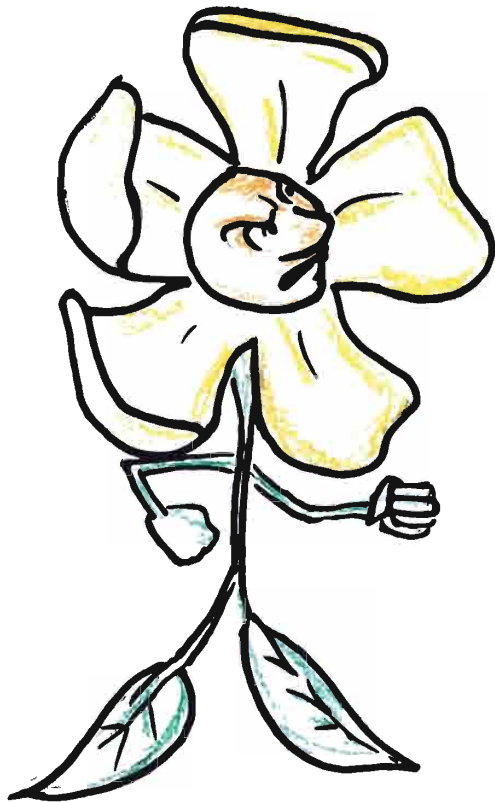




ANNUAL  
REPORT

2013



 **ABL Asset Management**

Discover the potential  
RATED AM2 (JCR-VIS)  
(A wholly owned subsidiary of Allied Bank Ltd.)

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# Vision

“Creating investment solutions  
within everyone's reach”



# 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

<b>Management Company:</b>	ABL Asset Management Company Limited 11 - B, Lalazar M. T. Khan Road, Karachi.	
<b>Board of Directors</b>	Sheikh Mukhtar Ahmed Mr. Khalid A. Sherwani Mr. Muhammad Waseem Mukhtar Mr. Kamran Nishat Mr. M. Shakeb Murad Mr. M. Jawaid Iqbal Mr. Khawaja Muhammad Almas Mr. Farid Ahmed Khan	Chairman        CEO
<b>Audit Committee:</b>	Mr. Kamran Nishat Mr. Muhammad Waseem Mukhtar Mr. Khawaja Muhammad Almas	Chairman Member Member
<b>Human Resource Committee:</b>	Mr. Jawaid Iqbal Mr. Kamran Nishat Mr. Farid Ahmed Khan	Chairman Member Member
<b>Chief Executive Officer of The Management Company:</b>	Mr. Farid Ahmed Khan	
<b>Chief Financial Officer &amp; Company Secretary:</b>	Mr. Saqib Matin	
<b>Chief Internal Auditor:</b>	Mr. Mubeen Ashraf Bhimani	
<b>Trustee:</b>	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shakra-e-Faisal, Karachi - 74400	
<b>Bankers to the fund:</b>	Allied Bank Limited Bank Al- Falah Limited United Bank Limited	
<b>Auditor:</b>	A.F. Ferguson & Co Chartered Accountants State Life Building No. 1-C I.I. Chundrigar Road, Karachi.	
<b>Legal Advisor:</b>	Bawany & Partners Room No. 404, 4th Floor Beaumont Plaza, 6 - C1 - 10, Beaumont Road, Civil Lines, Karachi.	
<b>Registrar:</b>	ABL Asset Management Company Limited. 11 - B, Lalazar, M. T. Khan Road, Karachi.	

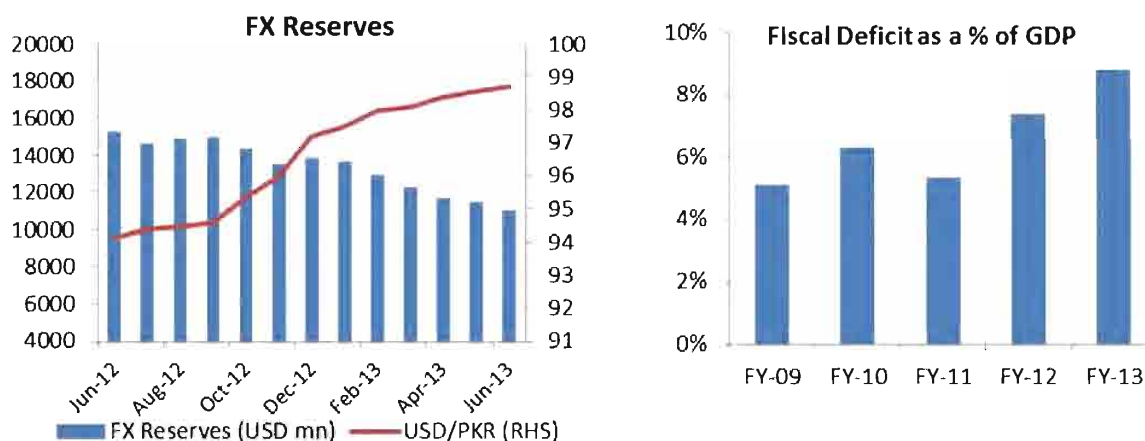


## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

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, 2013.

### ECONOMIC PERFORMANCE REVIEW

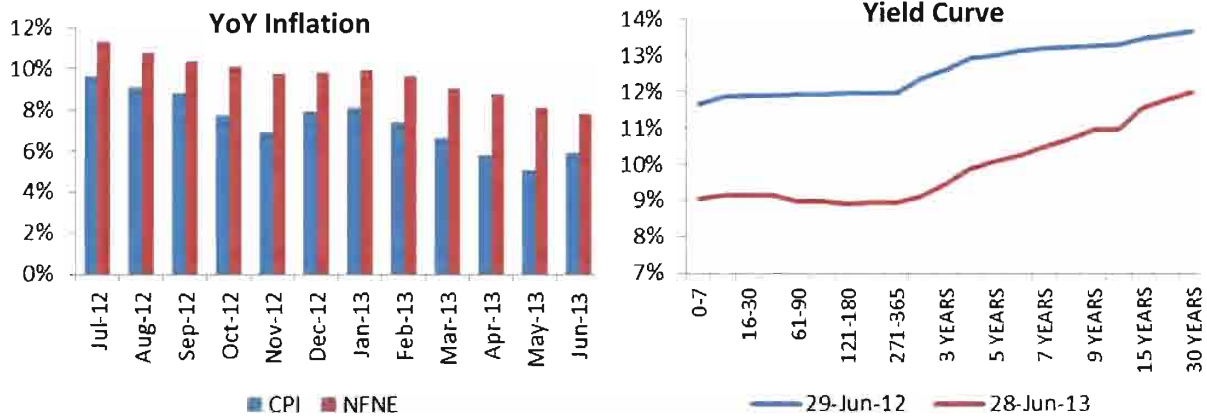
Pakistan's economic landscape remained checkered during FY13 as it continued to be marred by crippling power shortages and an adverse law and order situation. Low investment levels, poor large scale industrial growth and a grid-locked energy chain kept the economic growth under check. As a result, GDP growth was recorded at 3.6%, well below the target of 4.3%. Despite SBP adopting a monetary easing stance (Discount Rate cut by 300bps to 9% in FY13), private sector credit off-take failed to pick up (down by PKR19 billion YoY). Fiscal deficit was recorded at 8.8% of GDP owing to heavy government spending and low revenue generation (PKR1,952 billion vs initial target of PKR2,381 billion) exacerbated by weak foreign inflows. Due to poor revenue collection, government borrowing for budgetary support increased by a massive PKR1.6 trillion in FY13 (PKR1.0 trillion from banks and PKR0.6 trillion from the SBP). Inflation, however, declined considerably clocking in at 7.4% against a target of 9.5% due to stable commodities and a high base effect. Dominant victory for PML N in the 2013 elections rekindled hopes of economic revival as the new Government with clear majority in parliament is expected to better implement its policies. Early signs have been positive as immediate steps have been taken to address major structural issues facing Pakistan's economy such as power outages (payment of circular debt dues) and weak revenue collection (revenue focused FY14 budget).



On the external account front, the situation remained precarious as the current account posted a deficit of US\$2.3 billion in FY13. However, the figure stood improved over FY12 deficit of US\$4.5 billion, backed by strong remittances of US\$13.9 billion and price stability of essential commodities. Financial account for FY13 recorded a deficit of US\$80 million, an improvement over the preceding year's US\$386 million deficit owing to foreign direct inflow of US\$1.45 billion in FY13. Yet, FX Reserves continued their downward stride (settling at US\$11 billion against US\$15.2 billion a year ago) on account of significant IMF repayments. Resultantly the Rupee depreciated by 5.3% to close the year at PKR99.57 vs. the US dollar. As the fiscal situation deteriorated, the new government immediately sought IMF support for US\$5.3 billion under the Extended Finance Facility (EFF). The IMF seems to have obliged in return for an improved fiscal behavior; however, these would entail harsh conditions which may fuel inflation.

In order to boost credit off-take growth and encouraged by a low inflation figure, the central bank cut the key policy rate by 300bps to 9% during the year. However, the move proved ineffective in spurring private sector growth due to power shortages and security related problems. Overall M2 growth was recorded at 17% for FY13 as fiscal deficit soared to 8.8% of GDP. To tackle this perennial issue, the FY14 budget focused on revenue collection (FY14 tax collection target PKR2,598 billion) and lowering expenditures to contain fiscal deficit at 6.3%. An increase in GST, resolution of circular debt, cut in power subsidies and reduction in corporate tax rate (excluding banks) were some of the key initiatives taken in the FY14 budget.

However, the announced budgetary measures are likely to fuel inflation which could eventually lead to monetary adjustments by Central Bank. Improved revenue collection, reduction in size of the government and tackling security concerns to promote a business friendly environment are paramount for economic growth. The steps taken by the new government to tackle these challenges will dictate the future growth trajectory of the country.



### MONEY MARKET REVIEW

Budgetary borrowing via banks remained high during the year and swelled by 48% to PKR3.1 trillion towards the end of FY13. M2 growth for FY13 was recorded at 17.2% (PKR1.3 trillion) led predominantly by PKR1.5 trillion rise in Net Domestic Assets (NDA) whereas Net Foreign Assets (NFA) contracted by PKR184 billion during the year. Major contributors to NDA included PKR578 billion borrowing from the SBP and PKR1.0 trillion from commercial banks as the burden of deficit financing remained entirely on domestic sources.

To balance market liquidity and generate sufficient liquidity for auction subscription, weekly Open Market Operation (OMO) was conducted by the central bank on a regular basis. Declining interest rates (discount rate cut to 9% from 12%) greatly facilitated auction subscription as despite liquidity constraints, banks participated aggressively in both T-bills and PIBs sale in anticipation of capital gains in their trading books. Interbank trades were conducted over and above the discount rate as SBP discouraged excessive use of interest rate corridor and penalized banks who regularly approached the floor and ceiling window of the central bank.

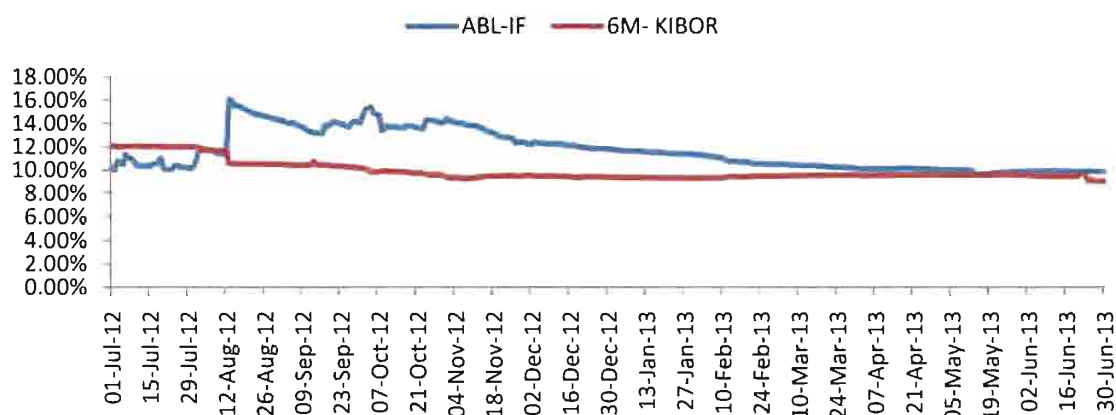
### MUTUAL FUND INDUSTRY REVIEW

The open end mutual fund industry contracted by 8% during the year to close at PKR324 billion. Money market funds remained the dominant asset class closing at PKR124 billion despite a 17% decline YoY as investors preferred the comfort of stable and risk free returns. Equities on the other hand showed the highest growth in AUMs, as the market rallied during the period due to declining political risk premium and continued foreign inflows in the bourses. As a result Assets under Management (AUM) of equity funds grew by 18%, closing the year at PKR62 billion surpassing income funds which closed the year at PKR 55 billion - down 36% YoY. Investor bias towards money market funds remained strong despite handsome gains earned on bond holdings of income funds due to declining interest rates. However those were mostly one time jumps against as baseline yields on fixed income instruments declined making both income and money market funds less attractive compared to equity funds. Moreover, mixed sentiments towards rate cuts led to extreme volatility on long bonds which did not bode well with conservative investors.

### FUND PERFORMANCE

During the period under review, ABL IF's net assets fell by 34.5% to PKR 2.477 billion from PKR 3.784 billion as on June 30, 2013 due to year end redemptions. On year to date (YTD) basis, ABL IF delivered a return of 9.88% versus the benchmark of 9.93% thus showing a slight underperformance of 5 bps due to minimal exposure to KIBOR linked instruments. However, the fund outperformed its peer average YTD returns of 9.26% by 62 bps.

ABL IF's primary investments are in a diversified blend of good rated TFCs and government securities. Other assets include TDRs and money market placements with high quality banks. During the year, selective investments in TFCs were pursued within the banking & telecommunication sector while some funds were also channeled into spread transactions. Through active duration management, ABL IF benefited from valuation gains on account of 300 bps reduction in discount rate. Furthermore, money market placements were deployed before discount rate cuts which also have facilitated returns. At the end of the period, exposure in government securities was decreased to 26.14% (T-bills) in order to book capital gains after recent DR cuts. Exposure in placements (TDR and cash balances) stood at 51.58% due to attractive deposit rates offered by banks on account of year end. Remaining assets mainly constitute of TFCs and Sukuks at 10.80 and 3.97% of the fund, respectively.



### DISTRIBUTION

The Board of Directors of the Management Company on June 28, 2013 approved and declared final dividend distribution of Rs.0.2175 per unit (2.18% of the par value of Rs.10) for ABL-IF for the year ending June 30, 2013. This is in addition to the aggregate interim distribution of Rs.0.7559 per unit (7.56% on the face value of Rs. 10 per unit) which was approved by Chief Executive Officer under the authority delegated to him by the Board of Directors.

### COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Board of Directors states that:

1. Financial Statements present fairly the state of affairs, the results of operations, cash flows and the changes in unit holder's fund;
2. Proper books of accounts of the Fund have been maintained.
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, provisions 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 listing regulations;
8. Performance table of the Fund is given on page # 12 of the Annual Report;
9. There is no statutory payment on account of taxes, duties, levies and charges outstanding other than already disclosed in the financial statements;
10. The statement as to the value of investments of Provident Fund is not applicable in the case of the Fund as employees retirement benefits 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, CIA 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	Sheikh Mukhtar Ahmed	Chairman	-	-	1,502.0000
2	Mr. M. Jawaid Iqbal	Director	49,969.0000	-	8,816.0000
3	Farid Ahmed Khan	CEO	-	-	118,294.0000

12. Meeting of the Board of Directors of the Management Company are held at least once in every quarter. During the year five meeting were held. The 27th, 28th, 29th, 30th and 31st Board meetings were held on August 10, 2012, October 25, 2012, December 20, 2012, February 15, 2013 and April 25, 2013 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	5	-	
2	Mr. Muhammad Waseem Mukhtar	5	5	-	
3	Mr. Khalid A. Sherwani*	5	4	1	31 <sup>st</sup> BOD
4	Mr. Kamran Nishat	5	5	-	
5	Mr. M. Shakeb Murad	5	2	3	27 <sup>th</sup> , 29 <sup>th</sup> and 30 <sup>th</sup> BOD
6	Mr. M. Jawaid Iqbal	5	4	1	31 <sup>st</sup> BOD
7	Mr. Zia Ijaz**	4	3	1	27 <sup>th</sup> BOD,
8	Mr. Khawaja Muhammad Almas***	1	1	-	
9	Mr. Farid Ahmed Khan****	5	5	-	

\*Resigned from the services as Director on the Board of ABL AMCL which has been approved on July 12, 2013

\*\*Resigned in the 30th BOD Meeting of ABL AMCL held on February 15, 2013

\*\*\*Appointed as new Directors of the ABL AMCL in the 30th Meeting of the BOD of ABL AMCL held on February 15, 2013

\*\*\*\*Deemed Directors under section 200 of the Companies Ordinance, 1984.

13. Meeting of the Board's Human Resource and Remuneration of the Management Company needs to be held at least three times in year. During the year Four meeting were held. The 9th, 10th, 11th, and 12th meetings of the Board's Human Resource and Remuneration Committee were held on January 17, 2013, February 13, 2013, February 28, 2013 and March 05, 2013 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	Mr. M. Jawaid Iqbal	4	4	-	-
2	Mr. Kamran Nishat	4	4	-	-
3	Mr. Farid Ahmed Khan	4	4	-	-

14. Meeting of the Board's Audit Committee of the Management Company are held at least once in every quarter. During the year Four meeting were held. The 21st, 22nd, 23rd, and 24th meetings of the Board's Audit Committee were held on August 9, 2012, October 24, 2012, February 15, 2013 and April 25, 2013 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	Mr. Kamran Nishat	4	4	-	-
2	Mr. Muhammad Waseem Mukhtar	4	4	-	-
3	Mr. Zia Ijaz*	3	2	1	21 <sup>st</sup> AC Meeting
4	Mr. Khawaja Muhammad Almas**	1	1	-	-

\*Resigned in the 30th BOD Meeting of ABL AMCL held on February 15, 2013

\*\*Appointed as new Directors of the ABL AMCL in the 30th Meeting of the BOD of ABL AMCL held on February 15, 2013

15. 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, 2013
<b>1</b>	<b>Associated Companies, undertakings and related parties</b>	
	• ABL Asset Management Company Limited	25,923,362
	• CFA Association of Pakistan	186,079
<b>2</b>	<b>Mutual Funds</b>	Nil
<b>3</b>	<b>Directors and their spouse(s) and minor children</b>	
	• Sheikh Mukhtar Ahmed	16,391
	• Mr. M. Jawaid Iqbal	146,199
<b>4</b>	<b>Executives</b>	1,291,276
<b>5</b>	<b>Public Sector Companies and corporations</b>	35,147,055
<b>6</b>	<b>Bank, DFIs, NBFCs, Insurance Companies, Takaful, Modaraba and Pension Fund</b>	58,781,243
<b>7</b>	<b>Shareholders holding five percent or more voting rights in the listed company</b>	Not Applicable

#### AUDITORS

M/s. KPMG Taseer Hadi & Co. (Chartered Accountants), on the recommendation of the Audit Committee of the Board of Directors being eligible for appointment have been appointed as auditors for the year ending June 30, 2014 for ABL Income Fund (ABL-IF).

#### FUND STABILITY RATING

JCR-VIS Credit Rating Company Ltd. (JCR-VIS) on January 17, 2013 has reaffirmed the Fund Stability Rating of ABL Income Fund at 'A+ (f)' (Single A plus (f)).

**MANAGEMENT QUALITY RATING**

On June 21, 2013, JCR-VIS Credit Rating Company Limited upgraded the Management Quality Rating of ABL Asset Management Limited (ABL AMC) from 'AM Two Minus' (AM2-) to 'AM Two' (AM2). Outlook on the assigned rating is 'Stable'.

**OUTLOOK AND STRATEGY**

With the unveiling of a revenue focused budget for FY14, the new setup seems to be headed in the right direction. However, fiscal and monetary challenges will require stringent measures to be taken in order to kick start the economy. Support from IMF and other multi-lateral agencies will be crucial to support the precarious balance of payment position. Gradual removal of subsidies will also change the inflation outlook and financial markets will closely watch Government's efforts to contain the fiscal deficit.

Inflation is expected to rise in FY14 as high base effect diminishes and the impact of higher taxes and electricity tariffs kicks in. In this backdrop, it will be extremely difficult for the Central Bank to continue with its monetary easing stance. In all likelihood, we may see a gradual tightening of the monetary policy if inflation creeps up.

As the macro scenario unfolds, the fund manager will actively monitor key macroeconomic indicators and adjust the duration and asset allocation 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 06, 2013**

## FUND MANAGER'S REPORT

### INVESTMENT 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.

### FUND PERFORMANCE

During the period under review, ABL Income Fund posted an annualized return of 9.88% compared to its benchmark of 9.93%. The fund slightly underperformed its benchmark by 5 bps due to low exposure to KIBOR linked instruments. However, the fund was able to outperform its peer average YTD return of 9.26% by 62 bps. At 30<sup>th</sup> June, 2013, net assets of ABL IF stood at PKR 2.477 billion, a decline of 34.5% YoY due to year end redemptions.

During last year, the fund actively looked at corporate debt instruments in power, banking & telecommunication sector and some positions were built through IPOs and the secondary market in order to diversify investments and support returns. ABL-IF also maintained healthy investments in Treasury bills & PIBs during the year which benefited returns due to valuation gains on account of 300 bps reduction in Discount Rate. Bank placements were preferred at year-end in order to realize gains on securities and lock in high rates offered by banks on placements.

As of June 30, 2013, investment in government securities stood at 26.14% (T-bills) whereas bank placements (TDR and cash balances) stood at 51.58%. Remaining assets mainly constituted of TFCs and Sukuks at 10.84% and 3.97% of the fund respectively.

The Scheme has maintained the provision against Workers' Welfare Fund's Liability to the tune of Rs.32.42 million. Had the same not been made, the NAV per unit of the scheme would have been higher by Re. 0.1310 per unit.

### FUTURE OUTLOOK AND STRATEGY

With the unveiling of a revenue focused budget for FY14, the new setup seems to be headed in the right direction. However, fiscal and monetary challenges will require stringent measures to be taken in order to kick start the economy. Inflation is expected to rise in FY14 as high base effect diminishes coupled by increase in taxes and electricity tariffs. Gradual removal of subsidies will also change the inflation outlook as the country braces for a new program with IMF which will require better fiscal discipline in order to contain fiscal deficit. In this background, it will be extremely difficult for the Central Bank to continue with its recent monetary easing stance. In all likelihood, we may see a gradual tightening of the monetary policy if inflation creeps up.

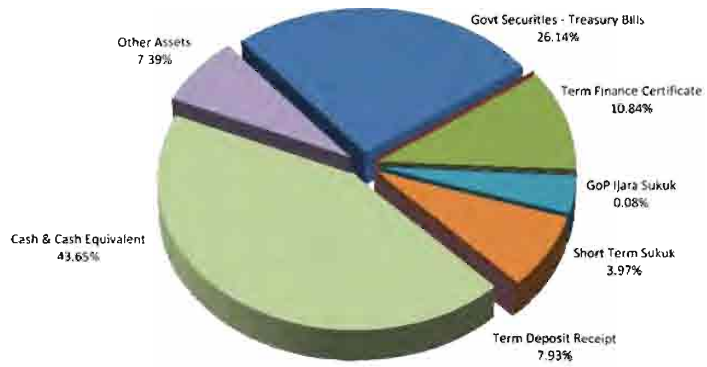
ABL-IF will continue to maintain its strategy of adding high quality banking and corporate sector Term finance certificates (TFCs) in order to improve base line returns. The fund will also increase exposure to PIBs in order to exploit the higher returns at the top end of the yield curve. However, given the economic uncertainties, we will closely monitor key macroeconomic indicators and adjust the duration of the fund accordingly.

ABL Income Fund Performance		FY 2013
Yield		9.88%
Benchmark (6 month KIBOR Average)		9.93%
Weighted Average Time to Maturity		260 days

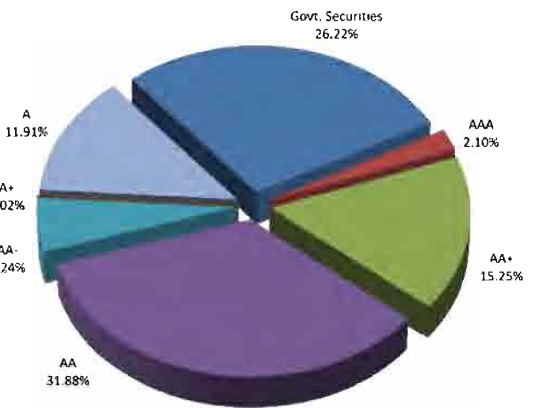
ABL Income Fund AUMs and Pricing		FY 2013
Assets Under Management as at June 30, 2013 (PKR million)		2,476.97
Closing NAV per unit as June 30, 2013 (PKR) (Ex Dividend)		10.0098
Closing NAV per unit as June 30, 2013 (PKR) (Cum Dividend)		10.9832

ABL Income Fund Dividends		
Distribution	Date	FY-13
1st Quarterly Dividend	20-Sep-12	0.3479
2nd Quarterly Dividend	26-Dec-12	0.2531
3rd Quarterly Dividend	21-Mar-13	0.1549
4th Quarterly Dividend	26-Jun-13	0.2175

Asset Allocation as a % age of Total Assets



Asset Quality as a %age of Total Assets



Other assets account for 7.39% of Total Assets



## ABL INCOME FUND PERFORMANCE TABLE

	June 2013 (Rupees in '000)	June 2012 (Rupees in '000)	June 2011 (Rupees in '000)	June 2010 (Rupees in '000)	June 2009 (Rupees in '000)
Net Assets	2,476,973	3,784,263	4,878,536	8,360,054	6,872,176
Net Income	265,987	623,793	639,266	933,649	398,369
	(Rupees per unit)	(Rupees per unit)	(Rupees per unit)	(Rupees per unit)	(Rupees per unit)
Net Assets value	10.0098	10.0289	10.0195	10.0164	10.0166
Interim distribution	0.7559	0.8777	0.8296	0.8123	0.7627
Final distribution	0.2175	0.2361	0.2848	0.2421	0.2971
Distribution date final	June 28,2013	June 25,2012	June 29,2011	June 28,2010	June 29,2009
Closing offer price	10.0098	10.0289	10.0195	10.0164	10.0166
Closing repurchase price	10.0098	10.0289	10.0195	10.0164	10.0166
Highest offer price	10.3479	10.3158	10.2906	10.2731	10.4165
Lowest offer price	10.0022	10.0006	10.0032	10.0032	10.0000
Highest repurchase price per unit	10.3479	10.3158	10.2906	10.2731	10.4165
Lowest repurchase price per unit	10.0022	10.0006	10.0032	10.0032	10
	Percentage	Percentage	Percentage	Percentage	Percentage
Total return of the fund					
- capital growth	0.14%	0.54%	0.51%	0.43%	3.96%
- income distribution	9.73%	11.14%	11.14%	10.54%	10.60%
Average Annual return of the fund					
One Year	9.87%	11.68%	11.65%	10.97%	14.56%
Two Year	11.36%	12.35%	11.95%	12.53%	-
Three Year	12.34%	12.79%	13.58%	-	-
Four Year	13.01%	-	-	-	-
Since Inception	14.44%	-	-	-	-
Weighted average Portfolio duration in days	260	238	201	92	82

\* Interim Distribution date

2013		2012		2011	
Date	Rate	Date	Rate	Date	Rate
Sept 24, 2012	Re 0.3479 Per Unit	Sept 27, 2011	Re 0.3158 Per Unit	Sept 29, 2010	Re 0.2701 Per Unit
Dec 27, 2012	Re 0.2531 Per Unit	Dec 26, 2011	Re 0.3089 Per Unit	Dec 30, 2010	Re 0.2689 Per Unit
March 22, 2013	Re 0.1549 Per Unit	March 26, 2012	Re 0.2530 Per Unit	March 30, 2011	Re 0.2906 Per Unit
2010		2009			
Date	Rate	Date	Rate		
Sept 29, 2009	Re 0.2731 Per Unit	Dec 31, 2008	0.4165 Per unit		
Dec 30, 2009	Re 0.2783 Per Unit	March 31, 2009	Re 0.3462 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 Shahr-e-Faisal  
Karachi - 74400 Pakistan  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: www.cdc-pakistan.com  
Email: info@cdcpak.com


**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, 2013 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 13, 2013





## 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 of **ABL Income Fund** to comply with the Listing Regulation No.35 of Chapter XI contained in the Listing Regulations issued by 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Sub-Regulation (x) of Listing Regulation No. 35 as notified by the Karachi Stock Exchange on which the Fund is listed 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, 2013.

Chartered Accountants

Karachi

Dated: August 6, 2013

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
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## STATEMENT OF COMPLIANCE BY ABL INCOME FUND WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013

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 Karachi Stock Exchange, in the following manner:

1. The Management Company encourages representation of independent non-executive directors. At present, the Board includes:

Category	Names
Executive Director	Mr. Farid Ahmed Khan (deemed director u/s 200 of Companies Ordinance 1984)
Independent Director	Mr. Muhammad Shakeb Murad Mr. Kamran Nishat
Non-Executive Directors	Mr. Sheikh Mukhtar Ahmed Mr. Muhammad Waseem Mukhtar Mr. Khalid A. Sherwani Mr. M. Jawaid Iqbal Mr. Khawaja Muhammad Almas

2. The directors have confirmed that none of them is serving as a director on 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 a casual vacancy occurred on the Board which has been simultaneously filled by the Board in the 30<sup>th</sup> Meeting of the BOD of the Management Company on February 15, 2013.
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, overall corporate strategy and significant policies of 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 Chief Executive Officer (CEO) and non-executivedirectors have been taken by the Board.
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. Two directors have obtained certification under the 'Board Development Series' program conducted by Institute of Corporate Governance. However, the Management Company is arranging orientation program for its directors in near future.
10. The Board has approved the appointment of Chief Financial Officer (CFO), Company Secretary and Chief Internal Auditor, including their remuneration and terms and conditions of employment.
11. The Directors' Report of the Fund for the year ended June 30, 2013 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, pattern of unit holding and notes to the financial statements.
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. There exists an internal audit function within the Management Company.
18. The statutory auditors of the Fund have confirmed that they have been given 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.
19. 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.
20. 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.
21. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
22. 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 06, 2013





## 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** (herein after to referred as the 'Fund'), which comprise the statement of assets and liabilities as at June 30, 2013, 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, 2013 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: **Noman Abbas Sheikh**

Dated: August 6, 2013

Karachi

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**ABL INCOME FUND  
STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2013**

	Note	June 30, 2013	June 30, 2012
----- (Rupees in '000) -----			
<b>ASSETS</b>			
Balances with banks	4	1,100,682	838,670
Investments	5	1,233,517	2,951,601
Profit receivable	6	23,783	18,108
Security deposits and other receivables	7	15,531	13,441
Preliminary expenses and floatation costs	8	224	1,222
Receivable against sale and maturity of investments		147,844	-
<b>Total assets</b>		<b>2,521,581</b>	<b>3,823,042</b>
<b>LIABILITIES</b>			
Payable to ABL Asset Management Company Limited - Management Company	9	3,376	6,742
Payable to the Central Depository Company of Pakistan Limited - Trustee	10	235	350
Payable to the Securities and Exchange Commission of Pakistan	11	2,143	4,035
Dividend payable		1	-
Payable against redemption of units		5,243	-
Accrued expenses and other liabilities	12	33,610	27,652
<b>Total liabilities</b>		<b>44,608</b>	<b>38,779</b>
<b>NET ASSETS</b>		<b>2,476,973</b>	<b>3,784,263</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>2,476,973</b>	<b>3,784,263</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13		
----- (Number of units) -----			
<b>NUMBER OF UNITS IN ISSUE</b>	14	<b>247,453,718</b>	<b>377,334,984</b>
----- (Rupees)-----			
<b>NET ASSET VALUE PER UNIT</b>		<b>10.0098</b>	<b>10.0289</b>
<b>FACE VALUE PER UNIT</b>		<b>10.0000</b>	<b>10.0000</b>

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  
FOR THE YEAR ENDED JUNE 30, 2013**

	Note	For the year ended June 30, 2013	For the year ended June 30, 2012
------(Rupees in '000)-----			
<b>INCOME</b>			
Capital gain on sale of investments - net		31,218	17,495
Income from government securities		178,061	478,758
Income from term deposit receipts		40,907	68,779
Income from certificates of deposit		-	2,531
Income from letters of placement		5,635	10,291
Income from reverse repurchase transactions		-	8,657
Income from term finance certificates / other sukuku		44,382	56,837
Profit on deposits with bank		24,183	46,611
Dividend income		5,299	19,218
		329,685	709,177
Unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at fair value through profit or loss - net	5.6	511	1,325
		330,196	710,502
<b>EXPENSES</b>			
Remuneration of ABL Asset Management Company Limited - Management Company	9.1	42,852	80,709
Sindh sales tax on remuneration of Management Company	9.2	6,856	12,913
Federal excise duty on remuneration of Management Company	12.2	280	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1	3,278	5,349
Annual fee - Securities and Exchange Commission of Pakistan	11.1	2,143	4,035
Brokerage and securities transaction costs		1,134	2,311
Bank charges		403	304
Auditors' remuneration	15	430	430
Amortisation of preliminary expenses and floatation costs	8	998	1,000
Legal and professional charges		-	100
Printing charges		150	84
Listing fee		40	40
Annual rating fee		216	200
Other expenses		257	250
<b>Total operating expenses</b>		59,037	107,725
<b>Net income from operating activities</b>		271,159	602,777
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		257	33,746
Provision for Workers' Welfare Fund	12.1	(5,429)	(12,730)
<b>Net income before taxation</b>		265,987	623,793
Taxation	16	-	-
<b>Net income after taxation</b>		265,987	623,793
Other comprehensive income		-	-
<b>Total comprehensive income</b>		265,987	623,793
<b>Earnings per unit</b>	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, 2013**

	<b>For the year ended June 30, 2013</b>	<b>For the year ended June 30, 2012</b>
	------(Rupees in '000)-----	
Undistributed income brought forward comprising of:		
- Realised income	9,587	10,584
- Unrealised income / (loss)	1,325	(1,089)
	<u>10,912</u>	<u>9,495</u>
Distribution during the year:		
- Re 0.3479 per unit on September 24, 2012 (2012: Re 0.3158 per unit on September 27, 2011)		
Cash distribution	(2)	(67,730)
Issue of 9,350,584 bonus units (2012: 10,154,104 units)	(93,506)	(101,541)
- Re 0.2531 per unit on December 27, 2012 (2012: Re 0.3089 per unit on December 26, 2011)		
Cash distribution	(1)	(76,064)
Issue of 8,582,386 bonus units (2012: 15,087,531 units)	(85,824)	(150,875)
- Re 0.1549 per unit on March 22, 2013 (2012: Re 0.2530 per unit on March 26, 2012)		
Cash distribution	(1)	(62,235)
Issue of 4,549,531 bonus units (2012: 76,365,814 units)	(45,495)	(76,359)
- Re 0.2175 per unit on June 28, 2013 (2012: Re 0.2361 per unit on June 25, 2012)		
Cash distribution	(1)	(29,226)
Issue of 5,277,069 bonus units (2012: 5,930,276 units)	(52,771)	(59,303)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	3,137	957
Net income after taxation	265,987	623,793
Undistributed income carried forward	<u>2,435</u>	<u>10,912</u>
<b>Undistributed income carried forward comprising of:</b>		
- Realised income	1,924	9,587
- Unrealised income	511	1,325
	<u>2,435</u>	<u>10,912</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, 2013**

	For the year ended June 30, 2013	For the year ended June 30, 2012
	----- (Rupees in '000) -----	
Net assets at the beginning of the year	3,784,263	4,878,536
Issue of 328,454,125 (2012: 1,010,811,544) units	3,334,492	10,232,504
Redemption of 486,094,961 (2012: 1,159,188,184) units	(4,907,507)	(11,681,569)
	(1,573,015)	(1,449,065)
Issue of 27,759,570 bonus units (2012: 38,807,726 units)	277,596	388,078
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- transferred to income statement	(257)	(33,746)
- transferred to distribution statement	(3,137)	(957)
	(3,394)	(34,703)
Capital gain on sale of investments - net	31,218	17,495
Unrealised appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss - net	511	1,325
Other net income	234,258	604,973
	265,987	623,793
Distribution during the year:		
- Re 0.3479 per unit on September 24, 2012 (2012: Re 0.3158 per unit on September 27, 2011)		
Cash distribution	(2)	(67,730)
Issue of 9,350,584 bonus units (2012: 10,154,104 units)	(93,506)	(101,541)
- Re 0.2531 per unit on December 27, 2012 (2012: Re 0.3089 per unit on December 26, 2011)		
Cash distribution	(1)	(76,064)
Issue of 8,582,386 bonus units (2012: 15,087,531 units)	(85,824)	(150,875)
- Re 0.1549 per unit on March 22, 2013 (2012: Re 0.2530 per unit on March 26, 2012)		
Cash distribution	(1)	(62,235)
Issue of 4,549,531 bonus units (2012: 76,365,814 units)	(45,495)	(76,359)
- Re 0.2175 per unit on June 28, 2013 (2012: Re 0.2361 per unit on June 25, 2012)		
Cash distribution	(1)	(29,226)
Issue of 5,277,069 bonus units (2012: 5,930,276 units)	(52,771)	(59,303)
	(277,601)	(623,333)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to distribution statement - net	3,137	957
<b>Net assets at the end of the year</b>	<b>2,476,973</b>	<b>3,784,263</b>

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, 2013**

	For the year ended June 30, 2013	For the year ended June 30, 2012
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before taxation	265,987	623,793
<b>Adjustments for non-cash charges and other items</b>		
Amortisation of preliminary expenses and floatation costs	998	1,000
Unrealised (appreciation) / diminution on re-measurement of investments classified as financial assets at fair value through profit or loss - net	(511)	(1,325)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(257)	(33,746)
Provision for Workers' Welfare Fund	5,429	12,730
Federal excise duty on remuneration of Management Company	280	-
	<u>271,926</u>	<u>602,452</u>
<b>(Increase) / decrease in assets</b>		
Profit receivable	(5,675)	6,281
Investments	368,595	1,256,008
Receivable against sale and maturity of investments	(147,844)	-
Security deposits and other receivables	(2,090)	(12,566)
	<u>212,986</u>	<u>1,249,723</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to ABL Asset Management Company Limited - Management Company	(3,366)	(1,321)
Payable to the Central Depository Company of Pakistan Limited - Trustee	(115)	(63)
Payable to the Securities and Exchange Commission of Pakistan	(1,892)	(882)
Accrued expenses and other liabilities	249	(17,926)
	<u>(5,124)</u>	<u>(20,192)</u>
<b>Net cash generated from operating activities</b>	<u>479,788</u>	<u>1,831,983</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash distribution paid	(4)	(296,336)
Receipts from issuance of units	3,334,492	10,232,504
Payments on redemption of units	(4,902,264)	(11,684,684)
<b>Net cash used in financing activities</b>	<u>(1,567,776)</u>	<u>(1,748,516)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<u>(1,087,988)</u>	<u>83,467</u>
Cash and cash equivalents at the beginning of the year	2,288,670	2,205,203
<b>Cash and cash equivalents at the end of the year</b>	4.2 <u><u>1,200,682</u></u>	<u><u>2,288,670</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, 2013

### 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 and Notified Entities Regulations, 2008. The Fund commenced its operations on September 20, 2008.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate issued by 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 Fund has been categorised as an open-end income scheme as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CISs).

The objective of the Fund is to 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, certificate of investments, clean placements, spread transactions and other absolute return instruments.

JCR-VIS Credit Rating Company Limited has assigned Management Quality Rating of AM2 (stable outlook) to the Management Company as at June 21, 2013 and Fund Stability Rating of A+(f) to the Fund as at January 17, 2013.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. The 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 the 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 the 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 amendments to approved accounting standards have been published and are mandatory for the Funds accounting period beginning on or after July 1, 2012:

- IAS 1, Financial statement presentation. 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 amendments do not have any effect on the Fund's financial statements.

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

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

There are certain new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2013 but are considered not to be relevant or do not have any significant effect on the Funds operations and are therefore not detailed in these financial statements.

**2.4 Critical accounting estimates and judgments**

The preparation of the 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 historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are revised on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

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 3.2 and 5)
- ii. Amortisation of preliminary expenses and floatation costs (note 3.7 and 8)
- iii. Impairment of financial assets (note 3.2.5)

**2.5 Accounting convention**

These financial statements are prepared under the historical cost convention except for certain investments which have been carried at fair value.

**2.6 Functional and presentation currency**

Items included in these financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

**3.1 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.

**3.2 Financial assets****3.2.1 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. Management determines the classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

Investments are categorised as follows:

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

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as 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) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for the liquidity or change in price.

### 3.2.2 Regular way contracts

Regular purchases and sales of the financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

### 3.2.3 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.

### 3.2.4 Subsequent measurement

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

Subsequent to initial recognition, financial assets 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 (comprising any security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital and includes term finance certificates, bonds, debentures, sukus and commercial papers etc.) is valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP for valuation of debt securities. In the determination of the rates the 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 equity securities

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange. A security listed on the stock exchange for which no sale is reported on the reporting date is valued at its last sale price on the next preceding date on which such exchange is open and if no sale is reported for such date the security is valued at an amount neither higher than the closing asked price nor lower than the closing bid price.

##### - 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.

Net gains and losses arising from changes in the fair value and on sale 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 other comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised in the other comprehensive income is shown as part of net income for the year.

#### b) Loans and receivables

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

Gains or losses are also recognised in the income statement when financial assets carried at amortised cost are derecognised or impaired.

### 3.2.5 Impairment

The Fund assesses at each reporting date whether there is an objective evidence that the financial asset or a group of financial assets is impaired. The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

The amount of provision for certain debt securities is determined based on the provisioning criteria specified by the SECP.

In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of an equity security below its cost is considered as an objective evidence of impairment. In case of impairment of available for sale securities, the cumulative loss previously recognised in other comprehensive income is removed therefrom and shown as part of income before taxation. Impairment losses recognised in the income statement on equity securities are only reversed when the equity securities are derecognised.

For certain other financial assets, a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the Securities and Exchange Commission of Pakistan.

### 3.2.6 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.

### 3.3 Derivatives

Derivative financial instruments are initially recognised at fair value. Subsequent to initial measurement each derivative financial instrument is remeasured to its fair value as at that day. The resultant gain or loss is recognised in the income statement.

### 3.4 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These 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.

### 3.5 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.

### 3.6 Collateral

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

### 3.7 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund. These costs are being amortised over 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, 2008.

### 3.8 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.

### 3.9 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 to 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.

### 3.10 Proposed distributions

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

### 3.11 Issue and redemption of units

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

The offer price represents the net asset value per unit as of the close of the business day plus the allowance for sales load, provision for transaction costs and any provision for duties and charges, if applicable.

Units redeemed are recorded at the redemption price, as per constitutive documents, 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.

### 3.12 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 year which pertains to unrealised gains / (losses) held in the unit holder's funds and undistributed income in a separate reserve account and any amount remaining in this reserve account at the end of an accounting year (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 year is recognised in the income statement.

### 3.13 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.

### 3.14 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 effective interest rate method.
- Income on Pakistan investment bonds, term deposit receipts, certificate of investments, certificate of deposits, letters of placement, reverse repurchase transactions, 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 year in which they arise.

	Note	June 30, 2013	June 30, 2012
------(Rupees in '000)-----			
<b>4 BALANCES WITH BANKS</b>			
Savings accounts	4.1	<u>1,100,682</u>	<u>838,670</u>

**4.1** These savings accounts carry mark-up at rates ranging from 6.00% to 9.40% (June 30, 2012: 6.00% to 12.28%) per annum. Deposits in savings accounts include Rs. 182,967 thousand (June 30, 2012: Rs. 7,070 thousand) maintained with Allied Bank Limited, a related party.

	Note	June 30, 2013	June 30, 2012
------(Rupees in '000)-----			
<b>4.2 Cash and cash equivalents</b>			
Balances with banks		1,100,682	838,670
Term deposit receipts - having original maturity of 3 months or less	5.7	<u>100,000</u>	<u>1,450,000</u>
		<u>1,200,682</u>	<u>2,288,670</u>

## 5 INVESTMENTS

Financial assets at fair value through profit or loss

### Government securities

- Market treasury bills
- Pakistan investment bonds
- GoP Ijarah Sukuks

Term finance certificates / other Sukuks

Loans and receivables

5.1	659,110	1,208,205
5.2	-	-
5.3	2,001	-
5.4	372,406	293,396
	1,033,517	1,501,601
5.7	200,000	1,450,000
	<u>1,233,517</u>	<u>2,951,601</u>

## 5.1 Government securities - market treasury bills

Issue date	Tenor	Face Value				Balance as at June 30, 2013			Market value as a percentage of net assets	Market value as a percentage of total market value of investments
		As at July 1, 2012	Purchased during the year	Disposed of / matured during the year	As at June 30, 2013	Carrying value	Market value	Appreciation / (diminution)		
(Rupees in '000)										
January 10, 2012	3 Months	-	250,000	250,000	-	-	-	-	-	-
May 3, 2012	3 Months	6,000	-	6,000	-	-	-	-	-	-
May 17, 2012	3 Months	42,000	-	42,000	-	-	-	-	-	-
May 31, 2012	3 Months	50,000	-	50,000	-	-	-	-	-	-
June 14, 2012	3 Months	200,000	37,400	237,400	-	-	-	-	-	-
June 28, 2012	3 Months	595,000	-	595,000	-	-	-	-	-	-
July 12, 2012	3 Months	-	250,000	250,000	-	-	-	-	-	-
July 26, 2012	3 Months	-	450,000	450,000	-	-	-	-	-	-
August 23, 2012	3 Months	-	436,000	436,000	-	-	-	-	-	-
August 9, 2012	3 Months	-	250,000	250,000	-	-	-	-	-	-
September 20, 2012	3 Months	-	250,000	250,000	-	-	-	-	-	-
September 6, 2012	3 Months	-	500,000	500,000	-	-	-	-	-	-
October 4, 2012	3 Months	-	250,000	250,000	-	-	-	-	-	-
October 18, 2012	3 Months	-	250,000	250,000	-	-	-	-	-	-
November 1, 2012	3 Months	-	250,000	250,000	-	-	-	-	-	-
November 15, 2012	3 Months	-	455,000	455,000	-	-	-	-	-	-
November 29, 2011	3 Months	-	250,000	250,000	-	-	-	-	-	-
December 13, 2012	3 Months	-	187,000	187,000	-	-	-	-	-	-
January 24, 2013	3 Months	-	500,000	500,000	-	-	-	-	-	-
February 7, 2013	3 Months	-	250,000	250,000	-	-	-	-	-	-
February 21, 2013	3 Months	-	600,000	600,000	-	-	-	-	-	-
March 7, 2013	3 Months	-	1,000,000	1,000,000	-	-	-	-	-	-
March 21, 2013	3 Months	-	425,000	425,000	-	-	-	-	-	-
April 4, 2013	3 Months	-	750,000	750,000	-	-	-	-	-	-
May 2, 2013	3 Months	-	575,000	450,000	125,000	124,245	124,260	15	5.02%	10.07%
		893,000	8,165,400	8,933,400	125,000	124,245	124,260	15	5.02%	10.07%
January 10, 2012	6 Months	-	750,000	750,000	-	-	-	-	-	-
February 9, 2012	6 Months	15,000	-	15,000	-	-	-	-	-	-
July 12, 2012	6 Months	-	462,000	462,000	-	-	-	-	-	-
July 26, 2012	6 Months	-	250,000	250,000	-	-	-	-	-	-
August 9, 2012	6 Months	-	250,000	250,000	-	-	-	-	-	-
September 20, 2012	6 Months	-	250,000	250,000	-	-	-	-	-	-
September 6, 2012	6 Months	-	250,000	250,000	-	-	-	-	-	-
October 4, 2012	6 Months	-	500,000	500,000	-	-	-	-	-	-
October 18, 2012	6 Months	-	895,000	895,000	-	-	-	-	-	-
November 1, 2012	6 Months	-	250,000	250,000	-	-	-	-	-	-
November 29, 2012	6 Months	-	312,000	312,000	-	-	-	-	-	-
December 13, 2012	6 Months	-	187,000	187,000	-	-	-	-	-	-
January 10, 2013	6 Months	-	195,000	195,000	-	-	-	-	-	-
January 24, 2013	6 Months	-	250,000	250,000	-	-	-	-	-	-
February 7, 2013	6 Months	-	250,000	250,000	-	-	-	-	-	-
February 21, 2013	6 Months	-	250,000	250,000	-	-	-	-	-	-
March 7, 2013	6 Months	-	250,000	250,000	-	-	-	-	-	-
March 21, 2013	6 Months	-	250,000	-	-	-	-	-	-	-
July 28, 2011	12 Months	-	650,000	650,000	-	-	-	-	-	-
August 11, 2011	12 Months	55,200	743,000	798,200	-	-	-	-	-	-
August 25, 2011	12 Months	169,800	-	169,800	-	-	-	-	-	-
September 8, 2011	12 Months	-	150,000	150,000	-	-	-	-	-	-
September 22, 2011	12 Months	43,000	218,000	261,000	-	-	-	-	-	-
October 6, 2011	12 Months	200	-	200	-	-	-	-	-	-
		283,200	7,562,000	7,595,200	-	-	-	-	-	-
<b>Balance carried forward</b>		1,176,200	15,727,400	16,528,600	125,000	124,245	124,260	15	5.02%	10.07%

Issue date	Tenor	Face Value				Balance as at June 30, 2013			Market value as a percentage of net assets	Market value as a percentage of total market value of investments
		As at July 1, 2012	Purchased during the year	Disposed / matured during the year	As at June 30, 2013	Carrying value	Market value	Appreciation / (diminution)		
(Rupees in '000)										
<b>Balance brought forward</b>		1,176,200	15,727,400	16,528,600	125,000	124,245	124,260	15	5.02%	10.07%
October 20, 2011	12 Months	60,000	-	60,000	-	-	-	-	-	-
November 3, 2011	12 Months	-	100,000	100,000	-	-	-	-	-	-
January 26, 2012	12 Months	-	241,000	241,000	-	-	-	-	-	-
June 28, 2012	12 Months	-	4,900	4,900	-	-	-	-	-	-
May 3, 2012	12 Months	-	200,000	200,000	-	-	-	-	-	-
July 12, 2012	12 Months	-	1,977,750	1,977,750	-	-	-	-	-	-
July 26, 2012	12 Months	-	1,363,335	1,363,335	-	-	-	-	-	-
August 23, 2012	12 Months	-	250,000	250,000	-	-	-	-	-	-
August 9, 2012	12 Months	-	350,100	350,100	-	-	-	-	-	-
September 20, 2012	12 Months	-	262,850	262,850	-	-	-	-	-	-
September 6, 2012	12 Months	-	261,150	250,000	11,150	10,976	10,970	(6)	0.44%	0.89%
October 4, 2012	12 Months	-	200,000	200,000	-	-	-	-	-	-
October 18, 2012	12 Months	-	250,000	250,000	-	-	-	-	-	-
November 1, 2012	12 Months	-	2,280,000	2,280,000	-	-	-	-	-	-
November 29, 2012	12 Months	-	250,000	250,000	-	-	-	-	-	-
December 13, 2012	12 Months	-	187,000	187,000	-	-	-	-	-	-
July 26, 2012	12 Months	-	1,132,000	605,000	527,000	523,898	523,880	(18)	21.15%	42.47%
		60,000	9,310,085	8,831,935	538,150	534,874	534,850	(24)	21.59%	43.36%
<b>Total</b>		1,236,200	25,037,485	25,360,535	663,150	659,119	659,110	(9)	26.61%	53.43%

5.1.1 Outstanding treasury bills carry effective interest rates ranging from 9.00% to 9.35% per annum.

## 5.2 Government securities - Pakistan investment bonds

Issue date	Tenor	Face Value				Balance as at June 30, 2013			Market value as a percentage of net assets	Market value as a percentage of total market value of investments
		As at July 1, 2012	Purchased during the year	Disposed of / matured during the year	As at June 30, 2013	Carrying value	Market value	Appreciation / (diminution)		
(Rupees in '000)										
June 30, 2003	10 Years	-	78,075	78,075	-	-	-	-	-	-
August 18, 2011	3 Years	-	150,000	150,000	-	-	-	-	-	-
July 19, 2012	3 Years	-	1,105,000	1,105,000	-	-	-	-	-	-
July 19, 2012	5 Years	-	325,000	325,000	-	-	-	-	-	-
July 19, 2012	10 Years	-	275,000	275,000	-	-	-	-	-	-
<b>Total</b>		-	1,933,075	1,933,075	-	-	-	-	-	-

## 5.3 Government securities - GoP Ijarah Sukuks

Issue date	Coupon rate in % / tenor in years	Face Value				Balance as at June 30, 2013			Market value as a percentage of net assets	Market value as a percentage of total market value of investment
		As at July 1, 2012	Purchased during the year	Disposed of / matured during the year	As at June 30, 2013	Carrying value	Market value	Appreciation / (diminution)		
(Rupees in '000)										
November 15, 2010	11.94% / 3 Year	-	25,000	25,000	-	-	-	-	-	-
May 16, 2011	11.94% / 3 Year	-	500	-	500	500	502	2	0.02%	0.02%
September 18, 2012	9.15% / 3 Years	-	301,500	300,000	1,500	1,498	1,499	1	0.06%	0.06%
March 2, 2012	10.43% / 3 Year	-	200,000	200,000	-	-	-	-	-	-
<b>Total</b>		-	527,000	525,000	2,000	1,998	2,001	3	0.08%	0.08%

## 5.4 Term Finance Certificates / other sukuks

## Term Finance Certificates

Name of the investee company	Profit / Markup rate	Number of Certificates			Balance as at June 30, 2013			Market value as a percentage of net assets	Market value as a percentage of total market value of investment
		As at July 1, 2012	Purchased during the year	Disposed of / matured during the year	As at June 30, 2013	Carrying value	Market value		
----- (Rupees in '000) -----									
Askari Bank Limited - I	6 months KIBOR plus 1.50%	13,400	-	13,400	-	-	-	-	-
Askari Bank Limited - II	6 months KIBOR plus 1.50%	-	6,000	-	6,000	30,060	30,044	(16)	1.21%
Askari Bank Limited - IV	6 months KIBOR plus 1.75%	8,400	-	-	-	-	-	-	-
Standard Chartered Bank (Pakistan) Limited -. PPTFC	6 months KIBOR plus 0.75%	29,000	-	18,800	10,200	51,000	50,668	(332)	2.05%
United Bank Limited - II	6 months KIBOR plus 0.20%	-	6,670	6,670	-	-	-	-	-
United Bank Limited - IV	6 months KIBOR plus 0.85%	7,600	11,500	1,000	18,100	90,731	90,128	(603)	3.64%
Bank Al Habib Limited - III	Fixed Base Rate - 15.5%	-	160	160	-	-	-	-	-
Pakistan Mobile Communication Limited	6 months KIBOR plus 1.65%	-	13,600	13,600	-	-	-	-	-
Bank Al Falah-IV	Fixed Base Rate - 15%	-	826	826	-	-	-	-	-
Bank Al Falah-V	6 months KIBOR plus 1.25%	-	20,000	-	20,000	100,098	101,566	1,468	4.10%
Faysal Bank Limited TFC II	6 months KIBOR plus 1.6%	-	3,000	3,000	-	-	-	-	0.00%
<b>Total</b>		<b>58,400</b>	<b>61,756</b>	<b>57,456</b>	<b>54,300</b>	<b>271,889</b>	<b>272,406</b>	<b>517</b>	<b>11.00%</b>

## Other Sukuks

Issue date	Coupon rate in % / tenor in years	Face Value			Balance as at June 30, 2013			Carrying value as a percentage of net assets	Carrying value as a percentage of total market value of investment
		As at July 1, 2012	Purchased during the year	Disposed of / matured during the year	As at June 30, 2013	Cost	Carrying value		
----- (Rupees in '000) -----									
HUBCO	10.70 / 6 Months	-	100,000	-	100,000	100,000	100,000	-	4.04%
<b>Total</b>		-	100,000	-	100,000	100,000	100,000	-	4.04%
<b>Grand total of Term Finance Certificates / Other Sukuks</b>		<b>58,400</b>	<b>161,756</b>	<b>57,456</b>	<b>154,300</b>	<b>371,889</b>	<b>372,406</b>	<b>517</b>	<b>15.03%</b>

5.4.1 The above include Term Finance Certificates with fair value aggregating to Rs 10,073,220 (2012: Rs 10,068,860) which have been pledged with National Clearing Company of Pakistan limited for guaranteeing settlement of the Fund's Trade in terms of circular No. 11 dated October 23, 2007, issued by the SECP.

5.4.2 Outstanding term finance certificates carry coupon rates ranging from 9.84% to 11.08% per annum.

## 5.5 Shares of listed companies

Name of the investee company	Number of shares			Balance as at June 30, 2013			Market value as a percentage of net assets	Market value as a percentage of total market value of investments	Market value as a percentage of paid-up capital of investee company
	As at July 1, 2012	Purchased during the year	Sales during the year	As at June 30, 2013	Carrying value	Market value			
----- (Rupees in '000) -----									
<b>Shares of listed companies - Fully paid ordinary shares of Rs. 10 each unless stated otherwise</b>									
<b>Personal Goods</b>									
Nishat Mills Limited	-	473,000	473,000	-	-	-	-	-	-
	-	473,000	473,000	-	-	-	-	-	-
<b>Construction &amp; Materials</b>									
D.G.Khan Cement Limited	-	619,500	619,500	-	-	-	-	-	-
Lucky Cement Limited	-	49,000	49,000	-	-	-	-	-	-
	-	668,500	668,500	-	-	-	-	-	-
<b>Chemicals</b>									
Fauji Fertilizer Company Limited	-	245,500	245,500	-	-	-	-	-	-
Engro Corporation	-	124,000	124,000	-	-	-	-	-	-
	-	369,500	369,500	-	-	-	-	-	-
<b>Oil and Gas</b>									
Attock Refinery Limited	-	52,000	52,000	-	-	-	-	-	-
Pakistan Oilfields Limited	-	114,500	114,500	-	-	-	-	-	-
	-	166,500	166,500	-	-	-	-	-	-
<b>Banks</b>									
United Bank Limited	-	4,000	4,000	-	-	-	-	-	-
	-	4,000	4,000	-	-	-	-	-	-
<b>Total</b>	-	<b>1,681,500</b>	<b>1,681,500</b>	-	-	-	-	-	-

	Note	June 30, 2013	June 30, 2012
<b>5.6 Unrealised appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss - net</b>		------(Rupees in '000)-----	
Market value of securities		1,033,517	1,501,601
Less: carrying value of securities		<u>1,033,006</u>	<u>1,500,276</u>
		<u>511</u>	<u>1,325</u>
<b>5.7 Loans and receivables</b>			
Term deposit receipts			
- having original maturity of 3 months or less		100,000	1,450,000
- having original maturity of more than 3 months		<u>100,000</u>	<u>-</u>
		<u>200,000</u>	<u>1,450,000</u>
<b>5.7.1</b> Term deposit receipts carry mark-up at rates ranging from 9.95% to 10.25% (June 30, 2012: 12.25% to 12.45%) per annum and maturities ranging from July 22, 2013 to October 04, 2013 (June 30, 2012: July 18, 2012 to August 27, 2012).			
		<b>June 30, 2013</b>	<b>June 30, 2012</b>
<b>6 PROFIT RECEIVABLE</b>		---(Rupees in '000)---	
Profit accrued on term deposit receipts		7,827	8,757
Profit accrued on bank deposits		1,523	1,529
Profit accrued on GoP Ijarah Sukuks		46	-
Profit accrued on unlisted debt securities		<u>14,387</u>	<u>7,822</u>
		<u>23,783</u>	<u>18,108</u>
<b>7 SECURITY DEPOSITS AND OTHER RECEIVABLES</b>			
Security deposit with CDC		100	100
National Clearing Company of Pakistan Limited - security deposit		14,926	12,836
Bond Automated Trading System (BATS) - security deposit		500	500
Other receivables		<u>5</u>	<u>5</u>
		<u>15,531</u>	<u>13,441</u>
<b>8 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
Opening balance		1,222	2,222
Less: amortisation during the year		<u>(998)</u>	<u>(1,000)</u>
Closing balance		<u>224</u>	<u>1,222</u>
<b>8.1</b> Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over five years in accordance with the requirement set out in the Trust Deed of the Fund and the Non-Banking Finance companies and Notified Entities Regulation, 2008.			
	Note	June 30, 2013	June 30, 2013
<b>9 PAYABLE TO ABL ASSET MANAGEMENT COMPANY LIMITED - MANAGEMENT COMPANY</b>		---(Rupees in '000)---	
Management fee	9.1	2,910	4,950
Preliminary expenses and flotation costs		-	1,000
Sindh sales tax on remuneration of Management Company	9.2	<u>466</u>	<u>792</u>
		<u>3,376</u>	<u>6,742</u>
<b>9.1</b> 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 an amount equal to 2 percent of such assets of the Fund. In the current year, 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.			
<b>9.2</b> 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.			



	Note	June 30, 2013	June 30, 2012
		------(Rupees in '000)-----	
<b>10 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Trustee fee	10.1	235	350

- 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, 2013 was as follows:

Net assets value	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, 2013	June 30, 2012
		------(Rupees in '000)-----	
<b>11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	11.1	2,143	4,035

- 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, 2013	June 30, 2012
		------(Rupees in '000)-----	
<b>12 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		286	325
Brokerage		174	52
Printing and others charges		239	260
Payable to Workers' Welfare Fund	12.1	32,418	26,988
Withholding taxes		169	27
Provision for Federal Excise Duty	12.2	280	-
Other payable		44	-
		<u>33,610</u>	<u>27,652</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 connection, 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) 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 the Court.

During the year ended June 30, 2012, 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, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Honourable Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the Court. 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 32.42 million (including Rs 5.43 million for the current year) in these financial statements. Had the same not been made the net asset value per unit of the Fund as at June 30, 2013 would have been higher by Rs 0.1310 per unit.

- 12.2** As per the requirement of the Finance Act 2013, the Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax as explained in note 9.2, further levy of the FED may result in double taxation, which does not appear to be the spirit of the law. The matter has been taken up collectively by the Mutual Fund Association of Pakistan where various options are being considered. As a matter of abundant caution, the Management company has made a provision with effect from June 13, 2013, aggregating to Rs. 280 thousand.

### 13 CONTINGENCIES AND COMMITMENTS

- 13.1** There were no contingencies and commitments outstanding as at June 30, 2013.

	June 30, 2013	June 30, 2012
<b>14 NUMBER OF UNITS IN ISSUE</b>	-----Number of units-----	
Total units in issue at the beginning of the year	377,334,984	486,903,898
Add: units issued	328,454,125	1,010,811,544
Add: bonus units issued	27,759,570	38,807,726
Less: units redeemed	(486,094,961)	(1,159,188,184)
Total units in issue at the end of the year	<u>247,453,718</u>	<u>377,334,984</u>

	June 30, 2013	June 30, 2012
<b>15 AUDITORS' REMUNERATION</b>	----- (Rupees in '000) -----	
Annual audit fee	220	220
Half yearly review fee	110	110
Other certification and services	75	75
Out of pocket expenses	25	25
	<u>430</u>	<u>430</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 to the unit holders. The Fund has not recorded provision for taxation as the Management Company has distributed more than ninety percent of the Fund's accounting income to its unit holders.

### 17 EARNINGS PER UNIT

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

### 18 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2013, 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, 2013-----		
	Loans and receivables	Financial assets at fair value through profit or loss	Total
	----- (Rupees in '000) -----		
<b>Financial assets</b>			
Balances with banks	1,100,682	-	1,100,682
Investments	200,000	1,033,517	1,233,517
Profit receivable	23,783	-	23,783
Security deposits and other receivables	15,531	-	15,531
Receivable against sale and maturity of investments	147,844	-	147,844
	<u>1,487,840</u>	<u>1,033,517</u>	<u>2,521,357</u>

-----As at June 30, 2013-----		
Liabilities at fair value through profit or loss	Other financial liabilities	Total
----- (Rupees in '000) -----		
<b>Financial liabilities</b>		
Payable to ABL Asset Management Company Limited - Management Company	-	3,376
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	235
Dividend payable	-	1
Payable against redemption of units	-	5,243
Accrued expenses and other liabilities	-	743

-----As at June 30, 2012-----		
Loans and receivables	Financial assets at fair value through profit or loss	Total
----- (Rupees in '000) -----		
<b>Financial assets</b>		
Balances with banks	838,670	-
Investments	1,450,000	1,501,601
Profit receivable	18,108	-
Receivable against sale and maturity of investments	-	-
Security deposits and other receivables	13,441	-

-----As at June 30, 2012-----		
Liabilities at fair value through profit or loss	Other financial liabilities	Total
----- (Rupees in '000) -----		
<b>Financial liabilities</b>		
Payable to ABL Asset Management Company Limited - Management Company	-	6,742
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	350
Dividend payable	-	-
Payable against redemption of units	-	-
Accrued expenses and other liabilities	-	637

## 19 TRANSACTIONS WITH RELATED PARTIES / 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, Cyan Limited, Cyan Limited - Employees Provident Fund and CFA Association of Pakistan being entities under common management and / or directorship, the Central Depository Company of Pakistan limited being the Trustee of the Fund, the directors and officers of the Management Company and Habib Metropolitan Bank Limited being connected person.

**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 rates.

**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.

19.5 Details of transactions during the year	June 30, 2013	June 30, 2012
	------(Rupees in '000)-----	
<b>ABL Asset Management Company Limited - Management Company</b>		
Issue of 19,715,441 units (2012: 3,447,711 units)	201,500	34,500
Bonus of 960,384 units (2012: 433,584 units)	9,603	4,336
Redemption of Nil units (2012: 2,910,643 units)	-	30,000
Remuneration	42,852	80,709
Sindh sales tax on remuneration of the Management Company	6,856	12,913
<b>Allied Bank Limited</b>		
Issue of Nil units (2012: 299,529,738 units)	-	3,000,000
Redemption of 75,000,000 units (2012: 299,529,738 units)	754,732	3,003,325
Cash distribution	-	83,535
Mark-up income on bank deposits	4,295	7,906
Amount placed in term deposit receipts	100,000	500,000
Term deposit receipts matured	-	500,000
Bank charges	57	81
<b>Habib Metropolitan Bank Limited **</b>		
Issue of 26,756,466 units	270,000	-
Bonus of units 2,580,893	25,809	-
Redemption of 52,280,739 units	532,059	-
Mark-up income on bank deposits	39	-
Mark-up income on term deposit receipts	4,411	-
Amount placed in term deposit receipts	530,000	-
Term deposit receipts matured	530,000	-
Bank charges	3	-
<b>ABL - Employees Superannuation (Pension) Fund</b>		
Redemption of Nil Units (2012: 39,880,238 units)	-	406,364
Cash dividend	-	12,594
<b>ABL - Staff Provident Fund</b>		
Redemption of Nil Units (2012: 2,644,829 units)	-	26,950
Cash dividend	-	835
<b>CFA Association of Pakistan</b>		
Issue of 179,340 units (2012: Nil units)	1,800	-
Bonus of 6,739 units (2012: Nil units)	67	-
<b>TRUSTEE</b>		
<b>Central Depository Company of Pakistan Limited</b>		
Remuneration	3,278	5,349
<b>CHAIRMAN OF THE MANAGEMENT COMPANY</b>		
<b>Sheikh Mukhtar Ahmad</b>		
Bonus of 1,502 units (2012: 1,549 units)	15	15
<b>DIRECTORS OF THE MANAGEMENT COMPANY</b>		
<b>Muhammad Javaid Iqbal</b>		
Issue of 49,969 units (2012: 48,886 units)	500	500
Bonus of 8,816 units (2012: 5,043 units)	88	50
<b>Shakeb Murad</b>		
Issue of Nil units (2012: 545,713 units)	-	5,600
Bonus of Nil units (2012: 20,880 units)	-	209
Redemption of Nil units (2012: 629,992 units)	-	6,372
<b>KEY MANAGEMENT PERSONNEL</b>		
<b>Chief Executive Officer</b>		
Issue of Nil units (2012 14,664 units)	-	150
Bonus of 118,294 units (2012: 122,040 units)	1,182	1,220
Redemption of Nil units (2012: 227,988 units)	-	2,305
<b>Executives</b>		
Bonus of Nil units (2012: 3,478 units)	-	35
Redemption of Nil units (2012: 6,777 units)	-	68

	June 30, 2013	June 30, 2012
	------(Rupees in '000)-----	
<b>19.6 Details of amounts outstanding as at year end</b>		
<b>ABL Asset Management Company Limited - Management Company</b>		
Outstanding 25,923,362 units (2012: 5,247,537 units)	259,488	52,627
Preliminary expenses and floatation costs payable	-	1,000
Remuneration payable	2,910	4,950
Sindh sales tax on remuneration of the Management Company	466	792
<b>Allied Bank Limited</b>		
Outstanding Nil units (June 30, 2012: 75,000,000 units)	-	752,168
Balances held in savings accounts	182,967	7,070
Mark - up accrued on deposits	690	126
<b>Habib Metropolitan Bank Limited **</b>		
Outstanding 27,761,891 units	277,891	-
Balances held in savings accounts	350	-
<b>CFA Association Of Pakistan</b>		
Outstanding 186,079 units (2012: Nil units)	1,863	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration and CDC connection fee payable	235	350
Security deposits receivable	100	100
<b>CHAIRMAN OF THE MANAGEMENT COMPANY</b>		
<b>Sheikh Mukhtar Ahmad</b>		
Outstanding 16,391 units (2012:14,889 units)	164	149
<b>DIRECTORS OF THE MANAGEMENT COMPANY</b>		
<b>Muhammad Javaid Iqbal</b>		
Outstanding 146,199 units (2012: 87,414 units)	1,463	877
<b>KEY MANAGEMENT PERSONNEL</b>		
<b>Chief Executive Officer</b>		
Outstanding 1,291,276 units (2012: 1,172,982 units)	12,925	11,764
<b>Executives</b>		
Outstanding Nil* units (2012: 33,440 units)	-	335
* Does not include units held by former employees whose units were included as at June 30, 2012.		
** Prior year comparatives have not been presented as the entity did not classify as a related party / connected person as at June 30, 2012.		

## 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	Farid Ahmed Khan	Chief Executive Officer	19	CFA
2	Muhammad Imran	Chief Investment Officer	14	MBA
3	Abid Jamal	Head of Research	10	BS
4	Kamran Aziz	Fund Manager	6	CFA
5	Faizan Saleem	Fund Manager	6	MBA

20.1 Mr. Faizan Saleem is the Fund Manager of the Fund. He is also managing the following funds:

- ABL Government Securities Fund
- ABL Cash Fund

## 21 TRANSACTIONS WITH BROKERS / DEALERS

List of top 10 brokers by percentage of commission charged during the year ended June 30, 2013:

S.No.	Particulars	Percentage
1	Invest & Finance Securities Limited	40.68%
2	Invest Capital Markets Limited	24.91%
3	C & M Management (Private) Limited	13.33%
4	JS Global Capital Limited	8.13%
5	Global Securities Pakistan Limited	2.77%
6	Summit Capital (Private) Securities	2.21%
7	KASB Securities Limited	2.14%
8	Elixir Securities Pakistan (Private) Limited	1.39%
9	Invest One Markets Limited	1.16%
10	ICON Securities (Private) Limited	1.04%

List of top 10 brokers by percentage of commission charged 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 (Private) Limited	7.77%
6	BMA Capital Management Limited	3.44%
7	KASB Securities Limited	3.14%
8	ICON Securities (Private) Limited	2.46%
9	Global Securities Pakistan Limited	2.13%
10	Elixir Securities Pakistan (Private) Limited	1.71%

## 22 PATTERN OF UNIT HOLDING

-----As at June 30, 2013-----

Category	Number of Unit holders	Number of units held	Net asset value of the amount invested	Percentage of total investment
------(Rupees in '000)-----				
Individuals	1,185	92,051,424	921,416	37.20%
Associated companies / directors	5	27,563,307	275,904	11.14%
Insurance companies	5	4,923,150	49,280	1.99%
Banks / DFIs	2	38,209,805	382,473	15.44%
Retirement funds	24	15,648,288	156,636	6.32%
Public limited companies	7	35,147,055	351,814	14.20%
Others	18	33,910,689	339,450	13.70%
	1,246	247,453,718	2,476,973	100.00%

-----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%
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	100.00%



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

The 27th, 28th, 29th, 30th and 31st Board of Directors meetings were held on August 10, 2012, October 25, 2012, December 20, 2012, February 15, 2013 and April 25, 2013 respectively. Information in respect of attendance by the directors and other persons in the meetings is given below:

S.No.	Name	No. of meetings			Meetings not attended
		Held	Attended	Leave granted	
<b>Directors</b>					
1	Sheikh Mukhtar Ahmed	5	5	-	-
2	Muhammad Waseem Mukhtar	5	5	-	-
3	Khalid A. Sherwani*	5	4	1	31st BOD
4	Kamran Nishat	5	5	-	-
5	M. Shakeb Murad	5	2	3	27th BOD, 29th BOD and 30th BOD
6	M. Jawaid Iqbal	5	4	1	31st BOD
7	Farid Ahmed Khan**	5	5	-	-
8	Zia Ijaz***	4	3	1	27th BOD
9	Khawaja Muhammad Almas****	1	1	-	-
<b>Other persons</b>					
1	Saqib Matin*****	5	5	-	-

\* Resigned from the services as director on the Board of ABL AMCL which has been approved on July 12, 2013.

\*\* Deemed director under section 200 of the Companies Ordinance, 1984.

\*\*\* Resigned in the 30th BOD Meeting of ABL AMCL held on February 15, 2013.

\*\*\*\* New director of ABL AMCL appointed in the 30th meeting of the BODs of ABL AMCL held on February 15, 2013.

**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 3.455 million.

**b) Sensitivity analysis for fixed rate instruments**

Fixed rates instruments held as at June 30, 2013 include market treasury bills, Pakistan investment bonds, Ijarah sukuks and term deposit receipts. 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.

Market treasury bills and GoP Ijarah Sukuks 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 the Financial Market Association on June 30, 2013, with all other variables held constant, the net income for the year and net assets would be lower by Rs 0.422 million (2012: Rs 2.288 million). In case of 100 basis points decrease in rates announced by the Financial Market Association on June 30, 2013, with all other variables held constant, the net income for the year and net assets would be higher by Rs 0.423 million (2012: Rs 2.296 million).

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

Yield / interest rate sensitivity position for the 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.

Particulars	As at June 30, 2013					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 upto one year	More than one year		
	%	(Rupees in '000)				
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Balances with banks	6 - 9.4	1,100,682	-	-	-	1,100,682
Investments	9 - 11.94	859,110	130,044	244,363	-	1,233,517
Profit receivable	-	-	-	-	23,783	23,783
Security deposits and other receivables	-	-	-	-	15,531	15,531
Receivable against sale and maturity of investments	-	-	-	-	147,844	147,844
<b>Sub total</b>		<b>1,959,792</b>	<b>130,044</b>	<b>244,363</b>	<b>187,158</b>	<b>2,521,357</b>
<b>Financial liabilities</b>						
Payable to ABL Asset Management Company Limited - Management C	-	-	-	-	3,376	3,376
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	-	235	235
Dividend payable	-	-	-	-	1	1
Payable against redemption of units	-	-	-	-	5,243	5,243
Accrued expenses and other liabilities	-	-	-	-	743	743
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>9,598</b>	<b>9,598</b>
<b>On-balance sheet gap (a)</b>		<b>1,959,792</b>	<b>130,044</b>	<b>244,363</b>	<b>177,560</b>	<b>2,511,759</b>
<b>Off-balance sheet financial instruments (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap (a+b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest rate sensitivity gap</b>		<b>1,959,792</b>	<b>130,044</b>	<b>244,363</b>	<b>177,560</b>	<b>2,511,759</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>1,959,792</b>	<b>2,089,836</b>	<b>2,334,199</b>		

Particulars	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 upto one year	More than one year		
	%	(Rupees in '000)				
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
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
<b>Sub total</b>		<b>3,438,745</b>	<b>58,130</b>	<b>293,396</b>	<b>31,549</b>	<b>3,821,820</b>
<b>Financial liabilities</b>						
Payable to ABL Asset Management Company Limited - Management C	-	-	-	-	6,742	6,742
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	-	350	350
Dividend payable	-	-	-	-	-	-
Payable against redemption of units	-	-	-	-	-	-
Accrued expenses and other liabilities	-	-	-	-	637	637
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>7,729</b>	<b>7,729</b>
<b>On-balance sheet gap (a)</b>		<b>3,438,745</b>	<b>58,130</b>	<b>293,396</b>	<b>23,820</b>	<b>3,814,091</b>
<b>Off-balance sheet financial instruments (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap (a+b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest rate sensitivity gap</b>		<b>3,438,745</b>	<b>58,130</b>	<b>293,396</b>	<b>23,820</b>	<b>3,814,091</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>3,438,745</b>	<b>3,496,875</b>	<b>3,790,271</b>		

### 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. At present the Fund does the Fund is not exposed 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 investments, balances with banks and security deposits held with various entities. The Fund does not foresee any credit risk with respect to government sec

#### 24.2.1 The analysis below summarises the available published credit rating of the Fund's financial assets as at June 30, 2013:

##### Bank balances by rating category

Name of the bank	Rating agency	Published rating	Percentage of bank balance
Allied Bank Limited	PACRA	AA+	16.62%
Askari Bank Limited	PACRA	AA	0.02%
Bank Al Habib Limited	PACRA	AA+	0.04%
Bank Alfalah Limited	PACRA	AA	0.83%
Barclays Bank Limited	Standard & Poor's	A+	0.05%
Deutsche Bank AG	Standard & Poor's	A+	-*
Faysal Bank Limited	PACRA	AA	54.82%
Habib Metropolitan Bank Limited	PACRA	AA+	0.03%
MCB Bank Limited	PACRA	AAA	0.03%
NIB Bank Limited	PACRA	AA-	0.05%
Soneri Bank Limited	PACRA	AA-	-*
Standard Chartered Bank (Pakistan) Limited	PACRA	AAA	0.17%
United Bank Limited	JCR-VIS	AA+	0.06%
Albaraka Bank ( Pakistan) Limited	PACRA	A	27.28%

\* Nil due to rounding off

##### Term deposit receipts by rating category

Name of the bank	Rating agency	Published rating	Percentage of term deposit receipt
	PACRA	AA+	50%
	PACRA	AA	50%

##### Concentration of credit risk

### 24.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions at the option of unit holders. The Fund's approach to manage 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. The Fund's policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed of and are considered readily realisable.

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

The table below indicates 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, 2013			
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	3,376	-	3,376
Payable to the Central Depository Company of Pakistan Limited - Trustee	235	-	235
Dividend payable	1	-	1
Payable against redemption of units	5,243	-	5,243
Accrued expenses and other liabilities	743	-	743
	<u>9,598</u>	<u>-</u>	<u>9,598</u>

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
Dividend payable	-	-	-
Payable against redemption of units	-	-	-
Accrued expenses and other liabilities	637	-	637
	<u>6,729</u>	<u>1,000</u>	<u>7,729</u>

### 25 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability can be 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 the 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 the 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, 2013 -----				
ASSETS	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
Investment in securities - financial assets at fair value through profit or loss				
- Government securities - market treasury bills	-	659,110	-	659,110
- Term finance certificates / other sukuks	-	372,406	-	372,406
- GoP Ijarah Sukuks	-	2,001	-	2,001

----- As at June 30, 2012 -----				
ASSETS	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
Investment in securities - financial assets 'at fair value through profit or loss'				
- Government securities - market treasury bills	-	1,208,205	-	1,208,205
- Term finance certificates / other sukuks	-	293,396	-	293,396
- GoP Ijarah Sukuks	-	-	-	-

## 26 UNIT HOLDER'S FUND RISK MANAGEMENT

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

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

The Fund's objectives when managing funds received 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 endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests. Such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

As required under the NBFC Regulations, every open end scheme shall maintain minimum fund size (i.e. net assets of the Fund) of Rs. 100 million at all times during the life of scheme. The Fund has maintained and complied with the requirements of minimum fund size during the year.

## 27 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 06, 2013 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**

**29.1** 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