



ABL Islamic Cash Fund

ANNUAL
Report 2011

CONTENTS

| | |
|--|----|
| Vision | 1 |
| Mission and Core Values | 2 |
| Fund's Information | 3 |
| Report of the Directors of the Management Company | 4 |
| Fund Manager's Report | 10 |
| Performance Table | 13 |
| Trustee Report to the Unit Holders | 14 |
| Report of the Shar' jah Advisor | 15 |
| Statement of Compliance with the Shariah Principles | 16 |
| Independent Assurance Report to the unit Holder on the Statement of Compliance with the shariah principles | 17 |
| Review report to the Unit Holders on the Statement of Compliance with the best practices of the Code of Corporate Governance | 18 |
| Statement of Compliance with the Code of Corporate Governance | 19 |
| Independent Auditors' Report to the Unit Holders | 22 |
| Statement of Assets and Liabilities | 23 |
| Income Statement | 24 |
| Distribution Statement | 25 |
| Statement of Movement in Unit Holders' Fund | 26 |
| Cash Flow Statement | 27 |
| Notes to and forming part of the Financial Statements | 28 |



VISION

“Creating investment solutions
within everyone’s reach”



MISSION & CORE VALUES

MISSION & CORE VALUES

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

FUND'S INFORMATION

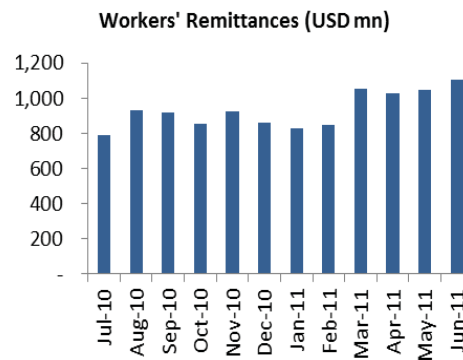
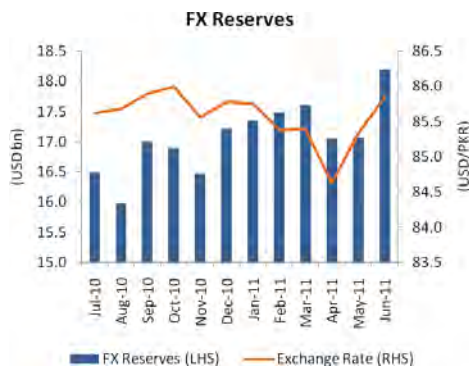
| | | |
|---|---|----------|
| Management Company: | ABL Asset Management Company Limited 11 - B, Lalazar M. T. Khan Road, Karachi. | |
| Board of Director (As of June 30, 2011) | Sheikh Mukhtar Ahmed | Chairman |
| | Mr. Khalid A. Sherwani | |
| | Mr. Muhammad Waseem Mukhtar | |
| | Mr. M. Jawaid Iqbal | |
| | Mr. Muhammad Yaseen | |
| | Mr. M. Shakeb Murad | |
| | Mr. Kamran Nishat | |
| | Mr. Farid Ahmed Khan | CEO |
| Audit Committee: | Mr. Kamran Nishat | Chairman |
| | Mr. Muhammad Waseem Mukhtar | Member |
| | Mr. Muhammad Yaseen | Member |
| Chief Executive Officer of The Management Company: | Mr. Farid Ahmed Khan | |
| Chief Financial Officer & Company Secretary: | Mr. Faisal Nadeem Mangroria | |
| Head of Internal Audit: | Mr. Saqib Matin | |
| Trustee: | Central Depository Company of Pakistan Ltd. 13 - 16, Mezzanine Floor, Progressive Plaza, Beaumont Road, Karachi. | |
| Bankers to the Fund: | Allied Bank Limited Bank Al- Falah Limited United Bank Limited | |
| Distributor: | Allied Bank Limited BMA Financial Services Limited Cumberland (Pvt.) Limited Fundshop-Investment Solution | |
| Auditor: | A.F. Ferguson & Co Chartered Accountants State Life Building No. 1-C I.I. Chundrigar Road, Karachi. | |
| Legal Advisor: | Bawany & Partners Room No. 404, 4th Floor Beaumont Plaza, 6 - C1 - 10, Beaumont Road, Civil Lines, Karachi. | |
| Registrar: | ABL Asset Management Company Limited. 11 - B, Lalazar, M. T. Khan Road, Karachi. | |

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of ABL Asset Management Company Limited, the management company of ABL Islamic Cash Fund (ABL-ICF), is pleased to present the Audited Financial Statements of ABL Islamic Cash Fund for the period ended June 30, 2011.

ECONOMIC PERFORMANCE REVIEW

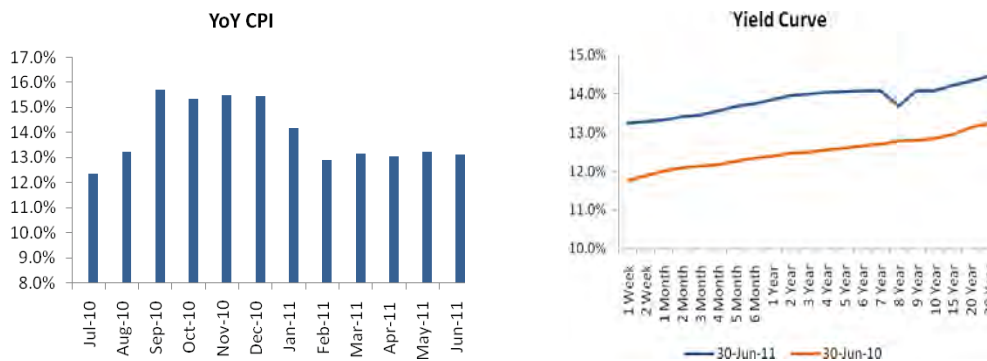
Pakistan's economy ended fiscal year 2011 in a fragile state as after effects of the devastating floods of last year severely affected agriculture output, stretched fiscal resources and contributed to restrictive monetary measures. FY11 economic growth was recorded at a paltry 2.4%, well below the initial target of 4.5%. Agriculture segment, most affected by the floods, depicted growth of just 1.2%. Furthermore, rising interest rates, dwindling developmental expenditure and poor private sector investment spending also restricted growth in manufacturing and services sectors.



On the positive side, the current account posted a surplus of US\$542mn for the first time since FY04 on account of 29% and 26% YoY jump in exports and remittances, respectively. Financial account, however, suffered a drop of 66% YoY to USD1.7bn in FY11 due to drying up of funds from the IMF and significant decline of 27% YoY in Foreign Direct Investment. FX reserves reached record levels during the year, ending the year above USD18 billion mark.

In an effort to control inflation and curb budgetary borrowing, the central bank increased the key policy rate by 150bps in various steps to 14% at fiscal year-end. Inflationary pressures peaked at 15.7% in September 2010 due to acute agriculture produce supply issues following the floods and steep increase in international oil prices. Average CPI for FY11 clocked at 13.92% against initial target of 11%. Fiscal account continued to bleed with the budget deficit soaring to 6.2% of GDP, well above government's revised estimate of 5.3%. Government's heavy reliance on scheduled banks for financing the deficit severely hampered private sector credit off-take, which remained subdued at PKR121 billion, majority of which was for working capital requirements.

Looking ahead at FY11-12, already major question marks have emerged on fiscal and the current accounts. Tax revenue target for FY12 is highly optimistic, considering its base has already been revised downwards whereas provinces are expected to only break-even as opposed to posting a surplus of PKR125 billion as projected in the FY12 budget. Furthermore, the outlook for current account is also not particularly bright as Pakistan's exports are expected to suffer due to slowdown in global economic growth and continuous downward trend in cotton prices. Another major impact on balance of payment will be the start of IMF repayments scheduled from February 2012 sans a new IMF plan. Economic policy makers will have their hands full in coming months as political parties starting their campaign for 2013 elections and no end in sight to the poor law and order situation in the country.



MUTUAL FUND INDUSTRY REVIEW

Industry performance staged a comeback on the back of improved macroeconomic figures and investor's new found attraction towards low risk, money market funds. With economic uncertainties still looming, the money market funds were hot favorites amongst investors as their investment mandate restricts these funds to only short term government securities and AA & above rated investments. The Islamic money market category, however, struggled to offer higher returns due to limited investment avenues. Investments in short term placements with AA & above rated counters were the only viable option in the absence of sovereign shariah compliant instruments.

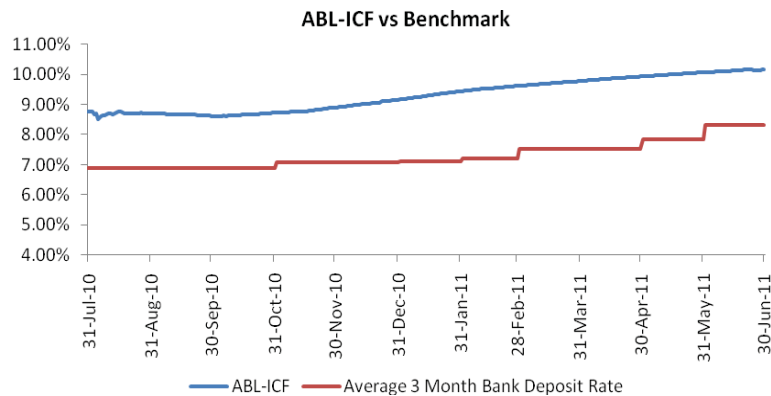
Despite imposition of capital gains tax and workers welfare fund levy on all mutual funds last year, the overall Assets under Management (AUM) of the mutual fund industry increased by 25.55% to Rs.250.49 billion in June 2011 from Rs.199.52 billion in June 2010. The growth is largely attributable to money market funds which grew by a whopping 153.37% to Rs.97.69 billion as on June 2011, compared to Rs.38.55 billion the preceding year. Though not performing as badly as equity and income funds, the Islamic money market fund category failed to build on the growth from last year. Islamic funds' performance remained stable with AUMs touching Rs.12.561 billion as on June 30, 2011, compared to Rs.12.674 billion as on June 30, 2010.

FUND PERFORMANCE

During the period under review, ABL Islamic Cash Fund's AUMs rose to Rs.816.61 million, almost twice the size at its launch in July 2010. It was a commendable perfor

mance considering that the size of Islamic funds remained stagnant during the period. Due to dearth of attractive investment options, ABL Islamic Cash Fund remained primarily invested in Shariah compliant AA and above banking counters.

In the period ended June 30, 2011, ABL-ICF yielded an annualized compounded return of 10.20%. With this performance, ABL-CF outperformed its benchmark of average of 3 months deposit rate of any 3 Islamic banks by 2.90%. As on June 30, 2011, placements with Islamic banks accounted for 76.96% of total assets. In order to diversify assets, an investment of 6.04% of total assets was made in a short term Sukuk at attractive rates.



ABL Islamic Cash Fund earned total income of Rs.45.93 million for the period ended June 30, 2011 mainly out of which Rs.20.10 million was earned from deposits with bank and Rs.25.75 million was earned from term deposits receipts. After accounting for expenses of Rs.6.35 million (comprising mainly of the management fee of Rs.3.91 million) net income from operating activities for the period ended June 30, 2011 stood at Rs.39.58 million. With the net element of income and capital gains of Rs.9.13 million included in the prices of units issued less those in units redeemed and Rs.0.97 million as provision for workers welfare fund, the net income for the period ended June 30, 2011 stood at Rs.47.73 million.

DIVIDEND

The Board of Directors of ABL Asset Management Company Limited (ABL AMCL), on June 29, 2011 approved the final distribution of Rs.0.2546 per unit (2.55% of the par value of Rs.10/-) for the quarter ended June 30, 2011. This is in addition to the interim distribution of Rs.0.1418/- per unit (1.42% of the par value of Rs.10/-) for the quarter ended September 30, 2010, Rs.0.2326/- per unit (2.33% of the par value of Rs.10/-) for the quarter ended December 31, 2010 and Rs.0.2567/- per unit (2.57% of the par value of Rs.10/-) made for the quarter ended March 31,

2011. Thus the total dividend distribution of ABL-ICF during the period ended June 30, 2011 amounted to Rs.0.8857 per unit (8.86% of the par value of Rs.10/-).

In the interest of unit holders, especially Corporate(s) and Financial Institutions (FIs), ABL AMCL on behalf of ABL-ICF distributed all dividends before quarter closing so that

dividend income could be booked by the Corporate(s) and FIs during their respective quarters.

Since the above distribution is more than 90% of the income for the year ended June 30, 2011, the income of ABL-ICF will not be subject to tax under the Clause 99 of the Part I of the Second Schedule of the Income Tax Ordinance, 2001.

CORPORATE GOVERNANCE

The Board of Directors states that:

1. Financial Statements present fairly the statement of affairs, the results of operations, cash flows and the changes in unit holder's fund;
2. Proper books of accounts have been maintained by the Fund.
3. Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgments;
4. Relevant International Accounting Standards, as applicable in Pakistan, provision of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the Trust Deed and directives issued by the Securities and Exchange Commission of Pakistan have been followed in the preparation of the financial statements;
5. The system of internal control is sound in design and has been effectively implemented and monitored;
6. There have been no significant doubts upon the Funds' ability to continue as going concern;
7. There has been no material departure from the best practices of corporate governance, as detailed in the listed regulations;
8. Performance table of the Fund is given on page # 13 of the Annual Report;
9. There is no any statutory payment on account of taxes, duties, levies and charges outstanding;
10. The statement as to the value of investments of Staff Provident Fund is not applicable in the case of the Fund as such expenses are borne by the Management Company;
11. There have been no trades in the units of the Fund's carried out by the Directors, CEO, CFO and the Company Secretary and their spouse excepts as disclosed below and in notes to the financial statements;

| S. No. | NAME | DESIGNATION | BEGINNING UNITS | UNITS ISSUED | UNITS REDEEMED | BONUS UNITS | CLOSING UNITS |
|--------|-------------------------|-------------------------|-----------------|--------------|----------------|-------------|---------------|
| 1 | Muhammad Waseem Mukhtar | Director | - | - | - | - | - |
| 2 | Mr. M. Jawaid Iqbal | Director | - | - | - | - | - |
| 3 | Mr. M. Shakeb Murad | Director | - | - | - | - | - |
| 4 | Mr. Farid Ahmed Khan | CEO | - | 50,000 | - | 4,575 | 54,575 |
| 5 | Mr. Faisal Mangroria | CFO & Company Secretary | - | 527,730 | 300,831 | 14,892 | 241,791 |

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

| S.No | Name of Directors | Number of meetings held | Attended | Leave granted | Meetings not attended |
|------|------------------------------|-------------------------|----------|---------------|--|
| 1 | Sheikh Mukhtar Ahmed | 04 | 1 | 3 | 19 th , 20 th , 21 st |
| 2 | Mr. Muhammad Waseem Mukhtar* | 03 | 03 | - | - |
| 3 | Mr. Mohammad Aftab Manzoor** | 01 | - | 01 | 18 th |
| 4 | Mr. Khalid A. Sherwani* | 03 | 03 | - | - |
| 5 | Mr. M. Jawaid Iqbal | 04 | 04 | - | - |
| 6 | Mr. Muhammad Yaseen | 04 | 03 | 01 | 18 th |
| 7 | Mr. M. Shakeb Murad | 04 | 03 | 01 | 20 th |
| 8 | Mr. Kamran Nishat | 04 | 04 | - | - |

*Appointed as new Directors of the ABL AMCL through circular resolution No. ABL AMCL Memo No.CIR.14/2010 dated September 02, 2010

**Resigned through circular resolution No. ABL AMCL Memo No.CIR.14/2010 dated September 02, 2010

13. The details as required by the Code of Corporate Governance regarding the pattern of holding in ABL Islamic Cash Fund, is given on page # 19 of the Annual Report.

AUDITORS

M/s. A.F. Fergusons & Co. (Chartered Accountants), on the recommendation of the Audit Committee of the Board of Directors are being eligible for re-appointment have been appointed as auditors for the year ending June 30, 2012 for ABL Islamic Cash Fund (ABL-ICF).

FUND STABILITY RATING

On November 25, 2010, JCR-VIS assigned Fund Stability Rating of AA(f)' (Double A(f)) to ABL Islamic Cash Fund (ABL-ICF), which denotes high degree of stability in Net Asset Value.

MANAGEMENT QUALITY RATING

On December 31, 2010, JCR-VIS upgraded the Management Quality Rating of ABL Asset Management Company Limited (ABL AMCL) to 'AM3+' (AM-Three Plus) with positive outlook from 'AM3' (AM-Three), which denotes 'good management quality.'

OUTLOOK & STRATEGY

Macroeconomic conditions have shown some improvement but challenges continue to exist. Although interest rate stability is a welcome gesture, economic activity is still weak amid a strong perception of crisis of governance. Failure to resolve the circular debt issue, dwindling foreign inflows and weak security conditions are likely to keep pressure on economic managers.

ABL-ICF will maintain its current investment stance of investing in AA and above rated counters whilst exploring any other low risk investment opportunity to improve its returns. Furthermore, the funds category is being converted into Income Fund category, in order to diversify investments and offer better shariah compliant returns to investors.

ACKNOWLEDGEMENT

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

For and on behalf of the Board



FARID AHMED KHAN
Chief Executive Officer

Karachi, August 23, 2011

FUND MANAGER'S REPORT

OBJECTIVE

The objective of ABL Islamic Cash Fund is to seek maximum possible preservation of capital and offer steady rate of return by investing in liquid Shariah compliant instruments.

MARKET OVERVIEW

The Fixed Income mutual fund category exhibited a handsome growth of 45.3% during last year, thanks to strong investor interest in money market funds. The money market fund category grew by an astounding 153.37% during the period, erasing the negative impact of the contraction in Income Fund category. Investor confidence in corporate debt remains jittery at best and with government securities providing high returns and liquidity, they emerged as investor's favorites. Although the conventional side of money market funds has been enjoying great success, the Shariah compliant side has been facing challenges due to limited investment avenues. Islamic fund performance remained almost stable with AUMs recorded at Rs.12.561 billion as on June 30, 2011 in comparison to Rs.12.674 billion as on June 30, 2010, a decline of 0.89% YoY. However the Islamic mutual fund sector is enjoying tremendous demand growth and any improvement in fund deployment side would accelerate growth in this sector.

Economic uncertainties underpinned by security concerns, fiscal imbalances and rising interest rates led to very high volatility in money market yields. The SBP had to play an active role in managing the money markets by conducting regular Open Market Operations. During 1HFY-11, the central bank inflicted three consecutive hikes of 50bps each in the Discount Rate which rose to 14%. High inflation, burgeoning fiscal deficit and persistent Government borrowing from the central bank were the main reasons which forced SBP's hands. Adding to woes was flood related crisis towards the start of the fiscal year which curtailed GDP growth and in tandem fueled inflation during FY11. The escalating circular debt issue added fuel to the fire. Moreover, delays in implementation of crucial reforms led to a discontinuation of IMF's Standby Arrangement which jittered investor's nerves. Government borrowing via T-bills thus remained high which adversely impacted private sector credit off-take. Consequently, yields on T-bills remained competitive as investors took advantage of Government's plight.

Political instability and worsening security situation kept the much required foreign investment at bay. However, 2HFY-11 experienced an improvement in macroeconomic figures led by a positive current account, courtesy of healthy export figures and high remittances. Inflation subsided in the second half of the year due to dissipating impact of the floods along with restrained government borrowing which led to status quo decisions in the Discount Rate in the latter half of FY11.

M2 growth in FY11 was recorded at 15.89% YoY, mainly on the back of very high government borrowing. Foreign Exchange (FX) reserves increased to approximately \$18 billion in FY11, from \$16 billion in FY10 due to healthy export figures and high remittances.

FUND PERFORMANCE

As on June 30, 2011, net assets under management of ABL-ICF were Rs.816.61 million, an increase of 103.8% YoY. The fund aims to offer low risk yet competitive returns within the ambit of Shariah compliant fixed income universe, while offering high liquidity to its investors. Due to limited investment avenues and a conservative investment stance, funds' investments primarily comprised of placements with Islamic counters having AA and above rating. During the period under review, ABL-ICF yielded a return of 10.20%, while average benchmark return was 7.30%.

As of June 30, 2011, Term placements with Islamic banks accounted for 79.69 % of total assets, where as cash assets constituted 12.95%. In order to diversify the asset base and boost returns, 6.04% of total assets was invested in a short term Sukuk issued by KAPCO.

FUTURE OUTLOOK AND STRATEGY

Macroeconomic conditions have shown some improvement but the road ahead continues to look challenging. Energy shortages, poor revenue collection, falling infrastructure spending and dwindling external support funds will make the recovery long and painful. Although interest rate stability is a welcome development, pickup in economic activity is paramount to get the country on the path to recovery. Failure to resolve the circular debt issue, poor investment growth and weak security conditions are likely to keep pressure on economic managers.

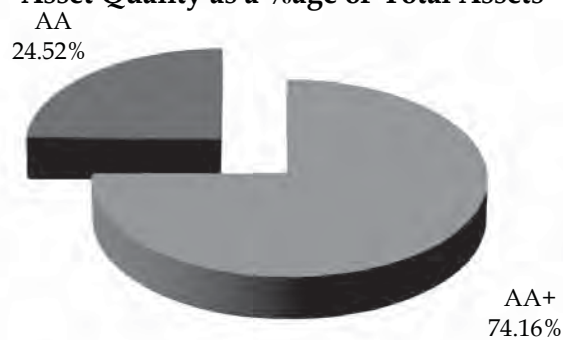
ABL-ICF will maintain its current investment stance of investing in AA and above rated counters whilst exploring other low risk investment opportunities to improve its returns. Furthermore, the funds category is being changed to Income Fund, in order to diversify investments and offer better Shariah compliant returns to its investors.

| ABL Islamic Cash Fund Performance | FY-2011 |
|---|---------|
| Yield | 10.20% |
| Benchmark (Average 3 month deposit rate of 3 Islamic Banks) | 7.30% |
| Weighted average time to maturity of net assets | 30 days |

| ABL Islamic Cash Fund AUMs & Pricing | FY-2011 |
|--|---------|
| Assets under management as at June 30, 2011 (PKR mn) | 816.61 |
| Closing NAV per unit as June 30, 2011 (PKR) (Ex-Dividend) | 10.0163 |
| Closing NAV per unit as June 30, 2011 (PKR) (Cum-Dividend) | 10.9020 |

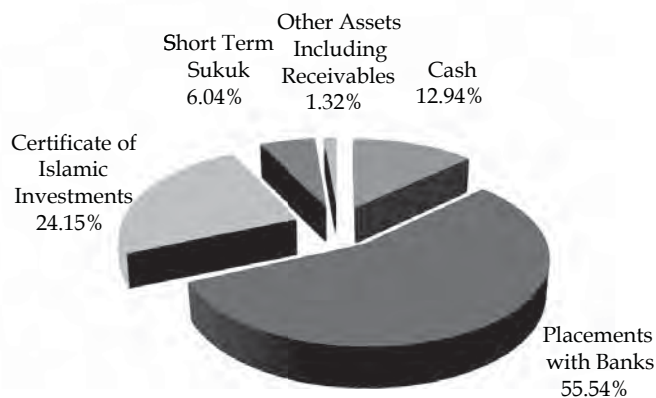
| Distribution | Payout | FY-2011 |
|------------------------------------|--------|---------|
| 1 st Quarterly Dividend | 100% | 0.1481 |
| 2 nd Quarterly Dividend | 100% | 0.2326 |
| 3 rd Quarterly Dividend | 100% | 0.2567 |
| 4 th Quarterly Dividend | 100% | 0.2546 |

Asset Quality as a %age of Total Assets



Other assets account for 1.32% of Total

Asset Allocation as a %age of Total Assets



ABL ISLAMIC CASH FUND PERFORMANCE TABLE

| | June 2011 |
|---|--------------------------|
| | Rupees |
| Net Assets | <u>816,605,567</u> |
| Net Income | <u>47,734,932</u> |
| | (Rupees per unit) |
| Net Assets value | <u>10.0163</u> |
| Interim distribution* | <u>0.6311</u> |
| Final distribution | <u>0.2546</u> |
| Distribution date final | <u>June 29, 2011</u> |
| Closing offer price | <u>10.0163</u> |
| Closing repurchase price | <u>10.0163</u> |
| Highest offer price | <u>10.2607</u> |
| Lowest offer price | <u>10.0027</u> |
| Highest repurchase price per unit | <u>10.2607</u> |
| Lowest repurchase price per unit | <u>10.0027</u> |
| | Percentage |
| Total return of the fund | |
| - capital growth | <u>1.34%</u> |
| - income distribution | <u>8.86%</u> |
| Average return of the fund | |
| First Year | <u>10.20%</u> |
| Weighted average Portfolio duration in days | <u>30</u> |

* Distribution date

| | 2011 |
|--------------------|---------------------------|
| Date | Rate |
| September 29, 2010 | <u>Re 0.1418 Per Unit</u> |
| December 30, 2010 | <u>Re 0.2326 Per Unit</u> |
| March 30, 2011 | <u>Re 0.2567 Per Unit</u> |

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 ISLAMIC CASH 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**

The ABL Islamic Cash Fund (the Fund), an open-end fund was established under a trust deed dated June 23, 2010, executed between ABL Asset Management Company Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

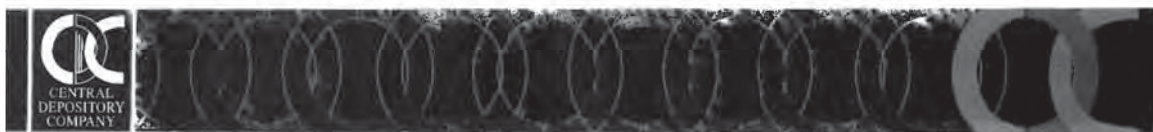
In our opinion, the Management Company has in all material respects managed the Fund for the period from July 29, 2010 to June 30, 2011 in accordance with the provisions of the following:

- (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, October 4, 2011.



بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

Dr. Muhammad Zubair Usmani

Jamia Darul Uloom Karachi Korangi K Area P.C.75180

Email : doctorzubair772@hotmail.com

Phone: 021- 35049774-6

ڈاکٹر مولانا محمد زبیر عثمانی

پتہ: جامعہ دارالعلوم کراچی

پوسٹ کوڈ: 75180 کراچی 14

Report of the Shar' iah Advisor ABL Islamic Cash Fund

August 12, 2011/Ramadan11, 1432 A.H

Alhamdulillah, the period from July 29, 2010 to June 30, 2011 was the First year of operations of ABL Islamic Cash Fund (ABLICF). This report is being issued in accordance with clause 3 A.2.3 (IV) of the Trust Deed of the Fund. The scope of the report is to express an opinion on the Shariah Compliance of the Fund's activity.

In the capacity of Advisor, we have prescribed criteria and procedure to be followed in ensuring Shariah Compliance in every investment.

It is the responsibility of the management company of the fund to establish and maintain a system of internal controls to ensure Shariah compliance with the Shariah policies and guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. 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 prescribed criteria.

In light of the above, we hereby certify that:

- i. We have reviewed and approved the modes of investments of ABLICF in light of Shariah guidelines.
- ii. All the provision of the scheme and investment made on account of ABLICF by ABL Asset Management Company are Shariah Compliant and are in accordance with the criteria established.
- iii. On the basis of information provided by the management, all the operations of ABLICF for the period ended June 30, 2011 have been in compliance with Shariah principles.

May Allah bless us with best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes



Dr. Muhammad Zubair Usmani

Shar' iah Advisor

Muhammad Zubair Usmani

Jamia Darul Uloom Karachi

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

ABL Islamic Cash Fund (the Fund) has fully complied with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for its operations, investments and placements made during the period from July 29, 2010 to June 30, 2011. This has been duly confirmed by the Shariah Advisor of the Fund.

August 10, 2011



FARID AHMED KHAN
Chief Executive Officer



A. F. FERGUSON & CO.

INDEPENDENT ASSURANCE REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

We have performed an independent assurance engagement of ABL Islamic Cash Fund (the Fund) to express an opinion on the annexed Statement of compliance with the Shariah principles (the 'Statement') for the period from July 29, 2010 to June 30, 2011. Our engagement was carried out as required under clause 3A.3 of the Trust Deed of the Fund.

Management Company's responsibility

The Management Company of the Fund is responsible for the preparation of the annexed statement (the subject matter) and for compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor. This responsibility includes designing, implementing and maintaining internal control to ensure that the operations of the Fund and its investments and placements have been made in compliance with the Shariah principles.

Responsibility of Independent assurance providers


Our responsibility is to express a conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This Standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance whether the annexed statement reflects the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor (Criteria).

The procedures selected depend on our judgement, including the assessment of the risks of material non-compliances with the Shariah principles. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Amongst others, our scope included procedures to:

- Check compliance of specific guidelines relating to charity, maintaining bank accounts and for making investments of the Fund.
- Check that the Shariah Advisor has certified that the operations of the Fund, its investments and placements have been made in compliance with the Shariah principles.

Conclusion

In our opinion, the annexed statement, in all material respects, present fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for the period from July 29, 2010 to June 30, 2011.


Chartered Accountants
Karachi

Dated: August 25, 2011

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A. F. FERGUSON & CO.

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


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

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the period from July 29, 2010 to June 30, 2011.


Chartered Accountants
Karachi
Dated August 25, 2011

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STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE PERIOD ENDED JUNE 30, 2011

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 Islamic Cash Fund (“the Fund”). The Fund being a unit trust open ended scheme does not have its own board of directors. The Management Company has applied the principles contained in the Code to the Fund, whose units are listed as a security on the Exchange, in the following manner:

1. The Management Company encourages representation of independent nonexecutive directors. At present, the Board includes seven non-executive directors of whom two are independent directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company.
3. All the directors of the Management Company have confirmed that they are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.
4. During the year under review two casual vacancies occurred on the Board which were dully filed on time.
5. The Management Company has prepared a ‘Statement of Ethics and Business Practices’ which has been signed by all the directors and employees of the Management Company.
6. The Board has developed a vision/mission statement, an overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board. There is no executive director of the Management Company.
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. The related party transactions have been placed before the audit committee and approved by the board of directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
10. In order to apprise the directors of their duties and responsibilities, the requirements of applicable laws and regulations and for their orientation purposes they have been provided with the copies of the NBFC (Establishment and Regulation) Rules, 2003, NBFC & NE Regulations, 2008, Companies Ordinance 1984, Listing Regulations, Code of Corporate Governance, Prudential Regulations, Management Company's Memorandum and Articles of Association and all other relevant rules and regulations and hence are conversant with the relevant laws applicable to the Management Company and to the Fund, their policies and procedures and with the provisions of Memorandum and Articles of Association and are aware of their duties and responsibilities.
11. The Board has approved the appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
12. The roles and responsibilities of the Chairman and the CEO have been approved by the Board.
13. The Directors' Report of the Fund for the period ended June 30, 2011 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
14. The financial statements of the Fund were duly endorsed by the CEO and CFO of the Management Company before approval of the Board.
15. The directors, CEO and executives do not hold any interest in the units of the Fund other than disclosed in the Directors Report.
16. The Management Company has complied with all the applicable corporate and financial reporting requirements of the Code.
17. 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.

18. 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.
19. There exists an effective internal audit function within the Management Company.
20. 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.
21. 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.
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
CEO

Karachi, August 23, 2011



A. F. FERGUSON & CO.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **ABL Stock Fund**, which comprise the statement of assets and liabilities as at June 30, 2011, 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 information.

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.

Auditor's 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 auditor's 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 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 Fund's affairs as at June 30, 2011, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

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

Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: August 25, 2011

Karachi

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ABL ISLAMIC CASH FUND STATEMENT OF ASSETS AND LIABILITIES

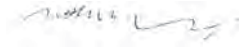
AS AT JUNE 30, 2011

| | Note | June 30, 2011 ---Rupees--- |
|--|------|----------------------------------|
| ASSETS | | |
| Bank balances | 4 | 129,803,154 |
| Investments | 5 | 710,000,000 |
| Prepayments | | 5,700 |
| Profit and other receivables | 6 | 8,356,550 |
| Preliminary expenses and floatation costs | 7 | 2,578,909 |
| Total assets | | 850,744,313 |
| LIABILITIES | | |
| Payable to ABL Asset Management Company Limited - Management Company | 8 | 3,688,599 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 9 | 79,022 |
| Payable to Securities and Exchange Commission of Pakistan | 10 | 295,034 |
| Payable against redemption of units | | 3,516,319 |
| Dividend payable | | 2,547,515 |
| Accrued expenses and other liabilities | 11 | 24,012,257 |
| Total liabilities | | 34,138,746 |
| Net Assets | | 816,605,567 |
| UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED) | | 816,605,567 |
| CONTINGENCIES AND COMMITMENTS | | |
| | 12 | Number of units |
| NUMBER OF UNITS IN ISSUE | 13 | 81,527,269 |
| | | Rupees |
| NET ASSETS VALUE PER UNIT | | 10.0163 |
| FACE VALUE PER UNIT | | 10.0000 |

The annexed notes 1 to 27 form an integral part of these financial statements.

For ABL Asset Management Company Limited
(Management Company)


FARID AHMED KHAN
CEO


MUHAMMAD WASEEM MUKHTAR
DIRECTOR

ABL ISLAMIC CASH FUND INCOME STATEMENT


FOR THE PERIOD FROM JULY 29, 2010 TO JUNE 30, 2011

| | Note | For the period from July 29, 2010 to June 30, 2011 ---Rupees--- |
|--|------|---|
| INCOME | | |
| Profit on bank deposits | | 20,095,034 |
| Profit on term deposit receipts | | 25,750,385 |
| Profit on sukuk certificates | | 81,589 |
| Total Income | | 45,927,008 |
| EXPENSES | | |
| Remuneration of ABL Asset Management Company Limited - Management Company | | 3,911,825 |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee | | 718,560 |
| Annual fee - Securities and Exchange Commission of Pakistan | | 295,034 |
| Auditors' remuneration | 14 | 278,750 |
| Amortisation of preliminary expenses and floatation costs | | 644,853 |
| Printing charges | | 199,997 |
| Annual rating fee | | 160,106 |
| Listing fee | | 30,124 |
| Bank charges | | 37,049 |
| Brokerage expense | | 69,714 |
| Total expenses | | 6,346,012 |
| Net income from operating activities | | 39,580,996 |
| Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed | | 9,128,119 |
| Provision for Workers' Welfare Fund | | (974,183) |
| Net income for the period before taxation | | 47,734,932 |
| Taxation | 15 | - |
| Net income for the period after taxation | | 47,734,932 |
| Other comprehensive income for the period | | - |
| Total comprehensive income for the period | | 47,734,932 |
| Earnings per unit | 16 | |

The annexed notes 1 to 27 form an integral part of these financial statements.

For ABL Asset Management Company Limited
(Management Company)


FARID AHMED KHAN
CEO


MUHAMMAD WASEEM MUKHTAR
DIRECTOR

ABL ISLAMIC CASH FUND DISTRIBUTION STATEMENT

FOR THE PERIOD FROM JULY 29, 2010 TO JUNE 30, 2011

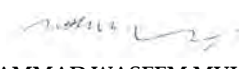
For the period
from July 29,
2010 to June
30, 2011
---Rupees---

| | |
|---|------------------|
| Net income for the period after taxation | 47,734,932 |
| Interim distribution | |
| - Re. 0.1418 per unit on September 29, 2010 | |
| - Issue of 419,069 bonus units | (4,190,687) |
| - Cash distribution | (1,466,354) |
| Interim distribution | |
| - Re. 0.2326 per unit on December 30, 2010 | |
| - Issue of 721,001 bonus units | (7,210,019) |
| - Cash distribution | (2,326,348) |
| Interim distribution | |
| - Re. 0.2567 per unit on March 30, 2011 | |
| - Issue of 852,940 bonus units | (8,529,405) |
| - Cash distribution | (2,568,020) |
| Final distribution | |
| - Re. 0.2546 per unit on June 29, 2011 | |
| - Issue of 1,756,356 bonus units | (17,563,565) |
| - Cash distribution | (2,547,515) |
| | (46,401,913) |
| Undistributed income carried forward | <u>1,333,019</u> |
| Undistributed income comprising: | |
| Realised income | 1,333,019 |
| Unrealised income | - |
| | <u>1,333,019</u> |

The annexed notes 1 to 27 form an integral part of these financial statements.

For ABL Asset Management Company Limited
(Management Company)


FARID AHMED KHAN
CEO


MUHAMMAD WASEEM MUKHTAR
DIRECTOR

ABL ISLAMIC CASH FUND STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND

FOR THE PERIOD FROM JULY 29, 2010 TO JUNE 30, 2011

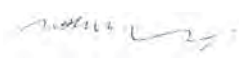
For the period
from July 29,
2010 to June
30, 2011
---Rupees---

| | |
|---|---------------|
| Net assets at the beginning of the period | - |
| Issue of 94,659,896 units | 957,230,318 |
| Redemption of 16,881,993 units | (170,323,327) |
| | 786,906,991 |
| Issue of 3,749,366 bonus units | 37,493,676 |
| Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to income statement | (9,128,119) |
| Net income for the period after taxation | 47,734,932 |
| Interim distribution | |
| - Re. 0.1418 per unit on September 29, 2010 | |
| - Issue of 419,069 bonus units | (4,190,687) |
| - Cash distribution | (1,466,354) |
| Interim distribution | |
| - Re. 0.2326 per unit on December 30, 2010 | |
| - Issue of 721,001 bonus units | (7,210,019) |
| - Cash distribution | (2,326,348) |
| Interim distribution | |
| - Re. 0.2567 per unit on March 30, 2011 | |
| - Issue of 852,940 bonus units | (8,529,405) |
| - Cash distribution | (2,568,020) |
| Final distribution | |
| - Re. 0.2546 per unit on June 29, 2011 | |
| - Issue of 1,756,356 bonus units | (17,563,565) |
| - Cash distribution | (2,547,515) |
| | (46,401,913) |
| Net assets at the end of the period | 816,605,567 |

The annexed notes 1 to 27 form an integral part of these financial statements.

For ABL Asset Management Company Limited
(Management Company)


FARID AHMED KHAN
CEO


MUHAMMAD WASEEM MUKHTAR
DIRECTOR

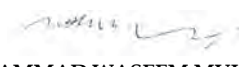
ABL ISLAMIC CASH FUND CASH FLOW STATEMENT

| | Note | For the period from July 29, 2010 to June 30, 2011 ---Rupees--- |
|---|------|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income for the period before taxation | | 47,734,932 |
| Adjustments | | |
| Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed | | (9,128,119) |
| Amortisation of preliminary expenses and floatation costs | | 644,853 |
| | | (8,483,266) |
| (Increase) / decrease in assets | | |
| Prepayments | | (5,700) |
| Investments | | (50,000,000) |
| Profit and other receivables | | (8,356,550) |
| | | (58,362,250) |
| Increase / (decrease) in liabilities | | |
| Remuneration payable to ABL Asset Management Company Limited - Management Company | | 464,837 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | 79,022 |
| Payable to Securities and Exchange Commission of Pakistan | | 295,034 |
| Accrued expenses and other liabilities | | 24,012,257 |
| | | 24,851,150 |
| Net cash outflow on operating activities | | 5,740,566 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividend paid | | (6,360,722) |
| Receipts from issue of units | | 957,230,318 |
| Payments on redemption of units | | (166,807,008) |
| Net cash inflow from financing activities | | 784,062,588 |
| Net increase in cash and cash equivalents during the period | | 789,803,154 |
| Cash and cash equivalents at the beginning of the period | | - |
| Cash and cash equivalents at the end of the period | 17 | 789,803,154 |

The annexed notes 1 to 27 form an integral part of these financial statements.

For ABL Asset Management Company Limited
(Management Company)


FARID AHMED KHAN
CEO


MUHAMMAD WASEEM MUKHTAR
DIRECTOR

ABL ISLAMIC CASH FUND NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM JULY 29, 2010 TO JUNE 30, 2011

1 LEGAL STATUS AND NATURE OF BUSINESS

ABL Islamic Cash Fund (the Fund) was established under a trust deed executed between ABL Asset Management Company Limited (ABL AMCL) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 11, 2010 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Trust Deed was executed on June 23, 2010.

The Fund is an open end fund and is listed on the Karachi Stock Exchange (Guarantee) Limited. Units of the Fund are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The units were initially offered for public subscription at par i.e. Rs.10 from July 29, 2010 to July 30, 2010.

The Fund has been categorized as an Open-End Shariah Compliant (Islamic) Money Market Scheme as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CIS).

The objective of the Fund is to seek maximum possible preservation of capital and offer steady rate of return by investing in liquid Shariah compliant instruments providing Halal income like Shariah compliant short term Government Securities, cash and near cash instruments.

JCR-VIS Credit Rating Company has assigned Management Quality Rating of 'AM3+' (positive outlook) to the Management Company and a stability rating of 'AA(f)' to the Fund.

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

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. 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 and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Standards, interpretations and amendments to publish approved accounting standards that are effective in the current period

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the period and are mandatory for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

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

The following amendment to existing standard has been published and is mandatory for accounting periods beginning on or after July 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

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

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies are as follows:

- i) Classification and valuation of investments (note 3.1 and 5)
- ii) Amortisation of preliminary expenses and floatation costs (note 3.4 and 7)

2.5 Accounting convention

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

2.6 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Financial assets

3.1.1 Classification

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

Investments are categorised as follows:

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

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

b) Available for sale

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

c) Loans and receivables

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

3.1.2 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'.

Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are expensed in the income statement.

3.1.3 Subsequent measurement

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

Subsequent to initial recognition, financial assets designated by the management as financial assets 'at fair value through profit or loss' and available for sale are valued on the basis of rates announced by the Financial Market Association of Pakistan.

Net gains and losses arising on changes in the fair value of financial assets carried 'at fair value through profit or loss' are taken to the Income Statement.

Net gains and losses arising on changes in fair value of available for sale financial assets are shown as other comprehensive income in the performance statement (referred to as 'Income Statement') until these are derecognised. At this time, the cumulative gain or loss previously shown as other comprehensive income is reclassified as capital gain / (loss) in the income statement.

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.

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

3.1.4 Impairment

The Fund assesses at each reporting date whether there is 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 such an 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. Impairment losses are recognised in the income statement in case of held for trading financial assets. If any such evidence exists for available for sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement is reclassified from the Statement of Comprehensive Income to the Income Statement.

For financial assets classified as 'loans and receivable', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to original terms. The amount of the provision is the difference between the asset's carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

3.1.5 Derecognition

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

3.2 Financial liabilities

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

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

3.3 Offsetting of financial assets and 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 realise the assets and settle the liabilities simultaneously.

3.4 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and NBFC Regulations 2008.

3.5 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.

3.6 Taxation

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

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

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

3.7 Proposed distributions

Distributions declared subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

3.8 Issue and redemption of units

Units issued are recorded at the offer price as per constitutive documents, determined by the Management Company. The offer price represents the net asset value per unit as of the close of the business day when the funds are realised plus the allowance for sales load, provision for transaction costs and any provision for duties and charges, if applicable. Currently, the Fund is not charging any sales load, transactions costs or any provision for duties and charges.

"Units redeemed are recorded at the redemption price as per constitutive documents, applicable to units for which the distributors receive redemption request during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, provision for transaction costs and any provision for duties and charges, if applicable. Currently, the Fund is not charging any back-end load, transactions costs or any provision for duties and charges. "

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

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

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

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

However, there is no element of income / (loss) and capital gain / (loss) relating to units issued and redeemed during the current accounting period which pertains to unrealized gains / (losses) held in the unit Holder's Fund as the Fund has not recognised any investment as 'available for sale' during the period from July 29, 2010 to June 30, 2011.

3.10 Net Asset Value per unit

The Net Asset Value per unit as disclosed on the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the period end.

3.11 Revenue recognition

- Capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Profit on bank deposits and term deposit receipts is recognised on an accrual basis.
- Unrealised gains / (losses) arising on revaluation of investments classified as financial assets 'at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Profit on sukuk certificates is recognised using the effective interest rate method.
- Income on issue and repurchase of units is recognised when the units are issued and redeemed at the transaction date.

3.12 Cash and cash equivalents

Cash and cash equivalents include demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried in the Statement of Assets and Liabilities at cost.

| | Note | June 30, 2011 ---Rupees--- |
|------------------------|------|-------------------------------|
| 4 BANK BALANCES | | |
| Saving accounts | 4.1 | 114,689,138 |
| Current accounts | 4.2 | 15,114,016 |
| | | <u>129,803,154</u> |

4.1 These saving accounts carry profit at rates ranging from 5.00% to 11.50% per annum.

4.2 Balance in current accounts is maintained with Allied Bank Limited, a related party.

5 INVESTMENTS

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

| | | |
|--------------------------------------|-----|------------|
| Kot Addu Power Company Limited Sukuk | 5.1 | 50,000,000 |
|--------------------------------------|-----|------------|

Loans and receivables

| | | |
|-----------------------|-----|--------------------|
| Term deposit receipts | 5.2 | <u>660,000,000</u> |
| | | <u>710,000,000</u> |

5.1 These carry profit at 14.89% per annum and mature on December 27, 2011.

5.2 These term deposit receipts carry profit at rates ranging from 12.75% to 13% per annum and maturities ranging from July 05, 2011 to July 29, 2011.

| | Note | June 30, 2011 ---Rupees--- |
|---|------|-------------------------------|
| 6 PROFIT AND OTHER RECEIVABLES | | |
| Profit accrued on saving accounts | | 1,764,481 |
| Profit accrued on term deposit receipts | | 6,510,480 |
| Profit accrued on sukuk certificates | | 81,589 |
| | | <u>8,356,550</u> |

7 PRELIMINARY EXPENSES AND FLOATATION COSTS

| | | |
|--|-----|------------------|
| Preliminary expenses and floatation costs incurred | 7.1 | 3,223,762 |
| Less: Amortisation during the period | | <u>(644,853)</u> |
| Balance as at June 30, 2011 | | <u>2,578,909</u> |

7.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and NBFC regulations 2008.

| | Note | June 30, 2011 ---Rupees--- |
|---|------|-------------------------------|
| 8 PAYABLE TO ABL ASSET MANAGEMENT COMPANY LIMITED - MANAGEMENT COMPANY | | |
| Remuneration of Management Company | 8.1 | 464,837 |
| Preliminary expenses and floatation costs | | <u>3,223,762</u> |
| | | <u>3,688,599</u> |

8.1 Under the provisions of the NBFC Regulations, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent per annum of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. In the current period, the Management Company has charged its remuneration at the rate of one percent of the average annual net assets of the Fund. The amount of remuneration is paid monthly in arrears.

| | Note | June 30, 2011 ---Rupees--- |
|-------------|--|--------------------------------|
| 9 | PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE | |
| Trustee fee | 9.1 | <u>79,022</u> <u>79,022</u> |

9.1 Under the provisions of the Trust Deed, the Trustee is entitled to a remuneration, to be paid monthly in arrears. The following table shows the tariff structure applicable on the Fund as of June 30, 2011.

| Net Assets | Tariff per annum |
|---------------------------|--|
| Upto Rs 1 billion | Rs 0.6 million (2010: Rs.0.7 million) or 0.17 percent (2010: 0.20 percent) per annum of NAV whichever is higher. |
| Rs 1 billion to 5 billion | Rs 1.7 million (2010: Rs. 2.0 million) plus 0.085 percent (2010: 0.10) percent per annum of NAV whichever is higher. |
| Over Rs 5 billion | Rs 5.1 million (2010: Rs. 6.0 million) plus 0.07 percent (2010: 0.10) percent per annum of NAV whichever is higher. |

10 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, a collective investment scheme classified as a money market scheme is required to pay as an annual fee to the SECP, an amount equal to 0.075 percent of the average annual net assets of the scheme.

| | Note | June 30, 2011 ---Rupees--- |
|---|---|--|
| 11 | ACCRUED EXPENSES AND OTHER LIABILITIES | |
| Auditors' remuneration | | 220,000 |
| Payable against printing and stationery | | 139,036 |
| Workers' Welfare Fund | 11.1 | 974,183 |
| Withholding tax payable | | 4,038 |
| Advance against issue of units | 11.2 | <u>22,675,000</u> <u>24,012,257</u> |

11.1 Provision for Workers' Welfare Fund

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition was filed in the year ended June 30, 2010 by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication during the year ended June 30, 2010.

Subsequent to June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income.

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

As the matter relating to levy of WWF is currently pending in the court, the Management Company, as a matter of abundant caution, has decided to make a provision for WWF amounting to Rs. 974,183 in these financial statements.

11.2 This represents advance against issue of units received from various individuals during May - June 2011. In accordance with the requirements of the Trust Deed and Offering documents the management intends to issue the units against these amounts upon completion of all documentation formalities.

12 CONTINGENCIES AND COMMITMENTS

12.1 There were no contingencies and commitments outstanding as at June 30, 2011.

| 13 NUMBER OF UNITS IN ISSUE | June 30, 2011 Number of units |
|--|----------------------------------|
| Units issued | 94,659,896 |
| Add: Bonus units issued | 3,749,366 |
| Less: Units redeemed | <u>(16,881,993)</u> |
| Total units in issue at the end of the year / period | <u>81,527,269</u> |

| 14 AUDITORS' REMUNERATION | June 30, 2011 ---Rupees--- |
|-----------------------------------|-------------------------------|
| Annual audit fee | 150,000 |
| Half yearly review fee | 50,000 |
| Other certifications and services | 50,000 |
| Out of pocket expenses | <u>28,750</u> |
| | <u>278,750</u> |

15 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 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded provision for taxation as the Management Company intends to distribute at least 90 percent of the Fund's accounting income for the current year as reduced by capital gains (whether realised or unrealised) to its unit holders.

16 EARNINGS PER UNIT

Earnings per unit (EPU) for the period from July 29, 2010 to June 30, 2011 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

| 17 CASH AND CASH EQUIVALENTS | June 30, 2011 ---Rupees--- |
|------------------------------|-------------------------------|
| Bank balances | 129,803,154 |
| Term deposits receipts | <u>660,000,000</u> |
| | <u>789,803,154</u> |

18 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2011, all the financial assets carried on the Statement of Assets and Liabilities are categorised as 'loans and receivables' and financial assets 'at fair value through profit or loss' and all the financial liabilities carried on the Statement of Assets and Liabilities are categorised as 'Liabilities other than at fair value through profit or loss', respectively.

| | -----As at June 30, 2011----- | | |
|------------------------------|-------------------------------|--|--------------------|
| | Loans and receivables | Financial assets 'at fair value through profit or loss' | Total |
| | -----Rupees----- | | |
| Financial assets | | | |
| Bank balances | 129,803,154 | - | 129,803,154 |
| Investments | 660,000,000 | 50,000,000 | 710,000,000 |
| Profit and other receivables | <u>8,356,550</u> | - | <u>8,356,550</u> |
| | <u>798,159,704</u> | <u>50,000,000</u> | <u>848,159,704</u> |

| | As at June 30, 2011 | | |
|--|--|-----------------------------|------------|
| | Liabilities 'at fair value through profit or loss' | Other financial liabilities | Total |
| | Rupees | | |
| Financial liabilities | | | |
| Payable to ABL Asset Management Company Limited - Management Company | - | 3,688,599 | 3,688,599 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | - | 79,022 | 79,022 |
| Payable against redemption of units | - | 3,516,319 | 3,516,319 |
| Dividend payable | - | 2,547,515 | 2,547,515 |
| Accrued expenses and other liabilities | - | 23,034,036 | 23,034,036 |
| | - | 32,865,491 | 32,865,491 |

19 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include ABL Asset Management Company Limited being the Management Company Allied Bank Limited being the holding company of the Management Company, ABL- Employees Super annuation (Pension) Fund being an entity under common management, Central Depository Company being the trustee of the Fund and directors and officers of the Management Company.

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

Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

| | For the period from July 29, 2010 to June 30, 2011 |
|--|--|
| | ---Rupees--- |
| 19.1 Details of transactions with connected persons are as follows; | |
| ABL Asset Management Company Limited - Management Company | |
| Issue of 20,000,000 units | 200,000,000 |
| Issue of 1,667,486 bonus units | 16,674,861 |
| Redemption of 2,571,309 units | 26,000,000 |
| Remuneration for the period | 3,911,825 |
| Allied Bank Limited | |
| Bank charges | 7,412 |
| ABL - Employees Superannuation (Pension) Fund | |
| Issue of 10,000,000 units | 100,000,000 |
| (Investment in seed capital of the fund) | |
| Cash dividend | 8,857,000 |
| Key Management personnel | |
| Chief Executive Officer | |
| Issue of 50,000 units | 500,000 |
| Bonus of 4,575 units | 45,755 |
| Executives | |
| Issue of 864,167 units | 8,716,982 |
| Bonus of 29,145 units | 291,450 |
| Redemption of 348,951 units | 3,523,614 |
| Central Depository Company of Pakistan Limited - Trustee | |
| Remuneration for the period | 718,560 |

| | As at June 30, 2011 ---Rupees--- |
|--|--|
| 19.2 Amounts outstanding at the period end; | |
| ABL Asset Management Company Limited - Management Company | |
| Outstanding 19,096,177 units | 191,273,038 |
| Preliminary expenses and floatation costs | 3,223,762 |
| Remuneration payable | 464,837 |
| Allied Bank Limited | |
| Bank Balance | 15,114,016 |
| ABL Employees Superannuation (Pension) Fund | |
| Units held: 10,000,000 units | 100,163,000 |
| Cash dividend payable | 2,546,000 |
| Key Management personnel | |
| Chief Executive Officer | |
| Outstanding 54,575 units | 546,640 |
| Executives | |
| Outstanding 544,361 units | 5,452,483 |
| Central Depository Company of Pakistan Limited - Trustee | |
| Remuneration payable | 79,022 |

20 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

| S. No | Name | Designation | Experience in years | Qualification |
|-------|----------------------|--------------------------|---------------------|---------------|
| 1 | Mr. Farid Ahmed Khan | Chief Executive Officer | 17 | CFA |
| 2 | Mr. Muhammad Imran | Chief Investment Officer | 12 | MBA |
| 3 | Mr. Abid Jamal | Head of Research | 8 | Bs |
| 4 | Mr. Hammad Abbas | Fund Manager | 7 | Msc |
| 5 | Mr. Kamran Aziz | Fund Manager | 4 | BBA |

20.1 Mr. Hammad Abbas is the Manager of ABL Islamic Cash Fund. He is also managing ABL Cash Fund and ABL Income Fund.

| 21 TOP TEN BROKERS/ DEALERS BY PERCENTAGE OF COMMISSION PAID | Percentage |
|--|------------|
| 1 Elixir Securities Pakistan (Private) Limited | 100% |

22 PATTERN OF UNIT HOLDING

| Category | -----As at June 30, 2011----- | | | |
|----------------------------------|-------------------------------|-------------------|--|--------------------------------|
| | No. of unit holders | No. of units held | Net asset value of the amount invested | Percentage of total investment |
| Individuals | 361 | 48,351,538 | 484,307,498 | 59.31% |
| Associated Companies / Directors | 3 | 29,150,753 | 291,982,678 | 35.76% |
| Insurance Companies | 1 | 1,830,176 | 18,331,594 | 2.24% |
| Retirement Funds | 4 | 2,194,802 | 21,983,797 | 2.69% |
| | 369 | 81,527,269 | 816,605,567 | 100% |

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

The 18th, 19th, 20th, and 21st Board meetings were held on August 06, 2010, October 25, 2010, February 18, 2011 and April 29, 2011 respectively. Information in respect of attendance by directors in the meetings is given below:

| S.No. | Name of the director | No. of meetings | | | Meetings not attended |
|-------|------------------------------|-----------------|----------|---------------|-----------------------|
| | | Held | Attended | Leave granted | |
| 1 | Mr. Sheikh Mukhtar Ahmed | 4 | 1 | 3 | 19th, 20th, 21st |
| 2 | Mr. Muhammad Waseem Mukhtar* | 3 | 3 | - | - |
| 3 | Mr. Mohammad Aftab Manzoor** | 1 | - | 1 | 18th |
| 4 | Mr. Khalid A. Sherwani* | 3 | 3 | - | - |
| 5 | Mr. M. Jawaid Iqbal | 4 | 4 | - | - |
| 6 | Mr. Muhammad Yaseen | 4 | 3 | 1 | 18th |
| 7 | Mr. M. Shakeb Murad | 4 | 3 | 1 | 20th |
| 8 | Mr. Kamran Nishat | 4 | 4 | - | - |

*Appointed as new director of the ABL AMCL through circular resolution No. ABL AMCL Memo No.CIR.14/2010 dated September 02, 2010.

**Retired through circular resolution No. ABL AMCL Memo No.CIR.14/2010 dated September 02, 2010.

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 the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan.

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 exchange rates. At present, the Fund is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak 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 because of changes in market interest rates.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund does not hold any variable rate instrument that may expose the Fund to cash flow interest rate risk.

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2011, the Fund does not hold any fixed rate instruments that may expose the Fund to fair value interest rate risk.

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

The Fund's MROR sensitivity related to financial assets and financial liabilities as at June 30, 2011 Can be determined from the following:

| As at June 30, 2011 | | | | | |
|---------------------|---------------------------------|---|--------------------|--|-------|
| Interest Rate | Exposed to Yield/ Interest risk | | | Not exposed to Yield/ Interest rate risk | Total |
| | Upto three months | More than three months and up to one year | More than one year | | |
| ----- Rupees ----- | | | | | |

On-balance sheet financial instruments

Financial assets

| | | | | | | |
|------------------------------|-----------------|--------------------|-------------------|----------|------------------|--------------------|
| Bank Balances | 5% - 11.5% | 129,803,154 | - | - | - | 129,803,154 |
| Investments | 12.75% - 14.89% | 660,000,000 | 50,000,000 | - | - | 710,000,000 |
| Profit and other receivables | | - | - | - | 8,356,550 | 8,356,550 |
| Sub Total | | 789,803,154 | 50,000,000 | - | 8,356,550 | 848,159,704 |

Financial liabilities

| | | | | | | |
|---|--|--------------------|-------------------|----------|---------------------|--------------------|
| Payable to ABL Asset Management Company Limited - Management Company | | - | - | - | 3,688,599 | 3,688,599 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | | - | - | - | 79,022 | 79,022 |
| Payable against redemption of units | | - | - | - | 3,516,319 | 3,516,319 |
| Dividend payable | | - | - | - | 2,547,515 | 2,547,515 |
| Accrued expenses and other liabilities | | - | - | - | 23,034,036 | 23,034,036 |
| Sub Total | | - | - | - | 32,865,491 | 32,865,491 |
| On-balance sheet gap | | 789,803,154 | 50,000,000 | - | (24,508,941) | 815,294,213 |

Off-balance sheet financial instruments

| | | | | | | |
|---|--|--------------------|--------------------|--------------------|---------------------|--------------------|
| Off-balance sheet gap | | - | - | - | - | - |
| Total interest rate sensitivity gap | | 789,803,154 | 50,000,000 | - | (24,508,941) | 815,294,213 |
| Cumulative interest rate sensitivity gap | | 789,803,154 | 839,803,154 | 839,803,154 | 815,294,213 | |

24.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest 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 is not exposed to price risk as there are no investments in marketable securities.

24.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in loans and receivables and balances with banks. The credit risk of the Fund is limited as the investments are made and balances are maintained with counter parties that are financial institutions with reasonably high credit ratings.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company.

24.2.1 The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2011:

Bank balances by rating category

| Name of the Bank | Rating Agency | Published rating |
|----------------------|---------------|------------------|
| | | 2011 |
| United Bank Limited | JCR-VIS | AA+ |
| Allied Bank Limited | PACRA | AA |
| Bank Alfalah Limited | PACRA | AA |

Term Deposit Receipt by rating category

| Name of the Bank | Rating Agency | Published rating |
|-----------------------|---------------|------------------|
| | | 2011 |
| United Bank Limited | JCR-VIS | A-1+ |
| Bank Al Habib Limited | PACRA | A1+ |
| Bank Alfalah Limited | PACRA | A1+ |

Concentration of credit risk

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

Liquidity risk

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

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

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

As at June 30, 2011

| | Upto three months | Over three months and up to one year | Over one year | Total |
|---|-------------------|--------------------------------------|------------------|-------------------|
| -----Rupees----- | | | | |
| Payable to ABL Asset Management Company Limited - Management Company | 626,025 | 483,564 | 2,579,010 | 3,688,599 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 79,022 | - | - | 79,022 |
| Payable against redemption of units | 3,516,319 | - | - | 3,516,319 |
| Dividend payable | 2,547,515 | - | - | 2,547,515 |
| Accrued expenses and other liabilities | 23,034,036 | - | - | 23,034,036 |
| | <u>29,802,917</u> | <u>483,564</u> | <u>2,579,010</u> | <u>32,865,491</u> |

Financial Liabilities

Payable to ABL Asset Management Company Limited - Management Company
 Payable to the Central Depository Company of Pakistan Limited - Trustee
 Payable against redemption of units
 Dividend payable
 Accrued expenses and other liabilities

25

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

The Fund adopted the amendment to IFRS 7, effective January 1, 2009. This requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, whether 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).

| | As at June 30, 2011 | | | |
|--|---------------------|------------|---------|------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | Rupees | | | |
| Investment in securities - financial assets 'at fair value through profit or loss' | - | 50,000,000 | - | 50,000,000 |

26 UNIT HOLDER'S FUND RISK MANAGEMENT

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

The Asset Management Company has arranged for investment in seed capital through ABL - Employees Superannuation (Pension) Fund for a period of two years in compliance with the Regulation 44(3)(e)(iii) of NBFC Regulations, 2008. The said period of two years will expire on July, 2012.

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

The Fund's objectives when managing unit holders' fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets under management.

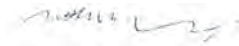
In accordance with the risk management policies, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

27 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 23, 2011 by the Board of Directors of the Management Company.


FARID AHMED KHAN
CEO

**For ABL Asset Management Company Limited
(Management Company)**


MUHAMMAD WASEEM MUKHTAR
DIRECTOR

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ABL Asset Management

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