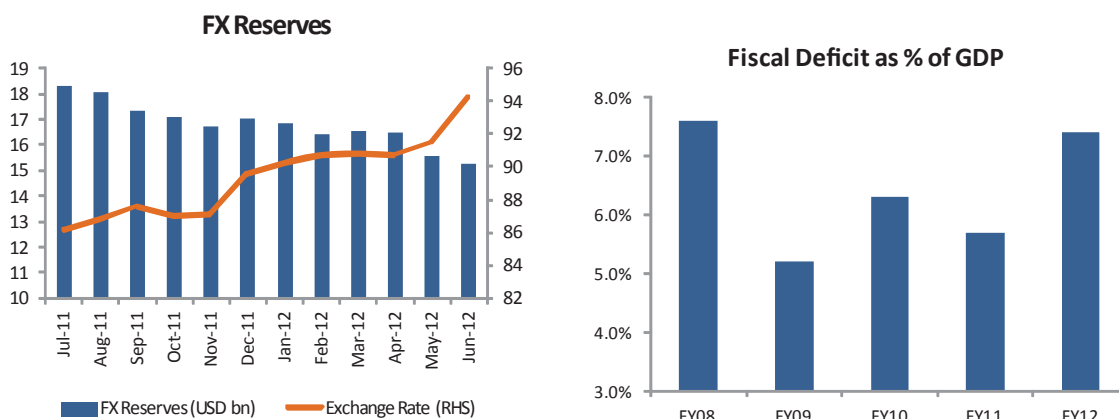
Management Company:	ABL Asset Management Company Limited 11 - B, Lalazar M. T. Khan Road, Karachi.	
Board of Directors	Sheikh Mukhtar Ahmed Mr. Khalid A. Sherwani Mr. Muhammad Waseem Mukhtar Mr. Kamran Nishat Mr. M. Shakeb Murad Mr. M. Jawaid Iqbal Mr. Zia Ijaz Mr. Farid Ahmed Khan	Chairman CEO
Audit Committee:	Mr. Kamran Nishat Mr. Muhammad Waseem Mukhtar Mr. Zia Ijaz	Chairman Member Member
Human Resource Committee:	Mr. Jawaid Iqbal Mr. Kamran Nishat Mr. Farid Ahmed Khan	Chairman Member Member
Chief Executive Officer of The Management Company:	Mr. Farid Ahmed Khan	
Chief Financial Officer & Company Secretary:	Mr. Saqib Matin	
Chief Internal Auditor:	Mr. Mubeen Ashraf Bhimani (w.e.f. July 16, 2012)	
Trustee:	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shakra-e-Faisal, Karachi - 74400	
Bankers to the Fund:	Allied Bank Limited Bank Al- Falah Limited Faysal Bank Limited Standard Chartered Bank Pakistan Limited	
Distributor:	Allied Bank Limited Metro Securities Al Habib Capital Markets FundShop - Investment Solutions	
Auditor:	A.F. Ferguson & Co Chartered Accountants State Life Building No. 1-C I.I. Chundrigar Road, Karachi.	
Legal Advisor:	Bawany & Partners Room No. 404, 4th Floor Beaumont Plaza, 6 - C1 - 10, Beaumont Road, Civil Lines, Karachi.	
Registrar:	ABL Asset Management Company Limited. 11 - B, Lalazar, M. T. Khan Road, Karachi.	

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of ABL Asset Management Company Limited, the management company of ABL Government Securities Fund (ABL-GSF), is pleased to present the Audited Financial Statements of ABL Government Securities Fund for the year ended June 30, 2012.

ECONOMIC PERFORMANCE REVIEW

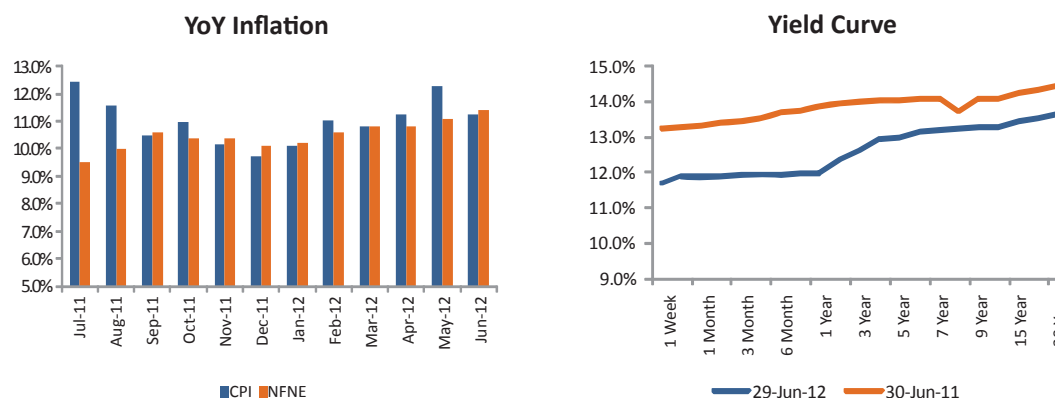
Pakistan's economic landscape remained frail throughout FY12 as deterioration in diplomatic ties with the west, high international oil prices and acute energy shortages severely dampened economic indicators. As a result, economic growth clocked in at a mediocre 3.7% - an improvement over FY11 - but still below the target of 4.2%. Agriculture sector showed some recovery by registering a growth of 3.1% but the services sector underperformed and posted growth of just 4.0% (4.5% in FY11). With the Government deciding to pull out from the IMF program, major fiscal indiscipline was on display. Fiscal deficit was recorded at an alarming 7.4% triggered by heavy government spending, below target tax collection (PKR32bn shortfall), poor privatization proceeds and non-receipt of committed foreign aid.



On the external account front, there was further disappointment as the current account posted a deficit of US\$4.5bn in FY12 compared to a surplus of USD214mn in FY11. The high deficit was inflicted by movements in cotton (-43% YoY) and oil prices (+19% YoY), though the impact was somewhat mitigated by record remittances of USD13.2bn. Financial account witnessed a drop of 36% YoY to USD1.35bn in FY12 due to drying up of foreign aid and significant decline of 50% YoY in Foreign Direct Investment. Start of the IMF repayments exerted further downward pressure on FX reserves, which declined to USD 15.2bn compared to USD18.2bn at start of the fiscal year. The rupee consequently followed suit and depreciated by 9.9% to close the year at PKR94.52 (Source: SBP) vs. the dollar.

In an effort to spur economic growth, the central bank cut the key policy rate by 200bps to 12% in 1HFY12. However, ineffectiveness of the policy to drive growth, growing inflationary pressures and continuous fiscal indiscipline restricted the central bank's ability to create more room during FY12. Cumulative CPI for FY12 was recorded at 11.01% against initial target of 12%. Government borrowing swelled as the burgeoning fiscal deficit took its toll. Overall the Govt. borrowed PKR1,198bn for budgetary support during FY12 of which PKR505bn was from the central bank while the rest was from commercial banks. In wake of heavy Government borrowings and structural problems in the economy (gas and electricity shortage), private sector credit offtake remained subdued at PKR235bn for FY12.

Looking ahead to FY13, recent improvement in diplomatic ties with the west (resumption of NATO supplies) as well as steep fall in international oil prices (18% drop May- June 2012) augurs well for the balance of payments situation and exchange rate stability. However, given the optimistic budgetary targets set for FY13 and with 2013 general elections just around the corner, there remains a distinct possibility that heavy government borrowings will continue. Consequently, we anticipate interest rates to remain in double digits while growing political noise ahead of elections and lack of solutions to the current energy crisis is expected to keep GDP growth subdued.



MUTUAL FUND INDUSTRY REVIEW

The mutual fund industry depicted impressive growth of 52% in terms of asset size during FY12 with industry AUM's increasing to Rs. 381 billion compared to Rs. 250.5 billion at June 2011. Size of open end funds increased by Rs. 58.7% to Rs. 357.8 billion in June 2012 compared to Rs. 225 billion in the same period last year. Majority of the growth was derived from Fixed Income category as Money market and Income Funds registered growth of Rs. 73 billion (94.68%) and Rs. 46.5 billion (120.2%) respectively.

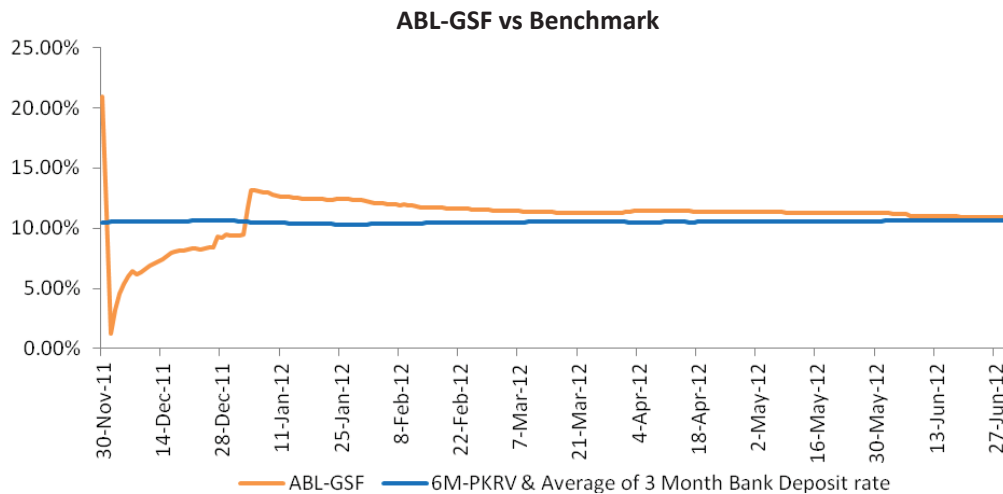
Government Securities Fund under the umbrella of Income Fund Category attracted significant funds due to inherent low risk profile (prime exposure in AAA rated government securities) and competitive returns.

FUND PERFORMANCE

During the period under review, AUM of ABL Government Securities Fund grew remarkably since its launch in November 30th, 2012, to close at PKR 34.838 billion. Within a short period of seven months, ABL GSF became the largest fund in Pakistan in any Fixed Income Category. Despite the uncertain and volatile interest rate environment, ABL GSF was able to post attractive & stable risk adjusted returns through active portfolio management and duration selection.

As per its mandate, ABL GSF invests primarily in a diversified blend of government securities including both short and long term treasury bills, Sukuks, term deposits and money market placements. During the year, ABL GSF was primarily invested in short & medium term instruments while adding value through capturing market opportunities for capital gains. ABL GSF Class B yielded a compounded annualize return of 10.92% for the period ended June 30 2012, placing it amongst one of the best performing funds in its category.

During the period under review, ABL GSF outperformed its benchmark by 40 bps. At the end of the period, investment in government securities stood at 87.12% (treasury bills 68.11% and GoP Ijarah Sukuk 19.01%) of total assets. Cash holding stood at 4.87% and term deposit receipts were at 7.53% as a % of total assets.



DIVIDEND

The Board of Directors of ABL Asset Management Company Limited (ABL AMCL), on June 25, 2012 approved the final dividend distribution of Re.0.0978 per unit (0.978% of the par value of Rs.10) for Class A units and Re.0.0865 per unit (0.865% of the par value of Rs.10) for Class B units, for the period ending June 30, 2012. This is in addition of Re.0.1862 per unit (1.86% of the par value of Rs.10) for Class A units and Re.0.1674 per unit (1.67% of the par value of Rs.10) for Class B units, for the quarter ended June 30, 2012, Re.0.2372 per unit (2.37% of the par value of Rs.10) for Class A units and Re.0.2846 per unit (2.85% of the par value of Rs.10) for Class B units, for the quarter ended March 31, 2012 and Re.0.0503 per unit (0.50% of the par value of Rs.10) for Class B units for the period ended December 31, 2011.

In the better interest of unit holders, especially Corporate(s) and Financial Institutions (FIs), ABL AMCL on behalf of ABL-GSF distributed all dividends before quarter closing so that dividend income could be booked by the Corporate(s) and FIs during their respective quarters.

Since the above distribution is more than 90% of the income for the period ended June 30, 2012, the income of ABL-GSF will not be subject to tax under the Clause 99 of the Part I of the Second Schedule of the Income Tax Ordinance, 2001.

CORPORATE GOVERNANCE

The Board of Directors states that:

1. Financial Statements present fairly the statement of affairs, the results of operations, cash flows and the changes in unit holder's fund;
2. Proper books of accounts have been maintained by the Fund.
3. Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgments;
4. Relevant International Accounting Standards, as applicable in Pakistan, provision of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the Trust Deed and directives issued by the Securities and Exchange Commission of Pakistan have been followed in the preparation of the financial statements;

5. The system of internal control is sound in design and has been effectively implemented and monitored;
6. There have been no significant doubts upon the Funds' ability to continue as going concern;
7. There has been no material departure from the best practices of corporate governance, as detailed in the listed regulations;
8. Performance table of the Fund is given on page # 12 of the Annual Report;
9. There is no any statutory payment on account of taxes, duties, levies and charges outstanding;
10. The statement as to the value of investments of Staff Provident Fund is not applicable in the case of the Fund as such expenses are borne by the Management Company;
11. There have been no trades in the units of the Fund's carried out by the Directors, CEO, CFO and the Company Secretary and their spouse excepts as disclosed below and in notes to the financial statements;

S. No.	Name	Designation	Units Issued	Units Redeemed	Bonus Units
1	Mr. Farid Ahmed Khan	Chief Executive Officer	29,984	-	1,800

12. Meeting of the Board of Directors of the Management Company are held at least once in every quarter. During the period under review five meetings were held. Attendance of directors in these meetings are given below and in notes to the financial statements;

S. No	Name of Directors	Number of meetings held	Attended	Leave granted	Meetings not attended
1	Sheikh Mukhtar Ahmed	05	01	04	22 nd , 23 rd , 24 th and 26 th
2	Mr. Muhammad Waseem Mukhtar	05	05	-	-
3	Mr. Khalid A. Sherwani	05	05	-	-
4	Mr. Kamran Nishat	05	05	-	-
5	Mr. M. Shakeb Murad	05	01	04	22 nd , 23 rd , 24 th and 25 th
6	Mr. M. Jawaid Iqbal	05	05	-	-
7	Mr. Muhammad Yaseen*	04	03	01	25 th
8	Mr. Zia Ijaz**	01	01	-	-

*Retired in the 4th Annual General Meeting (AGM) of ABL AMCL held on March 19, 2012

**Appointed as new Directors of the ABL AMCL in the 4th Annual General Meeting (AGM) held on March 19, 2012

13. The details as required by the Code of Corporate Governance regarding the pattern of holding in ABL Government Securities Fund, is given hereunder:

S. No.	Particulars	Units Held on June 30, 2012
1	Associated Companies, undertakings and related parties	
	• ABL Asset Management Company Limited	18,840,386
	• Allied Bank Limited	3,376,062,224
2	Mutual Funds	Nil
3	Directors and their spouse(s) and minor children	Nil
4	Executives	128,051.15
5	Public Sector Companies and corporations	12,616,793
6	Bank, DFIs, NBFCs, Insurance Companies, Takaful, Modaraba and Pension Fund	58,403,289
7	Shareholders holding five percent or more voting rights in the listed company	Not Applicable

AUDITORS

M/s. A.F. Fergusons & Co. (Chartered Accountants), on the recommendation of the Audit Committee of the Board of Directors being eligible for re-appointment have been appointed as auditors for the year ending June 30, 2013 for ABL Government Securities Fund (ABL-GSF).

FUND STABILITY RATING

JCR-VIS Credit Rating Company Ltd. (JCR-VIS) on January 09, 2012: has assigned Fund Stability Rating of 'A+ (f)' (Single A plus (f)) to ABL Government Securities Fund (ABL-GSF).

MANAGEMENT QUALITY RATING

On September 16, 2011: JCR-VIS Credit Rating Company Limited has upgraded the Management Quality Rating of ABL Asset Management Limited (ABL AMC) from 'AM3+' (AM Three Plus) to 'AM Two Minus' (AM2-). Outlook on the assigned rating is 'Stable'

OUTLOOK & STRATEGY

Steep decline in oil prices over the fag end of FY12 and expected release of foreign aid (following the resumption of NATO supplies) has renewed optimism about Pakistan's economic outlook. However, challenges related to controlling the fiscal deficit and reigniting economic growth still remain. As a result, task of monetary authorities will be no easier and their actions will largely depend on the external environment (oil prices and foreign aid flows).

Going forward, ABL-GSF will look to maintain high exposure in short to medium terms Government securities and will continue to focus on capturing market opportunities for capital gains on our holdings. Duration management will be used actively to exploit any changes in market sentiment. While we expect interest rates to remain in double digits, we feel that opportunities may arise to augment fund return by manipulating the duration of the portfolio.

ACKNOWLEDGEMENT

We thank our valued investors who have placed their confidence in us. The Board is also thankful to Securities & Exchange Commission of Pakistan, the Trustee (Central Depository Company of Pakistan Limited) and the management of Karachi Stock Exchange (Guarantee) Limited for their continued guidance and support. The Directors also appreciate the efforts put in by the management team.

For and on behalf of the Board



FARID AHMED KHAN
Chief Executive Officer

Karachi, August 10, 2012

FUND MANAGER'S REPORT

OBJECTIVE

The objective of ABL Government Securities Fund is to deliver optimal risk adjusted returns by investing mainly in mix of short to long term Government Securities and other debt instrument.

MARKET OVERVIEW

The fixed income category of mutual funds performed exceptionally well during the year, depicting 79.26% YoY growth. Investor interest in both money market and government security funds catapulted AUM growth in this category. The Income funds segment grew substantially at 120.28% over the period. Introduction of Government Security funds, which come under the ambit of income category, lured conservative investors due to their inherent advantages of low risk and high liquidity.

Economic uncertainties led by a high fiscal deficit adversely impacted the money market. Government borrowings to fund the budget deficit influenced money market yields despite continuous support by the SBP via Open Market Operations. Hence short term yields settled in closed to the policy rate due to liquidity crunch. During FY12, SBP conducted 72 OMO injections to support market liquidity where the maximum recorded amount was Rs.360bn. Nonetheless, the SBP discount window remained active as banks frequently used it to manage their day to day positions. However, meeting of targets via auctions became more strenuous towards year end as participations became thin. This development, coupled with aggravating fiscal deficit situation sucked the liquidity out of the system, resulting in yields touching new highs.

The central bank cut the policy rate by 200bps to 12% during 1HFY12; however, worsening security conditions and stressful relations with the West dragged economic recovery progress. Remittances offered some respite but were not sufficient to negate adverse movements of commodity prices impacting the current account. Adding to the woes were the IMF repayments which exerted further downward pressure on FX Reserves and consequently the rupee. Given the somber macro-economic picture, SBP refrained from any further policy rate cuts during FY12.

M2 growth for FY12 was recorded at 14.1% or Rs.946 billion, led predominantly by Rs.1.2 trillion rise in Net Domestic Assets (NDA) as Net Foreign Assets (NFA) contracted by Rs.254 billion during the year. Major contributors to the NDA included Rs.505 billion borrowing from SBP and Rs.693 billion from the commercial banks as the burden of deficit financing remained entirely on domestic sources.

FUND PERFORMANCE

As on June 30, 2012, net assets under management of ABL Government Securities Fund were Rs. 34.838 billion. ABL GSF Class B units yielded an annualized compounded return of 10.92%, while benchmark return was 10.50%, an outperformance of 40 bps. As of June 30, 2012, Government Securities accounted

for 87.12% of the fund (68.11% allocation in treasury bills and 19.01% in GoP Ijarah Sukuk), whereas TDRs and cash balance constituted 7.53% and 4.87% of the fund respectively.

FUTURE OUTLOOK AND STRATEGY

Steep decline in oil prices over the fag end of FY12 and expected release of foreign aid (following the resumption of NATO supplies) has renewed optimism about Pakistan's economic outlook. However, challenges relating to burgeoning fiscal deficit and anemic economic growth persist. As a result, task of monetary authorities will be no easier and their actions will largely depend on external factors like oil prices and aid flows.

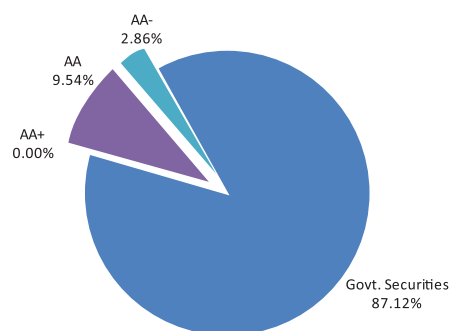
Going forward, ABL-GSF shall look to maintain high exposure in short to medium term Government securities and will continue to focus on capturing market opportunities for capital gains on our T-bills and Ijara Sukuks holdings through active portfolio management.

ABL Government Securities Fund	FY-2012
Class B Yield (Compounded Annually)	10.92%
Benchmark (6M-PKRV & Average of 3 Month Bank Deposit rate)	10.52%
Weighted Average time to maturities of net assets	226 days

ABL Government Securities Fund AUMs & Pricing	FY-2012
Assets Under Management as at June 30, 2011 (PKR million)	34,838
Class B Closing NAV per unit as June 30, 2012 (PKR) (Ex-Dividend)	10.0246
Class B Closing NAV per unit as June 30, 2012 (PKR) (Cum-Dividend)	10.6134

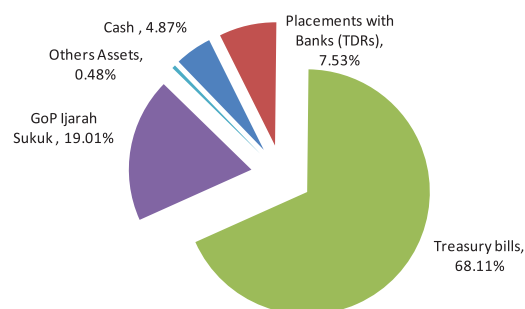
Distribution	Date	FY-2012
1st Dividend	31-December-2011	0.0503
2nd Dividend	31-March-2012	0.2846
3rd Dividend	17-May-2012	0.1674
4th Dividend	25-June-2012	0.0865

Asset Quality as a %age of Total Assets



Others assets account for 0.48% of Total Assets.

Asset Allocation as a %age of Total Assets



ABL GOVERNMENT SECURITIES FUND PERFORMANCE TABLE

June 2012 (Rupees in '000)		
Net Assets	34,838,356	
Net Income	1,828,837	
	Class A	Class B
	(Rupees per unit)	
Net Assets value	10.0275	10.0246
Interim distribution	0.4234	0.5023
Final distribution	0.0978	0.0865
Distribution date final	June 25,2012	June 25,2012
Closing offer price	10.0275	10.0246
Closing repurchase price	10.0275	10.0246
Highest offer price	10.2372	10.2846
Lowest offer price	10.0031	10.0010
Highest repurchase price per unit	10.2372	10.2846
Lowest repurchase price per unit	10.0031	10.001
	Percentage	
Total return of the fund		
- capital growth	2.25%	0.64%
- income distribution	10.69%	10.04%
Average return of the fund		
First Year	12.94%	10.68%
Weighted average Portfolio duration in days	227	227
* Interim distribution date		
	2012 Class A	2012 Class B
Date	---Rate---	---Rate---
December 26, 2011		Re 0.0503 Per Unit
March 26, 2012	Re 0.2372 Per Unit	Re 0.2846 Per Unit
May 21, 2012	Re 0.1862 Per Unit	Re 0.1674 Per Unit

Disclaimer

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-e-Faisal
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



ISO 27001 Certified

TRUSTEE REPORT TO THE UNIT HOLDERS

ABL GOVERNMENT SECURITIES FUND

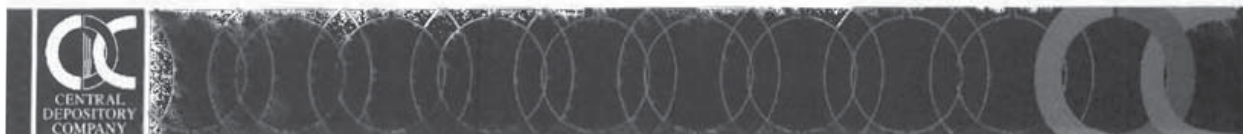
**Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of
the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We Central Depository Company of Pakistan Limited, being the Trustee of ABL Government Securities Fund (the Fund) are of the opinion that ABL Asset Management Company Limited being the Management Company of the Fund has in all material respects managed the Fund for the period from November 30, 2011 to June 30, 2012 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 26, 2012





A. F. FERGUSON & CO.

REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

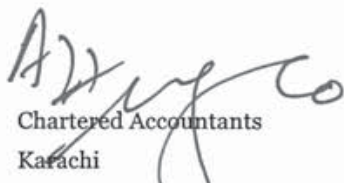
We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of ABL Asset Management Company Limited (the Management Company) for and on behalf of **ABL Government Securities Fund** to comply with the requirements of Chapter XI of the Listing Regulations of the Karachi Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Sub-regulation (x) of Listing Regulation No. 35 requires the Management Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length prices recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the period from November 30, 2011 to June 30, 2012.


Chartered Accountants
Karachi
Dated: August 10, 2012

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938; <www.pwc.com/pk>*

*Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Shahrah-e-Quaid-e-Azam, Lahore-54660; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924
Kabul: House No. 1916, Street No. 1, Behind Cinema Bariqot, Nahar-e-Darsan, Karte-4, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320*

STATEMENT OF COMPLIANCE BY GOVERNMENT SECURITIES FUND WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED JUNE 30, 2012

This statement is being presented to comply with the Code of Corporate Governance (“the Code”) contained in Regulation No.35 of the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance. The board of directors (“the Board”) of ABL Asset Management Company Limited (“the Management Company”), an un-listed public company, manages the affairs of ABL Government Securities Fund (“the Fund”). The Fund being a unit trust open ended scheme does not have its own board of directors. The Management Company has applied the principles contained in the Code to the Fund, whose units are listed as a security on the Exchange, in the following manner:

1. The Management Company encourages representation of independent non-executive directors. At present, the Board includes seven non-executive directors of whom two are independent directors.
2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year under review no casual vacancies occurred on the Board, however, the new Board was elected on March 19, 2012 in the 04th Annual General Meeting of the Company after completion of term of the previous Board.
5. The management company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, an overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and non-executive (independent) directors have been taken by the Board. There is no executive director of the Management Company other than the CEO who was appointed during the year ended June 30, 2012.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated

at least seven days before such meetings. The minutes of the meetings were appropriately recorded and circulated.

9. One director has attended training programs up to the year ended June 30, 2011. However, the Management Company is arranging training programs for its directors in future also.
10. The Board has approved the appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' Report of the Fund for the period ended June 30, 2012 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by the CEO and CFO of the Management Company before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the units of the Fund other than those disclosed in the Directors Report.
14. The Management Company has complied with all the applicable corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors of the Management Company, including the Chairman of the Committee who is an independent director.
16. The meetings of the Audit Committee were held once in every quarter and prior to the approval of interim and final results of the Fund as required by the Code. The terms of reference of the Audit Committee have been approved in the meeting of the Board and the Committee has been advised to ensure compliance with those terms of reference.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors including the chairman of the Committee.
18. There exists an effective internal audit function within the Management Company.
19. The statutory auditors of the Fund have confirmed that they have been give a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partner of the firm, their spouse and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Fund's units, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board



FARID AHMED KHAN
Chief Executive Officer

Karachi, August 10, 2012



A. F. FERGUSON & CO.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **ABL Government Securities Fund**, which comprise the statement of assets and liabilities as at June 30, 2012, and the related income statement, distribution statement, statement of movement in unit holders' fund and cash flow statement for the period from November 30, 2011 to June 30, 2012 and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the financial position of the Fund as at June 30, 2012 and of its financial performance, cash flows and transactions for the period from November 30, 2011 to June 30, 2012 in accordance with the approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.


Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: August 17, 2012

Karachi

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938; <www.pwc.com/pk>*

*Lahore: 23-C, Ariz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Shahrah-e-Quaid-e-Azam, Lahore-54660; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924
Kabul: House No. 1916, Street No. 1, Behind Cinema Bariqot, Nahar-e-Darsan, Karte-4, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320*

ABL GOVERNMENT SECURITIES FUND STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2012

	Note	June 30, 2012 Rupees in '000
ASSETS		
Balances with banks	4	1,698,667
Investments	5	33,037,735
Profit receivable	6	163,270
Prepayments		40
Preliminary expenses and floatation costs	7	4,414
Total assets		34,904,126
LIABILITIES		
Payable to ABL Asset Management Company Limited - Management Company	8	14,202
Payable to the Central Depository Company of Pakistan Limited - Trustee	9	2,207
Payable to the Securities and Exchange Commission of Pakistan	10	11,552
Accrued expenses and other liabilities	11	37,809
Total liabilities		65,770
NET ASSETS		34,838,356
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		34,838,356
CONTINGENCIES AND COMMITMENTS	12	
		(Number of units)
NUMBER OF UNITS IN ISSUE	13	3,474,321,080
		---(Rupees)---
NET ASSET VALUE PER UNIT		10.0274
FACE VALUE PER UNIT		10.0000

The annexed notes 1 to 28 form an integral part of these financial statements.


FARID AHMED KHAN
 CEO

For ABL Asset Management Company Limited
(Management Company)


KAMRAN NISHAT
 DIRECTOR

ABL GOVERNMENT SECURITIES FUND INCOME STATEMENT

FOR THE PERIOD FROM NOVEMBER 30, 2011 TO JUNE 30, 2012

	Note	For the period from November 30, 2011 to June 30, 2012
Rupees in '000		
INCOME		
Net loss on sale of investments		(6,370)
Income from Government Securities		1,534,863
Income from Term Deposit Receipts		36,894
Income from Letters of Placement		18,242
Income from Reverse Repurchase transactions		953
Income from Sukuk		204,414
Profit on bank accounts		40,912
		1,829,908
Unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - held for trading - net	5.3	(6,218)
Total income		1,823,690
EXPENSES		
Remuneration of ABL Asset Management Company Limited - Management Company	14	45,604
Sindh Sales Tax on Management Company's remuneration		7,297
Remuneration of the Central Depository Company of Pakistan Limited - Trustee		11,983
Annual fee - Securities and Exchange Commission of Pakistan		11,552
Brokerage and other transaction costs		841
Bank charges		197
Auditors' remuneration	15	295
Amortisation of preliminary expenses and floatation costs	7	586
Printing charges		150
Listing fee		30
Rating fee		175
Total operating expenses		78,710
Net income from operating activities		1,744,980
Element of income and capital gains included in prices of units issued less those in units redeemed - net		121,180
Provision for Workers' Welfare Fund	11.1	(37,323)
Net income for the period before taxation		1,828,837
Taxation	16	-
Net income for the period after taxation		1,828,837
Other comprehensive income for the period		-
Total comprehensive income for the period		1,828,837
Earnings per unit	17	

The annexed notes 1 to 28 form an integral part of these financial statements.

For ABL Asset Management Company Limited
(Management Company)


FARID AHMED KHAN
CEO


KAMRAN NISHAT
DIRECTOR

ABL GOVERNMENT SECURITIES FUND DISTRIBUTION STATEMENT

FOR THE PERIOD FROM NOVEMBER 30, 2011 TO JUNE 30, 2012

For the period from
November 30, 2011
to June 30, 2012

Rupees in '000

Undistributed income brought forward

- realised	-
- unrealised	-
	<hr/>
	-

Interim distribution:

- Re 0.0503 per unit on December 26, 2011

Cash distribution	(3,772)
Issue of bonus units	(592)

Interim distribution:

-Class -A units Re 0.2372 per unit on March 26, 2012

-Class -B units Re 0.2846 per unit on March 26, 2012

Cash distribution	(713,963)
Issue of bonus units	(33,916)

Interim distribution:

-Class -A units Re 0.1862 per unit on May 21, 2012

-Class -B units Re 0.1674 per unit on May 21, 2012

Cash distribution	(634,535)
Issue of bonus units	(8,428)

Final distribution:

-Class -A units Re 0.0978 per unit on June 25, 2012

-Class -B units Re 0.0865 per unit on June 25, 2012

Cash distribution	(331,943)
Issue of bonus units	(6,545)

Net income for the period after taxation

1,828,837

Undistributed income carried forward

95,143

Undistributed income comprising:

Realised income	101,361
Unrealised loss	(6,218)
	<hr/> <hr/> 95,143

The annexed notes 1 to 28 form an integral part of these financial statements.

For ABL Asset Management Company Limited
(Management Company)


FARID AHMED KHAN
CEO


KAMRAN NISHAT
DIRECTOR

ABL GOVERNMENT SECURITIES FUND STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND

FOR THE PERIOD FROM NOVEMBER 30, 2011 TO JUNE 30, 2012

For the period from
November 30, 2011
to June 30, 2012
Rupees in '000

Net assets at the beginning of the period	-
Issue of 5,710,957,175 units	57,321,793
Redemption of 2,241,584,072 units	(22,506,881)
	34,814,912
Issue of 4,947,977 bonus units	49,481
Net element of income and capital gains included in prices of units issued less those in units redeemed - amount representing income and capital gains - transferred to Income Statement	(121,180)
Net capital loss on sale of investments	(6,370)
Unrealised diminution on re-measurement of investments at fair value through profit or loss - net	(6,218)
Other net income for the period	1,841,425
Total comprehensive income for the period	1,828,837
Interim distribution:	
- Re 0.0503 per unit on December 26, 2011	
Cash distribution	(3,772)
Issue of bonus units	(592)
Interim distribution:	
-Class -A units Re 0.2372 per unit on March 26, 2012	
-Class -B units Re 0.2846 per unit on March 26, 2012	
Cash distribution	(713,963)
Issue of bonus units	(33,916)
Interim distribution:	
-Class -A units Re 0.1862 per unit on May 21, 2012	
-Class -B units Re 0.1674 per unit on May 21, 2012	
Cash distribution	(634,535)
Issue of bonus units	(8,428)
Final distribution:	
-Class -A units Re 0.0978 per unit on June 25, 2012	
-Class -B units Re 0.0865 per unit on June 25, 2012	
Cash distribution	(331,943)
Issue of bonus units	(6,545)
	(1,733,694)
Net assets as at the end of the period	34,838,356

The annexed notes 1 to 28 form an integral part of these financial statements.

For ABL Asset Management Company Limited
(Management Company)


FARID AHMED KHAN
CEO


KAMRAN NISHAT
DIRECTOR

ABL GOVERNMENT SECURITIES FUND CASH FLOW STATEMENT


FOR THE PERIOD FROM NOVEMBER 30, 2011 TO JUNE 30, 2012

	Note	For the period from November 30, 2011 to June 30, 2012
		Rupees in '000
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period before taxation		1,828,837
Adjustment for non-cash charges and other items		
Amortisation of preliminary expenses and floatation costs		586
Unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss'		6,218
Net element of income and capital gains included in prices of units issued less those in units redeemed		<u>(121,180)</u>
		1,714,461
(Increase) / decrease in assets		
Profit receivable		(163,270)
Investments		(30,413,953)
Prepayments		(40)
Preliminary expenses and floatation cost		(5,000)
		<u>(30,582,263)</u>
Increase / (decrease) in liabilities		
Payable to ABL Asset Management Company Limited -Management Company		14,202
Payable to the Central Depository Company of Pakistan Limited-Trustee		2,207
Payable to the Securities and Exchange Commission of Pakistan		11,552
Accrued expenses and other liabilities		37,809
		<u>65,770</u>
Net cash used in operating activities		<u>(28,802,032)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid		(1,684,213)
Net receipts against issuance of units		34,814,912
Net cash generated from financing activities		<u>33,130,699</u>
Net increase in cash and cash equivalents		<u>4,328,667</u>
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	4.2	<u><u>4,328,667</u></u>

The annexed notes 1 to 28 form an integral part of these financial statements.

For ABL Asset Management Company Limited
(Management Company)


FARID AHMED KHAN
CEO


KAMRAN NISHAT
DIRECTOR

ABL GOVERNMENT SECURITIES FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM NOVEMBER 30, 2011 TO JUNE 30, 2012

1 LEGAL STATUS AND NATURE OF BUSINESS

ABL Government Securities Fund (the Fund) was established under a Trust Deed executed on November 01, 2011 between ABL Asset Management Company Limited (ABL AMCL) as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Securities and Exchange Commission of Pakistan (SECP) authorised constitution of the Trust Deed vide letter no. NBFC-II/ABLAMC/439/2011 dated October 31, 2011 and it was executed on November 1, 2011 in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate issued by SECP on December 7, 2007. The registered office of the Management Company is situated at 11-B, Lalazar, M.T Khan Road, Karachi.

The Fund is an open-ended mutual fund and is listed on the Karachi Stock Exchange (Guarantee) Limited. The units of the Fund are offered to the public for subscription on a continuous basis and are transferable and redeemable by surrendering them to the Fund. The units of the Fund were initially offered to the public for subscription at par on November 29, 2011 and, thereafter, these units are offered to the public for subscription on a continuous basis.

The Fund has been categorised as an open-end Income Scheme as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CISs).

The objective of the Fund is to deliver optimal risk adjusted returns by investing mainly in a mix of short to long term government securities and other debt instruments.

In accordance with the Trust Deed, the first accounting period of the Fund commenced on the date on which the Trust Property was first paid or transferred to the Trustee i.e. November 30, 2011.

The JCR-VIS Credit Rating Company Limited has assigned management quality Rating of AM2- (Stable Outlook) to the Management Company and fund stability rating of A+(f) to the Fund.

Title of the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year:

The following standards, amendments and interpretations to approved accounting standards have been published and are mandatory for the Fund's accounting period beginning on or after July 1, 2011:

- a) IFRS 7, 'Financial Instruments: Disclosures' (effective January 1, 2011). The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment does not have any significant impact on the Fund's financial statements.
- b) IFRS 7, 'Financial instruments: disclosures' (effective July 1, 2011). This amendment will promote transparency in the reporting of transfer transactions and improve user's understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.
- c) IAS 1, 'Presentation of financial statements' (effective January 1, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment does not have any impact on the Fund's financial statements.
- d) IAS 24 (revised), 'Related party disclosures', issued in November 2009. It superseded IAS 24, 'Related Party Disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The revised standard does not have any impact on the Fund's financial statements.
- e) IAS 34, 'Interim financial reporting' (effective January 1, 2011). This provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around:
 - The circumstances likely to affect fair values of financial instruments and their classification;
 - Transfers of financial instruments between different levels of the fair value hierarchy;
 - Changes in classification of financial assets; and
 - Changes in contingent liabilities and assets.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following standards and amendments to standards have been published and are mandatory for accounting periods beginning on or after July 1, 2012:

- a) IAS 1, 'Financial statement presentation' regarding other comprehensive income (effective July 1, 2011). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendment will not have any effect on the Fund's financial statement as presently no items are being reported in other comprehensive income.
- b) IAS 32, 'Financial instruments: presentation', on offsetting financial assets and financial liabilities (effective January 1, 2014). This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The management of the Fund is in the process of assessing the impact of this amendment on the Fund's financial statements.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are as follows:

- i) Classification and valuation of investments (notes 3.1 and 5)
- ii) Amortisation of preliminary expenses and floatation cost (notes 3.5 and 7)

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain investments which have been marked to market and carried at fair value in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement'.

2.6 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

3.1 Financial assets

3.1.1 Classification

The Fund classifies its financial assets in the following categories: financial assets 'at fair value through profit or loss', loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

Investments are categorised as follows:

a) Financial assets 'at fair value through profit or loss'

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the financial assets 'at fair value through profit or loss' category.

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held to maturity investments or (c) financial assets 'at fair value through profit or loss'.

3.1.2 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at 'fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value while the related transaction costs are expensed out in the income statement

3.1.3 Subsequent measurement

a) Financial assets 'at fair value through profit or loss' and 'available for sale'

Subsequent to initial recognition, financial assets designated by the management as 'at fair value through profit or loss' and 'available for sale' are valued as follows:

- **Basis of valuation of debt securities**

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 1 of 2009 dated January 6, 2009. In the determination of the rates MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

- **Basis of valuation of government securities**

The investment of the Fund in Government Securities is valued on the basis of rates announced by the Financial Markets Association of Pakistan in accordance with the requirements of the NBFC Regulations.

Net gains and losses arising from changes in the fair value of financial assets 'at fair value through profit or loss' are taken to the 'income statement'.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are taken to other comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in other comprehensive income is transferred to income before taxation.

b) Loans and receivable

Subsequent to initial recognition financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.

Gain or loss is also recognised in the 'income statement' when financial assets carried at amortised cost are derecognised or impaired.

3.1.4 Impairment

The Fund assesses at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

Financial assets classified as 'available for sale'

a) Equity securities

In the case of AFS equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired.

If evidence of impairment exists, the cumulative loss previously recognised in other comprehensive income is removed from other comprehensive income and recognised in income before taxation.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

b) Debt securities and other exposures

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation.

Impairment / provision for non-performing debt securities and other exposures is made in accordance with the criteria specified in circular No. 1 dated January 6, 2009 and circular No. 13 dated May 4, 2009 issued by the SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

Financial assets classified as 'loans and receivable'

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. Provision is made in accordance with the criteria specified in circular No. 1 dated January 6, 2009 and circular No. 13 dated May 4, 2009 issued by the SECP.

3.1.5 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all the risks and rewards of ownership.

3.2 Derivatives

Derivative financial instruments are initially recognised at fair value and subsequent to initial measurement each derivative financial instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

3.4 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.5 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non- Banking Finance Companies and Notified Entities Regulations.

3.6 Collateral

Cash collateral provided by the Fund is identified in the statement of assets and liabilities as margin cash and is not included as a component of cash and cash equivalents. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Fund classifies that asset in its statement of assets and liabilities separately from other assets and identifies the asset as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collateral provided is made in the notes to the financial statements.

3.7 Provisions

Provisions are recognised when the Fund has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions, if any, are regularly reviewed and adjusted to reflect the current best estimate.

3.8 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilized tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

3.9 Proposed distributions

Distributions declared subsequent to the year end are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared.

3.10 Issue and redemption of units

Units issued are recorded at the offer price as per the constitutive documents, determined by the Management Company after realisation of subscription money.

The offer price represents the net asset value per unit as of the close of the business day plus the allowance for sales load, provision for transaction costs and any provision for duties and charges, if applicable. Currently, the Fund is not charging any sales load, transactions costs or any provision for duties and charges.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption requests before cut off timings of that day. The redemption price represents the net asset value

per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable. Back end loads are recorded as income of the Fund.

Class "A" will be offered to those customers who invest Rs. 10 billion or above in the Fund and Class "B" will be offered to those customers who invest below Rs. 10 billion in the Fund.

3.11 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of income per unit and distribution of income already paid out on redemption.

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to unrealised gains / (losses) held in the Unit Holder's Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders.

The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the income statement.

3.12 Net asset value per unit

The Net Asset Value (NAV) per unit, as disclosed in the Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the period end.

3.13 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Income on government securities, bank deposits and placements is recognised on an accrual basis.
- Income on issue and repurchase of units is recognised when the units are issued and redeemed at the transaction date.
- Unrealised gains / (losses) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' category are included in the income statement in the period in which they arise.

3.14 Cash and cash equivalents

Cash and cash equivalents comprise of balances with banks and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried in the Statement of assets and liabilities at cost.

	Note	June 30, 2012
4 BALANCES WITH BANKS		Rupees in '000
Savings accounts	4.1	1,698,667
		<u>1,698,667</u>

- 4.1 These saving accounts carry mark-up at rates ranging from 6.00% to 12.28% per annum. Deposits in savings accounts include Rs. 75,694,488 maintained with Allied Bank Limited, a related party.

	Note	June 30, 2012
4.2 Cash and cash equivalents		Rupees in '000
Balances with banks		1,698,667
Term Deposit Receipts	5.4	2,630,000
		<u>4,328,667</u>

5 INVESTMENTS

Financial assets 'at fair value through profit or loss'

- Government Securities - Market Treasury Bills	5.1	23,773,349
- GoP Ijara sukuk	5.2	6,634,386
		30,407,735
Loans and receivables	5.4	2,630,000
		<u>33,037,735</u>

5.1 Market Treasury Bills:

Issue date	Tenor	As at November 30, 2011	Face value			Balance as at June 30, 2012			Market value as a percentage of net assets	Market value as a percentage of total investment
			Purchased during the period	Disposed off/ matured during the period	As at June 30, 2012	Carrying value	Market value	Appreci- ation / (diminu- tion)		
-----Rupees in '000-----										
27-Jan-11	12 months	-	300,000	300,000	-	-	-	-	-	-
10-Feb-11	12 Months	-	1,655,000	1,655,000	-	-	-	-	-	-
24-Mar-11	12 Months	-	1,850,000	1,850,000	-	-	-	-	-	-
5-May-11	12 Months	-	175,000	175,000	-	-	-	-	-	-
19-May-11	12 Months	-	124,000	124,000	-	-	-	-	-	-
2-Jun-11	12 Months	-	250,000	250,000	-	-	-	-	-	-
16-Jun-11	12 Months	-	1,295,000	1,295,000	-	-	-	-	-	-
30-Jun-11	12 Months	-	200,000	200,000	-	-	-	-	-	-
14-Jul-11	6 Months	-	200,000	200,000	-	-	-	-	-	-
28-Jul-11	6 Months	-	5,170,000	5,170,000	-	-	-	-	-	-
28-Jul-11	12 Months	-	510,000	-	510,000	506,129	505,867	(262)	1.45%	1.53%
11-Aug-11	12 Months	-	180,000	-	180,000	177,793	177,734	(59)	0.51%	0.54%
11-Aug-11	6 Months	-	5,902,000	5,902,000	-	-	-	-	-	-
25-Aug-11	12 Months	-	2,274,800	1,001,000	1,273,800	1,252,516	1,252,127	(389)	3.59%	3.79%
25-Aug-11	6 Months	-	150,000	150,000	-	-	-	-	-	-
8-Sep-11	12 Months	-	200,000	-	200,000	195,717	195,717	-	0.56%	0.59%
8-Sep-11	6 Months	-	1,085,000	1,085,000	-	-	-	-	-	-
22-Sep-11	6 Months	-	250,000	250,000	-	-	-	-	-	-
22-Sep-11	12 Months	-	3,120,000	2,650,000	470,000	458,399	457,888	(511)	1.31%	1.39%
22-Sep-11	6 Months	-	150,000	150,000	-	-	-	-	-	-
6-Oct-11	6 Months	-	2,438,000	2,438,000	-	-	-	-	-	-
20-Oct-11	6 Months	-	3,800,000	3,800,000	-	-	-	-	-	-
20-Oct-11	3 Months	-	116,000	116,000	-	-	-	-	-	-
3-Nov-11	6 Months	-	1,837,000	1,837,000	-	-	-	-	-	-
3-Nov-11	3 Months	-	1,360,000	1,360,000	-	-	-	-	-	-
17-Nov-11	6 Months	-	8,742,900	8,742,900	-	-	-	-	-	-
17-Nov-11	3 Months	-	7,471,000	7,471,000	-	-	-	-	-	-
1-Dec-11	3 Months	-	602,000	602,000	-	-	-	-	-	-
1-Dec-11	6 Months	-	580,000	580,000	-	-	-	-	-	-
1-Dec-11	12 Months	-	250,000	250,000	-	-	-	-	-	-
29-Dec-11	3 Months	-	600	600	-	-	-	-	-	-
12-Jan-12	3 Months	-	2,159,000	2,159,000	-	-	-	-	-	-
26-Jan-12	3 Months	-	3,887,000	3,887,000	-	-	-	-	-	-
26-Jan-12	6 Months	-	237,000	187,000	50,000	49,607	49,595	(12)	0.14%	0.15%
26-Jan-12	12 Months	-	187,000	187,000	-	-	-	-	-	-
9-Feb-12	3 Months	-	16,209,000	16,209,000	-	-	-	-	-	-
9-Feb-12	6 Months	-	17,978,000	12,752,000	5,226,000	5,162,358	5,160,220	(2,138)	14.81%	15.62%
23-Feb-12	3 Months	-	187,000	187,000	-	-	-	-	-	-
8-Mar-12	3 Months	-	3,910,000	3,910,000	-	-	-	-	-	-
8-Mar-12	6 Months	-	250,000	250,000	-	-	-	-	-	-
22-Mar-12	3 Months	-	1,775,000	1,775,000	-	-	-	-	-	-
5-Apr-12	3 Months	-	2,859,500	2,859,500	-	-	-	-	-	-
19-Apr-12	3 Months	-	6,080,000	4,928,000	1,152,000	1,147,994	1,147,877	(117)	3.29%	3.47%
3-May-12	3 Months	-	4,550,000	485,000	4,065,000	4,032,822	4,032,054	(768)	11.57%	12.21%
17-May-12	3 Months	-	6,429,280	500,000	5,929,280	5,856,042	5,854,648	(1,394)	16.81%	17.88%
31-May-12	3 Months	-	1,001,000	-	1,001,000	984,174	983,969	(205)	2.82%	2.98%
14-Jun-12	3 Months	-	2,300,000	-	2,300,000	2,251,068	2,250,752	(316)	6.46%	6.81%
28-Jun-12	3 Months	-	1,750,000	-	1,750,000	1,704,948	1,704,901	(47)	4.89%	5.16%
Total			<u>123,987,080</u>	<u>99,880,000</u>	<u>24,107,080</u>	<u>23,779,567</u>	<u>23,773,349</u>	<u>(6,218)</u>		<u>72.12%</u>

5.2 GoP Ijara Sukuk

Issue date	Tenor	Number of Certificates			Balance as at June 30, 2012			Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of total investment
		As at November 30, 2011	Purchased during the period	Disposed off / matured during the period	As at June 30, 2012	Carrying value	Market value			
----- Rupees in '000 -----										
17-Sep-09	3 Year	-	3,600	3,600	-	-	-	-	-	-
16-May-11	3 Year	-	4,300	-	4,300	4,300	4,300	-	-	-
26-Dec-11	3 Year	-	819,075	775,000	44,075	44,086	44,086	-	-	-
2-Mar-12	3 Year	-	9,000,000	5,099,000	3,901,000	3,901,000	3,901,000	-	11.20%	11.81%
30-Apr-12	3 Year	-	1,590,000	1,585,000	5,000	5,000	5,000	-	-	-
28-Jun-12	3 Year	-	2,680,000	-	2,680,000	2,680,000	2,680,000	-	7.69%	8.11%
Total		-	14,096,975	7,462,600	6,634,375	6,634,386	6,634,386	-		19.92%

	Note	June 30, 2012
		Rupees in '000
5.3 Net unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - held for trading		
Market value of securities		30,407,735
Less: carrying value of securities		<u>(30,413,953)</u>
		<u>(6,218)</u>
5.4 Loans and receivables		
Term Deposit Receipts	5.4.1	<u>2,630,000</u>
5.4.1 Term Deposit Receipts carry mark-up at rates ranging from 12.25% to 12.45% per annum and maturities ranging from July 18, 2012 to July 19, 2012.		
	Note	June 30, 2012
		Rupees in '000
6 PROFIT RECEIVABLE		
Interest accrued on Term Deposit Receipts		6,413
Interest accrued on Ijara Sukuk-Government of Pakistan		155,129
Profit accrued on bank deposits		<u>1,728</u>
		<u>163,270</u>
7 PRELIMINARY EXPENSES AND FLOATATION COSTS		
Preliminary expenses and floatation costs incurred	7.1	5,000
Less: amortisation during the period		<u>(586)</u>
Balance as at June 30, 2012		<u>4,414</u>
7.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years.		
	Note	June 30, 2012
		Rupees in '000
8 PAYABLE TO ABL ASSET MANAGEMENT COMPANY LIMITED - MANAGEMENT COMPANY		
Management fee	8.1	7,933
Preliminary expenses and floatation costs		5,000
Sindh Sales Tax on Management company's remuneration		<u>1,269</u>
		<u>14,202</u>

- 8.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding 3 percent of the average annual net assets of the Fund and thereafter of an amount equal to 2 percent of such assets of the Fund. In the current period, the Management Company has charged remuneration at the rate of 0.25 percent and 1.25 percent of the average annual net assets of the Class A and Class B units respectively. The amount of remuneration is being paid monthly in arrears.

	Note	June 30, 2012
9 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN PAKISTAN LIMITED - TRUSTEE		Rupees in '000
Trustee fee	9.1	<u>2,207</u>

- 9.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The remuneration is paid to the Trustee monthly in arrears.

The tariff structure applicable to the fund as at June 30, 2012 is as follows:

Net Assets	Tariff per annum
Upto Rs. 1,000 million	Rs. 0.7 million or 0.15% p.a of Net Asset Value whichever is higher.
Exceeding Rs. 1,000 million	Rs. 1.5 million plus 0.75% per annum of Net Asset Value exceeding Rs. 1,000 million.

	Note	June 30, 2012
10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)		Rupees in '000
Annual fee	10.1	<u>11,552</u>

- 10.1 Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme classified as money market scheme is required to pay as an annual fee to the SECP, an amount equal to 0.075% of the average annual net assets of the scheme.

	Note	June 30, 2012
11 ACCRUED EXPENSES AND OTHER LIABILITIES		Rupees in '000
Auditors' remuneration		212
Brokerage		144
Printing charges		104
Withholding tax		26
Provision for Workers' Welfare Fund	11.1	<u>37,323</u>
		<u>37,809</u>

11.1 Provision for workers' welfare fund

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 Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

During the year ended June 30, 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on July 8, 2010 which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on December 14, 2010 the Ministry 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 Court.

Subsequent to June 30, 2011, the Honourable Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC will lend further support to the constitutional petition which is pending in the Sindh High Court (SHC).

However, without prejudice to the above, the Management Company has made a provision for WWF contribution in the financial statements for the period ended June 30, 2012 amounting to Rs 37.323 million.

12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2012.

13 NUMBER OF UNITS IN ISSUE

For the period from November 30, 2011
to June 30, 2012

	Class A	Class B	Total
Total units in issue at the beginning of the year	-	-	-
Add: units issued	4,871,948,536	839,008,639	5,710,957,175
Add: bonus units issued	-	4,947,977	4,947,977
Less: units redeemed	(1,495,886,312)	(745,697,760)	(2,241,584,072)
Total units in issue at the end of the year	<u>3,376,062,224</u>	<u>98,258,856</u>	<u>3,474,321,080</u>

- 13.1 The net asset value (NAV) per unit is calculated by dividing the net assets of the Fund by the number of units in circulation as at period end.

For the period from November 30,
2011 to June 30, 2012

In '000

	Class A	Class B
Net Asset Value	33,853,350	985,006
Number of units	3,376,062	98,259
NAV Per unit	<u>10.0275</u>	<u>10.0246</u>

		For the period from November 30, 2011 to June 30, 2012
14	Remuneration of ABL Asset Management Company Limited - Management Company	Rupees in '000
	On Class-A units	7,942
	On Class-B units	37,662
		<u>45,604</u>

		For the period from November 30, 2011 to June 30, 2012
15	AUDITORS' REMUNERATION	Rupees in '000
	Annual audit fee	150
	Half yearly review fee	75
	Other certifications and services	50
	Out of pocket expenses	20
		<u>295</u>

16 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded provision for taxation as the Management Company has distributed more than ninety percent of the Fund's accounting income for the current period to its unit holders.

17 EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed as in the opinion of management determination of cumulative weighted average number of outstanding units is not practicable.

18 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2012, all the financial assets carried on the statement of assets and liabilities are categorised either as 'loans and receivables' or financial assets 'at fair value through profit or loss'. All the financial liabilities carried on the statement of assets and liabilities are categorised as other financial liabilities i.e. liabilities other than 'at fair value through profit and loss'.

	-----As at June 30, 2012-----		
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Total
	-----Rupees in '000-----		
Financial assets			
Balances with banks	1,698,667	-	1,698,667
Investments	2,630,000	30,407,735	33,037,735
Profit receivable	163,270	-	163,270
	<u>4,491,937</u>	<u>30,407,735</u>	<u>34,899,672</u>

	-----As at June 30, 2012-----		
	Liabilities 'at fair value through profit or loss'	Other financial liabilities	Total
	-----Rupees in '000-----		
Financial Liabilities			
Payable to ABL Asset Management Company Limited - Management Company	-	14,202	14,202
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	2,207	2,207
Accrued expenses and other liabilities	-	460	460
	<u>-</u>	<u>16,869</u>	<u>16,869</u>

19 TRANSACTIONS WITH CONNECTED PERSONS

- 19.1** Connected persons / related parties include ABL Asset Management Company Limited being the Management Company, Allied Bank Limited, entities under common management and/ or directorship, Central Depository Company being the trustee of the fund and the directors and officers of the management company.
- 19.2** Transactions with connected persons / related parties are in the normal course of business, at contracted rates and terms determined in accordance with market norms.
- 19.3** Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 19.4** Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

**For the period
from November
30, 2011 to June
30, 2012**

19.5 Details of the transactions during the period

Rupees in '000

ABL Asset Management Company Limited - Management Company

Issue of 27,468,382 Class B units	275,000
Bonus of 1,302,589 Class B units	13,026
Redemption of 9,930,585 Class B units	100,000
Remuneration for the period	45,604
Preliminary Expense and Floation cost Incurred by the Management Company	5,000
Sindh Sales Tax on Management company's remuneration	7,297

Allied Bank Limited

Issue of 4,871,948,536 Class A units	48,885,416
Redemption of 1,495,886,312 Class A units	15,000,000
Cash dividend	1,668,166
Mark up on bank deposits	7,927
Term Deposit Receipts	500,000
Mark up on Term Deposit Receipts	5,202
Bank charges	88

KEY MANAGEMENT PERSONNEL

Chief Executive Officer

Issue of 29,984 Class B units	300
Bonus of 1,800 Class B units	18

Executives

Issue of 1,999 Class B units	20
Bonus of 65 Class B units	1
Redemption of 1,005 Class B units	10

Central Depository Company of Pakistan Limited

Remuneration for the period	11,983
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June 30,
2012
Rupees in '000

19.6 Amounts outstanding as at period end

ABL Asset Management Company Limited - Management Company

Outstanding 18,840,386 Class B units	188,867
Preliminary expenses and floatation costs payable	5,000
Remuneration payable to Management Company	7,933
Sindh Sales Tax on Management company's remuneration	1,269

Allied Bank Limited

Outstanding 3,376,062,224 Class A units	33,853,350
Balances with banks	75,694
Mark-up accrued	82

KEY MANAGEMENT PERSONNEL

Chief Executive Officer

Outstanding 31,784 Class B units	319
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Executives

Outstanding 1,059 Class B units	11
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Central Depository Company of Pakistan Limited - Trustee

Remuneration payable	2,207
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20 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of investment committee of the Fund are as follows:

S. No	Name	Designation	Experience in years	Qualification
1	Mr. Farid Ahmed Khan	Chief Executive Officer	18	CFA
2	Mr. Muhammad Imran	Chief Investment Officer	13	MBA
3	Mr. Abid Jamal	Head of Research	9	Bs
4	Mr. Hammad Abbas	Fund Manager	8	MSc
5	Mr. Kamran Aziz	Fund Manager	5	CFA
6	Mr. Faizan Saleem	Fund Manager	5	MBA

20.1 Mr. Faizan Saleem is managing ABL Government Securities Fund.

21 TRANSACTIONS WITH BROKERS / DEALERS

List of brokers by percentage of commission paid during the period ended June 30, 2012

S. No.	Particulars	Percentage
1	Invest Capital Markets Limited	33.81%
2	JS Global Capital Ltd	22.74%
3	C & M Management (Pvt) Limited	13.15%
4	Invest One	8.06%
5	Elixir Securities Pakistan (Pvt) Ltd	6.52%
6	Invest & Finance Securities Ltd	3.57%
7	BMA Capital Management Ltd	3.41%
8	Summit Capital (Pvt) Ltd	3.27%
9	Global Securities Pakistan Ltd	2.85%
10	KASB Securities Ltd	2.63%

22 PATTERN OF UNIT HOLDING

-----As at June 30, 2012-----				
Category	Number of Unit holders	Number of units held	Net asset value of the amount invested (Rupees in '000)	Percentage of total investment
Class A				
Associated companies	1	3,376,062,224	33,853,350	97.17%
Class B				
Individuals	160	14,601,788	146,377	0.43%
Associated companies / directors	2	18,872,170	189,186	0.54%
Insurance companies	2	9,184,400	92,070	0.27%
Bank / DFIs	2	40,034,489	401,330	1.15%
Public limited companies	1	12,616,793	126,478	0.36%
Others	8	2,949,216	29,565	0.08%
	<u>175</u>	<u>98,258,856</u>	<u>985,006</u>	
Total	<u>176</u>	<u>3,474,321,080</u>	<u>34,838,356</u>	<u>100.00%</u>

23 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The 22nd, 23th, 24th, 25th and 26th Board meetings were held on August 23, 2011, October 25, 2011, December 22, 2011, February 22, 2012 and April 26, 2012 respectively. Information in respect of attendance by directors in the meetings is given below:

S.No.	Name of Director	Number of meetings held	Attended	Leave granted	Meetings not attended
1	Sheikh Mukhtar Ahmed	5	1	4	22nd, 23rd, 24th and 26th
2	Mr. Muhammad Waseem Mukhtar	5	5	-	-
3	Mr. Khalid A. Sherwani	5	5	-	-
4	Mr. Kamran Nishat	5	5	-	-
5	Mr. M. Shakeb Murad	5	1	4	22nd, 23rd, 24th and 25th
6	Mr. M. Jawaid Iqbal	5	5	-	-
7	Mr. Muhammad Yaseen*	4	3	1	25 th
8	Mr. Zia Ijaz**	1	1	-	-

* Retired in the 4th Annual General Meeting (AGM) of ABL AMCL held on March 19, 2012

** Appointed as new Directors of the ABL AMCL in the 4th Annual General Meeting (AGM) held on March 19, 2012

24 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

24.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Management Company manages the market risk through diversification of the investment portfolio by exposures and by following the internal guidelines established by the investment committee.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

24.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. At present, the Fund is not exposed to currency risk as all the transactions are carried out in Pakistani Rupees.

24.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund does not hold any variable rate instrument.

b) Sensitivity analysis for fixed rate instruments

Fixed rates instruments comprises of T-Bills, GoP Ijara sukuk, TDRs and letter of placements. The Fund's income from these investments is substantially independent of changes in market interest rates, except for changes if any as a result of fluctuation in respective fair values.

Treasury bills which are classified as financial assets 'at fair value through profit or loss' expose the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Market Association on June 30, 2012, with all other variables held constant, the net income for the period and net assets would be lower by Rs 0.27 million. In case of 100 basis points decrease in rates announced by Financial Market Association on June 30, 2012, with all other variables held constant, the net income for the period and net assets would be higher by Rs 0.28 million.

The composition of the Fund's investment portfolio and rates announced by the Financial Market Association is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2012 is not necessarily indicative of the effect on the Fund's net assets due to future movements in interest rates.

Yield / interest rate sensitivity position for financial instruments recognised on the statement of assets and liabilities is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

	As at June 30, 2012					Total
	Effective yield / interest rate	Exposed to yield / interest risk			Not exposed to yield / interest rate risk	
		Upto three months	More than three months and up to one year	More than one year		
	%	(Rupees in '000)				
On-balance sheet financial instruments						
Financial assets						
Balances with banks	6-12.28	1,698,667	-	-	-	1,698,667
Investments	12.09-12.54	26,403,349	-	6,634,386	-	33,037,735
Profit receivable		-	-	-	163,270	163,270
Sub Total		28,102,016	-	6,634,386	163,270	34,899,672
Financial liabilities						
Payable to ABL Asset Management Company Limited - Management Company		-	-	-	14,202	14,202
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	2,207	2,207
Accrued expenses and other liabilities		-	-	-	460	460
Sub Total		-	-	-	16,869	16,869
On-balance sheet gap		28,102,016	-	6,634,386	146,401	34,882,803
Off-balance sheet financial instruments						
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		28,102,016	-	6,634,386	146,401	34,882,803
Cumulative interest rate sensitivity gap		28,102,016	28,102,016	34,736,402		

24.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Fund does not hold any security which exposes the Fund to price risk.

24.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investments. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. In addition, the internal risk management policies and investment guidelines (approved by the Investment Committee) require the Fund to invest in debt securities that have been rated as investment grade by a well known rating agency.

24.2.1 The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2012:

Balances with Banks by rating category

Name of the bank	Rating agency	Published rating
Allied Bank Limited	PACRA	A1+
Bank Alfalah Limited	PACRA	A1+
Faysal Bank Limited	PACRA	A1+
Standard Chartered Bank Limited	PACRA	A1+

Term Deposit Receipt by rating category

Name of the bank	Rating agency	Published rating
Bank Alfalah Limited	PACRA	A1+
NIB Bank Limited	PACRA	A1+

The maximum exposure to credit risk before any credit enhancement as at June 30, 2012 is the carrying amount of the financial assets. None of these assets are 'impaired' nor 'past due but not impaired'.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

24.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily cash redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be

secured by the assets of the Fund. The facility would bear interest at commercial rates. However, no borrowing was obtained by the Fund during the current period.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any significant redemptions during the period.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

As at June 30, 2012				
	Upto three months	More than three months and up to one year	More than one year	Total
----- Rupees in '000 -----				
Liabilities				
Payable to ABL Asset Management Company Limited	9,202	1,000	4,000	14,202
Payable to the Central Depository Company of Pakistan Limited - Trustee	2,207	-	-	2,207
Accrued expenses and other liabilities	460	-	-	460
	<u>11,869</u>	<u>1,000</u>	<u>4,000</u>	<u>16,869</u>

25 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are traded in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

International Financial Reporting Standard 7, 'Financial Instruments: Disclosure' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Investment of the Fund carried at fair value are categorised as follows:

----- As at June 30, 2012 -----				
	Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----				
ASSETS				
Investment in securities - financial assets 'at fair value through profit or loss'				
- Government Securities Market Treasury Bills:	-	23,773,349	-	23,773,349
- GoP Ijara Sukuk	-	6,634,386	-	6,634,386

26 UNIT HOLDER'S FUND RISK MANAGEMENT

The Fund's capital is represented by redeemable units. These are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' funds.

The Fund has no restrictions or specific capital requirements on the subscription and redemption of units.

The Fund's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for unit holders and to maintain a strong base to meet unexpected losses or opportunities.

In accordance with the risk management policies, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

27 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 10, 2012 by the Board of Directors of the Management Company.

28 GENERAL

Figures have been rounded off to the nearest thousand rupees.


FARID AHMED KHAN
 CEO

For ABL Asset Management Company Limited
(Management Company)


KAMRAN NISHAT
 DIRECTOR

CONTACT US:

Helpline 0800 ABL-AM (0800 225 26)

UAN: (021) 111-ABL-AMC (111-225-262)

Email: contactus@ablamc.com

Website: www.ablamc.com



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