



# CONDENSED INTERIM FINANCIAL STATEMENT

HALF YEARLY REPORT FOR THE PERIOD  
ENDED DECEMBER 31, 2013



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

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of ABL Asset Management Company Limited, the management company of ABL Islamic Income Fund (ABL-IIF), is pleased to present the un-audited Condensed Interim Financial Statements of ABL-IIF for the half year ended December 31, 2013.

### ECONOMIC PERFORMANCE REVIEW

The year 2013 marked a new chapter in Pakistan's history with a smooth civilian to civilian transition of Government. Acting swiftly to address the economic morass, the newly elected Government entered into a fresh IMF program (USD6.64bn to be released over a period of 36 months) to steer the country out of economic doldrums. As it turned out, the stringent conditions set forth by the IMF defined the contours of the economic policy to a great extent. Revenue enhancement measures, removal of subsidies and kick starting the privatization process were at the top of the agenda for policy makers. As measures were enforced, key economic indicators suffered with inflation sky rocketing (10.9% in November after hitting a low of 7.4% in September) and PKR weakening (5.8% depreciation over 1HFY14) significantly against the dollar. Monetary authorities, sighting inflationary pressures and low FX reserve position (SBP reserves at USD3.66 billion at year end after hitting a low of USD2.96 billion in December), retreated on their monetary easing stance and increased the discount rate cumulatively by 100bps to 10% during the period.

On the fiscal front, tax collection increased to PKR1,031 billion (+14% YoY), but still fell short of the target by Rs 59 billion. Removal of electricity subsidies had little bearing on circular debt which has again piled up after the Government cleared the dues following the FY14 budget. Balance of Payment position remained precarious (posting a deficit of USD1.86 billion for 1HFY14) as the current account deficit swelled to USD1.59 billion. To give the credit where it's due, the Government has undertaken some tough decisions which have paved way for 2nd generation of reforms. Inflation was back in single digits during December 2013 while the critical FX reserve position was rescued by the release of IMF's second tranche. The rupee also recovered to close year end at PKR105.3 vs. USD after hitting a low of 108.6.

### MUTUAL FUND INDUSTRY REVIEW

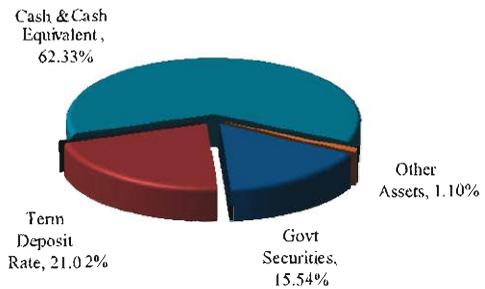
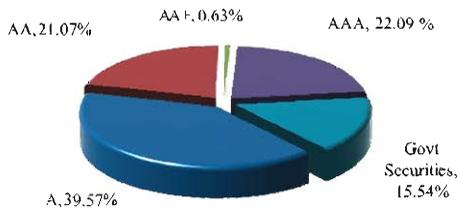
Total assets under management (AUMs) of Pakistan's open end mutual fund industry grew by 10.7% during July-December to close CY2013 at PKR361 bn. The period saw an increase in interest rates by 100bps to 10%, which attracted investors towards low risk money market funds. Income funds however lost some ground due to valuation adjustments on their bond portfolios from rising interest rates. Moreover, frail economic conditions implied investor preference for low risk funds increased. Momentary year-end outflows impacted AUMs which are a norm at this time of the year as high rates lured investors towards bank deposits.

Despite increasing interest rates, Islamic income funds barely felt the change as primary investments of such funds are in floating rate Sukuks. Consequently, return performance of such funds remained stable compared to their conventional counterparts. Competition from deposit rates due to year-end however led to a slight decline in AUMs. The Islamic income fund category thus declined by 2% to PKR35 billion at December 31, 2013 compared to PKR36 billion as at June 30, 2013.

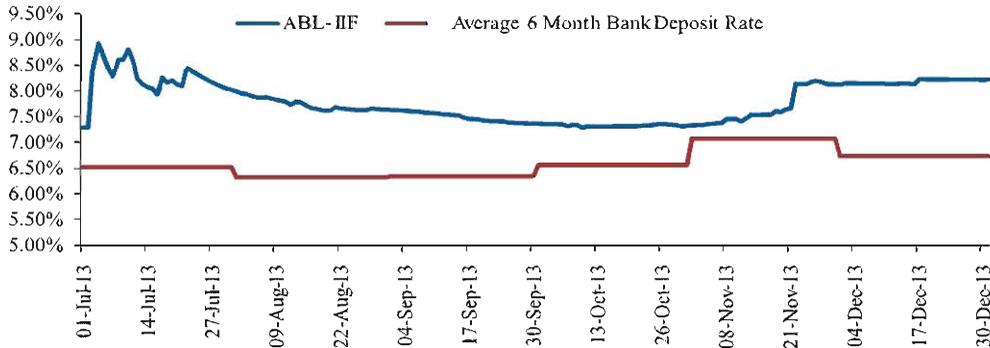
### FUND PERFORMANCE

During the period under review, ABL Islamic Income Fund's AUMs decreased by 7.63% to PKR 1,083 million from PKR 1,172 million as at June 30, 2013. Return performance remained upbeat during the period due to active portfolio management. Moreover, competitive rates on bank placements and trading gains on Ijarah Sukuk contributed towards higher returns. During 1HFY14 unit price of ABL-IIF increased by 4.25% to close at PKR 10.4289 (cum dividend) translating into an annualized yield of 8.22% compared to its benchmark return of 6.60%, an outperformance of 162 bps.

At the end of the period, the fund comprised of GoP Ijarah Sukuk at 0.47%, Govt. Guaranteed Sukuks at 15% and bank placements at 83.63% of the fund size. Bank placements (TDR + cash) were enhanced due to high year-end rates offered by banks. In order to diversify and boost returns, AAA rated WAPDA Sukuk was added to the portfolio. Weighted average maturity of the fund was 447 days.



Other assets account for 1.10% of Total Assets



## FUTURE OUTLOOK

We feel interest rates are likely to remain stable in 2HFY2014 after edging up by 1% in 1HFY-14. The spike in inflation numbers has receded while FX reserves have stabilized post-IMF installment payments. The after effects of these developments have brought money market yields down slightly whereas PKR has also stabilized after facing a torrid time in November-December 2013. The realization of CSF and 3G auction proceeds will further facilitate external account situation. There are risks that lower receipt of FX proceeds and further removal of energy subsidies can trigger higher expectation of inflation and put exchange rate under pressure. Such a situation can also bring the specter of monetary tightening back in the game. There are also concerns that heavy government borrowing to fund the budget deficit can keep the yields at elevated levels.

Keeping in view the current economic conditions with interest rates stabilizing, we will make a tactical shift in our portfolio of short-medium term government securities and money market instruments. However, it is difficult to make a clear call on lengthening the portfolio duration by adding longer duration instruments. We need to see more data points and a clear policy vision from the Government to make that call.

## DIVIDEND

Interim distribution of Re.0.2231 per unit (2.23% of the par value of Rs.10) for ABL-IIF for the quarter ended December 31, 2013 has been announced. This is in addition to the aggregate interim distribution of Re.0.1868 per unit (1.87% on the face value of Rs. 10 per unit) already distributed.

## AUDITORS

M/s. A.F. Ferguson's & Co. (Chartered Accountants), have been appointed as auditors for the year ending June 30, 2014 for ABL Islamic Income Fund (ABL-IIF).

## FUND STABILITY RATING

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

## MANAGEMENT QUALITY RATING

The Management Quality Rating of ABL Asset Management Limited (ABL AMC) is 'AM Two' (AM2). Outlook on the assigned rating is 'Stable'.

## ACKNOWLEDGEMENT

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

For and on behalf of the Board

  
FARID AHMED KHAN  
Chief Executive Officer

Karachi, February 7, 2014



**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**  
CDC House, 99-B, Block 'B'  
S.M.C.H.S. Main Shahr-e-Faisal  
Karachi - 74400 Pakistan  
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URL: www.cdcpakistan.com  
Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

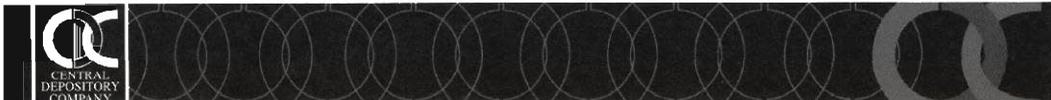
**ABL ISLAMIC INCOME FUND**

**Report of the Trustee pursuant to Regulation 41(b) of the Non-Banking Finance  
Companies and Notified Entities Regulations, 2008**

We Central Depository Company of Pakistan Limited, being the Trustee of ABL Islamic Income Fund (the Fund) are of the opinion that ABL Asset Management Company Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2013 in accordance with the provisions of the following:

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

  
**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited  
Karachi: February 13, 2014



**INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE UNIT HOLDERS**

**Introduction**

We have reviewed the accompanying condensed interim statement of assets and liabilities of **ABL Islamic Income Fund** as at December 31, 2013 and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2013. The Management Company (ABL Asset Management Company Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income statement for the quarters ended December 31, 2013 and December 31, 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2013.

**Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.



Chartered Accountants

Engagement Partner: **Noman Abbas Sheikh**

Date: February 12, 2014

Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
State Life Building No. 1-C, J.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

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Kabul: Apartment No. 3, 3rd Floor, Dost Tower, Haji Yaqub Square, Sher-e-Nau, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320

**ABL ISLAMIC INCOME FUND  
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES  
AS AT DECEMBER 31, 2013**

	Note	(Un-audited) December 31, 2013	(Audited) June 30, 2013
		----- Rupees -----	
<b>ASSETS</b>			
Balances with banks	4	682,064,951	417,536,479
Investments	5	400,054,500	738,135,279
Security deposit and prepayments		215,668	-
Profit receivable		10,971,415	26,779,734
Preliminary expenses and floatation costs		964,375	1,289,402
<b>Total assets</b>		<b>1,094,270,909</b>	<b>1,183,740,894</b>
<b>LIABILITIES</b>			
Payable to ABL Asset Management Company Limited - Management Company	6	3,617,667	3,076,244
Payable to Central Depository Company of Pakistan Limited - Trustee		152,843	146,232
Payable to the Securities and Exchange Commission of Pakistan		428,697	936,804
Accrued expenses and other liabilities	7	6,107,303	5,302,166
Payable against redemption of units		1,310,000	2,199,906
Dividend payable		18,111	14,896
<b>Total liabilities</b>		<b>11,634,621</b>	<b>11,676,248</b>
<b>NET ASSETS</b>		<b>1,082,636,288</b>	<b>1,172,064,646</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>1,082,636,288</b>	<b>1,172,064,646</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	9	----- Number of units -----	
<b>NUMBER OF UNITS IN ISSUE</b>		<b>108,166,809</b>	<b>117,105,945</b>
<b>NET ASSET VALUE PER UNIT</b>		<b>10.0090</b>	<b>10.0086</b>
<b>FACE VALUE PER UNIT</b>		<b>10.0000</b>	<b>10.0000</b>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

For ABL Asset Management Company Limited  
(Management Company)

  
FARID AHMED KHAN  
CEO

  
KHAWAJA MUHAMMAD ALMAS  
DIRECTOR

**ABL ISLAMIC INCOME FUND  
CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013**

	For the half year ended December 31, 2013	For the half year ended December 31, 2012	For the quarter ended December 31, 2013	For the quarter ended December 31, 2012
<b>INCOME</b>	Rupees			
Capital gain on sale of government securities - net	4,534,471	9,956,849	4,357,368	6,377,203
Profit on deposits with banks	20,302,653	18,317,768	11,228,104	11,154,070
Income from term deposit receipts	3,075,452	5,792,329	3,075,452	5,551,233
Income from sukus	29,066,985	40,326,101	12,679,870	18,160,153
	56,979,561	74,393,047	31,340,794	41,242,659
Unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at fair value through profit or loss - net	41,500	286,987	(404,257)	286,987
<b>Total income</b>	<b>57,021,061</b>	<b>74,680,034</b>	<b>30,936,537</b>	<b>41,529,646</b>
<b>EXPENSES</b>				
Remuneration of ABL Asset Management Company Limited - Management Company	5,715,954	5,997,946	2,879,515	3,397,438
Remuneration of Central Depository Company of Pakistan Limited - Trustee	914,349	937,809	459,005	503,028
Sindh sales tax on remuneration of Management Company 6.1	1,060,548	959,627	534,647	543,578
Federal excise duty on remuneration of Management Company 6.2	914,268	-	460,439	-
Amortization of preliminary expenses and floatation costs	325,027	325,027	162,514	162,514
Annual fee - Securities and Exchange Commission of Pakistan	428,697	449,846	215,964	254,808
Auditors' remuneration	188,190	148,711	113,835	74,356
Bank and settlement charges	47,518	67,815	26,086	33,098
Annual rating fee	92,630	88,220	46,315	47,891
Printing charges	41,329	75,617	3,521	37,809
Brokerage and securities transaction cost	81,330	176,525	72,705	103,925
Listing fee	25,452	15,123	12,603	7,562
<b>Total operating expenses</b>	<b>9,835,292</b>	<b>9,242,266</b>	<b>4,987,149</b>	<b>5,166,007</b>
<b>Net income for the period from operating activities</b>	<b>47,185,769</b>	<b>65,437,768</b>	<b>25,949,388</b>	<b>36,363,639</b>
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	(1,298,967)	4,534,692	(1,517,625)	3,468,458
Provision for Workers' Welfare Fund 7.1	(917,736)	(1,399,449)	(488,635)	(795,106)
<b>Net income for the period before taxation</b>	<b>44,969,066</b>	<b>68,573,011</b>	<b>23,943,128</b>	<b>39,036,991</b>
Taxation 8	-	-	-	-
<b>Net income for the period after taxation</b>	<b>44,969,066</b>	<b>68,573,011</b>	<b>23,943,128</b>	<b>39,036,991</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>44,969,066</b>	<b>68,573,011</b>	<b>23,943,128</b>	<b>39,036,991</b>
<b>Earnings per unit</b>	10			

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

For ABL Asset Management Company Limited  
(Management Company)

  
**FARID AHMED KHAN**  
CEO

  
**KHAWAJA MUHAMMAD ALMAS**  
DIRECTOR

**ABL ISLAMIC INCOME FUND  
CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

	For the half year ended December 31, 2013	For the half year ended December 31, 2012
	----- Rupees -----	
<b>Undistributed income brought forward comprising of:</b>		
- realised income	4,337,648	2,591,144
- unrealised income	<u>(3,332,339)</u>	<u>-</u>
	1,005,309	2,591,144
<b>Distribution during the period</b>		
- Re 0.1868 per unit on September 27, 2013 (2012 - Re 0.2788 per unit on September 24, 2012)		
Cash distribution	(15,827)	(22,381)
Issue of 2,115,115 bonus units (2012: 2,945,055)	<u>(21,151,148)</u>	<u>(29,450,550)</u>
- Re 0.2231 per unit on December 30, 2013 (2012 - Re 0.2789 per unit on December 27, 2012)		
Cash distribution	(18,903)	(22,939)
Issue of 2,379,015 bonus units (2012: 3,905,674)	<u>(23,790,145)</u>	<u>(39,056,738)</u>
	(44,976,023)	(68,552,608)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net	(32,614)	-
Net income for the period after taxation	44,969,066	68,573,011
Undistributed income carried forward	<u>965,738</u>	<u>2,611,547</u>
<b>Undistributed income carried forward comprising of:</b>		
- realised income	924,238	2,324,560
- unrealised income	<u>41,500</u>	<u>286,987</u>
	965,738	2,611,547

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

For ABL Asset Management Company Limited  
(Management Company)

  
FARID AHMED KHAN  
CEO

  
KHAWAJA MUHAMMAD ALMAS  
DIRECTOR

**ABL ISLAMIC INCOME FUND  
CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

	For the half year ended December 31, 2013	For the half year ended December 31, 2012
	----- Rupees -----	
<b>Net assets at the beginning of the period</b>	1,172,064,646	1,059,763,164
Issue of 39,124,721 units (2012: 121,559,965 units)	395,392,612	1,232,337,895
Redemption of 52,557,987 units (2012: 68,763,782 units)	(531,054,273)	(699,841,388)
	(135,661,661)	532,496,507
Issue of 4,494,130 bonus units (2012: 6,850,729 units)	44,941,293	68,507,288
<b>Net element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed</b>		
- amount representing (income) / loss and capital (gains) / losses transferred to income statement	1,298,967	(4,534,692)
- amount representing (income) / loss and capital (gains) / losses transferred to distribution statement	32,614	-
	1,331,581	(4,534,692)
Capital gain on sale of government securities - net	4,534,471	9,956,849
Unrealised appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss - net	41,500	286,987
Other net income	40,393,095	58,329,175
	44,969,066	68,573,011
<b>Distribution during the period</b>		
- Re 0.1868 per unit on September 27, 2013 (2012 - Re 0.2788 per unit on September 24, 2012)		
Cash distribution	(15,827)	(22,381)
Issue of 2,115,115 bonus units (2012: 2,945,055 units)	(21,151,148)	(29,450,550)
- Re 0.2231 per unit on December 30, 2013 (2012 - Re 0.2789 per unit on December 27, 2012)		
Cash distribution	(18,903)	(22,939)
Issue of 2,379,015 bonus units (2012: 3,905,674 units)	(23,790,145)	(39,056,738)
	(44,976,023)	(68,552,608)
<b>Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed transferred to distribution statement</b>	(32,614)	-
<b>Net assets as at the end of the period</b>	<u>1,082,636,288</u>	<u>1,656,252,670</u>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

For ABL Asset Management Company Limited  
(Management Company)

  
FARID AHMED KHAN  
CEO

  
KHAWAJA MUHAMMAD ALMAS  
DIRECTOR

**ABL ISLAMIC INCOME FUND  
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

	For the half year ended December 31, 2013	For the half year ended December 31, 2012
Note	----- Rupees -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	44,969,066	68,573,011
<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 - net	(41,500)	(286,987)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	1,298,967	(4,534,692)
Amortization of preliminary expenses and floatation cost	325,027	325,027
Provision for Workers' Welfare Fund	917,736	1,399,449
Federal Excise Duty on Management Company's Remuneration	914,268	-
	<u>48,383,564</u>	<u>65,475,808</u>
<b>(Increase) / decrease in assets</b>		
Profit receivable	15,808,319	(14,423,502)
Security deposits and prepayments	(215,668)	(101,658)
Investments	568,122,279	178,615,389
	<u>583,714,930</u>	<u>164,090,229</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to ABL Asset Management Company Limited - Management Company	(372,845)	450,291
Payable to Central Depository Company of Pakistan Limited - Trustee	6,611	35,517
Payable to Securities and Exchange Commission of Pakistan	(508,107)	(131,090)
Accrued expenses and other liabilities	(112,599)	(2,805)
	<u>(986,940)</u>	<u>351,913</u>
<b>Net cash generated from operating activities</b>	<u>631,111,554</u>	<u>229,917,950</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(31,515)	(45,320)
Receipts from issuance of units	395,392,612	1,232,337,895
Payments against redemption of units	(531,944,179)	(698,391,388)
<b>Net cash (used in) / generated from financing activities</b>	<u>(136,583,082)</u>	<u>533,901,187</u>
<b>Net increase in cash and cash equivalents</b>	<u>494,528,472</u>	<u>763,819,137</u>
Cash and cash equivalents at the beginning of the period	417,536,479	269,492,693
<b>Cash and cash equivalents at the end of the period</b>	4.3 <u>912,064,951</u>	<u>1,033,311,830</u>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

For ABL Asset Management Company Limited  
(Management Company)

  
FARID AHMED KHAN  
CEO

  
KHAWAJA MUHAMMAD ALMAS  
DIRECTOR

## **1 LEGAL STATUS AND NATURE OF BUSINESS**

ABL Islamic Income Fund (the Fund) was established under a Trust Deed executed between ABL Asset Management Company Limited (ABL AMCL) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 11, 2010 in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

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

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

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

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

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

The assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. 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 Companies 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 the IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2013.

In compliance with Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2013.

### 3 SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ESTIMATES, JUDGMENTS AND CHANGES THEREIN

The accounting policies applied for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published audited financial statements of the Fund for the year ended June 30, 2013.

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

The significant estimates, judgments and assumptions made by the management in applying the accounting policies and the key sources of estimation of uncertainty were the same as those that applied to the audited annual financial statements as at and for the year ended June 30, 2013.

The financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements of the Fund for the year ended June 30, 2013.

Certain amendments to approved accounting standards have been published and are mandatory for the Fund's accounting period beginning on or after July 1, 2013. None of these amendments are expected to have a significant effect on this condensed interim financial information.

		(Un-audited) December 31, 2013	(Audited) June 30, 2013
		----- Rupees -----	
<b>4</b>	<b>BALANCES WITH BANKS</b>		
	Current account	2,173,031	3,608,597
	Savings accounts	679,891,920	413,927,882
		<u>682,064,951</u>	<u>417,536,479</u>
4.1	Balance in current account is maintained with Allied Bank Limited, a related party.		
4.2	These savings accounts carry profit at rates ranging from 6.00% to 9.95% (June 30, 2013: 6.00% to 9.25%) per annum.		
<b>4.3</b>	<b>Cash and cash equivalents</b>		
	Balances with banks	682,064,951	417,536,479
	Term deposit receipts	230,000,000	-
		<u>912,064,951</u>	<u>417,536,479</u>
<b>5</b>	<b>INVESTMENTS</b>		
	<b>Financial assets at fair value through profit or loss</b>		
	- GoP Ijarah sukuku	5,054,500	588,135,279
	- Other sukuku	165,000,000	150,000,000
		170,054,500	738,135,279
	<b>Loans and receivables</b>		
	- Term deposit receipts	230,000,000	-
		<u>400,054,500</u>	<u>738,135,279</u>

5.1 a) GoP Ijarah sukuku:

Issue date	Coupon rate in % / tenor	Face Value			Balance as at December 31, 2013			Market value as a percentage of total net assets	Market value as a percentage of total market value of investments
		As at July 01, 2013	Purchased during the period	Disposed of / matured during the period	As at December 31, 2013	Carrying Value	Market value		
Rupees									
20-Dec-10	9.22 / 3 Years	-	20,000,000	20,000,000	-	-	-	-	-
7-Mar-11	9.34 / 3 Years	-	100,000,000	100,000,000	-	-	-	-	-
16-May-11	9.43 / 3 Years	-	164,500,000	164,500,000	-	-	-	-	-
2-Mar-12	8.99 / 3 Years	581,900,000	110,000,000	691,900,000	-	-	-	-	-
30-Apr-12	9.46 / 3 Years	5,000,000	-	-	5,000,000	5,013,000	5,054,500	41,500	0.47%
18-Sep-12	9.05 / 3 Years	-	443,000,000	443,000,000	-	-	-	-	-
		<u>586,900,000</u>	<u>837,500,000</u>	<u>1,419,400,000</u>	<u>5,000,000</u>	<u>5,013,000</u>	<u>5,054,500</u>	<u>41,500</u>	<u>0.47%</u>
									<u>1.26%</u>

b) Other sukuku:

Issue	Coupon rate in % / tenor	Face Value			Balance as at December 31, 2013			Market value as a percentage of total net assets	Market value as a percentage of total market value of investments
		As at July 01, 2013	Purchased during the period	Disposed of / matured during the period	As at December 31, 2013	Carrying Value	Market value		
Rupees									
HUBCO	10.70 / 6 months	150,000,000	-	150,000,000	-	-	-	-	-
WAPDA	10.56 / 8 Years	-	165,000,000	-	165,000,000	165,000,000	165,000,000	-	15.24%
		<u>150,000,000</u>	<u>165,000,000</u>	<u>150,000,000</u>	<u>165,000,000</u>	<u>165,000,000</u>	<u>165,000,000</u>	<u>-</u>	<u>15.24%</u>
									<u>41.24%</u>

5.2 Term deposit receipt carry profit at rate of 9.60% and will mature on February 21, 2014.

		(Un-audited) December 31, 2013	(Audited) June 30, 2013
6	<b>PAYABLE TO ABL ASSET MANAGEMENT COMPANY LIMITED - MANAGEMENT COMPANY</b>	Note	--- Rupees ---
	Remuneration of Management Company	949,028	898,661
	Sindh sales tax on remuneration of Management Company	6.1 311,568	157,515
	Federal excise duty on remuneration of Management Company	6.2 1,000,078	85,810
	Preliminary expenses and floatation costs	1,289,506	1,934,258
	Sales load	67,487	-
		<u>3,617,667</u>	<u>3,076,244</u>

6.1 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.

6.2 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 6.1, 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 Honorable 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 effective June 13, 2013 aggregating to Rs 1,000,078. Had the provision not been made the net asset value per unit of the Fund as at December 31, 2013 would have been higher by Re 0.0092 per unit.

		(Un-audited) December 31, 2013	(Audited) June 30, 2013
	Note	--- Rupees ---	
<b>7</b>	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
	Auditors' remuneration	166,068	247,789
	Printing charges	72,148	147,885
	Provision for Workers' Welfare Fund	5,770,946	4,853,210
	Withholding tax payable	20,436	38,282
	Brokerage payable	77,705	15,000
		<u>6,107,303</u>	<u>5,302,166</u>

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

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

During the year ended June 30, 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Honourable Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the Honorable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the Court. Without prejudice to the above, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 5.771 million (including Rs 0.918 million for the current period) in this condensed interim financial information. Had the same not been made the net asset value per unit of the Fund as at December 31, 2013 would have been higher by Re 0.0533 per unit.

## 8 TAXATION

The income of the Fund is exempt from income tax as per 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 management intends to distribute atleast 90% of the Fund's net accounting income earned by the year end to the unit holders. Accordingly, no provision in respect of taxation has been made in this condensed interim financial information.

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.

## 9 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2013 and as at June 30, 2013.

## 10 EARNINGS PER UNIT

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

## 11 TRANSACTIONS WITH CONNECTED PERSONS

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

Transactions with connected persons / related parties are in the normal course of business, at contracted rates and terms determined in accordance with the market rates.

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

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

### 11.1 Details of transactions with connected persons / related parties during the period are as follows:

	--- (Un-audited) ---	
	For the half year ended December 31, 2013	For the half year ended December 31, 2012
	----- Rupees -----	
<b>ABL Asset Management Company Limited - Management Company</b>		
Bonus of 277,248 units (2012: 346,128 units)	2,772,480	3,461,280
Remuneration for the period	5,715,954	5,997,946
Sindh sales tax on remuneration of Management Company	1,060,548	959,627
Federal excise duty on remuneration of Management Company	914,268	-
<b>ABL AMCL -Staff Provident Fund</b>		
Issue of 127,863 units (2012: NIL units)	1,300,000	-
Bonus of 2,853 units (2012: NIL units)	28,530	-
<b>Allied Bank Limited</b>		
Bank charges	8,375	24,124
<b>DIRECTOR OF THE MANAGEMENT COMPANY</b>		
<b>M. Shakeh Murad</b>		
Issue of NIL units(2012: 20,456 units)	-	205,000
Bonus of 2,008 units (2012: 2,733 units)	20,080	27,330
Redemption of 2,010 units (2012: 2,743 units)	20,377	27,729
<b>KEY MANAGEMENT PERSONNEL</b>		
<b>Chief Executive Officer</b>		
Bonus of 4,592 units (2012: 5,734 units)	45,920	57,340
<b>Executives</b>		
Issue of 480,646 units (2012: 192,504 units)	4,849,925	1,950,000
Bonus of 17,257 units (2012: 5,789 units)	172,570	57,889
Redemption of 398,806 units (2012: NIL units)	4,000,000	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration for the period	914,349	937,809

(Un-audited) (Audited)  
December 31, June 30,  
2013 2013  
----- Rupees -----

**11.2 Amounts outstanding with connected persons / related parties as at the period end:**

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

Outstanding 6,972,970 units (June 30, 2013: 6,695,722 units)	69,792,457	67,014,801
Preliminary expenses and floatation costs payable	1,289,506	1,934,258
Remuneration payable	949,028	898,661
Sindh sales tax payable on remuneration of Management Company	311,568	157,515
Federal excise duty payable on remuneration of Management Company	1,000,078	85,810
Sales load payable	67,487	-

**ABL AMCL Staff Provident Fund**

Outstanding 130,716 units (June 30, 2013: NIL units)	1,308,336	-
--	-----------	---

**Allied Bank Limited**

Bank balances held	2,173,031	3,608,597
--------------------	-----------	-----------

**DIRECTOR OF THE MANAGEMENT COMPANY**

**M. Shakeb Murad**

Outstanding 50,012 units (June 30, 2013: 50,014 units)	500,570	500,570
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**KEY MANAGEMENT PERSONNEL**

**Chief Executive Officer**

Outstanding 115,493 units (June 30, 2013: 110,901 units)	1,155,969	1,109,964
--	-----------	-----------

**Executives**

Outstanding 462,183 units (June 30, 2013: 363,086 units)	4,625,990	3,633,983
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**Central Depository Company of Pakistan Limited - Trustee**

Remuneration payable	152,843	146,232
Security deposit receivable	100,000	-

**12 DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on February 7, 2014.

**13 GENERAL**

13.1 Figures have been rounded off to the nearest rupee.

13.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. No significant reclassifications have been made during the current period.

For ABL Asset Management Company Limited  
(Management Company)

  
**FARID AHMED KHAN**  
CEO

  
**KHAWAJA MUHAMMAD ALMAS**  
DIRECTOR



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