



ANNUAL
Report 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

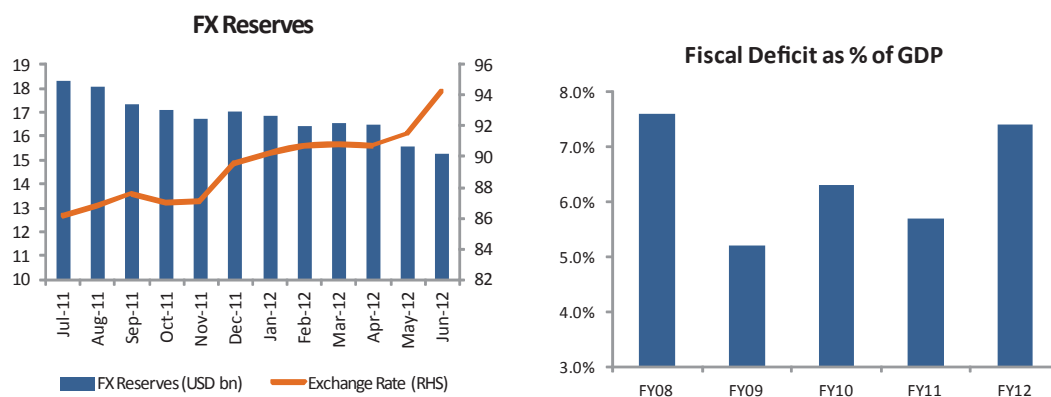
| | | |
|---|---|--|
| Management Company: | ABL Asset Management Company Limited 11 - B, Lalazar M. T. Khan Road, Karachi. | |
| Board of Directors | Sheikh Mukhtar Ahmed Mr. Khalid A. Sherwani Mr. Muhammad Waseem Mukhtar Mr. Kamran Nishat Mr. M. Shakeb Murad Mr. M. Jawaid Iqbal Mr. Zia Ijaz Mr. Farid 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 Shahra-e-Faisal, Karachi - 74400 | |
| Bankers to the Fund: | Allied Bank Limited Bank Al- Falah Limited United Bank Limited Askari Bank Limited Faysal Bank Limited Deutsche Bank Limited | Habib Metropolitan bank limited MCB Bank Limited NIB Bank Limited Standard Chartered Bank Pakistan limited Barclays Bank Limited Bank Al Habib Limited |
| Distributor: | Allied Bank Limited BMA Financial Services Limited Vector Consulting (Pvt.) Limited IGI Investment Bank Elixir Securities Pakistan (Pvt.) Limited Reliance Financial Products (Pvt.) Limited | Invest Capital Investment Bank Limited Pyramid Financial Consultants (Pvt.) Limited Foundation Securities (Pvt.) Limited Metro Securities (Pvt.) Limited 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 Income Fund (ABL-IF), is pleased to present the Audited Financial Statements of ABL Income 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

Industry growth remained robust as investors flocked towards fixed income funds to get exposure to secure sovereign instruments. Frail economic conditions kept investments in high risk instruments at bay, consequently, focus shifted towards low risk short term government debt. As government borrowing through the banking channel swelled, returns on government securities increased, making these the most ideal investment class on a risk return basis. Thus government security and money market funds continued to dominate the fixed income universe. In a surprise move, interest rate was cut twice during the first half of the fiscal year by a cumulative 200 bps. However, the action was ineffective in reviving private sector credit off take. Despite challenges faced by the mutual fund industry via imposition of capital gains tax and workers welfare fund levy, the overall Assets Under Management (AUM) of the mutual fund industry increased by 51.39% to Rs.380.325 billion in June 2012 from Rs.251.217 billion in June 2011.

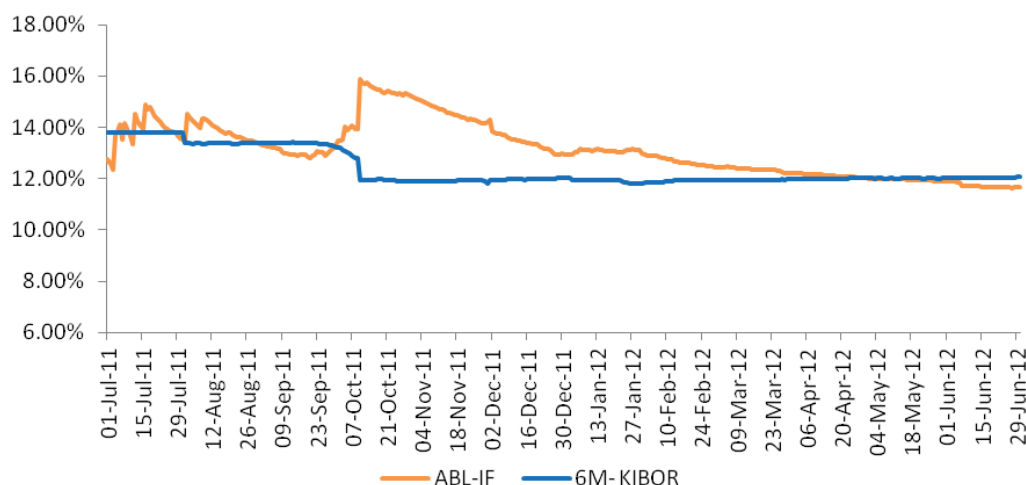
The income fund category performed explicitly well this year due to introduction of Government Security funds which catapulted the growth of this category by 120.28% to Rs.85.30 billion in June 2012 from Rs.38.72 billion in June 2011. However, money market funds continue to dominate the industry totaling Rs.150.50 billion in AUMs.

FUND PERFORMANCE

During the period under review, ABL Income Fund's AUM declined by 22.43% to close at Rs.3.784 billion. The fall in AUMs is attributable to switching of investors into ABL Government Securities Fund as investor bias remained skewed towards sovereign funds over traditional income funds which can have exposure to corporate debt. ABL Income Fund continued to maintain a conservative investment strategy by remaining primarily invested in short term government securities and bank placements. Selective investments were pursued in banking sector TFCs and spread transactions during the year which supported returns. ABL-IF yielded an annualized return of 11.68% for the year ended FY2012.

ABL-IF underperformed its benchmark (average of six months KIBOR) by 70 bps due to minimal investments in KIBOR linked instruments. Instead, the fund's investment strategy was geared towards short term government securities and bank placements with highly rated banks. Despite

a conservative investment stance, return performance compared to peer group is still laudable. The fund enhanced its exposure to corporate debt during the year in order to diversify assets and differentiate from money market funds but refrained from taking an aggressive stance under the prevailing economic conditions. Share of bank placements was boosted towards year-end due to attractive rates offered by banks. Resultantly, cash and placement with banks accounted for 60.48% of total net assets at June 30, 2012 whereas T-bills accounted for 31.92% and TFCs 7.75% respectively.



DIVIDEND

The Board of Directors of ABL Asset Management Company Limited (ABL AMCL), on June 25, 2012 approved the final distribution of Rs.0.2361 per unit (2.36% of the par value of Rs.10) for ABL-IF for the year ended June 30, 2012. This is in addition to interim distribution of Re.0.2530 per unit (2.53% of the par value of Rs.10) for the quarter ended March 31, 2012, Re.0.3089 per unit (3.09% of the par value of Rs.10) for the quarter ended December 31, 2011 and Re.0.3158 per unit (3.16% of the par value of Rs.10) for the quarter ended September 30, 2011.

In the better interest of unit holders, especially Corporate(s) and Financial Institutions (FIs), ABL AMCL on behalf of ABL-IF 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 year ended June 30, 2012, the income of ABL-IF 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. M. Jawaid Iqbal | Director | 48,886 | - | 5,043 |
| 2 | Mr. M. Shakeb Murad | Director | 545,713 | 629,992 | 20,879 |
| 3 | Mr. Farid Ahmed Khan | CEO | 14,664 | 227,988 | 122,040 |
| 4 | Mr. Saqib Matin | CFO & Company Secretary | - | - | - |

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 Income 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 | 5,247,537 |
| | • Allied Bank Limited | 75,000,000 |
| 2 | Mutual Funds | Nil |
| 3 | Directors and their spouse(s) and minor children | |
| | • Mr. M. Jawaid Iqbal, director | 87,414 |
| 4 | Executives | 35,507 |
| 5 | Public Sector Companies and corporations | 30,493,035 |
| 6 | Bank, DFIs, NBFCs, Insurance Companies, Takaful, Modaraba and Pension Fund | 140,459,218 |
| 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 Income Fund (ABL-IF).

FUND STABILITY RATING

JCR-VIS Credit Rating Company Ltd. (JCR-VIS) on January 2, 2012: JCR-VIS has reaffirmed the Fund Stability Rating of ABL Income Fund at 'A+ (f)' (Single A Plus (f)).

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).

ABL-IF will continue its strategy of steering clear of corporate sector debt as credit risks remain abound and risk-reward ratio appears unattractive. Investments will be largely geared towards government instruments such as T-bills and Ijara Sukuks. Opportunistic investments with banks in the form of placements and TFCs will continue to be explored in order to improve returns and diversify investments. Given the economic uncertainties we will closely monitor key macro economic indicators and adjust the duration of the fund accordingly.

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 Income Fund is to earn superior risk adjusted rate of return by investing in a blend of short, medium and long term debt instruments, both within and outside Pakistan.

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-IF were Rs.3.784 billion, a decline of 22.44% YoY due to shifting of investors into Government Securities Fund. ABL-IF yielded an annualized return of 11.68% for the period - 70 bps below its benchmark rate. The reason for this underperformance was a conscious decision to avoid high risk corporate debt and as a result, hold few KIBOR-linked instruments.

TFCs issued by the banking sector, however, were acquired in order to diversify assets and support returns. This led to stability in returns but at the cost of missing benchmark's performance. The fund maintained healthy investments in Treasury bills during the year but bank placements were preferred at year-end when banks offered better rates.

As of June 30, 2012, Government Securities accounted for 31.60% of the fund, TDRs 37.93% and the remaining cash at 21.91%. In comparison to last year, TDR allocation was higher whereas investments in government securities comprised of Treasury bills only.

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.

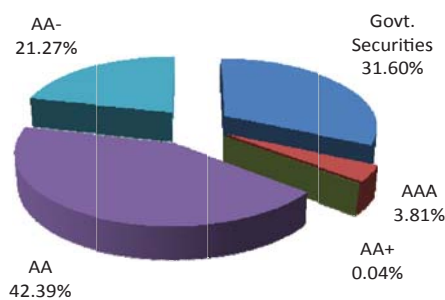
ABL-IF shall look to maintain high exposure in short to medium term Government Securities and will continue to explore other low risk investment opportunities to enhance return performance. Moreover investments in TFCs issued by strong banks will be pursued along with placements with banks, depending upon the rates offered.

| ABL Income Fund Performance | FY-2012 |
|---|----------------|
| Yield | 11.68% |
| Benchmark (6 month KIBOR Average) | 12.38% |
| Weighted average time to maturity of Net Assets | 238 days |

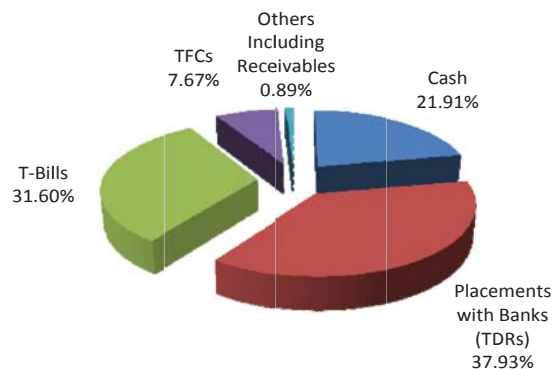
| ABL Income Fund AUM & Pricing | FY-2012 |
|--|----------------|
| Assets under management as at June 30, 2012 (PKR mn) | 3,784 |
| Closing NAV per unit as on June 30, 2012 (PKR) (Ex-dividend) | 10.0289 |
| Closing NAV per unit as on June 30, 2012 (PKR) (Cum-dividend dividend) | 11.1427 |

| Distribution | FY-2012 |
|------------------------------------|----------------|
| 1 st Quarterly Dividend | 0.3158 |
| 2 nd Quarterly Dividend | 0.3089 |
| 3 rd Quarterly Dividend | 0.2530 |
| 4 th Quarterly Dividend | 0.2361 |

Asset Quality as a %age of Total Assets



Asset Allocation as a %age of Total Assets



ABL INCOME FUND PERFORMANCE TABLE

| | June 2012 | June 2011 | June 2010 | June 2009 |
|---|-------------------|--------------|--------------|--------------|
| | (Rupees in '000) | | | |
| Net Assets | 3,784,263 | 4,878,536 | 8,360,054 | 6,872,176 |
| Net Income | 623,793 | 639,266 | 933,649 | 398,369 |
| | (Rupees per unit) | | | |
| Net Assets value | 10.0289 | 10.0195 | 10.0164 | 10.0166 |
| Interim distribution | 0.8777 | 0.8296 | 0.8123 | 0.7627 |
| Final distribution | 0.2361 | 0.2848 | 0.2421 | 0.2971 |
| Distribution date final | June 25,2012 | June 29,2011 | June 28,2010 | June 29,2009 |
| Closing offer price | 10.0289 | 10.0195 | 10.0164 | 10.0166 |
| Closing repurchase price | 10.0289 | 10.0195 | 10.0164 | 10.0166 |
| Highest offer price | 10.3158 | 10.2906 | 10.2731 | 10.4165 |
| Lowest offer price | 10.0006 | 10.0032 | 10.0032 | 10.0000 |
| Highest repurchase price per unit | 10.3158 | 10.2906 | 10.2731 | 10.4165 |
| Lowest repurchase price per unit | 10.0006 | 10.0032 | 10.0032 | 10.0000 |
| | Percentage | | | |
| Total return of the fund | | | | |
| - capital growth | 0.54% | 0.51% | 0.430% | 3.960% |
| - income distribution | 11.14% | 11.14% | 10.5400% | 10.6000% |
| Average Annual return of the fund | | | | |
| One Year | 11.68% | 11.65% | 10.97% | 14.56% |
| Two Year | 12.35% | 11.95% | 12.53% | - |
| Three Year | 12.79% | 13.58% | - | - |
| Since Inception | 14.24% | - | - | - |
| Weighted average Portfolio duration in days | 238 | 201 | 92 | 82 |

Interim distribution date

| 2012 | | 2011 | | 2010 | | 2009 | |
|-------------------|---------------------|-------------------|---------------------|-------------------|---------------------|------------------|---------------------|
| Date | Rate | Date | Rate | Date | Rate | Date | Rate |
| September 27,2011 | Re. 0.3158 Per Unit | September 29,2010 | Re. 0.2701 Per Unit | September 29,2009 | Re. 0.2731 Per Unit | December 31,2008 | Re. 0.4165 Per Unit |
| December 26,2011 | Re. 0.3089 Per Unit | December 30,2010 | Re. 0.2689 Per Unit | December 30,2009 | Re. 0.2783 Per Unit | March 31,2009 | Re. 0.3462 Per Unit |
| March 26,2012 | Re. 0.2530 Per Unit | March 30,2011 | Re. 0.2906 Per Unit | March 30,2010 | Re. 0.2609 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.cdc-pakistan.com
Email: info@cccpak.com



ISO 27001 Certified

TRUSTEE REPORT TO THE UNIT HOLDERS

ABL INCOME 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 Income 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 during the year ended 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 Income 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 year ended 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, Shahr-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 (799) 315320, +93 (799) 315320*

STATEMENT OF COMPLIANCE BY ABL INCOME 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 Income 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 NBFIs 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 year 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 Income 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 year then ended 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 year then ended 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

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ABL INCOME FUND STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2012

| | Note | June 30, 2012 | June 30, 2011 |
|---|------|-------------------------------|------------------|
| | | ----- (Rupees in '000) ----- | |
| ASSETS | | | |
| Balances with banks | 4 | 838,670 | 1,005,203 |
| Investments | 5 | 2,951,601 | 3,956,284 |
| Profit receivable | 6 | 18,108 | 24,389 |
| Security deposits and other receivables | 7 | 13,441 | 875 |
| Preliminary expenses and floatation costs | 8 | 1,222 | 2,222 |
| Total assets | | 3,823,042 | 4,988,973 |
| LIABILITIES | | | |
| Payable to ABL Asset Management Company Limited - Management Company | 9 | 6,742 | 8,063 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 10 | 350 | 413 |
| Payable to the Securities and Exchange Commission of Pakistan | 11 | 4,035 | 4,917 |
| Dividend payable | | - | 61,081 |
| Payable against redemption of units | | - | 3,115 |
| Accrued expenses and other liabilities | 12 | 27,652 | 32,848 |
| Total liabilities | | 38,779 | 110,437 |
| NET ASSETS | | 3,784,263 | 4,878,536 |
| UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED) | | 3,784,263 | 4,878,536 |
| CONTINGENCIES AND COMMITMENTS | 13 | | |
| | | ----- (Number of units) ----- | |
| NUMBER OF UNITS IN ISSUE | 14 | 377,334,984 | 486,903,898 |
| | | ----- (Rupees)----- | |
| NET ASSET VALUE PER UNIT | | 10.0289 | 10.0195 |
| FACE VALUE PER UNIT | | 10.0000 | 10.0000 |

The annexed notes 1 to 29 form an integral part of these financial statements.

For ABL Asset Management Company Limited
(Management Company)


FARID AHMED KHAN
CEO


KAMRAN NISHAT
DIRECTOR

ABL INCOME FUND

INCOME STATEMENT

| | Note | June 30, 2012 | June 30, 2011 |
|--|------|---------------|---------------|
| ----- (Rupees in '000) ----- | | | |
| INCOME | | | |
| Net gain on sale of investments | | 17,495 | 1,783 |
| Income from Government Securities | | 478,758 | 478,958 |
| Income from Term Deposit Receipts | | 68,779 | 211,962 |
| Income from Certificates of Investment | | - | 2,369 |
| Income from Certificates of Deposit | | 2,531 | 14,587 |
| Income from Letters of Placement | | 10,291 | 30,874 |
| Income from Reverse Repurchase transactions | | 8,657 | 53,718 |
| Income from Term Finance Certificates / sukuk | | 56,837 | 2,545 |
| Profit on bank deposit | | 46,611 | 47,328 |
| Dividend income | | 19,218 | - |
| | | 709,177 | 844,124 |
| Unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - held for trading - net | 5.5 | 1,325 | (1,089) |
| | | 710,502 | 843,035 |
| EXPENSES | | | |
| Remuneration of ABL Asset Management Company Limited - Management Company | | 80,709 | 98,333 |
| Sindh Sales Tax on Management Company's remuneration | | 12,913 | - |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee | | 5,349 | 7,000 |
| Annual fee - Securities and Exchange Commission of Pakistan | | 4,035 | 4,917 |
| Brokerage and other transaction costs | | 2,311 | 1,445 |
| Bank charges | | 304 | 307 |
| Auditors' remuneration | 15 | 430 | 394 |
| Amortisation of preliminary expenses and floatation costs | 8 | 1,000 | 1,000 |
| Legal and professional charges | | 100 | - |
| Printing charges | | 84 | 173 |
| Listing fee | | 40 | 40 |
| Annual rating fee | | 200 | 185 |
| Other expenses | | 250 | 134 |
| Total operating expenses | | 107,725 | 113,928 |
| Net income from operating activities | | 602,777 | 729,107 |
| Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net | | 33,746 | (76,795) |
| Provision for Workers' Welfare Fund | 12.1 | (12,730) | (13,046) |
| Net income for the year before taxation | | 623,793 | 639,266 |
| Taxation | 16 | - | - |
| Net income for the year after taxation | | 623,793 | 639,266 |
| Other comprehensive income for the year | | - | - |
| Total comprehensive income for the year | | 623,793 | 639,266 |
| Earnings per unit | 17 | | |

The annexed notes 1 to 29 form an integral part of these financial statements.

For ABL Asset Management Company Limited
(Management Company)


FARID AHMED KHAN
CEO


KAMRAN NISHAT
DIRECTOR

ABL INCOME FUND DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2012

| | June 30, 2012 | June 30, 2011 |
|--|-----------------------------|---------------|
| | ------(Rupees in '000)----- | |
| Undistributed income brought forward | | |
| - realised | 10,584 | 17,772 |
| - unrealised | (1,089) | (4,087) |
| | <u>9,495</u> | <u>13,685</u> |
| Interim distribution: | | |
| - Re 0.3158 per unit on September 27, 2011 (2011: 0.2701 per unit on September 29, 2010) | | |
| - Cash distribution | (67,730) | (66,647) |
| - Issue of bonus units | (101,541) | (101,971) |
| Interim distribution: | | |
| - Re 0.3089 per unit on December 26, 2011 (2011: Re 0.2689 per unit on December 30, 2010) | | |
| - Cash distribution | (76,064) | (62,950) |
| - Issue of bonus units | (150,875) | (102,289) |
| Interim distribution: | | |
| - Re 0.2530 per unit on March 26, 2012 (2011: Re 0.2906 per unit on March 30, 2011) | | |
| - Cash distribution | (62,235) | (68,041) |
| - Issue of bonus units | (76,359) | (91,246) |
| Final distribution: | | |
| - Re 0.2361 per unit on June 25, 2012 (2011: Re 0.2848 per unit on June 29, 2011) | | |
| - Cash distribution | (29,226) | (61,081) |
| - Issue of bonus units | (59,303) | (85,781) |
| Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed | 957 | (3,450) |
| Net income for the year | 623,793 | 639,266 |
| Undistributed income carried forward | <u>10,912</u> | <u>9,495</u> |
| Undistributed income comprising: | | |
| Realised income | 9,587 | 10,584 |
| Unrealised income / (loss) | 1,325 | (1,089) |
| | <u>10,912</u> | <u>9,495</u> |

The annexed notes 1 to 29 form an integral part of these financial statements.

For ABL Asset Management Company Limited
(Management Company)


FARID AHMED KHAN
CEO


KAMRAN NISHAT
DIRECTOR

ABL INCOME FUND

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND

FOR THE YEAR ENDED JUNE 30, 2012

| | June 30, 2012 | June 30, 2011 |
|--|------------------------------|---------------|
| | ----- (Rupees in '000) ----- | |
| Net assets at the beginning of the year | 4,878,536 | 8,360,054 |
| Issue of 1,010,811,544 (2011: 602,260,386) units | 10,232,504 | 6,092,647 |
| Redemption of 1,159,188,184 (2011: 988,122,053) units | (11,681,569) | (10,031,507) |
| | (1,449,065) | (3,938,860) |
| Issue of bonus units | | |
| - Interim distribution 32,877,450 (2011: 29,550,550 units) | 328,775 | 295,506 |
| - Final distribution 5,930,276 (2011: 8,578,149 units) | 59,303 | 85,781 |
| Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed | | |
| - amount representing (income) / loss and capital (gains) / losses - transferred to income statement | (33,746) | 76,795 |
| - amount representing (income) / loss and capital (gains) / losses - transferred to distribution statement | (957) | 3,450 |
| | (34,703) | 80,245 |
| Net capital gain on sale of investments | 17,495 | 1,783 |
| Unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net | 1,325 | (1,089) |
| Other net income for the year | 604,973 | 638,572 |
| Total income for the year | 623,793 | 639,266 |
| Interim distribution: | | |
| - Re 0.3158 per unit on September 27, 2011 (2011: 0.2701 per unit on September 29, 2010) | | |
| Cash distribution | (67,730) | (66,647) |
| Issue of bonus units | (101,541) | (101,971) |
| Interim distribution: | | |
| - Re 0.3089 per unit on December 26, 2011 (2011: Re 0.2689 per unit on December 30, 2010) | | |
| Cash distribution | (76,064) | (62,950) |
| Issue of bonus units | (150,875) | (102,289) |
| Interim distribution: | | |
| - Re 0.2530 per unit on March 26, 2012 (2011: Re 0.2906 per unit on March 30, 2011) | | |
| Cash distribution | (62,235) | (68,041) |
| Issue of bonus units | (76,359) | (91,246) |
| Final distribution: | | |
| - Re 0.2361 per unit on June 25, 2012 (2011: Re 0.2848 per unit on June 29, 2011) | | |
| Cash distribution | (29,226) | (61,081) |
| Issue of bonus units | (59,303) | (85,781) |
| | (623,333) | (640,006) |
| Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing income / (losses) and capital gains / (losses) transferred to distribution statement | 957 | (3,450) |
| Net assets as at the end of the year | 3,784,263 | 4,878,536 |

The annexed notes 1 to 29 form an integral part of these financial statements.

For ABL Asset Management Company Limited
(Management Company)


FARID AHMED KHAN
CEO


KAMRAN NISHAT
DIRECTOR

ABL INCOME FUND CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2012

| | Note | June 30, 2012 | June 30, 2011 |
|---|------|-----------------------------|-------------------------|
| | | ------(Rupees in '000)----- | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income for the year before taxation | | 623,793 | 639,266 |
| Adjustment for non-cash charges and other items | | | |
| Amortisation of preliminary expenses and floatation costs | | 1,000 | 1,000 |
| Unrealised (appreciation) / diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss' | | (1,325) | 1,089 |
| Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed | | (33,746) | 76,795 |
| | | <u>589,722</u> | <u>718,150</u> |
| (Increase) / decrease in assets | | | |
| Profit receivable | | 6,281 | 46,633 |
| Investments | | 1,256,008 | 2,009,325 |
| Security deposits and other receivables | | (12,566) | (775) |
| | | <u>1,249,723</u> | <u>2,055,183</u> |
| Increase / (decrease) in liabilities | | | |
| Payable to ABL Asset Management Company Limited - Management Company | | (1,321) | (7,733) |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | | (63) | (523) |
| Payable to the Securities and Exchange Commission of Pakistan | | (882) | (2,127) |
| Accrued expenses and other liabilities | | (5,196) | 31,155 |
| | | <u>(7,462)</u> | <u>20,772</u> |
| Net cash generated from operating activities | | <u>1,831,983</u> | <u>2,794,105</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividend paid | | (296,336) | (290,112) |
| Net (payments) / receipts against (redemption) / issuance of units | | (1,452,180) | (3,962,279) |
| Net cash used in financing activities | | <u>(1,748,516)</u> | <u>(4,252,391)</u> |
| Net increase / (decrease) in cash and cash equivalents | | <u>83,467</u> | <u>(1,458,286)</u> |
| Cash and cash equivalents at the beginning of the year | | <u>2,205,203</u> | <u>3,663,489</u> |
| Cash and cash equivalents at the end of the year | 4.2 | <u><u>2,288,670</u></u> | <u><u>2,205,203</u></u> |

The annexed notes 1 to 29 form an integral part of these financial statements.

For ABL Asset Management Company Limited
(Management Company)


FARID AHMED KHAN
CEO


KAMRAN NISHAT
DIRECTOR

ABL INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

1 LEGAL STATUS AND NATURE OF BUSINESS

ABL Income Fund (the Fund) was established under a Trust Deed executed on June 16, 2008 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 Trust Deed was executed in accordance with the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (NBFC Rules). The Securities and Exchange Commission of Pakistan (SECP) approved the revised / amended Trust Deed of the Fund on June 6, 2008. The Fund commenced its operations on September 20, 2008. During the year ended June 30, 2011, a supplemental Trust Deed was executed on September 30, 2010 to categorise ABL Income Fund as an Open End Income Scheme in terms of Circular 7 of the SECP.

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 the 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 public for subscription on a continuous basis. The units are transferable and are redeemable by surrendering them to the Fund. The units of the Fund were initially offered to public for subscription at par from September 17, 2008 to September 19, 2008 and thereafter these units are offered to public for subscription on a continuous basis.

The objective of the Fund is to earn superior risk adjusted rate of return by investing in a blend of short, medium and long-term instruments, both within and outside Pakistan. The Fund, in line with its investment objectives, invests primarily in money and debt markets, CFS, certificate of investments, clean placements, spread transactions, derivatives and other absolute return instruments.

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.

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'. This amendment is effective from 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'. This amendment is effective from July 1, 2011. The amendment aims to promote transparency in the reporting of transfer transactions and improve users' 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. The amendment does not have any impact on the Fund's financial statements during the current year.
- 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 as currently no items are being reported in other comprehensive income.
- 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). The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and adds 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 interpretation 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 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' (effective July 1, 2012). 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 reported in other comprehensive income.
- b) IAS 32, 'Financial instruments: Presentation', (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 new and amended standards and interpretations that are mandatory for accounting periods beginning on 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 the 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 financial assets (notes 3.1 and 5)
- ii. Amortisation of preliminary expenses and floatation costs (note 3.6 and 8)

2.5 Accounting convention

These financial statements are 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

Significant 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.

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-derivatives 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 the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

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.

b) Debt securities and other exposures

Evidence of impairment may include indications that the debtor 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 reorganization.

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.

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

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

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 financial assets 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 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.

3.6 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.

3.7 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 obligation can be made. Provisions 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 among 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 unutilised 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, determined by the Management Company after realization of subscription money. The offer price represents the net asset value per unit plus the allowance for sales load, provision for transaction costs and any provision for duties and charges, if applicable as of the close of the business day when duly filled investment form is received. However, effective from November 1, 2010, offer price represents net asset value per unit as of the close of the business day when the instrument is realized in the trust bank account as per the constitutive document. 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 during business hours 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, provision for transaction costs and any provision for duties and charges, if applicable. Currently, the Fund is not charging any back-end load, transactions costs or any provision for duties and charges.

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 income / (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 year 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.
- Discount on purchase of Market Treasury Bills is amortised to income statement using straight line method.
- Income on Pakistan Investment Bonds, Term Deposit Receipts, Certificate of Investments, Certificate of Deposits, Letter of Placement, Term Finance Certificate, Sukuks, and bank deposits 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.
- Dividend income is recognised when the Fund's right to receive the dividend is established.
- 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 bank balances 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 | June 30, 2011 |
|------------------------------|------|------------------|------------------|
| ----- (Rupees in '000) ----- | | | |
| 4 BALANCES WITH BANKS | | | |
| Saving accounts | 4.1 | 838,670 | 1,005,203 |

4.1 These saving accounts carrying mark-up at rates ranging from 6.00% to 12.28% (June 30, 2011: 5.00% to 13.90%) per annum. Deposits in savings accounts include Rs. 7,069,688 (June 30, 2011: Rs. 28,412,652) maintained with Allied Bank Limited, a related party.

| | Note | June 30, 2012 | June 30, 2011 |
|--------------------------------------|------|------------------|------------------|
| ----- (Rupees in '000) ----- | | | |
| 4.2 Cash and cash equivalents | | | |
| Balances with banks | | 838,670 | 1,005,203 |
| Term Deposit Receipts | 5.6 | 1,450,000 | 1,200,000 |
| | | <u>2,288,670</u> | <u>2,205,203</u> |

5 INVESTMENTS

Financial assets 'at fair value through profit or loss' - held for trading

| | | | |
|-------------------------------------|-----|-----------|-----------|
| - Market Treasury Bills | 5.1 | 1,208,205 | 1,597,246 |
| - Pakistan Investment Bonds | 5.2 | - | 23,816 |
| - Ijarah sukuk | 5.3 | - | 660,222 |
| - Term Finance Certificates / sukuk | 5.4 | 293,396 | 125,000 |

| | | | |
|-----------------------|-----|------------------|------------------|
| Loans and receivables | 5.6 | 1,450,000 | 1,550,000 |
| | | <u>2,951,601</u> | <u>3,956,284</u> |

5.1 Market Treasury Bills:

| Issue date | Tenor | Face value | | | Balance as at June 30, 2012 | | | Market value as a percentage of net assets | Market value as a percentage of total investment |
|----------------------------|----------|--------------------|---------------------------|--|-----------------------------|----------------|----------------|--|--|
| | | As at July 1, 2011 | Purchased during the year | Disposed off / matured during the year | As at June 30, 2012 | Carrying value | Market value | | |
| ----- Rupees in '000 ----- | | | | | | | | | |
| 21-Apr-11 | 3 Months | - | 100,000 | 100,000 | - | - | - | - | - |
| 5-May-11 | 3 Months | 5,000 | 482,000 | 487,000 | - | - | - | - | - |
| 2-Jun-11 | 3 Months | 100,000 | 75,000 | 175,000 | - | - | - | - | - |
| 14-Jul-11 | 3 Months | - | 366,000 | 366,000 | - | - | - | - | - |
| 28-Jul-11 | 3 Months | - | 310,000 | 310,000 | - | - | - | - | - |
| 11-Aug-11 | 3 Months | - | 950,000 | 950,000 | - | - | - | - | - |
| 25-Aug-11 | 3 Months | - | 128,500 | 128,500 | - | - | - | - | - |
| 6-Oct-11 | 3 Months | - | 50,000 | 50,000 | - | - | - | - | - |
| 20-Oct-11 | 3 Months | - | 625,000 | 625,000 | - | - | - | - | - |
| 3-Nov-11 | 3 Months | - | 537,000 | 537,000 | - | - | - | - | - |
| 17-Nov-11 | 3 Months | - | 956,000 | 956,000 | - | - | - | - | - |
| 1-Dec-11 | 3 Months | - | 250,000 | 250,000 | - | - | - | - | - |
| 29-Dec-11 | 3 Months | - | 28,630 | 28,630 | - | - | - | - | - |
| 12-Jan-12 | 3 Months | - | 287,000 | 287,000 | - | - | - | - | - |
| 26-Jan-12 | 3 Months | - | 187,000 | 187,000 | - | - | - | - | - |
| 9-Feb-12 | 3 Months | - | 612,000 | 612,000 | - | - | - | - | - |
| 23-Feb-12 | 3 Months | - | 187,000 | 187,000 | - | - | - | - | - |
| 8-Mar-12 | 3 Months | - | 2,895,000 | 2,895,000 | - | - | - | - | - |
| 5-Apr-12 | 3 Months | - | 400,000 | 400,000 | - | - | - | - | - |
| 19-Apr-12 | 3 Months | - | 1,310,000 | 1,310,000 | - | - | - | - | - |
| 3-May-12 | 3 Months | - | 460,000 | 454,000 | 6,000 | 5,952 | 5,951 | (1) | 0.2% |
| 17-May-12 | 3 Months | - | 547,000 | 505,000 | 42,000 | 41,481 | 41,471 | (10) | 1.1% |
| 31-May-12 | 3 Months | - | 400,000 | 350,000 | 50,000 | 49,162 | 49,149 | (13) | 1.3% |
| 14-Jun-12 | 3 Months | - | 500,000 | 300,000 | 200,000 | 195,741 | 195,718 | (23) | 5.2% |
| 28-Jun-12 | 3 Months | - | 807,500 | 212,500 | 595,000 | 579,681 | 579,666 | (15) | 15.3% |
| | | <u>105,000</u> | <u>13,450,630</u> | <u>12,662,630</u> | <u>893,000</u> | <u>872,017</u> | <u>871,955</u> | <u>(62)</u> | <u>23.1%</u> |
| | | | | | | | | | <u>23.1%</u> |

| Issue date | Tenor | Face value | | | Balance as at June 30, 2012 | | | Market value as a percentage of net assets | Market value as a percentage of total investment |
|------------------------------|-----------|--------------------|---------------------------|--------------------------------------|-----------------------------|----------------|--------------|--|--|
| | | As at July 1, 2011 | Purchased during the year | Disposed off/matured during the year | As at June 30, 2012 | Carrying value | Market value | | |
| Rupees in '000 | | | | | | | | | |
| 10-Feb-11 | 6 Months | 500 | 257,000 | 257,500 | - | - | - | - | - |
| 24-Feb-11 | 6 Months | 240,000 | 450,000 | 450,000 | - | - | - | - | - |
| 10-Mar-11 | 6 Months | 189,000 | 85,000 | 274,000 | - | - | - | - | - |
| 7-Apr-11 | 6 Months | - | 902,500 | 902,500 | - | - | - | - | - |
| 21-Apr-11 | 6 Months | 200,000 | - | 200,000 | - | - | - | - | - |
| 5-May-11 | 6 Months | 250,000 | 822,000 | 1,072,000 | - | - | - | - | - |
| 19-May-11 | 6 Months | 118,900 | 790,000 | 908,900 | - | - | - | - | - |
| 2-Jun-11 | 6 Months | 200,000 | 623,200 | 823,200 | - | - | - | - | - |
| 16-Jun-11 | 6 Months | - | 648,000 | 648,000 | - | - | - | - | - |
| 28-Jul-11 | 6 Months | - | 350,000 | 350,000 | - | - | - | - | - |
| 11-Aug-11 | 6 Months | - | 1,560,000 | 1,560,000 | - | - | - | - | - |
| 25-Aug-11 | 6 Months | - | 225,000 | 225,000 | - | - | - | - | - |
| 8-Sep-11 | 6 Months | - | 35,000 | 35,000 | - | - | - | - | - |
| 22-Sep-11 | 6 Months | - | 3,622,000 | 3,622,000 | - | - | - | - | - |
| 6-Oct-11 | 6 Months | - | 495,500 | 495,500 | - | - | - | - | - |
| 20-Oct-11 | 6 Months | - | 674,500 | 674,500 | - | - | - | - | - |
| 3-Nov-11 | 6 Months | - | 609,000 | 609,000 | - | - | - | - | - |
| 17-Nov-11 | 6 Months | - | 588,870 | 588,870 | - | - | - | - | - |
| 1-Dec-11 | 6 Months | - | 253,200 | 253,200 | - | - | - | - | - |
| 26-Jan-12 | 6 Months | - | 374,000 | 374,000 | - | - | - | - | - |
| 9-Feb-12 | 6 Months | - | 200,000 | 185,000 | 15,000 | 14,822 | 14,811 | (11) | 0.4% |
| 17-May-12 | 6 Months | - | 275,000 | 275,000 | - | - | - | - | - |
| | | 1,198,400 | 13,839,770 | 15,023,170 | 15,000 | 14,822 | 14,811 | (11) | 0.4% |
| 2-Dec-10 | 12 Months | - | 300,000 | 300,000 | - | - | - | - | - |
| 10-Feb-11 | 12 Months | - | 400,000 | 400,000 | - | - | - | - | - |
| 24-Feb-11 | 12 Months | - | 88,000 | 88,000 | - | - | - | - | - |
| 24-Mar-11 | 12 Months | 375,000 | 76,000 | 451,000 | - | - | - | - | - |
| 7-Apr-11 | 12 Months | - | 81,500 | 81,500 | - | - | - | - | - |
| 21-Apr-11 | 12 Months | - | 104,102 | 104,102 | - | - | - | - | - |
| 19-May-11 | 12 Months | - | 449,000 | 449,000 | - | - | - | - | - |
| 2-Jun-11 | 12 Months | - | 30,000 | 30,000 | - | - | - | - | - |
| 30-Jun-11 | 12 Months | - | 400,000 | 400,000 | - | - | - | - | - |
| 14-Jul-11 | 12 Months | - | 100,000 | 100,000 | - | - | - | - | - |
| 11-Aug-11 | 12 Months | - | 4,492,000 | 4,436,800 | 55,200 | 54,560 | 54,505 | (55) | 1.4% |
| 25-Aug-11 | 12 Months | - | 8,861,300 | 8,691,500 | 169,800 | 166,932 | 166,912 | (20) | 4.4% |
| 8-Sep-11 | 12 Months | - | 3,561,500 | 3,561,500 | - | - | - | - | - |
| 22-Sep-11 | 12 Months | - | 3,168,400 | 3,125,400 | 43,000 | 41,933 | 41,892 | (41) | 1.1% |
| 6-Oct-11 | 12 Months | - | 2,998,300 | 2,998,100 | 200 | 194 | 194 | - | - |
| 20-Oct-11 | 12 Months | - | 703,000 | 643,000 | 60,000 | 58,087 | 57,936 | (151) | 1.5% |
| 3-Nov-11 | 12 Months | - | 537,000 | 537,000 | - | - | - | - | - |
| 17-Nov-11 | 12 Months | - | 432,000 | 432,000 | - | - | - | - | - |
| 1-Dec-11 | 12 Months | - | 1,000,000 | 1,000,000 | - | - | - | - | - |
| 26-Jan-12 | 12 Months | - | 187,000 | 187,000 | - | - | - | - | - |
| 9-Feb-12 | 12 Months | - | 10,000 | 10,000 | - | - | - | - | - |
| 22-Mar-12 | 12 Months | - | 300,000 | 300,000 | - | - | - | - | - |
| | | 375,000 | 28,279,102 | 28,325,902 | 328,200 | 321,706 | 321,439 | (267) | 8.5% |
| Total - June 30, 2012 | | 1,678,400 | 55,569,502 | 56,011,702 | 1,236,200 | 1,208,545 | 1,208,205 | (340) | 31.9% |
| Total - June 30, 2011 | | 4,145,000 | 43,937,886 | 46,404,486 | 1,678,400 | 1,599,121 | 1,597,246 | (1,875) | 33.0% |

5.2 Pakistan Investment Bonds:

| Issue date | Tenor | Face value | | | Balance as at June 30, 2012 | | | Market value as a percentage of net assets | Market value as a percentage of total investment |
|------------------------------|----------|--------------------|---------------------------|--------------------------------------|-----------------------------|----------------|--------------|--|--|
| | | As at July 1, 2011 | Purchased during the year | Disposed off/matured during the year | As at June 30, 2012 | Carrying value | Market value | | |
| Rupees in '000 | | | | | | | | | |
| 22-Jul-10 | 3 Years | 25,000 | 311,500 | 336,500 | - | - | - | - | - |
| 18-Aug-11 | 3 Years | - | 872,500 | 872,500 | - | - | - | - | - |
| 18-Aug-11 | 5 Years | - | 640,000 | 640,000 | - | - | - | - | - |
| 18-Aug-11 | 10 Years | - | 844,800 | 844,800 | - | - | - | - | - |
| Total - June 30, 2012 | | 25,000 | 2,668,800 | 2,693,800 | - | - | - | - | - |
| Total - June 30, 2011 | | - | 650,000 | 625,000 | 25,000 | 23,802 | 23,816 | 14 | 0.5% |

5.3 Ijarah sukuk

| Issue date | Tenor | Face value | | | Balance as at June 30, 2012 | | | Market value as a percentage of net assets | Market value as a percentage of total investment |
|------------------------------|---------|--------------------|---------------------------|---------------------------------------|-----------------------------|----------------|----------------|--|--|
| | | As at July 1, 2011 | Purchased during the year | Disposed off/ matured during the year | As at June 30, 2012 | Carrying value | Market value | | |
| Rupees in '000 | | | | | | | | | |
| 7-Mar-11 | 3 Years | 120,000 | 44,000 | 164,000 | - | - | - | - | - |
| 16-May-11 | 3 Years | 539,200 | 142,000 | 681,200 | - | - | - | - | - |
| 2-Mar-12 | 3 Years | - | 500,000 | 500,000 | - | - | - | - | - |
| 30-Apr-12 | 3 Years | - | 300,000 | 300,000 | - | - | - | - | - |
| Total - June 30, 2012 | | 659,200 | 986,000 | 1,645,200 | - | - | - | - | - |
| Total - June 30, 2011 | | - | 1,695,000 | 1,035,800 | 659,200 | 659,450 | 660,222 | 772 | 14% |

5.4 Term Finance Certificates / sukuk:

| Name of the investee company | Issue Date | Profit / Markup Rate % | Number of certificates | | | Balance as at June 30, 2012 | | | Market value as a percentage of net assets | Market value as a percentage of total investment | |
|--|------------|---------------------------|------------------------|---------------------------|---------------------------------------|-----------------------------|----------------|----------------|--|--|----------------------------|
| | | | As at July 1, 2011 | Purchased during the year | Disposed off/ matured during the year | As at June 30, 2012 | Carrying value | Market value | | | Appreciation/ (diminution) |
| Rupees in '000 | | | | | | | | | | | |
| Term Finance Certificate | | | | | | | | | | | |
| Askari Bank Limited - I | 4-Feb-05 | 6 months KIBOR plus 1.50% | - | 13,400 | - | 13,400 | 66,913 | 66,800 | (113) | 1.8% | 2.3% |
| Askari Bank Limited - III | 18-Nov-09 | 6 months KIBOR plus 2.50% | - | 800 | 800 | - | - | - | - | - | - |
| Askari Bank Limited - IV | 23-Dec-11 | 13.74% | - | 18,000 | 9,600 | 8,400 | 41,992 | 43,335 | 1,343 | 1.2% | 1.5% |
| Bank Al Habib Limited - IV | 30-Jun-11 | 15% | - | 7,000 | 7,000 | - | - | - | - | - | - |
| Bank Alfalah Limited- IV Fixed | 2-Dec-09 | 15% | - | 29,550 | 29,550 | - | - | - | - | - | - |
| Faysal Bank Limited- II | 27-Dec-10 | 6 months KIBOR plus 1.50% | - | 8,000 | 8,000 | - | - | - | - | - | - |
| United Bank Limited - IV | 14-Feb-08 | 6 months KIBOR plus 0.85% | - | 12,600 | 5,000 | 7,600 | 37,826 | 38,261 | 435 | 1.0% | 1.3% |
| Standard Chartered Bank (Pakistan) Limited | 18-May-12 | 6 months KIBOR plus 0.75% | - | 29,000 | - | 29,000 | 145,000 | 145,000 | - | 3.8% | 4.9% |
| Sukuks | | | | | | | | | | | |
| Kot Addu Power Company Limited | 27-Jun-11 | 14.89% | 25,000 | - | 25,000 | - | - | - | - | - | - |
| Hub Power Company Limited | 4-Aug-11 | 14.47% | - | 20,000 | 20,000 | - | - | - | - | - | - |
| Sui Southern Gas Company Limited | 1-Dec-07 | 3 months KIBOR plus 0.20% | - | 8,700 | 8,700 | - | - | - | - | - | - |
| Total - June 30, 2012 | | | 25,000 | 133,650 | 113,650 | 58,400 | 291,731 | 293,396 | 1,665 | 7.8% | 9.9% |
| Total - June 30, 2011 | | | - | 78,106 | 53,106 | 25,000 | 125,000 | 125,000 | - | 2.6% | 3.2% |

5.4.1 All Term Finance Certificate held by the Fund as at June 30, 2012 are unsecured.

| 5.5 Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - 'held for trading' | Note | June 30, 2012 | June 30, 2011 |
|--|----------------|---------------|----------------|
| | Rupees in '000 | | |
| Market value of securities | | 1,501,601 | 2,406,284 |
| Less: carrying value of securities | | 1,500,276 | 2,407,373 |
| | | <u>1,325</u> | <u>(1,089)</u> |

5.6 Loans and receivables

| | | | |
|-----------------------|-------|------------------|------------------|
| Term Deposit Receipts | 5.6.1 | 1,450,000 | 1,200,000 |
| Letter of Placement | | - | 350,000 |
| | | <u>1,450,000</u> | <u>1,550,000</u> |

- 5.6.1 Term Deposit Receipts carry mark-up at rates ranging from 12.25% to 12.45% (June 30, 2011: 13.75% to 13.98%) per annum and maturities ranging from July 18, 2012 to August 27, 2012 (June 30, 2011: July 25, 2011 to July 28, 2011).

| | June 30, 2012 | June 30, 2011 |
|---|-------------------------------|------------------|
| 6 PROFIT RECEIVABLE | ---(Rupees in '000)--- | |
| Interest accrued on Term Deposit Receipts | 8,757 | 2,304 |
| Profit accrued on bank deposits | 1,529 | 3,918 |
| Interest accrued on Pakistan Investment Bonds | - | 1,233 |
| Profit accrued on Ijarah sukuk - Government of Pakistan | - | 14,357 |
| Profit accrued on unlisted debt securities | 7,822 | 204 |
| Interest accrued on Letters of Placement | - | 2,373 |
| | <u>18,108</u> | <u>24,389</u> |
| 7 SECURITY DEPOSIT AND OTHER RECEIVABLES | | |
| CDC - security deposit | 100 | 100 |
| National Clearing Company of Pakistan Limited | 12,836 | 275 |
| Bond Automated Trading System (BATS) - security deposit | 500 | 500 |
| Other receivables | 5 | - |
| | <u>13,441</u> | <u>875</u> |
| 8 PRELIMINARY EXPENSES AND FLOATATION COSTS | | |
| Opening balance | 2,222 | 3,222 |
| Less: amortized during the year | (1,000) | (1,000) |
| Closing balance | <u>1,222</u> | <u>2,222</u> |

- 8.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. As per the requirement of the Trust Deed, these costs are being amortized over a period not exceeding five years.

| | Note | June 30, 2012 | June 30, 2011 |
|---|------|-------------------------------|------------------|
| 9 PAYABLE TO THE ABL ASSET MANAGEMENT COMPANY LIMITED - MANAGEMENT COMPANY | | ---(Rupees in '000)--- | |
| Management fee | 9.1 | 4,950 | 6,063 |
| Preliminary expenses and flotation costs | | 1,000 | 2,000 |
| Sindh Sales Tax on Management Company's remuneration | 9.2 | 792 | - |
| | | <u>6,742</u> | <u>8,063</u> |

- 9.1 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 1.5 percent of the average annual net assets of the Fund. The amount of remuneration is being paid monthly in arrears.

- 9.2 During the current year, the Provincial Government of Sindh levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company through the Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.

| | Note | June 30, 2012 | June 30, 2011 |
|---|------|----------------------------|---------------|
| 10 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE | | ----- Rupees in '000 ----- | |
| Trustee fee | 10.1 | <u>350</u> | <u>413</u> |

10.1 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 billion | Rs 0.6 million or 0.17 percent per annum of NAV whichever is higher. |
| Rs 1 billion to Rs 5 billion | Rs 1.7 million plus 0.085 percent per annum of NAV exceeding Rs 1 billion. |
| Over Rs 5 billion | Rs 5.1 million plus 0.07 percent per annum of NAV exceeding Rs 5 billion. |

| | Note | June 30, 2012 | June 30, 2011 |
|---|------|----------------------------|---------------|
| 11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN | | ----- Rupees in '000 ----- | |
| Annual fee | 11.1 | <u>4,035</u> | <u>4,917</u> |

11.1 Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008 a collective investment scheme categorised as 'income 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 | June 30, 2011 |
|--|------|------------------------|---------------|
| 12 ACCRUED EXPENSES AND OTHER LIABILITIES | | ---(Rupees in '000)--- | |
| Auditors' remuneration | | 325 | 290 |
| Brokerage | | 52 | 64 |
| Printing and others charges | | 260 | 300 |
| Payable to Workers' Welfare Fund | 12.1 | 26,988 | 14,258 |
| Tax deducted at source | | 27 | 139 |
| Advance against issue of units | | - | 17,797 |
| | | <u>27,652</u> | <u>32,848</u> |

12.1 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 the year ended 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, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 26.988 million (including Rs 12.730 million for the current year) in these financial statements.

13 CONTINGENCIES AND COMMITMENTS

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

| | June 30, 2012 | June 30, 2011 |
|---|---------------------------|--------------------|
| | -----Number of units----- | |
| 14 NUMBER OF UNITS IN ISSUE | | |
| Total units in issue at the beginning of the year | 486,903,898 | 834,636,866 |
| Add: units issued | 1,010,811,544 | 602,260,386 |
| Add: bonus units issued | 38,807,726 | 38,128,699 |
| Less: units redeemed | (1,159,188,184) | (988,122,053) |
| Total units in issue at the end of the year | <u>377,334,984</u> | <u>486,903,898</u> |

| | June 30, 2012 | June 30, 2011 |
|----------------------------------|----------------------------|------------------|
| | ----- Rupees in '000 ----- | |
| 15 AUDITORS' REMUNERATION | | |
| Annual audit fee | 220 | 200 |
| Half yearly review fee | 110 | 100 |
| Other certification and services | 75 | 75 |
| Out of pocket | 25 | 19 |
| | <u>430</u> | <u>394</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 distributed more than ninety percent of the Fund's accounting income for the current year 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 or 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 | 838,670 | - | 838,670 |
| Investments | 1,450,000 | 1,501,601 | 2,951,601 |
| Profit receivable | 18,108 | - | 18,108 |
| Security deposits | 13,441 | - | 13,441 |
| | <u>2,320,219</u> | <u>1,501,601</u> | <u>3,821,820</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 the ABL Asset Management Company Limited - Management Company | - | 6,742 | 6,742 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | - | 350 | 350 |
| Accrued expenses and other liabilities | - | 637 | 637 |
| | <u>-</u> | <u>7,729</u> | <u>7,729</u> |
| -----As at June 30, 2011----- | | | |
| | Loans and receivables | Financial assets 'at fair value through profit or loss' | Total |
| -----Rupees in '000----- | | | |
| Financial assets | | | |
| Balances with banks | 1,005,203 | - | 1,005,203 |
| Investments | 1,550,000 | 2,406,284 | 3,956,284 |
| Profit receivable | 24,389 | - | 24,389 |
| Security deposits | 875 | - | 875 |
| | <u>2,580,467</u> | <u>2,406,284</u> | <u>4,986,751</u> |
| -----As at June 30, 2011----- | | | |
| | Liabilities at fair value through profit or loss | Other financial liabilities | Total |
| -----Rupees in '000----- | | | |
| Financial liabilities | | | |
| Payable to the ABL Asset Management Company Limited - Management Company | - | 8,063 | 8,063 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | - | 413 | 413 |
| Dividend payable | - | 61,081 | 61,081 |
| Payable against redemption of units | - | 3,115 | 3,115 |
| Accrued expenses and other liabilities | - | 18,451 | 18,451 |
| | <u>-</u> | <u>91,123</u> | <u>91,123</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, ABL Asset Management Company Limited - Staff Provident Fund, Allied Bank Limited - Employees Superannuation (Pension) Fund, Allied Bank Limited - Staff Provident Fund, Ibrahim Fibres Limited, Cyan Limited (formerly Central Insurance Company Limited) being 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.

June 30, 2012 June 30, 2011

Rupees in '000

19.5 Details of transactions during the year

ABL Asset Management Company Limited

- Management Company

| | | |
|--|--------|---------|
| Issue of 3,447,711 units (2011: 1,191,094 units) | 34,500 | 12,000 |
| Bonus of 433,584 units (2011: 624,126 units) | 4,336 | 6,241 |
| Redemption of 2,910,643 units (2011: 20,974,180 units) | 30,000 | 212,000 |
| Remuneration for the year | 80,709 | 98,333 |
| Sindh Sales Tax on Management Company's remuneration | 12,913 | - |

Allied Bank Limited

| | | |
|---|-----------|-----------|
| Issue of 299,529,738 units (2011: Nil units) | 3,000,000 | - |
| Redemption of 299,529,738 units (2011: Nil units) | 3,003,325 | - |
| Cash dividend | 83,535 | 83,580 |
| Profit on bank deposit | 7,906 | 46,092 |
| Term Deposit Receipts placed | 500,000 | 2,753,000 |
| Term Deposit Receipts matured | 500,000 | 2,753,000 |
| Bank charges | 81 | 70 |

ABL Asset Management Company Limited

- Staff Provident Fund

| | | |
|---|---|-------|
| Issue of Nil units (2011: 39,106 units) | - | 400 |
| Bonus of Nil units (2011: 12,001 units) | - | 120 |
| Redemption of Nil units (2011: 185,129 units) | - | 1,863 |

ABL - Employees Superannuation (Pension) Fund

| | | |
|--|---------|--------|
| Redemption of 39,880,238 Units (2011: Nil units) | 406,364 | - |
| Cash dividend | 12,594 | 44,443 |

ABL - Staff Provident Fund

| | | |
|---|--------|-------|
| Redemption of 2,644,829 Units (2011: Nil units) | 26,950 | - |
| Cash dividend | 835 | 2,947 |

CHAIRMAN OF THE MANAGEMENT COMPANY**Sheikh Mukhtar Ahmad**

| | | |
|--|----|----|
| Bonus of 1,549 units (2011: 1,388 units) | 15 | 14 |
|--|----|----|

DIRECTORS OF THE MANAGEMENT COMPANY**Mr. Muhammad Javaid Iqbal**

| | | |
|--|-----|-----|
| Issue of 48,886 units (2011: Nil units) | 500 | - |
| Bonus of 5,043 units (2011: 4,389 units) | 50 | 44 |
| Redemption of Nil units (2011: 34,355 units) | - | 353 |

Mr. Shakeb Murad

| | | |
|---|-------|----|
| Issue of 545,713 units (2011: Nil units) | 5,600 | - |
| Bonus of 20,880 units (2011: 3,482 units) | 209 | 35 |
| Redemption of 629,992 units (2011: Nil units) | 6,372 | - |

KEY MANAGEMENT PERSONNEL**Chief Executive Officer**

| | | |
|---|-------|-------|
| Issue of 14,664 units (2011: Nil units) | 150 | - |
| Bonus of 122,040 units (2011: 154,856 units) | 1,220 | 1,549 |
| Redemption of 227,988 units (2011: 449,046 units) | 2,305 | 4,550 |

Executives

| | | |
|---|----|-------|
| Bonus of 3,478 units (2011: 3,824 units) | 35 | 38 |
| Redemption of 6,777 units (2011: 114,719 units) | 68 | 1,157 |

TRUSTEE**Central Depository Company of Pakistan Limited**

| | | |
|---------------------------|-------|-------|
| Remuneration for the year | 5,349 | 7,000 |
|---------------------------|-------|-------|

19.6 Amounts outstanding as at year end**ABL Asset Management Company Limited - Management Company**

| | | |
|--|--------|--------|
| Outstanding 5,247,537 units (June 30, 2011: 4,276,885 units) | 52,627 | 42,852 |
| Preliminary expenses and floatation costs payable | 1,000 | 2,000 |
| Remuneration payable to Management Company | 4,950 | 6,063 |
| Sindh Sales Tax on Management Company's remuneration | 792 | - |

Allied Bank Limited

| | | |
|--|---------|---------|
| Outstanding 75,000,000 units (June 30, 2011: 75,000,000 units) | 752,168 | 751,463 |
| Cash dividend payable | - | 21,360 |
| Balances in deposit account | 7,070 | 28,413 |
| Mark up accrued | 126 | 134 |

June 30, 2012 June 30, 2011

Rupees in '000

ABL - Employees Superannuation (Pension) Fund

| | | |
|---|---|---------|
| Outstanding Nil units (June 30, 2011: 39,880,238 units) | - | 399,580 |
| Cash dividend payable | - | 11,358 |

ABL - Staff Provident Fund

| | | |
|--|---|--------|
| Outstanding Nil units (June 30, 2011: 2,644,829 units) | - | 26,500 |
| Cash dividend payable | - | 753 |

CHAIRMAN OF THE MANAGEMENT COMPANY**Sheikh Mukhtar Ahmad**

| | | |
|--|-----|-----|
| Outstanding 14,889 units (June 30, 2011: 13,340 units) | 149 | 134 |
|--|-----|-----|

DIRECTORS OF THE MANAGEMENT COMPANY**Mr. Muhammad Javaid Iqbal**

| | | |
|--|-----|-----|
| Outstanding 87,414 units (June 30, 2011: 33,485 units) | 877 | 336 |
|--|-----|-----|

Mr. Shakeb Murad

| | | |
|---|---|-----|
| Outstanding Nil units (June 30, 2011: 63,399 units) | - | 635 |
|---|---|-----|

KEY MANAGEMENT PERSONNEL**Chief Executive Officer**

| | | |
|--|--------|--------|
| Outstanding 1,172,982 units (June 30, 2011: 1,264,266 units) | 11,764 | 12,667 |
|--|--------|--------|

Executives

| | | |
|--|-----|-----|
| Outstanding 33,440 units (June 30, 2011: 36,739 units) | 335 | 368 |
|--|-----|-----|

Central Depository Company of Pakistan Limited - Trustee

| | | |
|---|-----|-----|
| Remuneration and CDC connection fee payable | 350 | 413 |
| Security deposits receivable | 100 | 100 |

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 Ali Abbas | Fund Manager | 8 | MSc. |
| 5 | Mr. Kamran Aziz | Fund Manager | 5 | CFA |
| 6 | Mr. Faizan Saleem | Fund Manager | 5 | MBA |

21 TRANSACTIONS WITH BROKERS / DEALERS

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

| S.No. | Particulars | Percentage |
|-------|---|------------|
| 1 | Invest & Finance Securities Limited | 27.98% |
| 2 | JS Global Capital Limited | 21.58% |
| 3 | Invest Capital Markets Limited | 15.18% |
| 4 | Invest One Markets Limited | 10.59% |
| 5 | C & M Management (Pvt.) Limited | 7.77% |
| 6 | BMA Capital Management Limited | 3.44% |
| 7 | KASB Securities Limited | 3.14% |
| 8 | ICON Securities (Pvt.) Limited | 2.46% |
| 9 | Global Securities Pakistan Limited | 2.13% |
| 10 | Elixir Securities Pakistan (Pvt.) Limited | 1.71% |

List of brokers by percentage of commission paid during the year ended June 30, 2011

| S.No. | Particulars | Percentage |
|-------|--|------------|
| 1 | Invest Capital Investment Bank Limited | 29.90% |
| 2 | IGI Finex Securities Limited | 19.86% |
| 3 | Js Global Capital Limited | 13.38% |
| 4 | Invisor Securities (Pvt.) Limited | 10.35% |
| 5 | KASB Securities Limited | 5.35% |
| 6 | Global Securities Pakistan Limited | 5.10% |
| 7 | Invest & Finance Securities Limited | 3.75% |
| 8 | BMA Capital Management Limited | 3.57% |
| 9 | ICON Securities (Pvt) Limited | 2.61% |
| 10 | First Capital Securities Corporation Limited | 2.00% |

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 | Percentage of total investment |
|----------------------------------|------------------------|----------------------|--|--------------------------------|
| (Rupees in '000) | | | | |
| Individuals | 1,227 | 101,243,603 | 1,015,369 | 26.83% |
| Associated companies / directors | 5 | 81,522,822 | 817,585 | 21.60% |
| Insurance companies | 3 | 1,560,409 | 15,649 | 0.41% |
| Banks / DFIs | 4 | 130,313,908 | 1,306,905 | 34.54% |
| NBFCs | - | - | - | 0.00% |
| Retirement funds | 15 | 8,584,903 | 86,097 | 2.28% |
| Public limited companies | 7 | 30,493,035 | 305,812 | 8.08% |
| Others | 16 | 23,616,304 | 236,846 | 6.26% |
| | 1,277 | 377,334,984 | 3,784,263 | 100% |

-----As at June 30, 2011-----

| Category | Number of unit holders | Number of units held | Net asset value of the amount invested | Percentage of total investment |
|----------------------------------|------------------------|----------------------|--|--------------------------------|
| (Rupees in '000) | | | | |
| Individuals | 1,130 | 75,565,726 | 757,133 | 15.52% |
| Associated companies / directors | 8 | 123,146,491 | 1,233,866 | 25.29% |
| Insurance companies | 5 | 13,675,949 | 137,026 | 2.81% |
| Banks/ DFIs | 4 | 107,017,485 | 1,072,262 | 21.98% |
| NBFCs | - | - | - | 0.00% |
| Retirement funds | 15 | 8,120,250 | 81,361 | 1.67% |
| Public limited companies | 10 | 92,734,360 | 929,152 | 19.05% |
| Others | 19 | 66,643,637 | 667,736 | 13.69% |
| | 1,191 | 486,903,898 | 4,878,536 | 100% |

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

The 22nd, 23rd, 24th, 25th and 26th meetings of the Board of Directors 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 | 25th |
| 8 | Mr. Zia Ijaz** | 1 | 1 | - | - |

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

** Appointed as new Directors of the Management Company 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 holds KIBOR based interest bearing TFCs exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on the last repricing date of these TFCs, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs 0.59 million.

b) Sensitivity analysis for fixed rate instruments

Fixed rates instruments comprises of T-Bills, PIBs, Ijarah sukuk, TDRs and letter of placements. The Fund 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 and Pakistan Investment Bonds 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 year and net assets would be lower by Rs 2.288 million (2011: Rs 5.974 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 year and net assets would be higher by Rs 2.296 million (2011: Rs 6.048 million).

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

Yield / interest rate sensitivity position for financial instruments recognised in 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 | | |
| On-balance sheet financial instruments | % | ----- (Rupees in '000) ----- | | | | |
| Financial assets | | | | | | |
| Balances with banks | 6 - 12.28 | 838,670 | - | - | - | 838,670 |
| Investments | 11.76 - 13.74 | 2,600,075 | 58,130 | 293,396 | - | 2,951,601 |
| Profit receivable | - | - | - | - | 18,108 | 18,108 |
| Security deposits and other receivables | - | - | - | - | 13,441 | 13,441 |
| Sub total | | 3,438,745 | 58,130 | 293,396 | 31,549 | 3,821,820 |
| Financial liabilities | | | | | | |
| Payable to ABL Asset Management Company Limited - Management Company | - | - | - | - | 6,742 | 6,742 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | - | - | - | - | 350 | 350 |
| Accrued expenses and other liabilities | - | - | - | - | 637 | 637 |
| Sub total | | - | - | - | 7,729 | 7,729 |
| On-balance sheet gap | | 3,438,745 | 58,130 | 293,396 | 23,820 | 3,814,091 |
| Off-balance sheet financial instruments | | - | - | - | - | - |
| Off-balance sheet gap | | - | - | - | - | - |
| Total interest rate sensitivity gap | | 3,438,745 | 58,130 | 293,396 | 23,820 | 3,814,091 |
| Cumulative interest rate sensitivity gap | | 3,438,745 | 3,496,875 | 3,790,271 | 3,814,091 | |

| As at June 30, 2011 | | | | | |
|--|---------------------------------|---|--------------------|---|------------------|
| Effective yield/ interest rate | Exposed to yield/ interest risk | | | Not exposed to yield/ interest rate risk | Total |
| | Upto three months | More than three months and up to one year | More than one year | | |
| On-balance sheet financial instruments | | | | | |
| | % | ------(Rupees in '000)----- | | | |
| Financial assets | | | | | |
| Balances with banks | 5 - 13.9 | 1,005,203 | - | - | 1,005,203 |
| Loans and receivables | 13.07 - 14.89 | 2,073,030 | 1,199,217 | 684,038 | 3,956,285 |
| Profit receivable | - | - | - | 24,389 | 24,389 |
| Security deposits and other receivables | - | - | - | 875 | 875 |
| Sub total | | 3,078,233 | 1,199,217 | 684,038 | 25,264 |
| Financial liabilities | | | | | |
| Payable to ABL Asset Management Company Limited - Management Company | - | - | - | 8,063 | 8,063 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | - | - | - | 413 | 413 |
| Dividend payable | - | - | - | 61,081 | 61,081 |
| Payable against redemption of units | - | - | - | 3,115 | 3,115 |
| Accrued expenses and other liabilities | - | - | - | 18,451 | 18,451 |
| Sub total | | - | - | 91,123 | 91,123 |
| On-balance sheet gap | | 3,078,233 | 1,199,217 | 684,038 | (65,859) |
| Off-balance sheet financial instruments | | | | | |
| Off-balance sheet gap | | - | - | - | - |
| Total interest rate sensitivity gap | | 3,078,233 | 1,199,217 | 684,038 | (65,859) |
| Cumulative interest rate sensitivity gap | | 3,078,233 | 4,277,450 | 4,961,488 | 4,895,629 |

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 the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in Market Treasury Bills, Term Finance Certificate, Term Deposit Receipts and balances with banks and security deposits held with various entities. The Fund does not foresee any credit risk with respect to Market Treasury Bills since these represent the interests of Government of Pakistan. 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 guide lines (approved by 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:

Bank balances by rating category

| Name of the bank | Rating agency | Published rating | |
|-----------------------|-------------------|------------------|------|
| | | 2012 | 2011 |
| Allied Bank Limited | PACRA | A1+ | A1+ |
| Askari Bank Limited | PACRA | A1+ | A1+ |
| Bank Al Habib Limited | PACRA | A1+ | A1+ |
| Bank Alfalah Limited | PACRA | A1+ | A1+ |
| Barclays Bank Limited | Standard & Poor's | A-1+ | A-1+ |
| Deutsche Bank AG | Standard & Poor's | A-1 | A-1 |

| Name of the bank | Rating agency | Published rating | |
|--|---------------|------------------|------|
| | | 2012 | 2011 |
| Faysal Bank Limited | PACRA | A1+ | A1+ |
| Habib Metropolitan Bank Limited | PACRA | A1+ | A1+ |
| MCB Bank Limited | PACRA | A1+ | A1+ |
| NIB Bank Limited | PACRA | A1+ | A1+ |
| Soneri Bank Limited | PACRA | A1+ | A1+ |
| Standard Chartered Bank (Pakistan) Limited | PACRA | A1+ | A1+ |
| United Bank Limited | JCR-VIS | A-1+ | A-1+ |

Term Deposit Receipt by rating category

| Name of the bank | Rating agency | Published rating | |
|----------------------|---------------|------------------|------|
| | | 2012 | 2011 |
| Askari Bank Limited | PACRA | A1+ | A1+ |
| Bank Alfalah Limited | PACRA | A1+ | A1+ |
| NIB Bank Limited | PACRA | A1+ | 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.

Collateral

The Fund does not hold any collateral from the counter parties against its investment in Term Finance Certificates, Market Treasury Bills, Term Deposit Receipts and balances with banks and these are unsecured. The Fund enters into reverse repo transactions for which the counter party provides its securities as collateral to the Fund. These securities do not form part of the Fund's investment portfolio. As at June 30, 2012 no

securities have been pledged with the Fund as no reverse repo transactions are outstanding.

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 damages 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 year.

In order to manage the Fund's overall liquidity, the Fund may also 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 year.

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 the ABL Asset Management Company Limited - Management Company | 5,742 | 1,000 | - | 6,742 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 350 | - | - | 350 |
| Accrued expenses and other liabilities | 637 | - | - | 637 |
| | 6,729 | 1,000 | - | 7,729 |

| As at June 30, 2011 | | | |
|---------------------|---|--------------------|-------|
| Upto three months | More than three months and up to one year | More than one year | Total |

----- Rupees in '000 -----

Liabilities

| | | | | |
|---|---------------|--------------|--------------|---------------|
| Payable to the ABL Asset Management Company Limited - Management Company | 6,063 | 1,000 | 1,000 | 8,063 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 413 | - | - | 413 |
| Dividend payable | 61,081 | - | - | 61,081 |
| Payable against redemption of units | 3,115 | - | - | 3,115 |
| Accrued expenses and other liabilities | 18,451 | - | - | 18,451 |
| | 89,123 | 1,000 | 1,000 | 91,123 |

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' | | | | |
| - Market Treasury Bills: | - | 1,208,205 | - | 1,208,205 |
| - Term Finance Certificates / sukuk: | - | 293,396 | - | 293,396 |

| ----- As at June 30, 2011 ----- | | | | |
|--|---------|-----------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| ----- Rupees in '000 ----- | | | | |
| ASSETS | | | | |
| Investment in securities - financial assets 'at fair value through profit or loss' | | | | |
| - Market Treasury Bills: | - | 1,597,246 | - | 1,597,246 |
| - Pakistan Investment Bonds: | - | 23,816 | - | 23,816 |
| - Ijarah sukuk | - | 660,222 | - | 660,222 |
| - Term Finance Certificates / sukuk: | - | 125,000 | - | 125,000 |

26 UNIT HOLDER'S FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends 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' fund'.

The Fund has no restriction or specific capital requirement on the subscription and redemption of units.

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

In accordance with the risk management policies, the Fund endeavors to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, 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 CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation. No significant rearrangements or reclassifications were made in these financial statements.

29 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

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