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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. ABLAMC 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.



## ABL ISLAMIC PRINCIPAL PRESERVATION FUND II

### 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. Mohammad Naeem Mukhtar* Mr. Muhammad Waseem Mukhtar Mr. Tariq Mahmood Mr. Kamran Nishat Mr. M. Shakeb Murad Mr. M. Jawaid Iqbal Mr. Farid Ahmed Khan	Chairman       CEO
<b>Audit Committee:</b>	Mr. Kamran Nishat Mr. Muhammad Waseem Mukhtar Mr. M. Shakeb Murad**	Chairman Member Member
<b>Human Resource and Remuneration Committee</b>	Mr. Muhammad Waseem Mukhtar*** Mr. Jawaid Iqbal Mr. Kamran Nishat Mr. Farid Ahmed Khan	Chairman Member 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>	MCB Financial Services Limited 3rd Floor, adamjee House, I.I. Chundrigar Road, Karachi - 74000	
<b>Bankers to the Fund:</b>	Allied Bank Limited Standard Chartered Bank (Pakistan) 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>	Bawaney & Partners 3rd & 4th Floors, 68-C, Lane-13 Bokhari Commercial Area Phase-VI, DHA Karachi.	
<b>Registrar:</b>	ABL Asset Management Company Limited. 11 - B, Lalazar, M. T. Khan Road, Karachi.	

\* With effect from July 2, 2014.

\*\* With effect from August 26, 2014

\*\*\* With effect from April 22, 2014

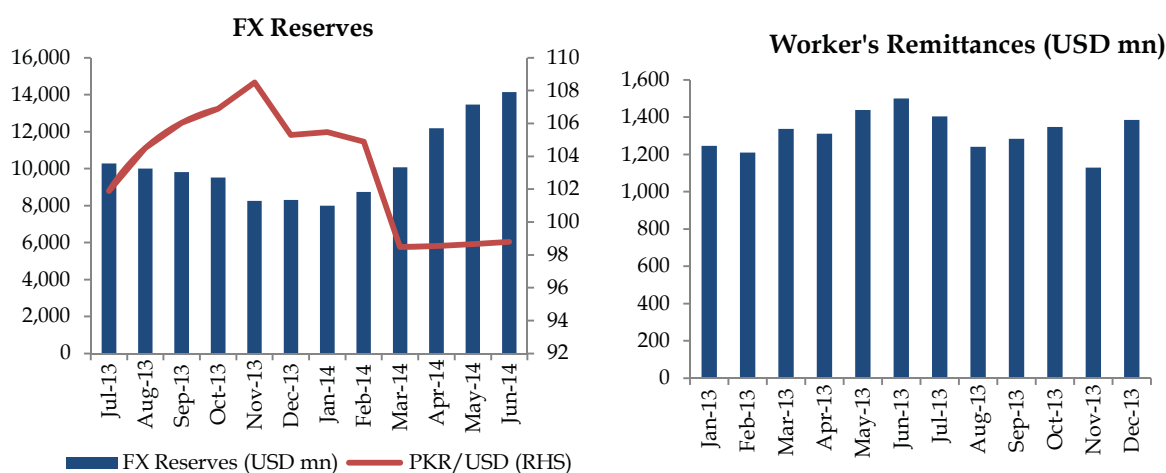
## ABL ISLAMIC PRINCIPAL PRESERVATION FUND II

### REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of ABL Asset Management Company Limited, the management company of ABL Islamic Principal Preservation Fund-II (ABL-IPPF-II), is pleased to present the Audited Financial Statements of ABL Islamic Preservation Fund-II for the period ended June 30, 2014.

#### ECONOMIC PERFORMANCE REVIEW

Pakistan's economic landscape revealed gradual improvement throughout FY14 underpinned by renewed IMF support, significant improvement in PKR/USD parity, stable international oil prices, re-start of privatization process and Pakistan's return to international capital markets through a Eurobond issue. GDP growth, though lower than the target of 4.4% for FY14, grew by 4.1% during the year against 3.7% in FY13 which is the highest rate achieved since FY09. Most of the growth in GDP can be attributed to growth in industrial sector (5.84% in FY14 against 1.37% in FY13); however, growth in agriculture (2.12% in FY14 against 2.88% in FY13) and services sector (4.29% in FY14 against 4.85% in FY13) remained lackluster during the year. In a bid to meet IMF program targets, the government tightened its spending limit during the year and managed to reduce fiscal deficit to 5.8% of GDP which is a major improvement against budgetary target of 6.3% and last year's deficit of 8.2%. Provisional numbers suggest that revenues grew by 16.5%YoY which is also the highest growth rate in the last decade. Total revenue collection in FY14 stood at PKR2,260 billion which translates into a shortfall of PKR15 billion from twice-revised collection target of PKR2,275 billion. Despite this shortfall, the budgetary account received support from privatization proceeds and Eurobond inflows which helped bring down the fiscal deficit.

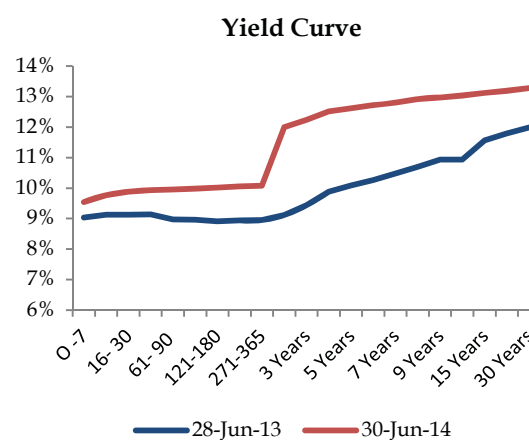
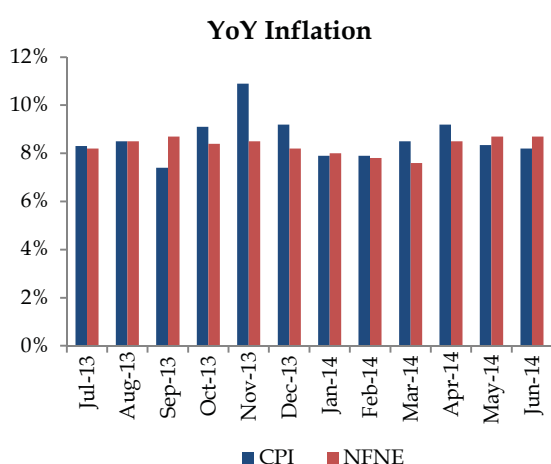


On the external account front, further deterioration was witnessed in the current account deficit which clocked-in at USD2.925 billion in FY14 compared to USD2.496 billion recorded in FY13. Increase in deficit was on account of lackluster growth in exports due to PKR appreciation and failure to reap full benefits of GSP+ status granted by the EU during the year. Deterioration in trade deficit was partially offset by increase in remittances which stood at highest ever level of USD15.832 billion and stable oil prices during the year. On the other hand, overall balance of payment recorded a surplus of USD3.843 billion due to inflow of USD2 billion in financial account from issuance of Eurobonds and USD1.5 billion inflows in the capital account attributed to financial assistance from KSA during the year. These inflows coupled with dollar inflows from other sources such as proceed from 3G & 4G auction, USD330 million from sale of Government's stake in UBL and USD674 million inflow from Coalition Support Fund helped the country end FY14 with impressive FX reserves level of USD14.139 billion of which USD9.095 billion were

held by SBP while the rest were held by commercial banks. Improvement in FX reserves is encouraging given the fact that the country ended FY13 with low reserves level of USD11.02 billion and touched an alarmingly low level of USD7.98 billion at the end of January 2014. As a result of a number of large foreign inflows, especially assistance received from KSA, rupee discontinued its downward trajectory and appreciated slightly by 0.84% to end the year at PKR98.78 vs. the dollar.

The monetary policy also moved in sync with the tight fiscal stance. The State Bank of Pakistan in an effort to curb inflation and meet IMF program requirements adopted a cautious course during the year and increased benchmark interest rate by 50bps to 9.5% in September 2013 and further by 50bps to 10% in November 2013 MPS. As a result, average CPI in FY14 clocked-in at 8.62% well below IMF's forecast of 10% inflation for the year. Government borrowings for budgetary support also improved and stood at PKR302.970 billion during FY14 of which PKR196.884 billion was from the central bank whereas the rest was from commercial banks.

The wheels have started to turn but Pakistan's economy will require continuous efforts and policy decision making in 2014-15. The fragile macroeconomic & geopolitical situation will be the key headwinds marring GDP growth in FY15. The current account deficit has started to expand due to poor export growth and the PKR revaluation does not bode well for the balance of payment position. Reemergence of energy circular debt, ongoing restructuring/sell-off of PSEs and the need for sustainable development spending to develop infrastructure to facilitate growth in the country will require a much bigger effort on tax collection side. Planned hike in energy tariffs and withdrawal of subsidies will keep inflation in the limelight but high base effect is expected to contain CPI inflation below 8% in FY15. The privatization process needs to gather steam and will play a vital role in keeping FX reserves and Rupee at a healthy level. Interest rates are likely to stay at current levels for some time as we see little room for SBP to start monetary easing program.



## EQUITY MARKET OVERVIEW

Equities continued their bull run during FY14 with KSE-100 index gaining 41% to close at an all-time high of 29,653 points. With this performance, the benchmark index of the country secured its place in the top ten highest yielding equity indices around the globe as ranked by Bloomberg. Post-election euphoria, continuing foreign inflows, improving macros and attractive corporate valuations remained the major drivers of equities' performance during the year. Average traded volume during the year rose by 8% YoY to 216mn whereas average traded value at the local bourse witnessed an increase of 52% YoY to clock-in at USD 85mn/day. Net foreign portfolio investment rose to USD256mn during the year against an inflow of USD211mn (excluding share buyback by Unilever for delisting) in FY13. Most of the foreign inflow during the year can be attributed to increase in Pakistan's weight in the MSCI FM index due to reclassification of Qatar and UAE to MSCI EM index which prompted foreign funds to rebalance their FM portfolios accordingly.

Strong growth in corporate earnings coupled with strong foreign interest propelled market to all-time high levels at the end of the year with banks leading the way (+58%YoY on the back of improving NIMs) followed by Cements (+51%YoY due to improvement in net retention prices in the local market) and textiles (+30%YoY on granting of GSP+ status to Pakistan). Heavyweight Oil & Gas sector managed to post a return of only 20%YoY due to chronic circular debt issue in the energy chain as well as weak oil prices. Going forward, we expect equities to continue to perform strongly during 2014-15 due to robust growth in corporate profitability and substantial foreign interest in Pakistan's equities.

### MUTUAL FUND INDUSTRY REVIEW

Open-end mutual fund industry witnessed significant improvement of 17.4%YoY to close FY14 with AUMs of PKR414 billion. The year saw a significant number of new fund launches, especially in the capital protected category. Once again, money market mutual funds bagged the largest slice of the pie despite recording a 6.4% decline in AUMs on YoY basis and closed the year at PKR119 billion compared to PKR127 billion at the end of FY13. The decline in money market funds' popularity can be attributed to single digit returns which forced investors to shift their funds to relatively riskier but higher-yielding instruments like income and equity funds.

Equity funds, on the other hand, posted a strong growth of 27%YoY to close the year at PKR89 billion mainly on account of strong returns provided by the local bourse during the last couple of years fuelled by strong foreign inflows and corporate profitability. Islamic Fund of Funds category, especially principle preservation funds, posted significant inflows during the year as combined AUMs in this category increased to PKR7.279 billion which represents a net increase of about PKR5.783 billion during FY14. The relatively safe nature of these funds, combined with prospects of good returns amid stable market outlook, will continue to attract investors in this category in the future.

### FUND PERFORMANCE

ABL-IPPF II increased by 2.79% during period under review against 4.01% increase in its benchmark, which reflects an underperformance of 122 basis points. We constantly altered the portfolio allocation towards equity and fixed-income based funds during the course of the year to capitalize on the bullish trend witnessed on local bourses. The underperformance was primarily due to sluggish performance of underlying ABL Islamic Stock Fund which lagged as prices of blue-chip stocks in major sectors, such as chemicals and exploration and production, did not increase as quickly as those of sideboard stocks during 2013-14.

As at June 30, 2014, the fund was invested at a gradient of 3 times, translating into an equity exposure of 45.5%. Given Capital Preservation focus of the fund, equity exposure is enhanced to very high levels only when the Investment Committee is very optimistic about near-term course of the market. This helps in maintaining risk of the fund at optimum levels. Another risk reducing strategy adopted by the Investment Committee was to lock-in 2.4% of the initial capital as preserved profit. This, effectively, means that the fund currently is preserving not only initial capital but 2.4% of profits as well, adding to level of comfort for investors without sacrificing on a chance to participate in any upside offered by equity markets.

### DIVIDEND

The Board of Directors of the management company on June 23, 2014 approved and declared final dividend distribution of Rs.0.1346 per unit (1.35% of the par value of Rs.10) for ABL-IPPF II for the year ended June 30, 2014.

## 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 # 15 of the Annual Report;
9. There is no statutory payment on account of taxes, duties, levies and charges outstanding other than already disclosed in the financial statements;
10. The statement as to the value of investments of Provident Fund is not applicable in the case of the Fund as employees retirement benefits expenses are borne by the Management Company;
11. There have been no trades in the units of the Fund's carried out by the Directors, CEO, CFO, CIA and the Company Secretary and their spouse;
12. Meeting of the Board of Directors of the Management Company are held at least once in every quarter. During the year six meeting were held. The 32nd, 33rd, 34th, 35th, 36th and 37th Board of Directors meetings were held on August 06, 2013, October 30, 2013, December 13, 2013, January 13, 2014, February 07, 2014 and April 22, 2014 respectively. Information in respect of attendance by the directors and other persons in the meetings is given below



S. No	Name of Director	Number of Meeting			Meeting not Attended
		Held	Attended	Leave Granted	
1	Sheikh Mukhtar Ahmed	6	6	-	-
2	Muhammad Waseem Mukhtar	6	5	1	36th
3	Tariq Mahmood*	6	6	-	-
4	Kamran Nishat	6	5	1	34th
5	M. Shakeb Murad	6	2	4	32nd, 34th, 36th, 37th
6	M. Jawaid Iqbal	6	4	2	33rd, 34th
7	Khawaja Muhammad Almas**	6	6	-	-
8	Farid Ahmed Khan***	6	6	-	-

\*appointed as new director vide circular resolution dated July 12, 2013.

\*\*Resigned from the services as Director on the Board of ABL AMCL which has been approved on July 02, 2014

\*\*\*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 year. During the year Two meeting were held. The 13th and 14th meetings of the Board's Human Resource and Remuneration Committee were held on February 14, 2014, March 12, 2014 and respectively. Information in respect of attendance by directors in the meetings is given below:

S. No	Name of Director	Number of Meeting			Meeting not Attended
		Held	Attended	Leave Granted	
1	Mr. M. Jawaid Iqbal	2	2	-	-
2	Mr. Kamran Nishat	2	2	-	-
3	Mr. Farid Ahmed Khan	2	2	-	-

14. Meeting of the Board's Audit Committee of the Management Company are held at least once in every quarter. During the year Four meeting were held. The 25th, 26th, 27th, and 28th meetings of the Board's Audit Committee were held on August 6, 2013, October 30, 2013, February 06, 2014 and April 22, 2014 respectively. Information in respect of attendance by directors in the meetings is given below:

S. No	Name of Director	Number of Meeting			Meeting not Attended
		Held	Attended	Leave Granted	
1	Mr. Kamran Nishat	4	3	1	27th
2	Mr. Muhammad Waseem Mukhtar	4	4	-	-
3	Mr. Khawaja Muhammad Almas*	4	4	-	-

\*Resigned from the services of the Board of ABL AMCL held on July 02, 2014.

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

S. No	Particulars	Units Held on June 30, 2014
1	<b>Associated Companies, undertakings and related parties</b>	
	• Hamdard Laboratories (Waqf) Pakistan	14,979,083
	• ABL Islamic Stock Fund	45,178,748
2	<b>Mutual Funds</b>	NIL
3	<b>Directors and their spouse(s) and minor children</b>	NIL
4	<b>Executives</b>	NIL
5	<b>Public Sector Companies and corporations</b>	NIL
6	<b>Others Corporates</b>	5,006,565
7	<b>Bank, DFIs, NBFCs, Insurance Companies, Takaful, Modaraba and Pension Fund</b>	63,545,659
8	<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, 2015 for ABL Islamic Principal Preservation Fund-II (ABL-IPPF-II).

## 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 to 'AM Two Minus' (AM2-) to 'AM Two' (AM2). Outlook on the assigned rating is 'Stable'.

## OUTLOOK

Amid political noise and a weak macro environment, signs of economic revival are evident in the economic landscape. Stable near-term oil prices, smooth running of IMF program, stable FX reserves level, successful start of the privatization program and serious efforts to tackle the energy sector problems are expected to act as catalyst for growth going ahead. However, in order to achieve this, the Government will have to put populist politics on the side and take tough decisions on energy subsidies, broadening of tax base, law and order situation and complete overhaul of public sector enterprises.

We believe that Pakistan's economy can break the shackles of anemic growth rates and the investment climate can improve considerably if the Government maintains fiscal discipline. If the recovery continues, we see the possibility of discount rate cut in first half of FY15. Hence, we will align our portfolio accordingly play the yield curve movement and adopt an active trading strategy in order to optimize returns.

#### 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 (MCB Financial Services Limited) and the management of Islamabad Stock Exchange Limited for their continued guidance and support. The Directors also appreciate the efforts put in by the management team.

For & on behalf of the Board



**Farid Ahmed Khan**  
Chief Executive Officer

Karachi, August 26, 2014

## ABL ISLAMIC PRINCIPAL PRESERVATION FUND II

### FUND MANAGER REPORT

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#### OBJECTIVE

To provide higher risk adjusted return through dynamic asset allocation between Shariah Compliant Equity & Income/Money Market Scheme while preserving the principal at maturity.

#### EQUITY MARKET OVERVIEW

Equities continued their bull run during FY14 with KSE-100 index gaining 41% to close at an all-time high of 29,653 points. With this performance, the benchmark index of the country secured its place in the top ten highest yielding equity indices around the globe as ranked by Bloomberg. Post-election euphoria, continuing foreign inflows, improving macros and attractive corporate valuations remained the major drivers of equities' performance during the year. Average traded volume during the year rose by 8%YoY to 216mn whereas average traded value at the local bourse witnessed an increase of 52%YoY to clock-in at USD 85mn/day. Net foreign portfolio investment rose to USD256mn during the year against an inflow of USD211mn (excluding share buyback by Unilever for delisting) in FY13. Most of the foreign inflow during the year can be attributed to increase in Pakistan's weight in the MSCI FM index due to reclassification of Qatar and UAE to MSCI EM index which prompted foreign funds to rebalance their FM portfolios accordingly.

Strong growth in corporate earnings coupled with strong foreign interest propelled market to all-time high levels at the end of the year with banks leading the way (+58%YoY on the back of improving NIMs) followed by Cements (+51%YoY due to improvement in net retention prices in the local market) and textiles (+30%YoY on granting of GSP+ status to Pakistan). Heavyweight Oil & Gas sector managed to post a return of only 20%YoY due to chronic circular debt issue in the energy chain as well as weak oil prices. Going forward, we expect equities to continue to perform strongly during 2014-15 due to robust growth in corporate profitability and substantial foreign interest in Pakistan's equities.

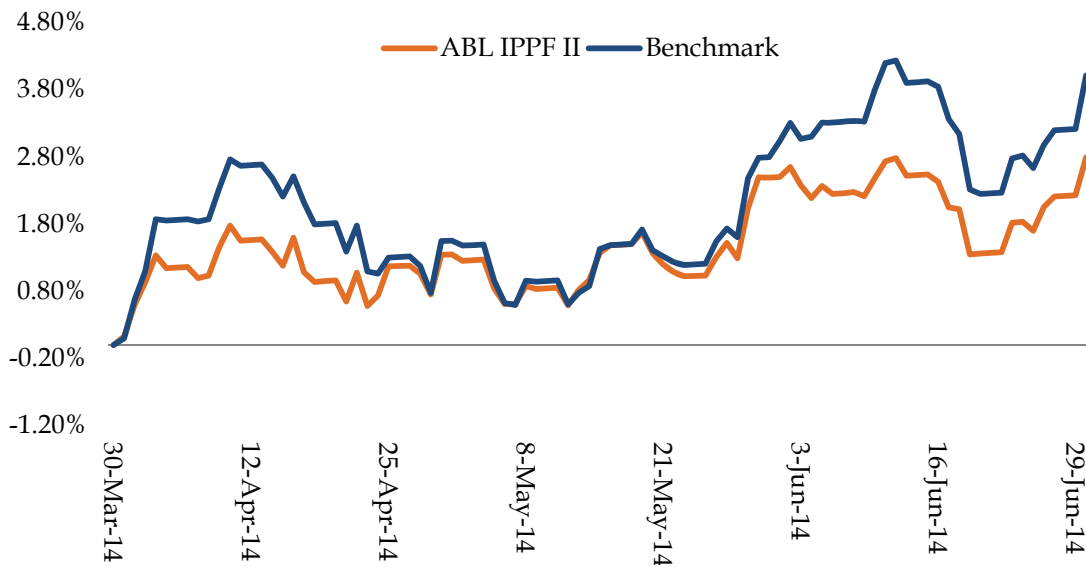
#### FUND PERFORMANCE

ABL-IPPF II returned 2.79% to its investors during FY14, underperforming its benchmark by 122 basis points. ABL ISF, which is the underlying vehicle through which the fund takes equities exposure, underperformed because prices of blue-chip stocks in major sectors, such as chemicals, oil exploration and production, did not increase as quickly as those of sideboard stocks during 2013-14. We expect this to change soon as blue-chip stocks are nearly as attractive in valuation, if not more, than some of the performing side board stocks. ABL-IPPF II, as at June 30, 2014, was nearly 45.5% invested in equities and the rest in cash and cash equivalents.

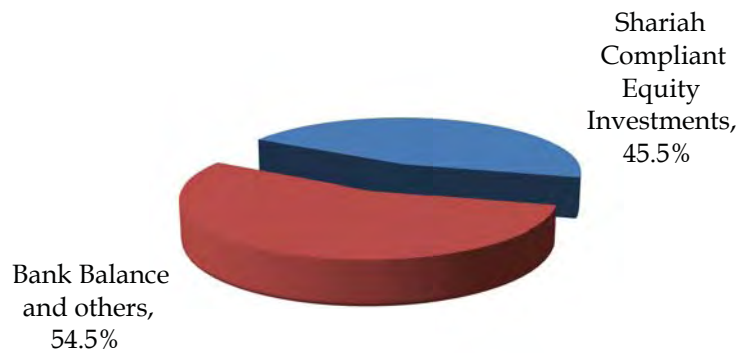
#### FUTURE OUTLOOK AND STRATEGY

Looking ahead, we believe key drivers of market performance will be successful execution of the government's privatization program, foreign interest in frontier markets and outcome of the military operation in Northern Waziristan. Local investors will also favor the market in near to midterm on back of consistent foreign flows, strong corporate profitability with large payout expectations and government's undying resolve to fix energy chain.

Pakistan equity market trades at an attractive 2014E P/E of 8.3x and offers dividend yield of 5.6%. Long term results for equity investors since 2008 crash have been very impressive owing to attractive valuations, abundant liquidity in the system and strong corporate earnings growth. Although valuations have re-rated, the strength of underlying macro and corporate fundamentals assures us that equities will continue to perform well. Investors should continue to add Pakistan equities in their portfolios.



**Sector Allocation (% of Total Assets)**



## ABL ISLAMIC PRINCIPAL PRESERVATION FUND II

### PERFORMANCE TABLE

March 31, 2014  
to June 30, 2014  
(Rupees in '000)

Net Assets	1,029,888
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Net Income	28,011
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(Rupees per unit)

Net Assets value	10.1428
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Interim distribution*	-
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Final distribution*	0.1346
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Distribution date final	June 23, 2014
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Closing offer price	10.3457
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Closing repurchase price	10.1428
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Highest offer price	10.4840
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Lowest offer price	10.0000
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Highest repurchase price per unit	10.2784
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Lowest repurchase price per unit	10.0000
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Percentage

Total return of the fund	
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- capital growth	1.44%
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- income distribution	1.35%
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Average return of the fund	2.79%
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#### Disclaimer

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

# ABL ISLAMIC PRINCIPAL PRESERVATION FUND II

## Trustee Report to the Unit Holders



### MCB FINANCIAL SERVICES LIMITED

#### REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

#### ABL ISLAMIC PRINCIPAL PRESERVATION FUND II

#### Report of the Trustee Pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

ABL Islamic Principal Preservation Fund II, an open-end Scheme established under a Trust Deed dated February 13, 2014 executed between ABL Asset Management Company Limited, as the Management Company and MCB Financial Services Limited, as the Trustee. The Fund commenced its operations on 31<sup>st</sup> March 2014.

1. ABL Asset Management Company Limited, the Management Company of ABL Islamic Principal Preservation Fund II has, in all material respects, managed ABL Islamic Principal Preservation Fund II during the period from 31<sup>st</sup> March 2014 to 30<sup>th</sup> June 2014 in accordance with the provisions of the following:
  - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
  - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
  - (iii) the creation and cancellation of units are carried out in accordance with the deed;
  - (iv) and any regulatory requirement

For the purpose of information, the attention of unit holder's is drawn towards auditor's report and 1.1 to the financial statements which highlights that annexed financial statements are not prepared on going concern basis as the fund will mature on 30<sup>th</sup> March 2016 in accordance with the constitutive documents of the fund. Accordingly, in preparing these financial statements the management has given due consideration to the fact that the measurement of assets and liabilities may be affected by changes in judgments that can arise when the going concern assumption ceases to be valid.

Khawaja Anwar Hussain  
Chief Executive Officer  
MCB Financial Services Limited

Karachi: October 10, 2014

3rd Floor, Adamjee House, I. I. Chundrigar Road, Karachi - 74000  
Direct Nos. 021-32430485, 32415454, 32415204, 32428731 PABX No. 021-32419770, Fax No. 021-32416371  
Website: <http://www.mcbfsl.com.pk>

# ABL ISLAMIC PRINCIPAL PRESERVATION FUND II

## Report of the Shariah Advisor



Aug 08, 2014

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, 2014 comply with the provided Shariah guidelines. Therefore it is resolved that investments in ABL Islamic Principal Preservation Fund II (ABL-IPPF-II) 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, BC-13, Block No 9, KDA Scheme No, 5, Clifton, Karachi.  
PABX: +92(21) 35309101-09, Fax: +92(21) 35309155



# ABL ISLAMIC PRINCIPAL PRESERVATION FUND II

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



**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 Principal Preservation Fund II, (the Fund) to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the period from March 31, 2014 to June 30, 2014. Our engagement was carried out as required under clause 21.3 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 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 the investments made by the Fund are in compliance with the Shariah Principles.

#### Responsibility of an independent assurance provider

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 for making investments of the Fund.
- Check that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the period from March 31, 2014 to June 30, 2014 are in compliance with the Shariah Principles.

#### Conclusion

In our opinion, the annexed statement, in all material respects, present fairly the status of the Fund's compliance with the Shariah Principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for the period from March 31, 2014 to June 30, 2014.

*A. Ferguson & Co.*

Chartered Accountants

Dated: September 12, 2014

Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
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# ABL ISLAMIC PRINCIPAL PRESERVATION FUND II

## REVIEW REPORT TO THE UNIT HOLDERS



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 enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of ABL Asset Management Company Limited, the Management Company of **ABL Islamic Principal Preservation Fund II** (the Fund) for the period from March 31, 2014 to June 30, 2014 to comply with the Listing Regulation No.35 (Chapter XI) of the Islamabad 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 (**ABL Asset 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 of Directors' statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of the Fund's 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 price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price 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 as applicable to the Fund for the period from March 31, 2014 to June 30, 2014.

*Affeng vs on 4/15*

Chartered Accountants

Dated: September 12, 2014

Karachi

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## ABL ISLAMIC PRINCIPAL PRESERVATION FUND II

### STATEMENT OF COMPLIANCE BY ABL ISLAMIC PRINCIPAL PRESERVATION FUND II WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD FROM MARCH 31, 2014 TO JUNE 30, 2014

This statement is being presented to comply with the Code of Corporate Governance (“the Code”) contained in Regulation No. 35 (Chapter XI) of the listing regulations of the Islamabad 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 Principal Preservation Fund II (“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 Islamabad Stock Exchange, in the following manner:

1. The Management Company encourages representation of independent, non-executive directors. At June 30, 2014 the Board includes:

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

The independent directors meets the criteria of independence under clause i (b) of the Code.

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 Management 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 period there was no casual vacancy.
5. The Management Company has prepared a ‘Code of Conduct’ and has ensured that appropriate steps have been taken to disseminate it throughout the Management 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), other executive and non-executive directors have been taken by the Board. There is no executive director of the Management Company other than the CEO.
8. The meetings of the Board were presided over by the Chairman 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. The directors are conversant with the relevant laws applicable to the company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. The Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit continued their services and no change in these positions were made during this financial year.
11. The Directors' Report of the Fund for the period ended June 30, 2014 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. The Board has formed Human Resource and Remuneration Committee. It comprises four members, of whom three are non-executive directors and the chairman of the Committee is a non-executive director.

18. The Board has set up an effective internal audit function within the Management Company.
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 NAV of the Fund's units, was determined and intimated to directors, employees and the Stock Exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through the Stock Exchange.
23. We confirm that all other material principles enshrined in the Code have been complied with.

For and on behalf of the Board



**Farid Ahmed Khan**  
Chief Executive Officer

Karachi, August 26, 2014

# ABL ISLAMIC PRINCIPAL PRESERVATION FUND II

## INDEPENDENT AUDITORS REPORTS



**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 Principal Preservation Fund II** (hereinafter referred to as the 'Fund'), which comprise the statement of assets and liabilities as at June 30, 2014, and the related income statement, distribution statement, statement of movement in unit holders' fund and cash flow statement for the period from March 31, 2014 to June 30, 2014 and a summary of significant accounting policies and other explanatory notes.

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

The Management Company (**ABL Asset Management Limited**) 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, 2014 and of its financial performance, cash flows and transactions for the period from March 31, 2014 to June 30, 2014 in accordance with the approved accounting standards as applicable in Pakistan.

#### Emphasis of matter paragraph

We draw attention to note 1.1 to the annexed financial statements which highlights that the annexed financial statements are not prepared on going concern basis as the Fund will mature on March 30, 2016 in accordance with the constitutive documents of the Fund. Accordingly, in preparing these financial statements the management has given due consideration to the fact that the measurement of assets and liabilities may be affected by changes in judgments that can arise when the going concern assumption ceases to be valid.

Our opinion is not qualified in respect of the aforementioned matter.

#### 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: September 12, 2014

Karachi

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# ABL ISLAMIC PRINCIPAL PRESERVATION FUND II

## STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2014

	Note	June 30, 2014 Rupees in '000
<b>ASSETS</b>		
Balances with banks	4	557,419
Investments	5	470,939
Profit receivable	6	3,963
Preliminary expenses and floatation costs	7	1,816
<b>Total assets</b>		<b>1,034,137</b>
<b>LIABILITIES</b>		
Payable to ABL Asset Management Company Limited - Management Company	8	2,933
Payable to MCB Financial Services Limited - Trustee	9	63
Payable to the Securities and Exchange Commission of Pakistan	10	151
Accrued expenses and other liabilities	11	1,102
<b>Total liabilities</b>		<b>4,249</b>
<b>NET ASSETS</b>		<b>1,029,888</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>1,029,888</b>
<b>CONTINGENCIES AND COMMITMENTS</b>		
	12	<b>Number of units</b>
<b>NUMBER OF UNITS IN ISSUE</b>	13	<b>101,538,982</b>
		<b>Rupees</b>
<b>NET ASSETS VALUE PER UNIT</b>		<b>10.1428</b>
<b>FACE VALUE PER UNIT</b>		<b>10.0000</b>

The annexed notes 1 to 26 form an integral part of these financial statements.

  
FARID AHMED KHAN  
CEO

For ABL Asset Management Company Limited  
(Management Company)

  
SHAKEB MURAD  
DIRECTOR

## ABL ISLAMIC PRINCIPAL PRESERVATION FUND II

### INCOME STATEMENT

FOR THE PERIOD FROM MARCH 31, 2014 TO JUNE 30, 2014

	Note	For the period from March 31, 2014 to June 30, 2014 Rupees in '000
<b>INCOME</b>		
Profit on deposits with banks		10,683
Back end load		38
Unrealised appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss	5.1	13,939
<b>Total income</b>		<b>24,660</b>
<b>EXPENSES</b>		
Remuneration of ABL Asset Management Company Limited - Management Company	8.1	1,035
Sindh sales tax on remuneration of the Management Company	8.2	192
Federal excise duty on remuneration of the Management Company	8.3	166
Remuneration of MCB Financial Services Limited - Trustee	9.1	161
Annual fee - Securities and Exchange Commission of Pakistan	10.1	151
Auditors' remuneration	14	250
Amortisation of preliminary expenses and floatation costs	7	262
Printing charges		75
Listing fee		40
Annual rating fee		175
Bank charges		18
<b>Total expenses</b>		<b>2,525</b>
<b>Net income from operating activities</b>		<b>22,135</b>
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net		6,448
Provision for Workers' Welfare Fund	11.1	(572)
<b>Net income before taxation</b>		<b>28,011</b>
Taxation	15	-
<b>Net income after taxation</b>		<b>28,011</b>
Other comprehensive income		-
<b>Total comprehensive income</b>		<b>28,011</b>
<b>Earnings per unit</b>	16	

The annexed notes 1 to 26 form an integral part of these financial statements.

  
FARID AHMED KHAN  
CEO

For ABL Asset Management Company Limited  
(Management Company)

  
SHAKEB MURAD  
DIRECTOR



**ABL ISLAMIC PRINCIPAL PRESERVATION FUND**  
**DISTRIBUTION STATEMENT**  
 FOR THE PERIOD FROM MARCH 31, 2014 TO JUNE 30, 2014

	For the period from March 31, 2014 to June 30, 2014 Rupees in '000
Undistributed income at the beginning of the period	-
Net income after taxation	28,011
<b>Distribution during the period</b>	
- Re 0.1346 per unit on June 23, 2014	
- Issue of 1,351,657 bonus units	(13,517)
Undistributed income carried forward	<u>14,494</u>
<b>Undistributed income carried forward comprising of:</b>	
- Realised income	555
- Unrealised income	<u>13,939</u>
	<u>14,494</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

  
 FARID AHMED KHAN  
 CEO

For ABL Asset Management Company Limited  
 (Management Company)

  
 SHAKEB MURAD  
 DIRECTOR

**ABL ISLAMIC PRINCIPAL PRESERVATION FUND**  
**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND**  
 FOR THE PERIOD FROM MARCH 31, 2014 TO JUNE 30, 2014

	For the period from March 31, 2014 to June 30, 2014 Rupees in '000
<b>Net assets at the beginning of the period</b>	-
Issue of 100,564,740 units	1,012,124
Redemption of 377,415 units	(3,799)
	1,008,325
Issue of 1,351,657 bonus units	13,517
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed transferred to income statement - net	(6,448)
Unrealised appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss	13,939
Other net income	14,072
	28,011
<b>Distribution during the period</b>	
- Re 0.1346 per unit on June 23, 2014	
- Issue of 1,351,657 bonus units	(13,517)
<b>Net assets at the end of the period</b>	1,029,888

The annexed notes 1 to 26 form an integral part of these financial statements.

  
 FARID AHMED KHAN  
 CEO

For ABL Asset Management Company Limited  
 (Management Company)

  
 SHAKEB MURAD  
 DIRECTOR

# ABL ISLAMIC PRINCIPAL PRESERVATION FUND

## CASH FLOW STATEMENT

FOR THE PERIOD FROM MARCH 31, 2014 TO JUNE 30, 2014

	Note	For the period from March 31, 2014 to June 30, 2014 Rupees in '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before taxation		28,011
<b>Adjustments for non-cash and other items:</b>		
Unrealised appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss		(13,939)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		(6,448)
Amortisation of preliminary expenses and floatation costs		262
Federal excise duty on remuneration of the Management Company		166
Provision for Workers' Welfare Fund		572
		8,624
<b>(Increase) / decrease in assets</b>		
Investments		(457,000)
Profit receivable		(3,963)
		(460,963)
<b>Increase / (decrease) in liabilities</b>		
Payable to ABL Asset Management Company Limited - Management Company		689
Payable to MCB Financial Services Limited - Trustee		63
Payable to the Securities and Exchange Commission of Pakistan		151
Accrued expenses and other liabilities		530
		1,433
		(450,906)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issue of units		1,012,124
Payments against redemption of units		(3,799)
<b>Net cash generated from financing activities</b>		1,008,325
		557,419
<b>Net increase in cash and cash equivalents during the period</b>		557,419
Cash and cash equivalents at beginning of the period		-
<b>Cash and cash equivalents at end of the period</b>	4	557,419

The annexed notes 1 to 26 form an integral part of these financial statements.

  
FARID AHMED KHAN  
CEO

For ABL Asset Management Company Limited  
(Management Company)

  
SHAKEB MURAD  
DIRECTOR

# ABL ISLAMIC PRINCIPAL PRESERVATION FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM MARCH 31, 2014 TO JUNE 30, 2014

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### 1. LEGAL STATUS AND NATURE OF BUSINESS

ABL Islamic Principal Preservation Fund II (the Fund) was established under a Trust Deed executed between ABL Asset Management Company Limited (ABL AMCL) as the Management Company and MCB Financial Services Limited (MCBFSL) as the Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 3, 2014 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Trust Deed was executed on February 13, 2014.

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 7 December 2007. Title to the assets of the Fund is held in the name of MCB Financial Services Limited as the Trustee of the Fund. The registered office of the Management Company is situated at 11-B, Lalazar, MT Khan Road, Karachi.

The Fund has been categorised as an open-end Shariah Compliant Fund of Fund Scheme as per the criteria laid down by the SECP for categorisation of Collective Investment Scheme (CIS). The units of the Fund are listed on the Islamabad Stock Exchange.

The objective of the Fund is to provide higher risk adjusted return through investment in dynamic asset allocation between Shariah Compliant Equity Schemes and Shariah Compliant Income / Money Market Scheme.

JCR-VIS Credit Rating Company Limited has assigned Management Quality Rating of 'AM2' (stable outlook) to the Management Company. The Fund has not yet been rated.

- 1.1 The Fund commenced its operations from March 31, 2014. The duration of the Fund is twenty four (24) months from the commencement of the life of the Fund and the Fund shall automatically be dissolved after the aforementioned period. Based on the above, the management has assessed and concluded that the Fund is not a going concern. The management has continued to measure the Fund's assets and liabilities principally in accordance with the basis of measurement disclosed in note 3 of these financial statements. However, in preparing these financial statements the management has given due consideration to the fact that the measurement of assets and liabilities may be affected by changes in judgements that can arise when the going concern assumption ceases to be valid.

### 2. BASIS OF PRESENTATION

#### 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 (IFRSs) 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 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 IFRSs, 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 not yet effective in the current period:

There are certain new and amended standards and interpretations that are mandatory for the accounting periods beginning on or after July 1, 2014 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 Critical accounting estimates and judgments

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

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

- Classification and valuation of financial assets (note 3.2 and 5)
- Impairment of financial assets (note 3.2.5)

## 2.4 Accounting convention

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

## 2.5 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.

### 3.1 Cash and cash equivalents

Cash and cash equivalents comprise 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. The classification depends on the purpose for which the financial assets were acquired. The management determines the classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

Investments are classified as follows:

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

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

#### b) Loans and receivables

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

#### c) Available for sale

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

### 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 and 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 designated by the management as "at fair value through profit or loss" and "available for sale" are valued as follows:

#### - Basis of valuation of units of mutual funds

The investment of the Fund in units of mutual funds is valued by reference to the net asset values (redemption prices) declared by the respective funds.

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

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

#### **b) Loans and receivables**

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

Gains or losses are recognised in the income statement when the 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 values 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.

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

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

### **3.2.6 Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all 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 instruments

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 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.

### 3.6 Preliminary expenses and floatation costs

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

### 3.7 Taxation

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

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund does not account for deferred tax, if any, 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.

### 3.8 Proposed distributions

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in 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.



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 previous day net asset value per unit as of the close of the business day less any backend load, provision for transaction costs and any provision for duties and charges, if applicable. Backend load is recorded as income of the Fund.

### 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 the prices of the 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 income / (loss) held in the unit holder's fund and undistributed income / (loss) of the Fund in a separate reserve account and any amount remaining in this reserve account at the end of 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

- Unrealised gains / (losses) arising on re-measurement of investments classified as financial assets at fair value through profit or loss are included in the income statement in the year in which they arise.
- Profit on bank deposits is recognised on an accrual basis.

	Note	June 30, 2014 Rupees in '000
<b>4 BALANCES WITH BANKS</b>		
Current accounts	4.1	3,608
Saving accounts	4.2	<u>553,811</u>
		<u><u>557,419</u></u>
<b>4.1</b>	This balance is maintained with Allied Bank Limited - related party of the Fund.	
<b>4.2</b>	These saving accounts carry profit at rates ranging from 4.93% to 9.10% per annum.	
<b>5 INVESTMENTS</b>		
<b>Financial assets at fair value through profit or loss</b>		
- Units of a Mutual Fund	5.1	<u><u>470,939</u></u>

## 5.1 Units of a Mutual Fund

Number of units			As at June 30, 2014			Market value as a percentage of net Asset	Market value as a percentage of market value of Investment
Purchased during the period	Bonus received during the period	As at June 30, 2014	Carrying value	Market value	Appreciation		
----- Rupees in '000 -----							
ABL Islamic Stock Fund - a related party	39,040,294	6,135,454	45,175,748	457,000	470,939	13,939	45.73% 100.00%
	<b>39,040,294</b>	<b>6,135,454</b>	<b>45,175,748</b>	<b>457,000</b>	<b>470,939</b>	<b>13,939</b>	<b>45.73% 100.00%</b>

**Note**      **June 30, 2014**  
**Rupees in '000**

## 6 PROFIT RECEIVABLE

Profit accrued on bank deposits 3,963

## 7 PRELIMINARY EXPENSES AND FLOATATION COSTS

Preliminary expenses and floatation costs incurred 2,078  
Less: amortisation during the period 7.1 (262)  
Balance as at June 30, 2014 1,816

7.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over two (life of the Fund) years in accordance with the requirement set out in the Trust Deed.

8 PAYABLE TO ABL ASSET MANAGEMENT COMPANY LIMITED  
- MANAGEMENT COMPANY

Remuneration of the Management Company	8.1	409
Sindh sales tax payable on remuneration of the Management Company	8.2	92
Federal excise duty on the remuneration of the Management Company	8.3	166
Sales load		188
Preliminary expenses and floatation costs		<u>2,078</u>
		<u><u>2,933</u></u>

8.1 Under the provision of the Non Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding 3 percent of the average annual net assets of the Fund and thereafter of an amount equal to 2 percent of such assets of the fund. Further, as per the requirement of NBFC Regulations the Management Company shall not charge any fee if the funds makes investment in CIS managed by same Management Company. The Management Company charges remuneration at the rate of 1% per annum based on the daily net assets of the Fund after deducting the investment made in the CIS managed by the Management Company during the period ended June 30, 2014. 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.
- 8.3 As per the requirements 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 collectively taken up by the Management Company jointly with other Asset Management Companies together with their respective Collective Investment Schemes through their trustees, through a Constitutional Petition filed in the Honourable Sindh High Court (SHC) during September 2013 challenging the levy of FED. In this respect, the SHC has issued a stay order against the recovery of FED and the hearing of the petition is still pending.

Pending decision of the SHC, the Fund is not making payments for FED. However, the Fund, as a matter of abundant caution, has made full provision in respect of FED amounting to Rs 0.166 million. Had the provision not been made the net asset value per unit of the Fund as at June 30, 2014 would have been higher by Re 0.0016 per unit.

	Note	June 30, 2014 Rupees in '000
<b>9 PAYABLE TO MCB FINANCIAL SERVICES LIMITED - TRUSTEE</b>		
Trustee fee	9.1	<u>63</u>
9.1 Under the provisions of the Trust Deed, the Trustee is entitled to a remuneration, to be paid monthly in arrears, as per the following tariff structure:		
- Rs 250,000 or 0.08% per annum of Net Asset Value whichever is higher.		
<b>10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>		
Annual fee	10.1	<u>151</u>
10.1 Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as capital protected scheme is required to pay as annual fee to the SECP at the rate of 0.075 percent of the average annual net assets of the scheme.		
<b>11 ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
Auditors' remuneration		250
Listing fee		30
Rating fee		175
Printing charges		75
Provision for Workers' Welfare Fund	11.1	<u>572</u>
		<u><u>1,102</u></u>

## 11.1 Provision for Workers' Welfare Fund

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

Subsequently 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. In a recent judgement, Peshawar High Court (PHC) has also held these amendments to be ultra vires as they lacked the essential mandate to be introduced and passed through the Money Bill under the Constitution. 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 0.572 million in these financial statements. Had the same not been made the net asset value per unit of the Fund as at June 30, 2014 would have been higher by Re 0.0056 per unit.

## 12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2014.

## 13 NUMBER OF UNITS IN ISSUE

	June 30, 2014 Number of units
Units issued	100,564,740
Add: bonus units issued	1,351,657
Less: units redeemed	(377,415)
Total units in issue as at June 30, 2014	<u>101,538,982</u>

For the period  
from March 31,  
2014 to June 30,  
2014  
Rupees in '000

## 14 AUDITORS' REMUNERATION

Annual audit fee	180
Other certification	50
Out of pocket expenses	20
	<u>250</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 at least ninety percent of the Fund's accounting income for the period as reduced by capital gains, whether realised or unrealised, to its unit holders.

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

## 16 EARNINGS PER UNIT

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

## 17 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2014, 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, 2014-----		
	Loans and receivables	Financial assets at fair value through profit or loss	Total
	-----Rupees in '000-----		
<b>Financial assets</b>			
Balances with banks	557,419	-	557,419
Investments	-	470,939	470,939
Profit receivable	3,963	-	3,963
	<u>561,382</u>	<u>470,939</u>	<u>1,032,321</u>

	-----As at June 30, 2014-----		
	At fair value through profit or loss	Other financial liabilities	Total
	-----Rupees in '000-----		
<b>Financial liabilities</b>			
Payable to ABL Asset Management Company Limited - Management Company	-	2,933	2,933
Payable to MCB Financial Services Limited -Trustee	-	63	63
Accrued expenses and other liabilities	-	530	530
	<u>-</u>	<u>3,526</u>	<u>3,526</u>

**18. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS**

- 18.1 Connected persons / related parties include ABL Asset Management Company Limited being the Management Company, Allied Bank Limited, ABL Asset Management Company Limited - Staff Provident Fund, Allied Bank Limited - Employees Superannuation (Pension) Fund, Allied Bank Limited - Staff Provident Fund, Cyan Limited, Cyan Limited - Employees Provident Fund, Ibrahim Fibres Limited, Ibrahim Agencies (Private) Limited, Arabian Sea Country Club, Muller and Phipps Pakistan (Private) Limited and CFA Association of Pakistan being entities under common management and / or directorship, funds under management, the MCB Financial Services Limited being the Trustee of the Fund, Hamdard Laboratories (Waqf) Pakistan, the directors and officers of the Management Company being connected person.
- 18.2 Transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with the market rates.
- 18.3 Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 18.4 Remuneration of the Trustee is determined in accordance with the provisions of the Trust Deed.
- 18.5 **Details of transactions during the period**

**For the period  
from March 31,  
2014 to June 30,  
2014**

**Rupees in '000**

**ABL Asset Management Company Limited - Management Company**

Remuneration	1,035
Preliminary expenses and floatation costs incurred	2,078
Sindh sales tax on remuneration of the Management Company	192
Federal excise duty on the remuneration of the Management Company	166

**Investment in ABL Islamic Stock Fund**

39,040,294 units purchased	457,000
6,135,454 bonus units received	-

**Hamdard Laboratories (Waqf) Pakistan**

Issue of 14,780,142 units	150,000
Bonus of 198,941 units	1,989

**MCB Financial Services Limited - Trustee**

Remuneration	161
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June 30, 2014

Rupees in '000

## 18.6 Details of amounts outstanding as at period end

**ABL Asset Management Company Limited - Management Company**

Remuneration payable	409
Preliminary expenses and floatation costs payable	2,078
Sales load payable	188
Sindh sales tax on remuneration of the Management Company	92
Federal excise duty on the remuneration of the Management Company	166

**Allied Bank Limited**

Bank balance	3,608
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**ABL Islamic Stock Fund**

Investment of 45,175,748 units	470,939
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**Hamdard Laboratories (Waqf) Pakistan**

Units held 14,979,083	151,930
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**MCB Financial Services Limited - Trustee**

Remuneration payable	63
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## 19. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of the 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	20	CFA
2	Muhammad Imran	Chief Investment Officer	15	MBA
3	Abid Jamal	Head of Research	10	CFA
4	Kamran Aziz	Fund Manager	6	CFA
5	Faizan Saleem	Fund Manager	7	MBA

19.1 Mr. Muhammad Imran is the Fund Manager of the Fund. He is also managing ABL Islamic Principal Preservation Fund.

## 20 PATTERN OF UNIT HOLDING

-----As at June 30, 2014-----

Category	No. of unit holders	No. of units held	Net asset value of the amount invested	Percentage of total investment
Rupees in '000				
Individuals	173	18,007,675	182,647	17.73%
Insurance Companies	2	2,121,581	21,519	2.09%
Bank /DFIs	1	4,053,840	41,117	4.00%
Retirement Funds	36	57,370,238	581,895	56.50%
Other Corporate	3	19,985,648	202,710	19.68%
	215	101,538,982	1,029,888	100.00%

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

The 37th Board of Directors meeting was held on April 22, 2014. Information in respect of attendance by the directors and other persons in the meeting is given below:

S.No.	Particulars	No. of meetings			Meeting not attended
		Held	Attended	Leave granted	
<b>Directors</b>					
1	Sheikh Mukhtar Ahmed	1	1	-	-
2	Muhammad Waseem Mukhtar	1	1	-	-
3	Tariq Mahmood***	1	1	-	-
4	Kamran Nishat	1	1	-	-
5	M. Shakeb Murad	1	-	1	37th
6	M. Jawaid Iqbal	1	1	-	-
7	Khawaja Muhammad Almas	1	1	-	-
8	Farid Ahmed Khan*	1	1	-	-
<b>Other persons</b>					
1	Saqib Matin**	1	1	-	-

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

\*\* Attended the BOD meeting as Company Secretary.

\*\*\* Appointed as new Director of ABL Asset Management Company Limited in the 3rd meeting of the Board of Directors held on October 30, 2013.

## 22 FINANCIAL RISK MANAGEMENT

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

### 22.1 Market risk

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

The Management Company manages market risk by monitoring exposure on 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 three types of risk: currency risk, interest rate risk and other price risk.



## 22.2 Currency risk

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

## 22.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Fund is mainly exposed to interest rate risk on balances held with banks.

### a) Sensitivity analysis for variable rate instruments

Presently, the Fund does not directly hold any variable rate instrument except for balances in certain saving account the interest rate of which in certain circumstances is 4.93% to 9.10% and is not exposed to cash flow interest rate risk.

### b) Sensitivity analysis for fixed rate instruments

Presently, the Fund does not directly hold any fixed rate instrument that may expose the Fund to any material interest rate risk.

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

-----As at June 30, 2014-----						
Effective yield / interest rate	Exposed to yield / interest risk			Not exposed to yield / interest rate risk	Total	
	Upto three months	More than three months and up to one year	More than one year			
On-balance sheet financial instruments	%	----- Rupees in '000 -----				
<b>Financial assets</b>						
Balances with banks	4.93 - 9.10	553,811	-	-	3,608	557,419
Investments		-	-	-	470,939	470,939
Profit receivable		-	-	-	3,963	3,963
<b>Sub total</b>		<b>553,811</b>	<b>-</b>	<b>-</b>	<b>478,510</b>	<b>1,032,321</b>
<b>Financial liabilities</b>						
Payable to ABL Asset Management Company Limited - Management Company		-	-	-	2,933	2,933
Payable to MCB Financial Services Limited -Trustee		-	-	-	63	63
Accrued expenses and other liabilities		-	-	-	530	530
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>3,526</b>	<b>3,526</b>
<b>On-balance sheet gap</b>		<b>553,811</b>	<b>-</b>	<b>-</b>	<b>474,984</b>	<b>1,028,795</b>
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest rate sensitivity gap</b>		<b>553,811</b>	<b>-</b>	<b>-</b>	<b>474,984</b>	<b>1,028,795</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>553,811</b>	<b>553,811</b>	<b>553,811</b>		

## 22.4 Price risk

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

## 22.5 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk mainly arises from deposits with banks and financial institutions and investment made in the units of mutual fund. For banks and financial institutions and investment made in the units of mutual fund, only reputed parties are accepted. All transactions in listed securities are settled / paid for upon delivery using the central clearing company. The risk of default is considered minimal due to inherent systematic measures taken therein.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company. The Fund does not expect to incur material credit losses on its financial assets.

22.6 The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2014:

### Balances with banks and investment made by the Fund by rating category

Particulars	Rating agency	Latest available published rating	Percentage
-------------	---------------	-----------------------------------	------------

#### Banks

Allied Bank Limited	PACRA	AA+	0.64%
Standard Chartered Bank Limited	PACRA	AAA	99.35%
Meezan Bank Limited	JCR-VIS	AA	0.01%
			100.00%

#### Investments

ABL Islamic Stock Fund	JCR-VIS	Not rated yet	100.00%
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None of these assets are 'impaired nor past due but not impaired'.

## 22.7 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. Out of the total financial assets of Rs 1,032,321 thousand, financial assets of Rs 470,939 thousand are invested in the units of a fund which is managed by the Management Company. The management believes that underlying assets held by the Fund are sufficiently diverse and therefore indirectly do not expose the Fund to any major concentration risk.

## 22.8 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, if any. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. 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 realised. The Fund's investments 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 period.

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

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

-----As at June 30, 2014-----			
Upto three months	More than three months and up to one year	More than one year	Total

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

### Liabilities

Payable to ABL Asset Management Company Limited				
- Management Company	2,933	-	-	2,933
Payable to MCB Financial Services Limited -Trustee	63	-	-	63
Accrued expenses and other liabilities	530	-	-	530
	<b>3,526</b>	-	-	<b>3,526</b>

## 23 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

----- As at June 30, 2014 -----				
ASSETS	Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----				
Financial assets at fair value through profit or loss				
- Investment in units of a mutual fund	470,939	-	-	470,939

## 24 UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund shall remain closed for further investment, however, there is no restriction or specific capital requirement on the redemption of units.

The Fund's objectives when managing unit holders' fund is to provide returns to unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies, the Fund endeavours to invest the subscriptions received in appropriate investment avenues 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 period.

## 25 GENERAL

25.1 Figures have been rounded off to the nearest thousand rupees.

## 26 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 26, 2014 by the Board of Directors of the Management Company.

  
**FARID AHMED KHAN**  
 CEO

For ABL Asset Management Company Limited  
 (Management Company)

  
**SHAKEB MURAD**  
 DIRECTOR