



ANNUAL  
REPORT

2013



 **ABL Asset Management**

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

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# Vision

“Creating investment solutions  
within everyone's reach”



# Mission & Core Values

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

## FUND'S INFORMATION

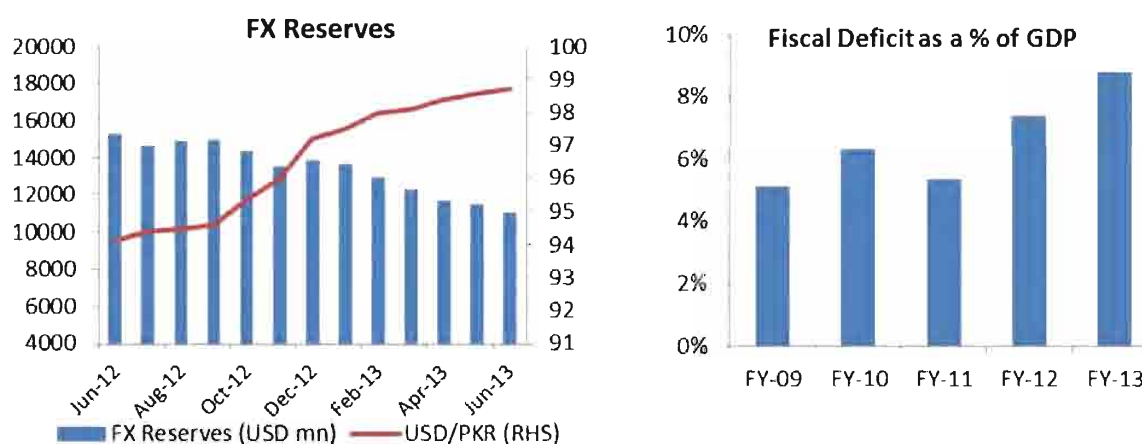
<b>Management Company:</b>	ABL Asset Management Company Limited 11 - B, Lalazar M. T. Khan Road, Karachi.	
<b>Board of Directors</b>	Sheikh Mukhtar Ahmed Mr. Khalid A. Sherwani Mr. Muhammad Waseem Mukhtar Mr. Kamran Nishat Mr. M. Shakeb Murad Mr. M. Jawaid Iqbal Mr. Khawaja Muhammad Almas Mr. Farid Ahmed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

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of ABL Asset Management Company Limited, the management company of ABL Islamic Income Fund (ABL-IIF), is pleased to present the Audited Financial Statements of ABL Islamic Income Fund for the year ended June 30, 2013.

### ECONOMIC PERFORMANCE REVIEW

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

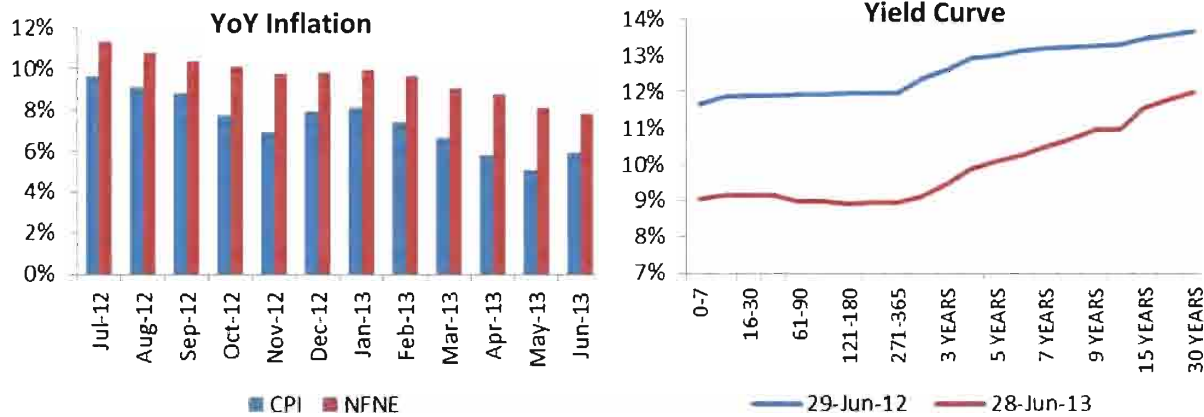


On the external account front, the situation remained precarious as the current account posted a deficit of US\$2.3 billion in FY13. However, the figure stood improved over FY12 deficit of US\$4.5 billion, backed by strong remittances of US\$13.9 billion and price stability of essential commodities.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

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

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





### MONEY MARKET REVIEW

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

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

### MUTUAL FUND INDUSTRY REVIEW

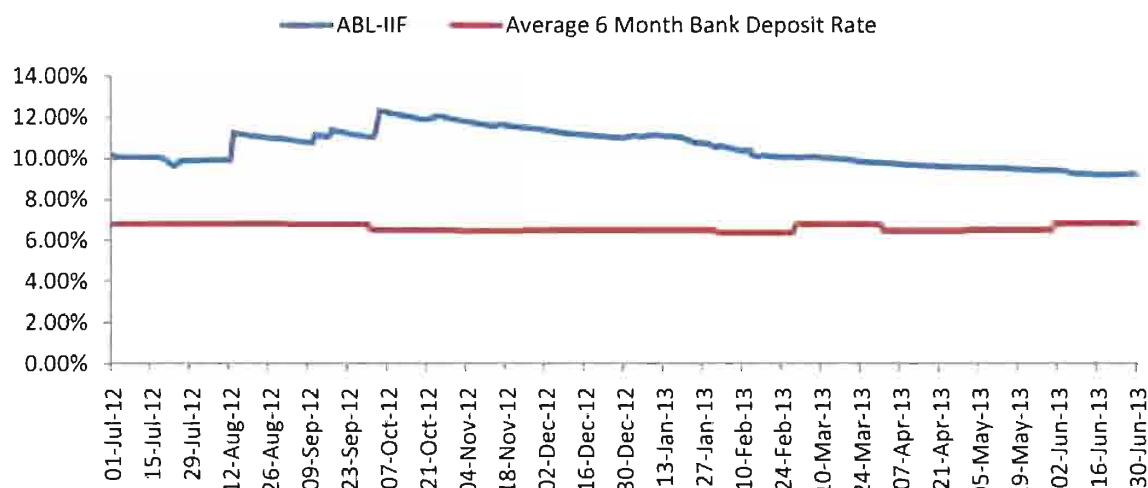
The open end mutual fund industry contracted by 8% during the year to close at PKR324 billion. Money market funds remained the dominant asset class closing at PKR124 billion despite a 17% decline YoY as investors preferred the comfort of stable and risk free returns. Equities on the other hand showed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

### FUND PERFORMANCE

During the period under review, ABL IIF's net assets increased by 10.60% to close at PKR 1,172 billion due to strong performance of the fund. On an year to date basis, ABL IIF delivered an annualize return of 9.22% compared to its benchmark of 6.63%, outperforming its benchmark by 259 bps due to timely re-balancing of GoP Ijarah Sukuk portfolio.

The duration of the fund was kept high by way of higher allocation to GoP Ijarah Sukuks. This strategy yielded superior returns in a declining interest rate environment. In addition to that, good quality short term KIBOR linked corporate Sukuks were also acquired in order to boost return performance during the year.

At the end of the period, investment in GoP Ijarah Sukuk stood at 49.69% of total assets whereas corporate Sukuks and cash at banks constituted 12.67% and 35.27% of total assets respectively. The tilt towards bank deposits was due to better rates offered by banks on account of year end.



### DISTRIBUTION

The Board of Directors of the Management Company on June 28, 2013 approved and declared final dividend distribution of Re.0.1835 per unit (1.835% of the par value of Rs.10) for the year ending June 30, 2013. This is in addition to the aggregate interim distributions of Re.0.7246 per unit (7.25% on the face value of Rs. 10 per unit) which were approved by Chief Executive Officer under the authority delegated to him by the Board of Directors.

### COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Board of Directors states that:

1. Financial Statements present fairly the state of affairs, the results of operations, cash flows and the changes in unit holder's fund;
2. Proper books of accounts of the Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgments;
4. Relevant International Accounting Standards, as applicable in Pakistan, provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 & Non-Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the Trust Deed and directives issued by the Securities and Exchange Commission of Pakistan, have been followed in the preparation of the financial statements;
5. The system of internal control is sound in design and has been effectively implemented and monitored;
6. There have been no significant doubts upon the Funds' ability to continue as going concern;
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
8. Performance table of the Fund is given on page # 12 of the Annual Report;
9. There is no statutory payment on account of taxes, duties, levies and charges outstanding other than already disclosed in the financial statements;
10. The statement as to the value of investments of Provident Fund is not applicable in the case of the Fund as employees post-employment benefits expenses are borne by the Management Company;



11. There have been no trades in the units of the Fund's carried out by the Directors, CEO, CFO, CIA and the Company Secretary and their spouse except as disclosed below and in notes to the financial statements;

S. No.	Name	Designation	Units Issued	Units Redeemed	Bonus Units
1	Mr. M. Shakeb Murad	Director	20,456.0000	4,440.0000	4,459.0000
2	Farid Ahmed Khan	CEO	-	-	9,519.0000
3	Mr. Mubeen Ashraf Bhimani	CIA	346,420.0000	-	16,666.3987

12. Meeting of the Board of Directors of the Management Company are held at least once in every quarter. During the year five meetings were held. The 27th, 28th, 29th, 30th and 31st Board meetings were held on August 10, 2012, October 25, 2012, December 20, 2012, February 15, 2013 and April 25, 2013 respectively. Information in respect of attendance by directors in the meetings is given below:

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

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

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

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

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

13. Meeting of the Board's Human Resource and Remuneration of the Management Company needs to be held at least three times in a year. During the year, four meetings were held. The 9th, 10th, 11th, and 12th meetings of the Board's Human Resource and Remuneration Committee were held on January 17, 2013, February 13, 2013, February 28, 2013 and March 05, 2013 respectively. Information in respect of attendance by members in the meetings is given below:

S.No.	Name of Director	Number of meetings held	Attended	Leave granted	Meetings not attended
1	Mr. M. Jawaid Iqbal	4	4	-	-
2	Mr. Kamran Nishat	4	4	-	-
3	Mr. Farid Ahmed Khan	4	4	-	-

14. Meeting of the Board's Audit Committee of the Management Company are held at least once in every quarter. During the year, four meetings were held. The 21st, 22nd, 23rd, and 24th meetings of the Board's Audit Committee were held on August 9, 2012, October 24, 2012, February 15, 2013 and April 25, 2013 respectively. Information in respect of attendance by directors in the meetings is given below:

S.No.	Name of Director	Number of meetings held	Attended	Leave granted	Meetings not attended
1	Mr. Kamran Nishat	4	4	-	-
2	Mr. Muhammad Waseem Mukhtar	4	4	-	-
3	Mr. Zia Ijaz*	3	2	1	21 <sup>st</sup> AC Meeting
4	Mr. Khawaja Muhammad Almas**	1	1	-	-

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

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

15. The details as required by the Code of Corporate Governance regarding the pattern of holding in ABL Islamic Income Fund, is given hereunder:

S. No.	Particulars	Units Held on June 30, 2013
1	<b>Associated Companies, undertakings and related parties</b>	
	• ABL Asset Management Company Limited	6,695,722
2	<b>Mutual Funds</b>	Nil
3	<b>Directors and their spouse(s) and minor children</b>	
	• Mr. Muhammad Shakeb Murad	50,014
4	<b>Executives</b>	363,086
5	<b>Public Sector Companies and corporations</b>	Nil
6	<b>Bank, DFIs, NBFCs, Insurance Companies, Takaful, Modaraba and Pension Fund</b>	14,876,088
7	<b>Shareholders holding five percent or more voting rights in the listed company</b>	Not Applicable

#### AUDITORS

M/s. A.F. Fergusons & Co. (Chartered Accountants), on the recommendation of the Audit Committee of the Board of Directors being eligible for re-appointment have been appointed as auditors for the year ending June 30, 2014 for ABL Islamic Income Fund (ABL-IIF).

#### FUND STABILITY RATING

JCR-VIS Credit Rating Company Ltd. (JCR-VIS) on January 17, 2013 reaffirmed the Fund Stability Rating of ABL Islamic Income Fund as 'A+ (f)' (A Plus (f)).

**MANAGEMENT QUALITY RATING**

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

**OUTLOOK AND STRATEGY**

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

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

As the macro scenario unfolds, the fund manager will actively monitor key macroeconomic indicators and adjust the duration and asset allocation of the fund accordingly.

**ACKNOWLEDGEMENT**

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

For and on behalf of the Board



**Farid Ahmed Khan**  
Chief Executive Officer

Karachi, August 06, 2013

## FUND MANAGER'S REPORT

### OBJECTIVES

To provide investors with an opportunity to earn higher income over the medium to long-term by investing in a diversified portfolio of Shariahcompliant fixed income instruments.

### FUND PERFORMANCE

During the period under review, ABL Islamic Income Fund yielded an annualized return of 9.22%, an outperformance of 259 bps over its benchmark rate. In terms of performance, ABL IIF remained on top of the leader board in its peer group. As on June 30, 2013, its net assets grew by 10.6% to close at Rs.1.172 billion due to strong performance.

At end of the period, almost half of the investments were in government guaranteed Ijarah Sukuk since yields on these instruments were quite competitive. As a result of this allocation, WAM of the fund stood at 310 days. As at June 30, 2013, GoP Ijarah Sukuk accounted for 49.69% of total assets whereas high rated corporate Sukuks and cash constituted 12.67% and 35.27% respectively.

The Scheme has maintained the provision against Workers' Welfare Fund's Liability to the tune of Rs. 4.853 million, Had the same not been made, the NAV per unit of the scheme would have been higher by Rs. 0.0414per unit.

### FUTURE OUTLOOK AND STRATEGY

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

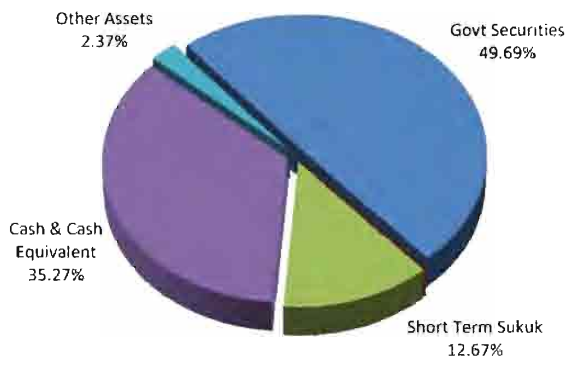
Going forward, Ijarahsukuk allocation will remain high since we believe that sukukprices will improve on back of limited supply, stable monetary outlook in the near term and high coupon yields. However, we will actively monitor economic indicators and market movements to shuffle the allocations accordingly. Considering the dearth of highly rated shariah compliant instruments in the market, remaining liquidity will be channeled into Islamic bank deposits.

ABL Islamic Income Fund Performance		FY 2013
Yield		9.22%
Benchmark (Average 6 Month Bank Deposit Rate)		6.63%
Weighted Average Time to Maturity		310 days

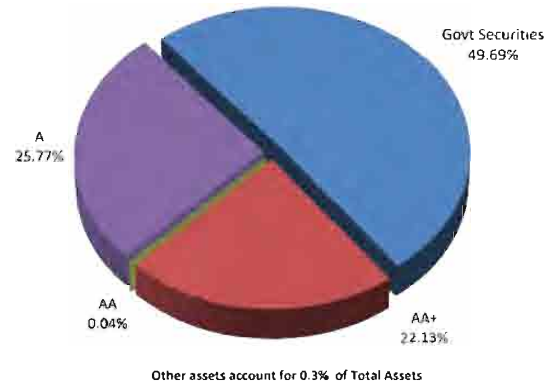
ABL Islamic Income Fund AUMs and Pricing		FY 2013
Assets Under Management as at June 30, 2013 (PKR million)		1,172.06
Closing NAV per unit as June 30, 2013 (PKR) (Ex Dividend)		10.0086
Closing NAV per unit as June 30, 2013 (PKR) (Cum Dividend)		10.9167

ABL Islamic Income Fund Dividends		
Distribution	Date	FY-13
1st Quarterly Dividend	20-Sep-12	0.2788
2nd Quarterly Dividend	26-Dec-12	0.2789
3rd Quarterly Dividend	21-Mar-13	0.1669
4th Quarterly Dividend	26-Jun-13	0.1835

Asset Allocation as a % age of Total Assets



Asset Quality as a % age of Total Assets



## ABL ISLAMIC INCOME FUND PERFORMANCE TABLE

	June 2013	June 2012	June 2011
	Rupees		
Net Assets	1,172,064,646	1,059,763,164	816,605,567
Net Income	108,077,643	81,994,800	47,734,932
	(Rupees per unit)		
Net Assets value	10.0086	10.0245	10.0163
Interim distribution	0.7246	0.8040	0.6311
Final distribution	0.1835	0.2458	0.2546
Distribution date final	June 28, 2013	June 25, 2012	June 29, 2011
Closing offer price	10.0086	10.0245	10.0163
Closing repurchase price	10.0086	10.0245	10.0163
Highest offer price	10.2789	10.2674	10.2607
Lowest offer price	9.9985	10.0027	10.0027
Highest repurchase price per unit	10.2789	10.2674	10.2607
Lowest repurchase price per unit	9.9985	10.0027	10.0027
	Percentage		
Total return of the fund			
- capital growth	0.14%	0.48%	1.34%
- income distribution	9.08%	10.50%	8.86%
Average return of the fund			
First Year	9.22%	10.98%	10.20%
Second Year	10.61%	11.13%	-
Third Year /Since Inception	11.14%	-	-
Weighted average Portfolio duration in days	38	710	30

### \*Interim distribution

2013		2012		2011	
Date	Rate Per Unit	Date	Rate Per Unit	Date	Rate Per Unit
September 24, 2012	Re 0.2788	September 27, 2011	Re 0.2733	September 29, 2010	Re 0.1418
December 27, 2012	Re 0.2789	December 26, 2011	Re 0.2665	December 30, 2010	Re 0.2326
March 22, 2013	Re 0.1669	March 26, 2012	Re 0.2642	March 30, 2011	Re 0.2567

### 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 Shaheed-e-Faisal  
Karachi - 74400, Pakistan  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com


**TRUSTEE REPORT TO THE UNIT HOLDERS**
**ABL ISLAMIC INCOME FUND**
**Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of  
the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We Central Depository Company of Pakistan Limited, being the Trustee of ABL Islamic Income Fund (the Fund) are of the opinion that ABL Asset Management Company Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2013 in accordance with the provisions of the following:

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

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

Karachi: September 13, 2013





July 21, 2013

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ  
نَجْمَةٌ وَفَصْلٌ وَتَسْلِيمٌ عَلَى رَسُولِهِ الْقَرِيمِ

Alhamdulillah this year marked the completion of the third year in operation of ABL Islamic Income Fund (ABL-IIF). This report is being issued in accordance with 3 A.2.3 of the Trust Deed of ABL-IIF. The purpose of this report is to provide an opinion on the Shariah Compliance of the Fund's investment and operational activities with respect to Shariah guidelines provided.

It is the core responsibility of the Management Company to operate the Fund and invest the amount of money in such a manner which is in compliance with the Shariah principles as laid out in the Shariah guidelines. In the capacity of the Shariah Advisor, our responsibility lies in providing Shariah guidelines and ensuring compliance with the same by review of activities of the fund. We express our opinion based on the review of the information, provided by the management company, to an extent where compliance with the Shariah guidelines can be objectively verified.

Our review of Fund's activities is limited to enquiries of the personnel of Management Company and various documents prepared and provided by the management company.

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transaction and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2013 comply with the provided Shariah guidelines. Therefore it is resolved that investments in ABL-IIF are halal and in accordance with shariah principles.

May Allah (swt) bless us and forgive our mistakes and accept our sincere efforts in accomplishment of cherished tasks and keep us away from sinful acts.

Mufti Irshad Ahmad Aijaz  
Shariah Advisor

Faraz Younus Bandukda  
Chief Executive

Fortune Islamic Services (Pvt) Limited  
Corporate Office :-  
3rd floor, Razi Tower, BL-13, Block No 9, RDA Scheme No. 5, Clifton, Karachi  
PABX: +92(21) 35402104-00 Fax: +92(21) 35369155



## 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 Income Fund** (the Fund) to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the 'Statement') for the year ended June 30, 2013. 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-compliance 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 made during the year ended June 30, 2013 are in compliance with the Shariah Principles and where required purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

#### 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 year ended June 30, 2013.

Chartered Accountants

Karachi

Dated: August 6, 2013

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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 of **ABL Islamic Income Fund** to comply with the Listing Regulation No.35 of Chapter XI contained in the Listing Regulations issued by the Karachi Stock Exchange where the Fund is listed.

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

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2013.

Chartered Accountants  
Karachi  
Dated: August 6, 2013

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State Life Building No. 1-C, I.J. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
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Kabul: House No. 1, Street No. 3, Darulaman Road, Ajayub Khan Meina, Opposite Ajayub Khan Mosque, Kabul, Afghanistan; Tel: +93 (799) 315320, +93 (799) 315320

## STATEMENT OF COMPLIANCE BY ABL ISLAMIC INCOME FUND WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013

This statement is being presented to comply with the Code of Corporate Governance ("the Code") contained in Regulation No.35 of the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The board of directors ("the Board") of ABL Asset Management Company Limited ("the Management Company"), an un-listed public company, manages the affairs of ABL Islamic Income Fund ("the Fund"). The Fund being a unit trust open ended scheme does not have its own board of directors. The Management Company has applied the principles contained in the Code to the Fund, whose units are listed as a security on the Karachi Stock Exchange, in the following manner:

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

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year a casual vacancy occurred on the Board which has been simultaneously filled by the Board in the 30<sup>th</sup> Meeting of the Board of the Management Company on February 15, 2013.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and non-executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before such meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Two directors have obtained certification under the 'Board Development Series' program conducted by Institute of Corporate Governance. However, the Management Company is arranging orientation program for its directors in near future.
10. The Board has approved the appointment of Chief Financial Officer (CFO), Company Secretary and Chief Internal Auditor, including their remuneration and terms and conditions of employment.
11. The Directors' Report of the Fund for the year ended June 30, 2013 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.



12. The financial statements of the Fund were duly endorsed by the CEO and CFO of the Management Company before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the units of the Fund other than those disclosed in the Directors Report, pattern of unit holding and notes to the financial statements.
14. The Management Company has complied with all the applicable corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors of the Management Company, including the Chairman of the Committee who is an independent director.
16. The meetings of the Audit Committee were held once in every quarter and prior to the approval of interim and final results of the Fund as required by the Code. The terms of reference of the Audit Committee have been approved in the meeting of the Board and the Committee has been advised to ensure compliance with those terms of reference.
17. There exists an internal audit function within the Management Company.
18. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors including the chairman of the Committee.
19. 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.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Fund's units, was determined and intimated to directors, employees and stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board



**Farid Ahmed Khan**  
Chief Executive Officer

**Karachi, August 06, 2013**





## A. F. FERGUSON & CO.

### INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

#### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **ABL Islamic Income Fund** (hereinafter referred to as the 'Fund'), which comprise the statement of assets and liabilities as at June 30, 2013, and the related income statement, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

#### Management Company's responsibility for the financial statements

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

#### Auditors' responsibility

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

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

#### Opinion

In our opinion, the financial statements give a true and fair view of the state of the financial position of the Fund as at June 30, 2013 and of its financial performance, cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Chartered Accountants

Engagement Partner: **Noman Abbas Sheikh**

Dated: August 6, 2013

Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
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**ABL ISLAMIC INCOME FUND  
STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2013**

	Note	June 30, 2013	June 30, 2012
		-----Rupees-----	
<b>ASSETS</b>			
Balances with banks	4	417,536,479	269,492,693
Investments	5	738,135,279	787,653,501
Profit receivable	6	26,779,734	8,081,196
Preliminary expenses and floatation costs	7	1,289,402	1,934,156
<b>Total assets</b>		<b>1,183,740,894</b>	<b>1,067,161,546</b>
<b>LIABILITIES</b>			
Payable to ABL Asset Management Company Limited - Management Company	8	2,976,705	3,608,501
Payable to Central Depository Company of Pakistan Limited - Trustee	9	146,232	145,110
Payable to Securities and Exchange Commission of Pakistan	10	936,804	580,936
Accrued expenses and other liabilities	11	5,401,705	3,063,835
Payable against redemption of units		2,199,906	-
Dividend Payable		14,896	-
<b>Total liabilities</b>		<b>11,676,248</b>	<b>7,398,382</b>
<b>NET ASSETS</b>		<b><u>1,172,064,646</u></b>	<b><u>1,059,763,164</u></b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b><u>1,172,064,646</u></b>	<b><u>1,059,763,164</u></b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12	----Number of units----	
<b>NUMBER OF UNITS IN ISSUE</b>	13	<u>117,105,945</u>	<u>105,717,209</u>
		-----Rupees-----	
<b>NET ASSETS VALUE PER UNIT</b>		<u>10.0086</u>	<u>10.0245</u>
<b>FACE VALUE PER UNIT</b>		<u>10.0000</u>	<u>10.0000</u>

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

For ABL Asset Management Company Limited  
(Management Company)

  
FARID AHMED KHAN  
CEO

  
KAMRAN NISHAT  
DIRECTOR

**ABL ISLAMIC INCOME FUND**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Note	For the year ended June 30, 2013	For the year ended June 30, 2012
-----Rupees-----			
<b>INCOME</b>			
Capital gain on sale of government securities - net		7,719,154	327,801
Profit on deposits with banks		34,082,378	43,674,917
Income from term deposit receipts		12,546,027	13,101,645
Income from sukuk		79,155,755	37,684,694
		133,503,314	94,789,057
Unrealised diminution on re-measurement of investments classified as financial assets at fair value through profit or loss - net	5.2	(3,332,339)	-
<b>Total income</b>		<b>130,170,975</b>	<b>94,789,057</b>
<b>EXPENSES</b>			
Remuneration of ABL Asset Management Company Limited - Management Company	8.1	12,490,917	7,758,988
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	1,911,202	1,313,747
Sindh sales tax on remuneration of Management Company	8.2	1,998,546	1,241,437
Federal excise duty on remuneration of Management Company	11.2	85,810	-
Amortisation of preliminary expenses and floatation costs	7	644,754	644,753
Annual fee - Securities and Exchange Commission of Pakistan	10.1	936,804	580,936
Auditors' remuneration	14	295,000	292,471
Bank charges		133,145	162,889
Annual rating fee		175,000	160,000
Printing charges		150,000	113,364
Brokerage and securities transaction costs		272,525	75,264
Listing fee		30,000	30,000
Legal and professional charges		-	37,554
Other expense		13,729	-
<b>Total operating expenses</b>		<b>19,137,432</b>	<b>12,411,403</b>
<b>Net income from operating activities</b>		<b>111,033,543</b>	<b>82,377,654</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		(750,236)	1,290,509
Provision for Workers' Welfare Fund	11.1	(2,205,664)	(1,673,363)
<b>Net income before taxation</b>		<b>108,077,643</b>	<b>81,994,800</b>
Taxation	15	-	-
<b>Net income after taxation</b>		<b>108,077,643</b>	<b>81,994,800</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>108,077,643</b>	<b>81,994,800</b>
<b>Earnings per unit</b>	16		

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

For ABL Asset Management Company Limited  
(Management Company)

  
FARID AHMED KHAN  
CEO

  
KAMRAN NISHAT  
DIRECTOR

**ABL ISLAMIC INCOME FUND  
DISTRIBUTION STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>For the year ended June 30, 2013</b>	<b>For the year ended June 30, 2012</b>
	-----Rupees-----	
<b>Undistributed income brought forward comprising of:</b>		
- realised income	2,591,144	1,333,019
- unrealised income	-	-
	<u>2,591,144</u>	<u>1,333,019</u>
<b>Distribution during the year</b>		
- Re 0.2788 per unit on September 24, 2012 (2012: Re 0.2733 per unit on September 27, 2011) Cash distribution Issue of 2,945,055 bonus units (2012: 1,556,490 units)	(22,381) (29,450,550)	(2,747,044) (15,564,900)
- Re 0.2789 per unit on December 27, 2012 (2012: Re 0.2665 per unit on December 26, 2011) Cash distribution Issue of 3,905,674 bonus units (2012: 1,451,309 units)	(22,939) (39,056,738)	(14,222) (14,513,089)
- Re 0.1669 per unit on March 22, 2013 (2012: Re 0.2642 per unit on March 26, 2012) Cash distribution Issue of 2,187,407 bonus units (2012: Re 2,179,021 units)	(14,141) (21,874,072)	(19,976) (21,790,211)
- Re 0.1835 per unit on June 28, 2013 (2012: Re 0.2458 per unit on June 25, 2012) Cash distribution Issue of 1,920,702 bonus units (2012: 2,578,929 units)	(15,547) (19,207,020) (109,663,388)	(61,202) (25,789,287) (80,499,931)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	(90)	(236,744)
Net income after taxation	108,077,643	81,994,800
Undistributed income carried forward	<u>1,005,309</u>	<u>2,591,144</u>
<b>Undistributed income carried forward comprising of:</b>		
- realised income	4,337,648	2,591,144
- unrealised loss	(3,332,339)	-
	<u>1,005,309</u>	<u>2,591,144</u>

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

For ABL Asset Management Company Limited  
(Management Company)

  
FARID AHMED KHAN  
CEO

  
KAMRAN NISHAT  
DIRECTOR

**ABL ISLAMIC INCOME FUND  
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	For the year ended June 30, 2013	For the year ended June 30, 2012
	-----Rupees-----	
<b>Net assets at the beginning of the year</b>	1,059,763,164	816,605,567
Issue of 189,509,478 units (2012: 131,368,373 units)	1,916,377,803	1,329,907,870
Redemption of 189,079,580 units (2012: 114,944,182 units)	(1,912,829,192)	(1,164,612,120)
	3,548,611	165,295,750
Issue of 10,958,838 bonus units (2012: 7,765,749 units)	109,588,380	77,657,487
Net element of (income) / loss and capital losses / (gains) included in prices of units issued less those in units redeemed		
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement	750,236	(1,290,509)
- amount representing (income) / loss and capital (gains) / losses - transferred to distribution statement	90	236,744
	750,326	(1,053,765)
Capital gain on sale of government securities - net	7,719,154	327,801
Unrealised diminution on re-measurement of investments classified as financial assets at fair value through profit or loss - net	(3,332,339)	-
Other net income	103,690,828	81,666,999
	108,077,643	81,994,800
<b>Distribution during the year</b>		
- Re 0.2788 per unit on September 24, 2012 (2012: Re 0.2733 per unit on September 27, 2011)		
Cash distribution	(22,381)	(2,747,044)
Issue of 2,945,055 bonus units (2012: 1,556,490 units)	(29,450,550)	(15,564,900)
- Re 0.2789 per unit on December 27, 2012 (2012: Re 0.2665 per unit on December 26, 2011)		
Cash distribution	(22,939)	(14,222)
Issue of 3,905,674 bonus units (2012: 1,451,309 units)	(39,056,738)	(14,513,089)
- Re 0.1669 per unit on March 22, 2013 (2012: Re 0.2642 per unit on March 26, 2012)		
Cash distribution	(14,141)	(19,976)
Issue of 2,187,407 bonus units (2012: Re 2,179,021 units)	(21,874,072)	(21,790,211)
- Re 0.1835 per unit on June 28, 2013 (2012: Re 0.2458 per unit on June 25, 2012)		
Cash distribution	(15,547)	(61,202)
Issue of 1,920,702 bonus units (2012: 2,578,929 units)	(19,207,020)	(25,789,287)
	(109,663,388)	(80,499,931)
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to distribution statement	(90)	(236,744)
<b>Net assets at the end of the year</b>	<u>1,172,064,646</u>	<u>1,059,763,164</u>

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

For ABL Asset Management Company Limited  
(Management Company)

  
FARID AHMED KHAN  
CEO

  
KAMRAN NISHAT  
DIRECTOR

**ABL ISLAMIC INCOME FUND  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2013**

	For the year ended June 30, 2013	For the year ended June 30, 2012
	-----Rupees-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before taxation	108,077,643	81,994,800
<b>Adjustments for non-cash and other items</b>		
Unrealised diminution on remeasurement of investments classified as financial assets at fair value through profit or loss - net	3,332,339	-
Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed - net	750,236	(1,290,509)
Amortisation of preliminary expenses and floatation costs	644,754	644,753
Provision for Workers' Welfare Fund	2,205,664	1,673,363
Federal excise duty on remuneration of Management Company	85,810	-
	7,018,803	1,027,607
<b>(Increase) / decrease in assets</b>		
Prepayments	-	5,700
Investments	46,185,883	(737,653,501)
Profit receivable	(18,698,538)	275,354
	27,487,345	(737,372,447)
<b>Increase / (decrease) in liabilities</b>		
Payable to ABL Asset Management Company Limited - Management Company	(631,796)	(80,098)
Payable to Central Depository Company of Pakistan Limited - Trustee	1,122	66,088
Payable to Securities and Exchange Commission of Pakistan	355,868	285,902
Accrued expenses and other liabilities	46,396	(22,621,785)
	(228,410)	(22,349,893)
<b>Net cash generated from / (used in) operating activities</b>	142,355,381	(676,699,933)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issuance of units	1,916,377,803	1,329,907,870
Payments against redemption of units	(1,910,629,286)	(1,168,128,439)
Cash distribution paid	(60,112)	(5,389,959)
<b>Net cash generated from financing activities</b>	5,688,405	156,389,472
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>	148,043,786	(520,310,461)
Cash and cash equivalents at the beginning of the year	269,492,693	789,803,154
<b>Cash and cash equivalents at the end of the year</b>	417,536,479	269,492,693

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

For ABL Asset Management Company Limited  
(Management Company)

  
FARID AHMED KHAN  
CEO

  
KAMRAN NISHAT  
DIRECTOR



## ABL ISLAMIC INCOME FUND NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 1 LEGAL STATUS AND NATURE OF BUSINESS

ABL Islamic Income 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 and Notified Entities Regulations, 2008.

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

The Fund is an open-ended fund and is listed on the Karachi Stock Exchange (Guarantee) Limited. Units are offered for public subscription on a continuous basis.

The Fund has been categorized as an open-end shariah compliant (islamic) income scheme as per the criteria laid down by the SECP for categorisation of Collective Investment Schemes (CIS).

The objective of the Fund is to invest in liquid Shariah compliant instruments like Shariah compliant government securities, cash and near cash instruments.

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

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

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

The following amendments to approved accounting standards have been published and are mandatory for the Fund's accounting period beginning on or after July 1, 2012:

- IAS 1, 'Financial statement presentation'. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendments do not have any effect on the Fund's financial statements.

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

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

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

## 2.4 Critical accounting estimates and judgments

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

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

- i) Classification and valuation of investments (notes 3.2 and 5)
- ii) Amortisation of preliminary expenses and floatation costs (notes 3.5 and 7)
- iii) Impairment of financial assets (note 3.2.5)

## 2.5 Accounting convention

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

## 2.6 Functional and presentation currency

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

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Cash and cash equivalents

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

### 3.2 Financial assets

#### 3.2.1 Classification

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

Investments are categorised as follows:

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

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

#### b) Loans and receivables

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

#### c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables or (b) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

### 3.2.2 Regular way contracts

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

### 3.2.3 Initial recognition and measurement

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

### 3.2.4 Subsequent measurement

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

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

##### - Basis of valuation of debt securities

The investment of the Fund in debt securities (comprising any security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital and includes term finance certificates, bonds, debentures, sukus and commercial papers etc.) is valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP for valuation of debt securities. In the determination of the rates the MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

##### - Basis of valuation of government securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Markets Association of Pakistan.

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

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

#### b) Loans and receivables

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

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

### 3.2.5 Impairment

The Fund assesses at each reporting date whether there is an objective evidence that the financial asset or a group of financial assets is impaired. The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The amount of provision for certain debt securities is determined based on the provisioning criteria specified by the SECP.

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

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

**3.2.6 Derecognition**

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

**3.3 Financial liabilities**

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

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

**3.4 Offsetting of financial assets and financial liabilities**

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

**3.5 Preliminary expenses and floatation costs**

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

**3.6 Provisions**

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

**3.7 Taxation**

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

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

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

**3.8 Proposed distributions**

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

**3.9 Issue and redemption of units**

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

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

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

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

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

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

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

### 3.11 Net asset value per unit

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

### 3.12 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the sale transaction takes place.
- Income on government securities, debt securities, bank deposits and placements is recognised on an accrual basis.

	Note	June 30, 2013	June 30, 2012
		-----Rupees-----	
<b>4 BALANCES WITH BANKS</b>			
Saving accounts	4.1	413,927,882	261,370,037
Current accounts	4.2	3,608,597	8,122,656
		<u>417,536,479</u>	<u>269,492,693</u>

4.1 These saving accounts carrying profit at rates ranging from 6.00% to 9.25% per annum (June 30, 2012: 6.00% to 11.70% ).

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

	Note	June 30, 2013	June 30, 2012
		-----Rupees-----	
<b>5 INVESTMENTS</b>			
<b>Financial assets at fair value through profit or loss</b>			
- GoP Ijara Sukuks	5.1	588,135,279	787,653,501
- other Sukuks		150,000,000	-
		<u>738,135,279</u>	<u>787,653,501</u>

## 5.1 a) GoP Ijara Sukuks

Issue date	Coupon rate in % / tenor	Face Value				Balance as at June 30, 2013			Market value as a percentage of net assets	Market value as a percentage of total market value of
		As at July 01, 2012	Purchased during the year	Disposed of / matured during the year	As at June 30, 2013	Carrying value	Market value	Appreciation / (diminution)		
Rupees										
March 7, 2011	9.34 / 3 Years	55,000,000	-	55,000,000	-	-	-	-	-	-
May 16, 2011	9.43 / 3 Years	-	50,000,000	50,000,000	-	-	-	-	-	-
December 26, 2011	9.28 / 3 Years	458,000,000	494,075,000	952,075,000	-	-	-	-	-	-
March 2, 2012	9.34 / 3 Years	-	1,914,900,000	1,333,000,000	581,900,000	586,467,618	583,122,279	(3,345,339)	49.75	79.00
April 30, 2012	9.43 / 3 Years	-	5,000,000	-	5,000,000	5,000,000	5,013,000	13,000	0.43	0.68
June 28, 2012	9.33 / 3 Years	274,000,000	502,000,000	776,000,000	-	-	-	-	-	-
September 18, 2012	10.03 / 3 Years	-	36,500,000	36,500,000	-	-	-	-	-	-
<b>Total - June 30, 2013</b>		<b>787,000,000</b>	<b>3,002,475,000</b>	<b>3,202,575,000</b>	<b>586,900,000</b>	<b>591,467,618</b>	<b>588,135,279</b>	<b>(3,332,339)</b>		

## b) other Sukuks

Issue	Coupon rate in % / tenor	Face Value				Balance as at June 30, 2013			Carrying value as a percentage of net assets	Carrying value as a percentage of total market value of
		As at July 01, 2012	Purchased during the year	Disposed off / matured during the year	As at June 30, 2013	Cost	Carrying value	Appreciation / (diminution)		
Rupees in										
HUBCO	10.70 / 6 Months	-	150,000,000	-	150,000,000	150,000,000	150,000,000	-	12.80	20.32

	June 30, 2013	June 30, 2012
<b>5.2 Unrealised diminution on re-measurement of investments classified as financial assets at fair value through profit or loss - net</b>	<b>-----Rupees-----</b>	
Market value of securities	738,135,279	-
Less: carrying value of securities	(741,467,618)	-
	<u>(3,332,339)</u>	<u>-</u>
<b>6 PROFIT RECEIVABLE</b>		
Profit accrued on bank deposits	2,664,145	5,007,484
Profit accrued on GoP Ijara Sukuks and other Sukuks	24,115,589	3,073,712
	<u>26,779,734</u>	<u>8,081,196</u>
<b>7 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>		
Opening balance	1,934,156	2,578,909
Less: amortised during the year	(644,754)	(644,753)
Closing balance	<u>1,289,402</u>	<u>1,934,156</u>

7.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund. These costs are being amortised over five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

	Note	June 30, 2013	June 30, 2012
<b>8 PAYABLE TO ABL ASSET MANAGEMENT COMPANY LIMITED - MANAGEMENT COMPANY</b>		<b>-----Rupees-----</b>	
Remuneration of Management Company	8.1	898,661	887,493
Preliminary expenses and floatation costs		1,934,258	2,579,010
Sindh sales tax on remuneration of Management Company	8.2	143,786	141,998
		<u>2,976,705</u>	<u>3,608,501</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 3 percent per annum of the average annual net assets of the Fund and thereafter of an amount equal to 2 percent of such assets of the Fund. In the current year, the Management Company has charged its remuneration at the rate of 1 percent of the average annual net assets of the Fund. The amount of remuneration is paid monthly in arrears.

8.2 The Provincial Government of Sindh has levied Sindh sales tax at the rate of 16% on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.



9	<b>PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>	Note	June 30, 2013	June 30, 2012
			-----Rupees-----	
	Trustee fee	9.1	<u>146,232</u>	<u>145,110</u>

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

The tariff structure applicable to the Fund as at June 30, 2013 was as follows:

Net assets value	Tariff per annum
Upto Rs 1 billion	Rs 0.6 million or 0.17 percent per annum of net asset value whichever is higher
Rs 1 billion to 5 billion	Rs 1.7 million plus 0.085 percent per annum of net asset value exceeding Rs. 1 billion
Over Rs 5 billion	Rs 5.1 million plus 0.07 percent per annum of net asset value exceeding Rs. 5 billion

10	<b>PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>	Note	June 30, 2013	June 30, 2012
			-----Rupees-----	
	Annual Fee	10.1	<u>936,804</u>	<u>580,936</u>

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

11	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>	Note	June 30, 2013	June 30, 2012
			-----Rupees-----	
	Auditors' remuneration		247,789	253,302
	Printing charges		147,885	142,880
	Provision for Workers' Welfare Fund	11.1	4,853,210	2,647,546
	Withholding tax payable		38,282	20,107
	Brokerage payable		15,000	-
	Other payable		13,729	-
	Provision for Federal Excise Duty	11.2	<u>85,810</u>	<u>-</u>
			<u>5,401,705</u>	<u>3,063,835</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 connection, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

During the year ended June 30, 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on December 14, 2010, the Ministry filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the Court.

During the year ended June 30, 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Honourable Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the Court. Without prejudice to the above, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 4.853 million (including Rs 2.206 million for the current year) in these financial statements. Had the same not been made the net asset value per unit of the Fund as at June 30, 2013 would have been higher by Rs 0.0414 per unit.

11.2 As per the requirement of the Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax as explained in note 8.2, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. The matter has been taken up collectively by the Mutual Fund Association of Pakistan where various options are being considered. As a matter of abundant caution, the Management Company has made a provision with effect from June 13, 2013, aggregating to Rs. 85,810.

**12 CONTINGENCIES AND COMMITMENTS**

12.1 There were no contingencies and commitments outstanding as at June 30, 2013.

**13 NUMBER OF UNITS IN ISSUE**

	June 30, 2013	June 30, 2012
	Number of units	
Total units in issue at the beginning of the year	105,717,209	81,527,269
Add: units issued	189,509,478	131,368,373
Add: bonus units issued	10,958,838	7,765,749
Less: units redeemed	(189,079,580)	(114,944,182)
Total units in issue at the end of the year	<u>117,105,945</u>	<u>105,717,209</u>

**14 AUDITORS' REMUNERATION**

	June 30, 2013	June 30, 2012
	-----Rupees-----	
Annual audit fee	165,000	165,000
Half yearly review fee	60,000	60,000
Other certifications and services	50,000	50,000
Out of pocket expenses	20,000	17,471
	<u>295,000</u>	<u>292,471</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 ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders. The Fund has not recorded provision for taxation as the Management Company has distributed more than ninety percent of the Fund's accounting income for the current year to its unit holders.

**16 EARNINGS PER UNIT**

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

**17 FINANCIAL INSTRUMENTS BY CATEGORY**

As at June 30, 2013, all the financial assets carried on the statement of assets and liabilities are categorised either as loans and receivables or financial assets at fair value through profit or loss. All the financial liabilities carried on the statement of assets and liabilities are categorised as other financial liabilities i.e. liabilities other than 'at fair value through profit or loss'.

	-----As at June 30, 2013-----		
	Loans and receivables	Financial assets at fair value through profit or loss	Total
<b>Financial assets</b>	-----Rupees-----		
Balances with banks	417,536,479	-	417,536,479
Investments	-	738,135,279	738,135,279
Profit receivable	26,779,734	-	26,779,734
	<u>444,316,213</u>	<u>738,135,279</u>	<u>1,182,451,492</u>
	-----As at June 30, 2013-----		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
<b>Financial liabilities</b>	-----Rupees-----		
Payable to ABL Asset Management Company Limited - Management Company	-	2,976,705	2,976,705
Payable to Central Depository Company of Pakistan Limited - Trustee	-	146,232	146,232
Payable against redemption of units	-	2,199,906	2,199,906
Dividend payable	-	14,896	14,896
Accrued expenses and other liabilities	-	410,674	410,674
	<u>-</u>	<u>5,748,413</u>	<u>5,748,413</u>

	-----As at June 30, 2012-----		
	Loans and receivables	Financial assets at fair value through profit or loss	Total
<b>Financial assets</b>	-----Rupees-----		
Balances with banks	269,492,693	-	269,492,693
Investments	-	787,653,501	787,653,501
Profit receivable	8,081,196	-	8,081,196
	<u>277,573,889</u>	<u>787,653,501</u>	<u>1,065,227,390</u>
	-----As at June 30, 2012-----		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
<b>Financial liabilities</b>	-----Rupees-----		
Payable to ABL Asset Management Company Limited - Management Company	-	3,608,501	3,608,501
Payable to Central Depository Company of Pakistan Limited - Trustee	-	145,110	145,110
Accrued expenses and other liabilities	-	396,182	396,182
Payable against redemption of units	-	-	-
	<u>-</u>	<u>4,149,793</u>	<u>4,149,793</u>

## 18 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons / related parties include ABL Asset Management Company Limited being the Management Company, Allied Bank Limited, ABL Asset Management Company Limited - Staff Provident Fund, Allied Bank Limited - Employees Superannuation (Pension) Fund, Allied Bank Limited - Staff Provident Fund, Cyan Limited, Cyan Limited - Employees Provident Fund and CFA Association of Pakistan being entities under common management and / or directorship, the Central Depository Company of Pakistan limited being the Trustee of the Fund and the directors and officers of the Management Company.

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 year June 30, 2013	For the year June 30, 2012
	-----Rupees-----	
<b>18.1 Details of transactions with connected persons are as follows:</b>		
<b>ABL Asset Management Company Limited - Management Company</b>		
Issue of Nil units (2012: 4,986,188 units)	-	50,000,000
Bonus of 574,717 units (2012: 592,321 units)	5,747,170	5,923,210
Redemption of Nil units (2012: 18,553,681 units)	-	189,500,000
Remuneration for the year	12,490,917	7,758,988
Sindh sales tax on remuneration of Management Company	1,998,546	1,241,437
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	1,911,202	1,313,747
<b>Allied Bank Limited</b>		
Bank charges	47,060	22,498
<b>ABL - Employees Superannuation (Pension) Fund</b>		
Redemption of Nil units (2012: 10,000,000 units)	-	101,115,000
Cash distribution	-	2,733,000
<b>DIRECTORS OF THE MANAGEMENT COMPANY</b>		
<b>M. Shakeb Murad</b>		
Issue of 20,456 units (2012: 620,505 units)	205,000	6,274,054
Bonus of 4,459 units (2012: 1,451 units)	44,590	14,510
Redemption of 4,440 units (2012: 592,417 units)	44,865	6,000,000

	For the year June 30, 2013	For the year June 30, 2012
	-----Rupees-----	
<b>KEY MANAGEMENT PERSONNEL</b>		
<b>Chief Executive Officer</b>		
Issue of Nil units (2012: 39,868 units)	-	400,000
Bonus of 9,519 units (2012: 6,938 units)	95,190	69,380
<b>Executives</b>		
Issue of 346,420 units (2012: 369,557 units)	3,500,000	3,766,000
Bonus of 16,666 units (2012: 40,777 units)	166,660	407,770
Redemption of Nil units (2012: 236,680 units)	-	2,411,211
	<b>As at June 30, 2013</b>	<b>As at June 30, 2012</b>
	-----Rupees-----	
<b>18.2 Details of amounts outstanding as at the year end:</b>		
<b>ABL Asset Management Company Limited - Management Company</b>		
Outstanding 6,695,722 units (2012: 6,121,005 units)	67,014,801	61,360,014
Preliminary expenses and floatation costs	1,934,258	2,579,010
Remuneration payable	898,661	887,493
Sindh sales tax on remuneration of Management Company	143,786	141,998
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	146,232	145,110
<b>Allied Bank Limited</b>		
Balances in current accounts	3,608,597	8,122,656
<b>DIRECTORS OF THE MANAGEMENT COMPANY</b>		
<b>M. Shakeb Murad</b>		
Outstanding 50,014 units (2012: 29,539 units)	500,570	296,114
<b>KEY MANAGEMENT PERSONNEL</b>		
<b>Chief Executive Officer</b>		
Outstanding 110,901 units (2012: 101,382 units)	1,109,964	1,016,293
<b>Executives</b>		
Outstanding 363,086 units* (2012: 485,661 units)	3,633,983	4,868,507

\* Does not include units held by former employees whose units were included as at June 30, 2012.

## 19 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S. No	Name	Designation	Experience in years	Qualification
1	Farid Ahmed Khan	Chief Executive Officer	19	CFA
2	Muhammad Imran	Chief Investment Officer	14	MBA
3	Abid Jamal	Head of Research	10	BS
4	Kamran Aziz	Fund Manager	6	CFA
5	Faizan Saleem	Fund Manager	6	MBA

19.1 Kamran Aziz is the Fund Manager of the Fund. He is also managing the following other funds:

- ABL Stock Fund
- ABL AMC Capital Protected Fund
- ABL Islamic Stock Fund

## 21 TRANSACTIONS WITH BROKERS / DEALERS

## List of brokers by percentage of commission charged during the year ended June 30, 2013

S. No.	Particulars	Percentage
1	C & M Management (Private) Limited	40.25%
2	Invest Capital Markets Limited	29.35%
3	JS Global Capital Limited	12.81%
4	Elixir Securities Pakistan (Private) Limited	7.34%
5	Invest One Markets Limited	4.26%
6	Invest & Finance	3.67%
7	Vector Capital (Private) Limited	2.20%
8	KASB Securities Limited	0.12%

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

S. No.	Particulars	Percentage
1	JS Global Capital Limited	29.20%
2	BMA Capital Management Limited	29.20%
3	Invest One Markets Limited	27.73%
4	C & M Management (Private) Limited	13.87%

## 22 PATTERN OF UNIT HOLDING

Category	-----As at June 30, 2013-----			
	No. of unit holders	No. of units held	Net asset value of the amount invested	Percentage of total investment
Individuals	798	85,118,992	851,920,552	72.69%
Associated companies / directors	3	6,856,637	68,625,335	5.86%
Insurance companies	4	993,850	9,947,031	0.85%
Bank / DFIs	-	-	-	-
Retirement Fund	9	13,882,238	138,941,540	11.85%
Public limited companies	-	-	-	-
Others	9	10,254,228	102,630,188	8.75%
	823	117,105,945	1,172,064,646	100.00%

Category	-----As at June 30, 2012-----			
	No. of unit holders	No. of units held	Net asset value of the amount invested	Percentage of total investment
Individuals	647	85,105,982	853,145,723	80.50%
Associated Companies / Directors	3	6,251,926	62,672,421	5.91%
Insurance Companies	5	6,159,664	61,747,610	5.83%
Bank / DFIs	-	-	-	-
Retirement Funds	5	4,768,718	47,804,059	4.51%
Public limited companies	-	-	-	-
Others	4	3,430,919	34,393,351	3.25%
	664	105,717,209	1,059,763,164	100.00%

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

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

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

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

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

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

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

\*\*\*\*\* Attended BOD meetings as Company Secretary.

## 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, 2013, the Fund holds GoP Ijara sukuks which are classified as financial assets at fair value through profit or loss, exposing the Fund to interest rate risk. In case of 100 basis points increase / decrease in the average PKISRV rates on June 30, 2013, with all other variables held constant, the net income for the year and the net assets as at June 30, 2013 would have been higher / lower by Rs. 5,869,000.

The composition of the Fund's investment portfolio and the PKISRV rates are expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2013 is not necessarily indicative of the effect on the Fund's net assets due to future movements in interest rates.

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

Particulars	Interest Rate	As at June 30, 2013				Total
		Exposed to Yield/ Interest risk			Not exposed to Yield/ Interest rate risk	
		Upto three months	More than three months and up to one year	More than one year		
----- Rupees -----						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Balances with banks	6% - 9.25%	413,927,882	-	-	3,608,597	417,536,479
Investments	9.28% - 10.70%	738,135,279	-	-	-	738,135,279
Profit receivable		-	-	-	26,779,734	26,779,734
<b>Sub total</b>		1,152,063,161	-	-	30,388,331	1,182,451,492
<b>Financial liabilities</b>						
Payable to ABL Asset Management Company Limited - Management Company		-	-	-	2,976,705	2,976,705
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	146,232	146,232
Dividend payable		-	-	-	14,896	14,896
Accrued expenses and other liabilities		-	-	-	410,674	410,674
Payable against redemption of units		-	-	-	2,199,906	2,199,906
<b>Sub total</b>		-	-	-	5,748,413	5,748,413
<b>On-balance sheet gap (a)</b>		1,152,063,161	-	-	24,639,918	1,176,703,079
<b>Off-balance sheet financial instruments</b>						
<b>Off-balance sheet gap (b)</b>		-	-	-	-	-
<b>Total interest rate sensitivity gap (a+b)</b>		1,152,063,161	-	-	24,639,918	1,176,703,079
<b>Cumulative interest rate sensitivity gap</b>		1,152,063,161	1,152,063,161	1,152,063,161		



Particulars	Interest Rate	As at June 30, 2012				Total
		Exposed to Yield/ Interest risk			Not exposed to Yield/ Interest rate risk	
		Upto three months	More than three months and up to one year	More than one year		
----- Rupees -----						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Balances with banks	6% - 11.7%	261,370,037	-	-	8,122,656	269,492,693
Investments	11.81% - 11.94%	787,653,501	-	-	-	787,653,501
Profit receivable		-	-	-	8,081,196	8,081,196
<b>Sub total</b>		<b>1,049,023,538</b>	<b>-</b>	<b>-</b>	<b>16,203,852</b>	<b>1,065,227,390</b>
<b>Financial liabilities</b>						
Payable to ABL Asset Management Company Limited - Management Company		-	-	-	3,608,501	3,608,501
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	145,110	145,110
Accrued expenses and other liabilities		-	-	-	396,182	396,182
Dividend payable		-	-	-	-	-
Payable against redemption of units		-	-	-	-	-
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>4,149,793</b>	<b>4,149,793</b>
<b>On-balance sheet gap (a)</b>		<b>1,049,023,538</b>	<b>-</b>	<b>-</b>	<b>12,054,059</b>	<b>1,061,077,597</b>
<b>Off-balance sheet financial instruments</b>						
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest rate sensitivity gap (a+b)</b>		<b>1,049,023,538</b>	<b>-</b>	<b>-</b>	<b>12,054,059</b>	<b>1,061,077,597</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>1,049,023,538</b>	<b>1,049,023,538</b>	<b>1,049,023,538</b>		

### 24.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate 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.

### 24.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investments and balances with banks. The Fund does not foresee any credit risk with respect to government securities since these represent the interests of the Government of Pakistan. The credit risk on other financial assets is limited because the counter parties are financial institutions and companies with reasonably high credit ratings. In addition, the internal risk management policies and investment guidelines (approved by the Investment Committee) require the Fund to invest in debt securities that have been rated as investment grade by a well known rating agency.

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

##### Balances with banks by rating category

Name of the Bank	Rating Agency	Published rating	Percentage of Bank Balance
Albaraka Islamic Bank Limited	JCR-VIS	A	48.84%
Allied Bank Limited	PACRA	AA+	0.86%
Bank Alfalah Limited	PACRA	AA	0.12%
Bank Islami Pakistan Limited	PACRA	A	24.21%
United Bank Limited	JCR-VIS	AA+	25.97%

A portion of the investment is invested by the Fund in GoP Ijara Sukuks which are auctioned by the State Bank of Pakistan and are available for investments / trade through secondary market.

There are no financial assets that are past due or impaired.

### Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of the financial instruments is mainly held with various banks and securities issued by the State Bank of Pakistan on behalf of the Government of Pakistan.

#### 24.2.2 Liquidity risk

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 to the Fund.

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

The Fund can borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. However, no borrowing was obtained by the Fund during the current year.

In order to manage the Fund's overall liquidity, the Fund has 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 redemptions during the year.

24.2.3 The table below indicates 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, 2013				
	Upto three months	Over three months and upto one year	Over one year	Total
-----Rupees-----				
<b>Financial Liabilities</b>				
Payable to ABL Asset Management Company Limited - Management Company	1,687,201	-	1,289,504	2,976,705
Payable to the Central Depository Company of Pakistan Limited - Trustee	146,232	-	-	146,232
Accrued expenses and other liabilities	410,674	-	-	410,674
Dividend payable	14,896	-	-	14,896
Payable against redemption of units	2,199,906	-	-	2,199,906
	<u>4,458,909</u>	<u>-</u>	<u>1,289,504</u>	<u>5,748,413</u>

As at June 30, 2012				
	Upto three months	Over three months and upto one year	Over one year	Total
-----Rupees-----				
<b>Financial Liabilities</b>				
Payable to ABL Asset Management Company Limited - Management Company	1,674,244	-	1,934,258	3,608,501
Payable to the Central Depository Company of Pakistan Limited - Trustee	145,110	-	-	145,110
Accrued expenses and other liabilities	396,182	-	-	396,182
Payable against redemption of units	-	-	-	-
	<u>2,215,536</u>	<u>-</u>	<u>1,934,258</u>	<u>4,149,793</u>

**25 FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

Financial assets which are 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 the carrying values as the items are either short term in nature or periodically repriced.

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

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or the liability, 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, 2013			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>	<b>Rupees</b>			
Investment in government securities - financial assets at fair value through profit or loss	-	588,135,279	-	588,135,279
	As at June 30, 2012			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>	<b>Rupees</b>			
Investment in securities - financial assets at fair value through profit or loss	-	787,653,501	-	787,653,501

**26 UNIT HOLDER'S FUND RISK MANAGEMENT**

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

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

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

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

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

**27 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 06, 2013 by the Board of Directors of the Management Company.

**28 GENERAL**

- 28.1** Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. No significant rearrangement or reclassification were made in these financial statements.

For ABL Asset Management Company Limited  
(Management Company)

  
FARID AHMED KHAN  
CEO

  
KAMRAN NISHAT  
DIRECTOR