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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 STOCK FUND

### 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 Bank Al- Falah Limited Standard Chartered Bank (Pakistan) Limited	
<b>Auditor:</b>	KPMG Taseer Hadi & Co. Chartered Accountants Sheikh Sultan Trust Building No. 2 Beaumont Road Karachi, 75530 Pakistan	
<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

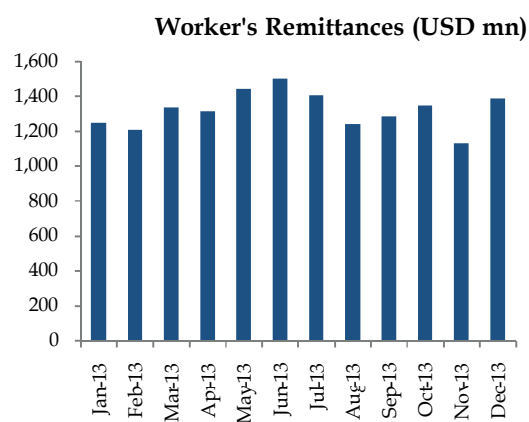
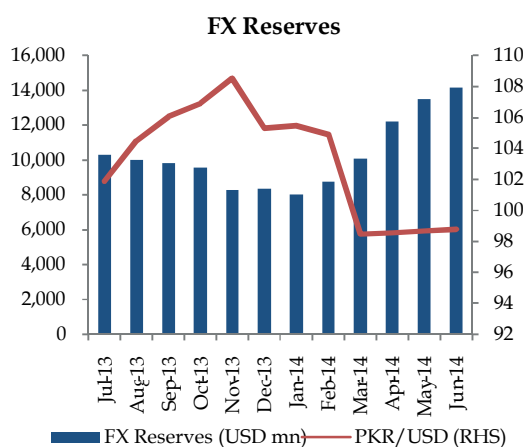
## ABL ISLAMIC STOCK FUND

### REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of ABL Asset Management Company Limited, the management company of ABL Islamic stock Fund (ABL-ISF), is pleased to present the Audited Financial Statements of ABL Islamic Stock Fund for the year 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 PKR2,260billion which translates into a shortfall of PKR15billion from twice-revised collection target of PKR2,275billion. Despite this shortfall, the budgetary account received support from privatization proceeds and Eurobond inflows which helped bring down the fiscal deficit.

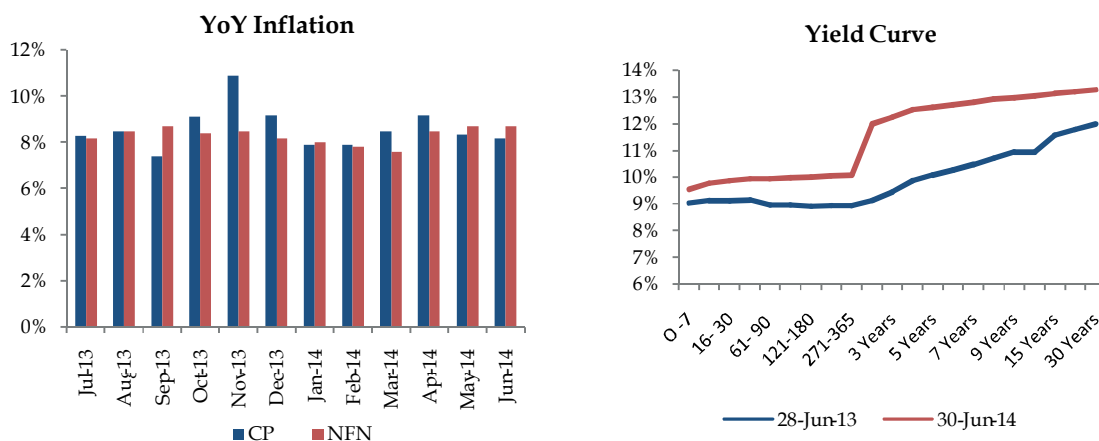


On the external account front, further deterioration was witnessed in the current account deficit which clocked-in at USD2.925billion in FY14 compared to USD2.496billion recorded in FY13. Increase in deficit was on account of lackluster growth in exports due to PKR appreciation and failure to reap full 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 USD15.832billion and stable oil prices during the year. On the other hand, overall balance of payment recorded a surplus of USD3.843billion due to inflow of USD2billion in financial account from issuance of Eurobonds and USD1.5billion 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, USD330million from sale of Government's stake in UBL and USD674million inflow from Coalition Support Fund helped the country end FY14 with impressive FX reserves level of USD14.139billion of which USD9.095billion 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 USD11.02billion and touched an alarmingly low level of USD7.98billion 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 PKR302.970billion during FY14 of which PKR196.884billion 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.



## 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.

## SECTOR OVERVIEW

Islamic banking continued to re-rate upwards in FY14 on the back of improving fundamentals and strong deposits growth. Overall, Islamic banking deposits grew by 13% during 9MFY14 to close the year at PKR872 billion. Contrary to prior years, most of the deposits were channeled into financing this year (IDR fell to 39% from 55% in FY13) resulting in financing growth of 17% in 9MFY14. Furthermore, slight improvement in asset quality was witnessed during FY14 (NPL's declined by 3% to PKR18.8 billion in 9MFY14) while coverage ratio improved to 76% in Mar 2014 from 66% in June 2013. Overall, sector profitability improved as industry ROE increased to 14% in 9MFY14 compared to 11% in June 2013.

Geopolitical uncertainty kept international oil prices volatile during FY14 as benchmark Arab Light traded in the range of USD102-117/bbl in FY14. The average for the year stood at USD 109.14/bbl, up 0.34%YoY, which combined with a meager 1% PKR depreciation helped post increase in earnings of Pakistan E&P sector. Overall, oil production posted strong growth of 10% while gas production fell by 3% during the year. The sector aggressively pursued exploration and drilled 102 wells during FY14 while hitting 19 successful discoveries. On the downstream side, government cleared circular debt stock at the start of its tenure by issuing PIBs which offered some respite to the sector (especially PSO) but this quick-fix proved to be temporary and the menace of circular debt resurfaced again to cripple PSO's liquidity. Due to this temporary resolution, sector's volumes grew by 7%YoY primarily driven by 11%YoY uptick in furnace oil sales along with 15%YoY growth in MS volumes. At present, failure to find permanent solution of impending cash flow problems poses risk of earnings downgrade for the sector.

IPPs also started FY14 comfortably due to temporary resolution of circular debt. Improvement in liquidity situation resulted increased in generation by 8%YoY to 95,148GWh in FY14. Despite decline in subsidy to PKR220billion and increase in weighted average tariff to PKR13.48/Kwh from 8.86 PKR/KWh, the government failed to control the circular debt which resurfaced and currently hovers at around PKR300 billion. Resultantly, as many as 15 IPPs have decided to invoke sovereign guarantees to recover their payments leaving Government with no option but to issue temporary payments (PKR40billion to PSO and IPPs) to ensure better electricity supply.

Cement industry witnessed some ripples at the start of FY14 with Lucky Cement's resignation from APCMA raising concerns over the sustainability of pricing arrangement among cement manufacturers. Chink in APCMA's armor became visible after DGKC's announcement of expansion in the South where Lucky and ACPL are the major players. However the situation was salvaged when Lucky Cement re-joined APCMA with its CEO assuming the post of chairman APCMA. Since then pricing arrangement has remained strong to date with average price increase of 7%YoY during the period. Overall profitability of the sector remained robust with average increase of 7.3%YoY in 9MFY14 aided by depressed international coal prices (average 77.5USD/ton; down 8.5%YoY) and sustained pricing arrangement. On the volumes front, local dispatches depicted an upward momentum, rising by 4.3%YoY (26.14mn ton) mainly due to higher PSDP spending; whereas exports continued its downward trajectory, falling by 2.8%YoY (8.13mn ton) on account of 17% decline in exports to Afghanistan.

For fertilizer manufacturers, gas availability improved in FY14. Engro Fertilizers started getting additional supply of 60mmcf/d gas from Mari field from July 2013 which allowed it to run both plants. Resultantly, industry urea sales reported an impressive growth of 10% YoY to close the year at 5,691k tons during FY14 compared to 5,185k tons in FY13 while total DAP off take witnessed a dip of 4% YoY to 730K tons during FY14 primarily due to non-availability of gas to Fauji Fertilizer Bin Qasim.. In January 2014, government raised GIDC on feed stock from PKR 197/mmbtu to PKR 300/mmbtu. The impact was only partially passed on (Urea price increased from PKR 1,722/bag to PKR 1,786/bag) which had a negative impact on profitability of the sector. In January 2014, ECC approved gas supply to Engro at concessionary rates; however, the decision has not yet been implemented. Moreover, recently government imposed GIDC on companies having fixed price contracts (FATIMA & ENGRO) which can significantly impair profitability of the sector in the near future.

Recent data updated by Pakistan Cotton Ginner's Association suggests that cotton output increased by 3.7% to 13.4mn bales in FY14 as against 12.9mn bales in FY13 while cotton prices increased by 10% to average at PKR7,201 per 40kg. Despite economic woes, volatile law & order situation and energy crisis, textile sector remained in the limelight due to GSP plus status awarded to Pakistan effective from Jan 1, 2014. However PKR appreciation against US dollar, import of cheaper yarn from India and low quantum of orders from China kept affecting textile manufacturers. In FY14, country's textile exports surged by 5% YoY to USD13.74 billion against USD13.05 billion in the same period last year.

FY14 was a fabulous year for automobile sector as PKR appreciation against Japanese Yen & US dollar resulted in healthy margin expansion for local manufacturers, while launch of new models (CITY Aspire, Civic & WAGON-R) also generated excitement. However, delays in finalization of Auto Policy II by the government remained a key concern for the stakeholders. Autos sales including cars & LCVs remained flat at 137K units in FY14 compared to 135K units last year primarily due to higher imported car inventory coupled with higher taxes imposed in Federal Budget FY14 (1% higher GST, 10% FED on 1800cc plus cars and higher registration costs). Sales of Suzuki Motors and Honda Cars increased by 2.6% and 11.5% primarily due to launch of new Wagon-R & CITY models, whereas Indus Motors recorded a decline of 10% YoY due to dip in Corolla sales in anticipation of launch of its new variant. Imported cars recorded a dip of 51% with total imports standing at 22K units in FY14, compared to 45K units in FY13.

## 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 stock funds also attracted significant investor interest during the year with AUMs rising from PKR15.349 billion at the end of FY13 to PKR27.607 billion at FY14 year end which translates into a whopping 80% jump during the year. Shariah compliant capital protected fund of fund schemes vehicles were the flavor of the year and they ensured a steady flow of liquidity into Islamic stock funds.



## FUND PERFORMANCE

During the year under review, ABL Islamic Stock Fund's AUM increased by 168.7% to Rs. 1,727.56 million. This reflects a net increase in AUMs, that is, after adjusting for growth related to market performance. In case of ABL ISF, AUMs were further supported by the newly launched CPPI feeder funds.

ABL-ISF delivered an absolute return of 24.67% during the year ended June 30, 2014 underperforming its benchmark KMI-30 index by 522 basis points. Underperformance was primarily due to blue-chip stocks in major sectors, such as chemicals, oil exploration and production, whose prices 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.

## DIVIDEND

The Board of Directors of the management company on June 23, 2014 approved and declared final dividend distribution of Rs.1.5909 per unit (15.91% of the par value of Rs.10) for ABL-ISF 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 # 16 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;

S. No	Name	Designation	Issued	Redeemed	Bonus Units
1	Sheikh Mukhtar Ahmed	Director	1,000,000.00	-	157,156.97
2	Mr. Farid Ahmed Khan	CEO	2,500.00	-	392.89

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 Held	Attended	Leave Granted	Meeting not Attended
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 Held	Attended	Leave Granted	Meeting not Attended
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 Held	Attended	Leave Granted	Meeting not Attended
1	Mr. Kamran Nishat	4	3	1	27th
2	Mr. Muhammad Waseem Mukhtar	4	4	-	-
3	Mr. Khawaja Muhammad Almas*	1	1	-	-

\*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 Stock Fund, is given hereunder:

S. No	Particulars	Units Held on June 30, 2014
1	<b>Associated Companies, undertakings and related parties</b>	
	• ABL Asset Management Company Limited	6,205,530
	• ABL AMCL Staff Provident Fund	618,713
	• Allied Bank Limited	11,206,388
	• MCBFSL Trustee ABL Islamic Principal Preservation Fund	44,661,535
	• MCBFSL Trustee ABL Islamic Principal Preservation Fund-II	45,175,747
2	<b>Mutual Funds</b>	Nil
3	<b>Directors and their spouse(s) and minor children</b>	1,157,157
4	<b>Executives</b>	2,893
5	<b>Public Sector Companies and corporations</b>	Nil
6	<b>Others Corporates</b>	6,942,132
7	<b>Bank, DFIs, NBFCs, Insurance Companies, Takaful, Modaraba and Pension Fund</b>	38,637,080
8	<b>Shareholders holding five percent or more voting rights in the listed company</b>	Not Applicable

## AUDITORS

M/s. KPMG Taseer Hadi & Co. (Chartered Accountants), on the recommendation of the Audit Committee of the Board of Directors, being eligible for re-appointment have been appointed as auditors for the year ending June 30, 2015 for ABL Islamic Stock Fund (ABL-ISF).

## 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 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, August 26, 2014

# ABL ISLAMIC STOCK FUND

## FUND MANAGER'S REPORT

### OBJECTIVE

To provide higher risk adjusted returns over the long term by investing in a diversified Islamic portfolio of equity instruments offering capital gain and dividends.

### 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-ISF returned 24.67% to its investors during FY14, underperforming its benchmark KMI-30 index by 5.22%. Underperformance primarily occurred due to subdued performance by blue-chip stocks in major sectors, such as chemicals, oil exploration and production, which lagged 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.

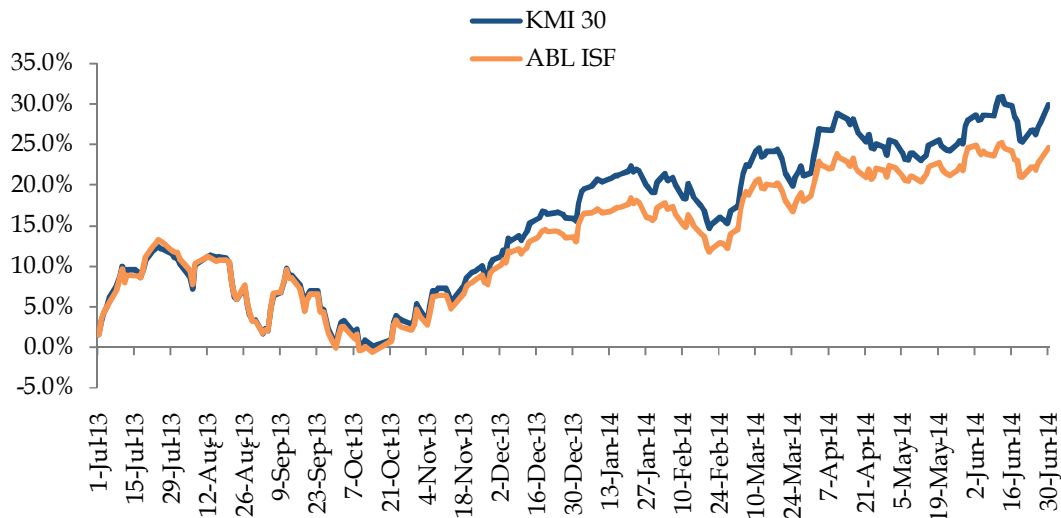
ABL-ISF, as at June 30, 2014, was nearly 83.8% invested in equities and the rest in cash and cash equivalents. Equity investments were mainly concentrated in Oil & Gas and Chemical sectors with exposures of 34.0% and 12.8% respectively. Both sectors are an ideal vehicle for enterprising investors pursuing higher dividend yields, superior business dynamics and strong growth prospects.

ABL-ISF also announced a full year dividend @ Rs.1.5909/unit for the period ended June 30, 2014. Fiscal Year 2014, overall, was a rewarding year for ABL Islamic Stock Fund investors and we will strive to better our performance in times to come.

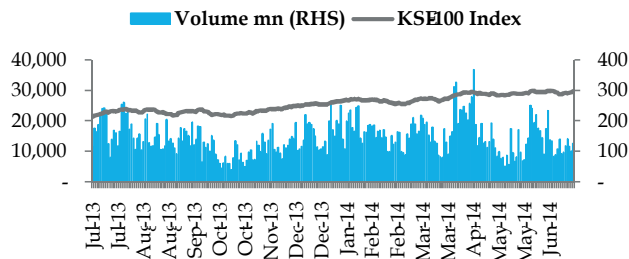
### FUTURE OUTLOOK AND STRATEGY

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.

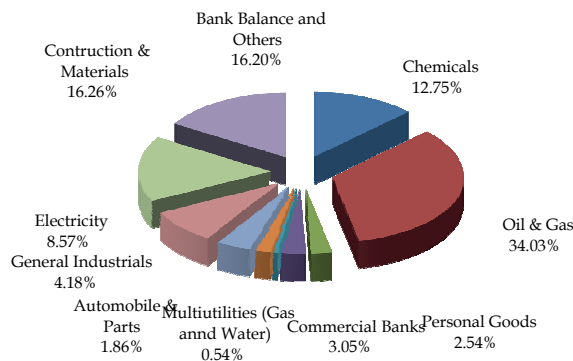
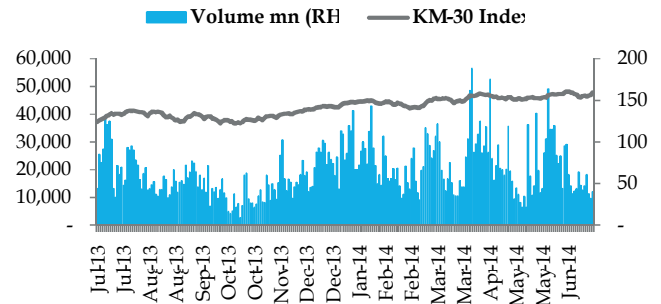
Pakistan equity market trades at an attractive 2014E P/E of 8.3x and offers dividend yield of 5.6%. Long term results for equity investors since 2008 crash have been very impressive owing to attractive valuations, abundant liquidity in the system and strong corporate earnings growth. Although valuations 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.



KSE100 (Volume and Index)



KMB0 (Volume and Index)



## ABL ISLAMIC STOCK FUND

### PERFORMANCE TABLE

June 12, 2013 to  
June 30, 2014  
(Rupees in '000)

Net Assets	<u><u>1,727,564</u></u>
------------	-------------------------

Net Income	<u><u>287,245</u></u>
------------	-----------------------

(Rupees per unit)

Net Assets value	<u><u>10.4246</u></u>
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Interim distribution	<u><u>-</u></u>
----------------------	-----------------

Final distribution	<u><u>1.5909</u></u>
--------------------	----------------------

Distribution date final	<u><u>June 23, 2014</u></u>
-------------------------	-----------------------------

Closing offer price	<u><u>10.6331</u></u>
---------------------	-----------------------

Closing repurchase price	<u><u>10.4246</u></u>
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Highest offer price	<u><u>12.3635</u></u>
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Lowest offer price	<u><u>9.8086</u></u>
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Highest repurchase price per unit	<u><u>12.1211</u></u>
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Lowest repurchase price per unit	<u><u>9.6163</u></u>
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Percentage

Total return of the fund	
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- capital growth	<u><u>4.72%</u></u>
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- income distribution	<u><u>15.91%</u></u>
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Average return of the fund	<u><u>20.63%</u></u>
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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 STOCK FUND

## TRUSTEE REPORT TO THE UNIT HOLDERS



### MCB FINANCIAL SERVICES LIMITED

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

#### ABL ISLAMIC STOCK FUND

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

ABL Islamic Stock Fund, an open-end Scheme established under a Trust Deed dated May 15, 2013 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 June 12, 2013.

1. ABL Asset Management Company Limited, the Management Company of ABL Islamic Stock Fund has, in all material respects, managed ABL Islamic Stock Fund during the year ended 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

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 STOCK FUND

## 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 Stock Fund (ABL-ISF) 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 STOCK FUND

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



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

Telephone + 92 (21) 3508 5847  
Fax + 92 (21) 3565 5095  
Internet www.kpmg.com.pk

### Independent Assurance Report to the Unit Holders on the Statement of Compliance with the Shariah Principles

We were engaged by the Board of directors of ABL Asset Management Company Limited, Management Company of ABL Islamic Stock Fund (the Fund), to report on Fund's Compliance with the Shariah principles as set out in the annexed statement prepared by the Management Company for the period from 12 June 2013 to 30 June 2014 in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly, in all material respects, the status of the Fund's compliance with Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor as required under clause 21.3 of the Trust Deed of the Fund.

#### Management Company's Responsibilities

The Management Company of the Fund is responsible for preparing the annexed statement that is free from material misstatement in accordance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor. This responsibility includes designing, implementing and maintaining internal control relevant to the operations of the Fund in accordance with the Shariah principles and to ensure that Fund's investments and placements are made in compliance with Shariah principles.

#### Our Responsibilities

Our responsibility is to examine the annexed statement prepared by the Management Company and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE 3000) 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements, including independence requirements, and plan and perform our procedures to obtain reasonable assurance about whether the annexed statement fairly presents 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.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliance with Shariah principles whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the operations of the Fund in accordance with the Shariah principles in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Fund's internal control.

The procedures performed included:

1. Checking compliance of specific guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund.

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and is member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

# ABL ISLAMIC STOCK FUND

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



KPMG Taseer Hadi &amp; Co.

2. Check that the Shariah Advisor has certified that investments made by the Fund during the period from 12 June 2013 to 30 June 2014 are in compliance with the Shariah principles and where required purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

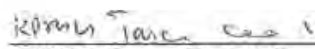
### Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, in all material respects, presents 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 12 June 2013 to 30 June 2014.

Date: September 12, 2014

Karachi

  
KPMG Taseer Hadi & Co.  
Chartered Accountants

# ABL ISLAMIC STOCK FUND

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



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

Telephone: + 92 (21) 3568 5847  
Fax: + 92 (21) 3568 5095  
Internet: www.kpmg.com.pk

### REVIEW REPORT TO THE UNIT HOLDERS ON STATEMENT OF COMPLIANCE WITH 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 Stock Fund (the Fund) for the period from 12 June 2013 to 30 June 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi Stock Exchange, where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code 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 a 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 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 Fund's compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the period from 12 June 2013 to 30 June 2014.

Date: September 12, 2014

Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants

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## ABL ISLAMIC STOCK FUND

### STATEMENT OF COMPLIANCE BY ABL ISLAMIC STOCK FUND WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD FROM 12 JUNE 2013 TO 30 JUNE 2014

This statement is being presented to comply with the Code of Corporate Governance (“the Code”) contained in Regulation No. 35 of the listing regulations of the Karachi Stock Exchange Limited (“the Exchange”) 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 Stock Fund (“the Fund”). The Fund being a unit trust open ended scheme does not have its own board of directors. The Management Company has applied the principles contained in the Code to the Fund, whose units are listed as a security on the Exchange, in the following manner:

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

Category	Names
Executive Director	Mr. Farid Ahmed Khan (deemed director u/s 200 of Companies Ordinance, 1984)
Independent 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 in more than seven listed companies, including this 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 a casual vacancy occurred on the Board which has been simultaneously filled by the Board on 12th July 2013.
5. The Management Company has prepared a ‘Code of Conduct’ and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), 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 were made during this financial period.
11. The Directors' Report of the Fund for the period from 12 June 2013 to 30 June 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 Exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through the Exchange.
23. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board



**Farid Ahmed Khan**  
Chief Executive Officer

Karachi, August 26, 2014

# ABL ISLAMIC STOCK FUND

## INDEPENDENT AUDITORS REPORTS



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
Internet www.kpmg.com.pk

### Independent Auditors' Report to the Unit Holders

#### *Report on the Financial Statements*

We have audited the accompanying financial statements of **ABL Islamic Stock Fund** ("the Fund"), which comprise of the statement of assets and liabilities as at 30 June 2014 and the related income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in unit holders' fund for the period from 12 June 2013 to 30 June 2014 and a summary of significant accounting policies and other explanatory notes.

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

Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan and for such internal control as the management determines is necessary to enable the preparation of the 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 auditing standards 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 misstatement.

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 Fund'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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2014, and of its financial performance, cash flows and transactions for the period from 12 June 2013 to 30 June 2014 in accordance with approved accounting standards as applicable in Pakistan.

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# ABL ISLAMIC STOCK FUND

## INDEPENDENT AUDITORS REPORTS

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KPMG Taseer Hadi & Co.

*Report on Other Legal and Regulatory Requirements*

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation Rules, 2003) and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Date: 26 August 2014

Karachi

*KPMG Taseer Hadi & Co.*  
KPMG Taseer Hadi & Co.  
Chartered Accountants  
Muhammad Taufiq

# ABL ISLAMIC STOCK FUND

## STATEMENT OF ASSETS AND LIABILITIES

### AS AT JUNE 30, 2014

	Note	30 June 2014 (Rupees in '000)
<b>ASSETS</b>		
Bank balances	4	281,768
Investments	5	1,557,928
Dividend and other receivables	6	2,156
Security deposits and prepayments	7	13,400
Preliminary expenses and floatation costs	8	3,948
Total assets		<u>1,859,200</u>
<b>LIABILITIES</b>		
Payable to ABL Asset Management Company Limited - Management Company	9	15,162
Payable to MCB Financial Services Limited -Trustee	10	107
Payable to the Securities and Exchange Commission of Pakistan	11	951
Payable against purchase of investments		80,314
Dividend payable		25,670
Accrued expenses and other liabilities	12	9,432
<b>TOTAL LIABILITIES</b>		<u>131,636</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	13	
<b>NET ASSETS</b>		<u>1,727,564</u>
<b>UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)</b>		<u>1,727,564</u>
		(Number of units)
<b>NUMBER OF UNITS IN ISSUE</b>		<u>165,720,379</u>
		(Rupees)
<b>NET ASSETS VALUE PER UNIT</b>		<u>10.4246</u>

The annexed notes 1 to 24 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 STOCK FUND

## INCOME STATEMENT

### FOR THE PERIOD FROM 12 JUNE 2013 TO 30 JUNE 2014

	Note	Period from 12 June 2013 to 30 June 2014 (Rupees in '000)
<b>INCOME</b>		
Net realised gain on sale of investments - net		66,837
Dividend income		52,765
Profit on saving accounts with banks		9,457
Unrealised gain / on re-measurement of investments 'at fair value through profit or loss' (net)		97,375
<b>Total income</b>		<b>226,434</b>
<b>EXPENSES</b>		
Remuneration of ABL Asset Management Company Limited - Management Company	9.1	30,025
Sindh Sales Tax on remuneration of Management Company	9.2	5,572
Federal Excise Duty on remuneration of Management Company	9.3	4,804
Remuneration of MCB Financial Services Limited -Trustee	10	919
Annual fee - Securities and Exchange Commission of Pakistan	11	951
Brokerage and securities transaction costs		4,789
Bank charges		99
Auditors' remuneration	14	380
Amortisation of preliminary expenses and floatation costs	8	1,052
Printing charges		150
Listing fee		80
Annual rating fee		110
Charity expense		2,539
Provision for Workers' Welfare Fund	12.1	5,862
<b>Total expenses</b>		<b>57,332</b>
<b>Net income from operating activities</b>		<b>169,102</b>
Element of income and capital gains included in prices of units issued less those in units redeemed (net)		118,143
<b>Net income for the period before taxation</b>		<b>287,245</b>
Taxation	15	-
<b>Net income for the period after taxation</b>		<b>287,245</b>

The annexed notes 1 to 24 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 STOCK FUND

## STATEMENT OF COMPREHENSIVE INCOME

### FOR THE PERIOD FROM 12 JUNE 2013 TO 30 JUNE 2014

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	Period from 12 June 2013 to 30 June 2014 (Rupees in '000)
NET INCOME FOR THE PERIOD	287,245
Other comprehensive income for the period	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>287,245</b>

The annexed notes 1 to 24 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 STOCK FUND

## DISTRIBUTION STATEMENT

### FOR THE PERIOD FROM 12 JUNE 2013 TO 30 JUNE 2014

	Period from 12 June 2013 to 30 June 2014 (Rupees in '000)
Undistributed income at the beginning of the period:	
- Realised	-
- Unrealised	-
<b>INTERIM DISTRIBUTION DURING THE PERIOD</b>	
- Rs 1.5909 per unit on 23 June 2014	
Cash distribution	(25,670)
Issue of 18,889,304 bonus units	(191,216)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	-
Net income for the period	287,245
Undistributed income carried forward	<u>70,359</u>
Undistributed income at the end of the period:	
- Realised	(27,016)
- Unrealised	97,375
	<u>70,359</u>

The annexed notes 1 to 24 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 STOCK FUND

## STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND

### FOR THE PERIOD FROM 12 JUNE 2013 TO 30 JUNE 2014

	Period from 12 June 2013 to 30 June 2014 (Rupees in '000)
<b>NET ASSETS AT THE BEGINNING OF THE PERIOD</b>	-
Issue of 212,265,833 units	2,308,421
Redemption of 65,434,758 units	(724,289)
	<u>1,584,132</u>
Issue of 18,889,304 bonus units	191,216
Element of income and capital gains in prices of units issued less those in units redeemed - net	
- transferred to income statement	(118,143)
- transferred to distribution statement	-
	<u>(118,143)</u>
Other net income for the period	123,033
Capital gain on sale of investments - net	66,837
Unrealised gain on re-measurement of investments classified as financial assets at fair value through profit or loss (net)	97,375
Net income for the period	<u>287,245</u>
<b>DISTRIBUTION DURING THE PERIOD</b>	
- Rs 1.5909 per unit on 23 June 2014	
Cash distribution	(25,670)
Issue of 18,889,304 bonus units	(191,216)
	<u>(216,886)</u>
<b>NET ASSETS AT THE END OF THE PERIOD</b>	<u><u>1,727,564</u></u>
Net assets value per unit at the beginning of the period	<u>-</u>
Net assets value per unit at the end of the period	<u><u>10.4246</u></u>

The annexed notes 1 to 24 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 STOCK FUND


## CASH FLOW STATEMENT

### FOR THE PERIOD FROM 12 JUNE 2013 TO 30 JUNE 2014

	Period from 12 June 2013 to 30 June 2014 (Rupees in '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net income for the period before taxation	287,245
<b>Adjustments:</b>	
Unrealised gain on re-measurement of 'investments at fair value through profit or loss' (net)	(97,375)
Provision for Worker's Welfare Fund	5,862
Provision for Federal Excise Duty	4,804
Amortisation of preliminary expenses and floatation costs	1,052
Element of income and capital gains included in prices of units issued less those in units redeemed (net)	(118,143)
	<u>(203,800)</u>
	83,445
<b>(Increase) / decrease in assets</b>	
Investments	(1,460,553)
Dividends and other receivables	(2,156)
Security deposits and prepayments	(13,400)
Preliminary expenses and floatation costs	(5,000)
	<u>(1,481,109)</u>
<b>Increase / (decrease) in liabilities</b>	
Payable to ABL Asset Management Company Limited- Management Company	10,358
Payable to MCB Financial Services Limited- Trustee	107
Annual fee payable to Securities and Exchange Commission of Pakistan	951
Payable against purchase of investments	80,314
Accrued expenses and other liabilities	3,570
	<u>95,300</u>
<b>Net cash used in operating activities</b>	<u>(1,302,364)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Receipts from issuance of units	2,308,421
Payments on redemption of units	(724,289)
<b>Net cash from financing activities</b>	<u>1,584,132</u>
<b>Net increase in cash and cash equivalents during the period</b>	<u>281,768</u>
Cash and cash equivalents at beginning of the period	-
<b>Cash and cash equivalents at end of the period</b>	<u><u>281,768</u></u>

The annexed notes 1 to 24 form an integral part of these financial statements.

  
**FARID AHMED KHAN**  
 CEO

  
 ABL Islamic Stock Fund

For ABL Asset Management Company Limited  
(Management Company)

  
**SHAKEB MURAD**  
 DIRECTOR

 ABL Asset Management  
 Discover the potential

# ABL ISLAMIC STOCK FUND

## STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND

### FOR THE PERIOD FROM 12 JUNE 2013 TO 30 JUNE 2014

	Period from 12 June 2013 to 30 June 2014 (Rupees in '000)
<b>NET ASSETS AT THE BEGINNING OF THE PERIOD</b>	-
Issue of 212,265,833 units	2,308,421
Redemption of 65,434,758 units	(724,289)
	<u>1,584,132</u>
Issue of 18,889,304 bonus units	191,216
Element of income and capital gains in prices of units issued less those in units redeemed - net	
- transferred to income statement	(118,143)
- transferred to distribution statement	-
	<u>(118,143)</u>
Other net income for the period	123,033
Capital gain on sale of investments - net	66,837
Unrealised gain on re-measurement of investments classified as financial assets at fair value through profit or loss (net)	97,375
Net income for the period	<u>287,245</u>
<b>DISTRIBUTION DURING THE PERIOD</b>	
- Rs 1.5909 per unit on 23 June 2014	
Cash distribution	(25,670)
Issue of 18,889,304 bonus units	(191,216)
	<u>(216,886)</u>
<b>NET ASSETS AT THE END OF THE PERIOD</b>	<u><u>1,727,564</u></u>
Net assets value per unit at the beginning of the period	<u>-</u>
Net assets value per unit at the end of the period	<u><u>10.4246</u></u>

The annexed notes 1 to 24 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 STOCK FUND

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD FROM 12 JUNE 2013 TO 30 JUNE 2014

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

ABL Islamic Stock Fund (the Fund) was established under a Trust Deed executed between ABL Asset Management Company Limited as the Management Company and MCB Financial Services Limited (MCBFSL) as the Trustee. The Trust Deed was executed on 15 May 2013 and was approved by Securities and Exchange Commission of Pakistan (SECP) on 04 June 2013 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations, 2008). The Fund commenced its operations on 12 June 2013.

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 SECP on 7 December 2007. The registered office of the Management Company is situated at 11-B, Lalazar, MT Khan Road, Karachi.

The Fund is an open-ended fund and is listed on the Karachi Stock Exchange Limited. The units of the Fund are offered for public subscription on a continuous basis and are transferable and redeemable by surrendering them to the Fund.

The objective of the Fund is to provide capital appreciation to investors through higher, long term risk adjusted returns by investing in a diversified Shariah compliant portfolio of equity instruments offering capital gains and dividends.

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

This is the first year of operations of the Fund and JCR-VIS Credit Rating Company Limited has been appointed as the rating company. The rating company has assigned Management Quality Rating of 'AM2' (Stable outlook) to the Management Company. The Management Company has initiated the process for seeking rating of the Fund which is expected to be received shortly.

The 'Title' to the assets of the Fund are held in the name of MCB Financial Services Limited as the Trustee of the Fund.

The SECP vide their letter no. NBFC-II/ABLAMC/597/2013 dated 20 June 2013 has granted exemption for preparing and publishing the financial statements of the Fund for a period of more than twelve months.

#### 2. BASIS OF PRESENTATION

The transactions undertaken by the Fund are in accordance with the process prescribed under the Shariah guidelines issued by the Shariah Supervisory Council.

## 2.1 Statement of compliance

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

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

- IFRIC-21 - Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Fund's financial statements.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

- Amendments to IAS 19 “Employee Benefits” Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are ‘highly correlated’, or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Fund’s financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.
- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:
  - IFRS 2 ‘Share-based Payment’. IFRS 2 has been amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
  - IFRS 3 ‘Business Combinations’. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
  - IFRS 8 ‘Operating Segments’ has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment’s assets to the entity assets is required only if this information is regularly provided to the entity’s chief operating decision maker. This change aligns the disclosure requirements with

those for segment liabilities.

- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

### 2.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise their judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable in the circumstances. The areas involving a higher degree of judgement or application of accounting policies principally relate to:

- Classification and valuation of investments (note 3.1 and 5.1)
- Taxation (note 3.10 and 15)
- Provision for Workers' Welfare Fund ( note 12.1)
- Amortization of preliminary expenses and floatation cost (note 8 and 3.6 )

### 2.4 Basis of measurement

These financial statement have been prepared under the historical cost convention, except that investments held at 'fair value through profit or loss' category are measured at fair value.

### 2.5 Functional and presentation currency

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied during the period:

### 3.1 Financial instruments

#### 3.1.1 Classification

The Fund classifies its financial assets in the following categories: loans and receivables, at fair value through profit or loss and available for sale. The classification depends on the purpose for which the financial assets were acquired. The management determines the appropriate classification of its financial assets in accordance with the requirement of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement', at the time of initial recognition and re-evaluates this classification on a regular basis.

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

An instrument is classified as 'at fair value through profit or loss' if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated as 'at fair value through profit or loss' if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy. Financial assets which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading or a derivative.

Financial instruments as 'at fair value through profit or loss' are measured at fair value, and changes therein are recognised in Income Statement.

All derivatives in a net receivable position (positive fair value), are reported as financial assets held for trading. All derivatives in a net payable position (negative fair value), are reported as financial liabilities held for trading.

##### b) Available-for-sale

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

##### c) Loans and receivables

These are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as 'at fair value through profit or loss' or 'available for sale'.

#### 3.1.2 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date on which commitment to purchase/sale the asset is made by the Fund.

### 3.1.3 Initial recognition and measurement

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

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. Financial liabilities are initially recognised at fair value and subsequently stated at amortised cost.

### 3.1.4 Subsequent measurement

#### Financial Assets

- 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 equity securities**

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

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 financial assets carried at amortised cost are derecognised or impaired.

#### Financial Liabilities

Financial liabilities, other than those 'at fair value through profit or loss', are measured at amortised cost using the effective yield method.

### 3.1.5 Impairment

The Fund assesses at each reporting date whether there is an objective evidence that the financial asset or a group of financial assets is impaired. The carrying value of the Fund's assets are reviewed at each

reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

In case of investment classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement is transferred from Other Comprehensive Income and recognised in the Income Statement. However, the decrease in impairment loss on equity securities classified as 'available for sale' is recognised in Other Comprehensive Income.

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.

### **3.1.6 Derecognition**

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

### **3.1.7 Offsetting of financial instruments**

Financial assets and 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.

### **3.2 Unit holders' fund**

Unit holders' fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

### **3.3 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. The sales load is payable to the distributor and the Management Company.

Units redeemed are recorded at the redemption price, as per constitutive documents, applicable to units for which the distributors receive redemption requests during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, provision for transaction costs and any provision for duties and charges, if applicable. Back end loads are recorded as income of the Fund.

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

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

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

The element is recognised in the Income Statement to the extent that it is represented by income earned during the year and unrealised appreciation / (diminution) arising during the year on 'available for sale' securities is included in the Distribution Statement.

### **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 operations of the Fund and are being amortised over a period of five years commencing from 12 June 2013 as per the requirements set out in the Trust Deed of the Fund and Non Banking Finance Companies and Notified Entities Regulations, 2008.

### **3.7 Collateral**

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



### 3.8 Net asset value per unit

The net asset value per unit as disclosed on the Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in issue at the period end.

### 3.9 Earnings per unit

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

### 3.10 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 has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

### 3.11 Revenue recognition

- (i) Gains / (losses) arising on sale of investments are included in the Income Statement date when the transaction takes place.
- (ii) Unrealised gains / (losses) arising on revaluation of securities classified as at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- (iii) Unrealised gains / (losses) arising on revaluation of securities classified as 'available for sale' are included in the other comprehensive income in the period in which they arise.
- (iv) Dividend income is recognised when the Fund's right to receive the same is established.
- (v) Profit on saving accounts with banks are recorded on time proportionate basis using effective yield method.

### 3.12 Expenses

All expenses including management fee, trustee fee and Securities and Exchange Commission of Pakistan fee are recognised in the Income Statement on accrual basis.

### 3.13 Cash and cash equivalents

Cash and cash equivalents comprise bank balances and are carried in the statement of assets and liabilities at cost.

### 3.14 Dividend distribution

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

	Note	30 June 2014 (Rupees in '000)
<b>4. BANK BALANCES</b>		
Balances with banks in:		
- Current accounts	4.1	2,103
- Saving accounts	4.2	279,665
		<u>281,768</u>

4.1 This balance is maintained with Allied Bank Limited (related party of the Fund).

4.2 Saving accounts carry profit rates ranging from 6.5% to 9.35% per annum.

## 5. INVESTMENTS

30 June  
2014  
(Rupees in '000)

## Investments at fair value through profit or loss - held for trading

Listed equity securities

5.1

1,557,928

## 5.1 Listed equity securities

Ordinary shares have a face value of Rs. 10/- each.

	Number of shares				As at 30 June 2014			Market value as a % of net assets	Market value as a % of investment	
	Holding at the beginning of the period	Acquired during the period	Bonus received during the period	Disposed off during the period	Holding at the end of the period	Carrying value	Market value			Unrealised gain / (loss)
----- (Rupees in '000) -----										
<b>Chemicals</b>										
Fauji Fertilizer Bin Qasim Limited	-	1,677,500	-	804,000	873,500	37,172	34,739	(2,433)	2.01%	2.23%
Fauji Fertilizer Company Limited	-	1,981,100	-	853,400	1,127,700	126,498	126,584	86	7.33%	8.13%
Fatima Fertilizer Company Limited	-	2,743,500	-	130,000	2,613,500	83,660	75,792	(7,868)	4.39%	4.86%
						<b>247,330</b>	<b>237,115</b>	<b>(10,215)</b>	<b>13.73%</b>	<b>15.22%</b>
<b>Commercial Banks</b>										
Meezan Bank Limited	-	1,389,000	-	77,000	1,312,000	51,448	56,731	5,283	3.28%	3.64%
<b>Pharma And Bio Tech</b>										
Ferozsons Laboratories Limited	-	82,200	-	82,200	-	-	-	-	-	-
<b>Personal goods (Textile)</b>										
Nishat Mills Limited	-	1,304,500	-	883,300	421,200	49,700	47,141	(2,559)	2.73%	3.03%
<b>General Industrials</b>										
Packages Limited	-	229,900	-	74,900	155,000	45,820	77,744	31,924	4.50%	4.99%
<b>MultiUtilities (Gas And Water)</b>										
Sui Northern Gas Pipelines Limited	-	515,000	-	68,000	447,000	10,268	10,125	(143)	0.59%	0.66%
<b>Electricity</b>										
Hub Power Company Limited	-	4,287,000	-	1,573,000	2,714,000	157,125	159,420	2,295	9.23%	10.23%
<b>Construction and materials (Cement)</b>										
DG Khan Cement Company Limited	-	1,777,000	-	630,500	1,146,500	101,348	100,846	(502)	5.83%	6.47%
Cherat Cement Company Limited	-	123,000	-	123,000	-	-	-	-	-	-
Lafarge Pakistan Cement Limited	-	717,000	-	101,000	616,000	8,477	9,844	1,367	0.57%	0.63%
Lucky Cement Limited	-	442,700	-	242,000	200,700	57,554	82,347	24,793	4.77%	5.29%
Attock Cement Pakistan Limited	-	133,000	-	20,000	113,000	16,588	17,820	1,232	1.03%	1.14%
Maple Leaf Cement Factory Limited	-	5,990,500	-	2,946,000	3,044,500	85,895	91,487	5,592	5.30%	5.87%
						<b>269,862</b>	<b>302,344</b>	<b>32,482</b>	<b>17.50%</b>	<b>19.40%</b>
<b>Food Producers</b>										
Engro Foods Limited	-	223,200	-	223,200	-	-	-	-	-	-
<b>Oil and gas</b>										
Oil and Gas Development Company Limited	-	723,000	-	369,700	353,300	92,854	92,310	(544)	5.34%	5.93%
National Refinery Limited	-	95,000	-	95,000	-	-	-	-	-	-
Pakistan Oilfields Limited	-	527,000	-	138,900	388,100	204,730	222,886	18,156	12.90%	14.31%
Pakistan Petroleum Limited	-	1,300,000	64,580	657,600	706,980	151,574	158,604	7,030	9.18%	10.18%
Attock Refinery Limited	-	57,000	-	7,500	49,500	11,590	10,508	(1,082)	0.61%	0.67%
Pakistan State Oil	-	767,500	30,720	450,300	347,920	129,847	135,289	5,442	7.83%	8.68%
Shell Pakistan Limited	-	55,000	-	7,500	47,500	12,078	13,123	1,045	0.76%	0.84%
						<b>602,673</b>	<b>632,720</b>	<b>30,047</b>	<b>36.62%</b>	<b>40.61%</b>
<b>Fixed Line Telecommunication</b>										
Pakistan Telecommunication Company Limited "A"	-	1,061,000	-	1,061,000	-	-	-	-	-	-
<b>Auto Mobile and Parts</b>										
Indus Motors Company Limited	-	75,000	-	10,700	64,300	26,327	34,588	8,261	2.00%	2.22%
<b>Held for trading investments as at 30 June 2014</b>						<b>1,460,553</b>	<b>1,557,928</b>	<b>97,375</b>	<b>90.18%</b>	

<b>5.3</b>	<b>Net unrealised appreciation in the value of investments classified as 'at fair value through profit or loss'</b>		<b>30 June 2014 (Rupees in '000)</b>
	Fair value of investments		1,557,928
	Carrying value of investments		<u>(1,460,553)</u>
	Net unrealised appreciation in the value of investments 'at fair value through profit or loss'		<u>97,375</u>
	Net unrealised appreciation in the value of investments at the beginning of the period		<u>-</u>
	Net unrealised appreciation in the value of investments at the end of the period		<u><u>97,375</u></u>
<b>6.</b>	<b>DIVIDEND AND OTHER RECEIVABLES</b>		
	Dividend receivable		787
	Profit receivable on bank balances		<u>1,369</u>
			<u><u>2,156</u></u>
<b>7.</b>	<b>SECURITY DEPOSITS AND PREPAYMENTS</b>		
	Security deposit with Central Depository Company of Pakistan Limited		100
	Security deposit with National Clearing Company of Pakistan Limited		2,500
	Advance against IPO subscription		<u>10,800</u>
			<u><u>13,400</u></u>
<b>8.</b>	<b>PRELIMINARY EXPENSES AND FLOATATION COSTS</b>		
	Preliminary expense and floatation costs		5,000
	Less: amortised during the period		<u>(1,052)</u>
	Balance as at 30 June 2014		<u><u>3,948</u></u>
<b>8.1</b>	Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over five years in accordance with the requirement set out in the Trust Deed of the Fund and the Non-Banking Finance companies and Notified Entities Regulation, 2008.		
<b>9.</b>	<b>PAYABLE TO ABL ASSET MANAGEMENT COMPANY LIMITED - MANAGEMENT COMPANY</b>		<b>30 June 2014 (Rupees in '000)</b>
	Management fee	9.1	3,950
	Sindh sales tax payable on remuneration of Management Company	9.2	1,400
	FED payable on remuneration of Management Company	9.3	4,804
	Sales load payable		8
	Preliminary expenses and floatation costs		<u>5,000</u>
			<u><u>15,162</u></u>
<b>9.1</b>	The Management Company is entitled to a remuneration for services rendered to the Fund under the up to a maximum of 3% per annum based on the daily net assets of the Fund during the first five years of the Fund's existence, and thereafter, of an amount equal to 2% of such assets of the Fund. Management		

## 5. INVESTMENTS

30 June  
2014  
(Rupees in '000)

## Investments at fair value through profit or loss - held for trading

Listed equity securities

5.1

1,557,928

## 5.1 Listed equity securities

Ordinary shares have a face value of Rs. 10/- each.

	Number of shares				As at 30 June 2014			Market value as a % of net assets	Market value as a % of investment	
	Holding at the beginning of the period	Acquired during the period	Bonus received during the period	Disposed off during the period	Holding at the end of the period	Carrying value	Market value			Unrealised gain / (loss)
----- (Rupees in '000) -----										
<b>Chemicals</b>										
Fauji Fertilizer Bin Qasim Limited	-	1,677,500	-	804,000	873,500	37,172	34,739	(2,433)	2.01%	2.23%
Fauji Fertilizer Company Limited	-	1,981,100	-	853,400	1,127,700	126,498	126,584	86	7.33%	8.13%
Fatima Fertilizer Company Limited	-	2,743,500	-	130,000	2,613,500	83,660	75,792	(7,868)	4.39%	4.86%
						<b>247,330</b>	<b>237,115</b>	<b>(10,215)</b>	<b>13.73%</b>	<b>15.22%</b>
<b>Commercial Banks</b>										
Meezan Bank Limited	-	1,389,000	-	77,000	1,312,000	51,448	56,731	5,283	3.28%	3.64%
<b>Pharma And Bio Tech</b>										
Ferozsons Laboratories Limited	-	82,200	-	82,200	-	-	-	-	-	-
<b>Personal goods (Textile)</b>										
Nishat Mills Limited	-	1,304,500	-	883,300	421,200	49,700	47,141	(2,559)	2.73%	3.03%
<b>General Industrials</b>										
Packages Limited	-	229,900	-	74,900	155,000	45,820	77,744	31,924	4.50%	4.99%
<b>MultiUtilities (Gas And Water)</b>										
Sui Northern Gas Pipelines Limited	-	515,000	-	68,000	447,000	10,268	10,125	(143)	0.59%	0.66%
<b>Electricity</b>										
Hub Power Company Limited	-	4,287,000	-	1,573,000	2,714,000	157,125	159,420	2,295	9.23%	10.23%
<b>Construction and materials (Cement)</b>										
DG Khan Cement Company Limited	-	1,777,000	-	630,500	1,146,500	101,348	100,846	(502)	5.83%	6.47%
Cherat Cement Company Limited	-	123,000	-	123,000	-	-	-	-	-	-
Lafarge Pakistan Cement Limited	-	717,000	-	101,000	616,000	8,477	9,844	1,367	0.57%	0.63%
Lucky Cement Limited	-	442,700	-	242,000	200,700	57,554	82,347	24,793	4.77%	5.29%
Attock Cement Pakistan Limited	-	133,000	-	20,000	113,000	16,588	17,820	1,232	1.03%	1.14%
Maple Leaf Cement Factory Limited	-	5,990,500	-	2,946,000	3,044,500	85,895	91,487	5,592	5.30%	5.87%
						<b>269,862</b>	<b>302,344</b>	<b>32,482</b>	<b>17.50%</b>	<b>19.40%</b>
<b>Food Producers</b>										
Engro Foods Limited	-	223,200	-	223,200	-	-	-	-	-	-
<b>Oil and gas</b>										
Oil and Gas Development Company Limited	-	723,000	-	369,700	353,300	92,854	92,310	(544)	5.34%	5.93%
National Refinery Limited	-	95,000	-	95,000	-	-	-	-	-	-
Pakistan Oilfields Limited	-	527,000	-	138,900	388,100	204,730	222,886	18,156	12.90%	14.31%
Pakistan Petroleum Limited	-	1,300,000	64,580	657,600	706,980	151,574	158,604	7,030	9.18%	10.18%
Attock Refinery Limited	-	57,000	-	7,500	49,500	11,590	10,508	(1,082)	0.61%	0.67%
Pakistan State Oil	-	767,500	30,720	450,300	347,920	129,847	135,289	5,442	7.83%	8.68%
Shell Pakistan Limited	-	55,000	-	7,500	47,500	12,078	13,123	1,045	0.76%	0.84%
						<b>602,673</b>	<b>632,720</b>	<b>30,047</b>	<b>36.62%</b>	<b>40.61%</b>
<b>Fixed Line Telecommunication</b>										
Pakistan Telecommunication Company Limited "A"	-	1,061,000	-	1,061,000	-	-	-	-	-	-
<b>Auto Mobile and Parts</b>										
Indus Motors Company Limited	-	75,000	-	10,700	64,300	26,327	34,588	8,261	2.00%	2.22%
<b>Held for trading investments as at 30 June 2014</b>						<b>1,460,553</b>	<b>1,557,928</b>	<b>97,375</b>	<b>90.18%</b>	

company charged remuneration at the rate of 3% per annum based on the daily net assets of the Fund during the period ended 30 June 2014.

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

9.3 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. The matter has been taken up collectively by the Mutual Fund Association of Pakistan where various options are being considered. During the period, the Honourable High Court Sindh in a Constitutional petition relating to levy of Federal Excise Duty (FED) on Mutual Fund has granted stay order for the recovery of Federal Excise Duty (FED). As a matter of abundant caution, the Management Company has made a provision with effect from 13 June 2013, aggregating to Rs. 4.804 million. Had the provision not been made, the Net Asset Value per unit of the Fund as at 30 June 2014 would have been higher by Rs. 0.0290 per unit.

	30 June 2014 (Rupees in '000)
<b>10. PAYABLE TO MCB FINANCIAL SERVICES LIMITED - TRUSTEE</b>	
Trustee remuneration	<u>107</u>

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

- On Net Assets up to Rs. 1,000 million	Rs. 0.10 percent per annum of the Net Assets, whichever is higher
- On Net Assets exceeding Rs.1,001 million and up to Rs.5,000 million	Rs. 1,000,000 plus 0.05 percent per annum of any amount exceeding Rs. 1,000 million
- On Net Assets exceeding Rs. 5,001 million	Rs. 3.0 million plus 0.045 percent per annum of the amount exceeding Rs. 5,000 million

	30 June 2014 (Rupees in '000)
<b>11. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>	
Annual fee	<u>951</u>

11.1 Under the provision of the NBFC Regulations, a collective investment scheme categorized as equity scheme is required to pay to the SECP an amount equal to 0.095 percent per annum of the average daily net assets of the Fund.

		30 June 2014	
		Note	(Rupees in '000)
<b>12.</b>	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
	Auditors' remuneration		380
	Brokerage and other charges		478
	Printing Charges		48
	Provision for Worker's welfare Fund	12.1	5,862
	Charity payable	12.2	2,539
	Other Payable		125
			9,432

### 12.1 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of 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 CISs, which is pending adjudication.

Prior to 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. This clarification was forwarded by the Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its collectorates for necessary action. Based on this clarification, FBR also withdrew notice of demand which it had earlier issued to one of the funds managed by ABL Asset Management Company Limited for collection of WWF.

In 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 declared the said amendments as unlawful and unconstitutional. In March 2013, a large bench of Sindh High Court (SHC) in various Constitutional Petitions declared that amendments brought 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 WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the court.

The Management Company believes that the aforementioned constitutional petition pending in SHC has strong grounds for decision in favour of the mutual funds. However, the management as a matter of abundant caution has recognised WWF charge amounting to Rs. 5.862 million during the period. Had the WWF not been provided, the NAV per unit of the Fund would have been higher by Rs. 0.0354 per unit.

- 12.2** According to the instructions of the Shariah Supervisory Council, if any income is earned by the Fund from the investments whereby a portion of income of such investees has been derived from prohibited sources, such proportion of income of the Fund should be donated to charitable purposes.

During the current period, Non Shariah Compliant income amounting to Rs 2.539 million was charged as an expense of the Fund (a portion of dividend income, rest of which is considered as Halal). This will be distributed for charity with the approval of Shariah Supervisory Council.

**13. CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments at the period end.

**14. AUDITORS' REMUNERATION**

**30 June  
2014  
(Rupees in '000)**

Annual audit fee	200
Half yearly review fee	100
Other certifications and services	60
Out of pocket expenses	20
	380
	380

**15. TAXATION**

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

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

Connected persons / related parties include ABL Asset Management Company Limited being the Management Company, MCB Financial Services Limited being the trustee, 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, other associated companies of the Management Company, Key Management Personnel, other funds being managed by the Management Company and unit holders holding 10% or more units of the Fund.

- 16.1** Transactions with connected persons / related parties are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 16.2** Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 16.3** Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.



16.4 Transactions and balances with related parties other than those disclosed elsewhere are as follows:

<b>Detail of transactions with related parties / connected persons during the period:</b>	<b>Period from 12 June 2013 to 30 June 2014 (Rupees in 000)</b>
<b>ABL Asset Management Company Limited - Management Company</b>	
Issue of 10,000,000 units	<u>100,000</u>
Issue of 842,792 bonus units	<u>8,532</u>
Redemption of 4,637,262 units	<u>50,000</u>
Remuneration of the Management Company	<u>30,025</u>
Sindh Sales Tax on remuneration of Management Company	<u>5,572</u>
FED on remuneration of Management Company	<u>4,804</u>
<b>Allied Bank Limited - Holding Company of Management Company</b>	
Issue of 11,206,388 units	<u>135,000</u>
Bank charges	<u>21</u>
Cash distribution	<u>17,828</u>
<b>ABL AMC Staff Provident Fund</b>	
Issue of 534,684 units	<u>5,610</u>
Issue of 84,029 Bonus units	<u>851</u>
<b>MCBFSL Trustee ABL Islamic Principal Preservation Fund</b>	
Issue of 59,724,688 units	<u>673,000</u>
Issue of 6,065,617 Bonus units	<u>61,402</u>
Redemption of 21,128,770 units	<u>247,000</u>
<b>MCBFSL Trustee ABL Islamic Principal Preservation Fund II</b>	
Issue of 39,040,293 units	<u>457,000</u>
Issue of 6,135,454 Bonus units	<u>62,109</u>
<b>MCB Financial Services Limited - Trustee</b>	
Remuneration for the period	<u>919</u>
<b>CHAIRMAN OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY</b>	
<b>Sheikh Mukhtar Ahmad</b>	
Issue of 1,000,000 units	<u>10,000</u>
Issue of 157,157 bonus units	<u>1,591</u>

	Period from 12 June 2013 to 30 June 2014 (Rupees in 000)
<b>CHIEF EXECUTIVE OFFICER</b>	
Issue of 2,500 units	<u>25</u>
Issue of 393 Bonus units	<u>4</u>
<b>EXECUTIVES</b>	
Issue of 40,397 units	<u>415</u>
Redemption of 40,397 units	<u>440</u>
<b>Unit Holders holding 10% or more units of the Fund</b>	
Issue of 2,000,000 units	<u>20,000</u>
Redemption of 2,000,000 units	<u>21,952</u>
Detail of balances with related parties / connected persons as at period end:	30 June 2014 (Rupees in 000)
<b>ABL Asset Management Company Limited</b>	
Outstanding of 6,205,530 units	<u>64,690</u>
Remuneration payable to the Management Company	<u>3,950</u>
Sindh sales tax payable on remuneration of Management Company	<u>1,400</u>
FED payable on remuneration of Management Company	<u>4,804</u>
Preliminary expenses and floatation cost payable	<u>5,000</u>
Sales load payable	<u>8</u>
<b>Allied Bank Limited - Holding Company of Management Company</b>	
Outstanding of 11,206,388 units	<u>116,822</u>
Dividend Payable	<u>17,828</u>
Bank balances	<u>2,103</u>
<b>ABL AMCL Staff Provident Fund</b>	
Outstanding of 618,713 units	<u>6,450</u>
<b>MCBFSL Trustee ABL Islamic Principal Preservation Fund</b>	
Outstanding of 44,661,535 units	<u>465,579</u>
<b>MCBFSL Trustee ABL Islamic Principal Preservation Fund-II</b>	
Outstanding of 45,175,747 units	<u>470,939</u>
<b>MCB Financial Services Limited - Trustee</b>	
Remuneration payable	<u>107</u>

**30 June  
2014  
(Rupees in 000)**

**CHAIRMAN OF THE BOARD OF MANAGEMENT COMPANY****Sheikh Mukhtar Ahmad**

Outstanding of 1,157,157 units

12,063**CHIEF EXECUTIVE OFFICER**

Outstanding of 2,893 units

30**17. FINANCIAL INSTRUMENTS BY CATEGORY**

30 June 2014

	Loans and receivables	Financial assets 'at fair value through profit or loss'	Financial assets categorised as 'available for sale'	Financial liabilities measured at amortised cost	Total
----- (Rupees in 000) -----					
<b>On balance sheet - financial assets</b>					
Bank balances	281,768	-	-	-	281,768
Investments	-	1,557,928	-	-	1,557,928
Dividend and other receivables	2,156	-	-	-	2,156
Security deposits and prepayments	13,400	-	-	-	13,400
	<u>297,324</u>	<u>1,557,928</u>	<u>-</u>	<u>-</u>	<u>1,855,252</u>
<b>On balance sheet - financial liabilities</b>					
Remuneration payable to ABL Asset Management Company - Management Company	-	-	-	15,162	15,162
Payable to MCB Financial Services Limited - Trustee	-	-	-	107	107
Dividend Payable	-	-	-	25,670	25,670
Payable against purchase of investments	-	-	-	80,314	80,314
Accrued expenses and other liabilities	-	-	-	9,432	9,432
	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,685</u>	<u>130,685</u>

**18. FINANCIAL RISK MANAGEMENT**

The risk management policy of the Fund aims to maximise the return attributable to the unit holders and seeks to minimise potential adverse effects on the Fund's financial performance.

Risks of the Fund are being managed by the Fund manager in accordance with the approved policies of the Investment Committee which provides broad guidelines for management of risk pertaining to market risks (including price risk, interest rate risk and currency risk) credit risk and liquidity risk. Further, the overall exposure of the Fund complies with the NBFC Regulations and the directives issued by the Securities and Exchange Commission of Pakistan.

Risks managed and measured by the Fund are explained below:

## 18.1 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail to perform as contracted. Credit risk arises from deposits with banks and financial institutions, profit receivable on bank deposits, credit exposure arising as a result of dividends receivable on equity securities and receivable against sale of investments.

Credit risk arising on financial assets is monitored through a regular analysis of financial position of brokers and other parties. Credit risk on dividend receivable is minimal due to statutory protection. Further, all transactions in securities are executed through approved brokers and in case of equity, transactions settled through National

Clearing Company of Pakistan Limited (NCCPL), thus the risk of default is considered to be minimal. In accordance with the risk management policy of the Fund, the Investment Committee monitors the credit position on a daily basis which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

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

The maximum exposure to credit risk as at 30 June 2014 is tabulated below:

	30 June 2014 (Rupees in 000)
<b>Financial assets</b>	
Bank balances	281,768
Dividend and other receivables	2,156
Security deposits and prepayments	13,400
	<u>297,324</u>

Credit rating wise analysis of bank balances of the Fund are tabulated below:

Name of the banks	Rating agency	Published rating	30 June 2014 (%) of bank balance
United Bank Limited	JCR-VIS	AA+	3.55%
Allied Bank Limited	PACRA	AA+	0.75%
Al Baraka Bank (Pakistan) Limited	PACRA	A	41.96%
BankIslami Pakistan Limited	PACRA	A	53.74%
			<u>100.00%</u>

The Fund does not have any collateral against any of the aforementioned assets.

None of the financial assets were considered to be past due or impaired as on 30 June 2014.

## 18.2 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Fund's offering document provides for the daily creation and cancellation of units and it is therefore exposed to the liquidity risk of meeting unit holders' redemptions at any time. The Fund manages its liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets. The Fund's investments are considered to be readily realisable as they are all listed on stock exchanges of the country. 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.

In accordance with the risk management policy of the Fund, the Investment Committee monitors the liquidity position on a daily basis, which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

In accordance with regulation 58(1)(k) of the NBFC Regulations 2008, the Fund has the ability to borrow funds for meeting the redemption requests, with the approval of the Trustee, for a period not exceeding three months to the extent of fifteen per cent of the net assets which amounts to Rs. 259.135 million as on 30 June 2014. However, no such borrowing has been obtained during the period.

Further, the Fund is also allowed in accordance with regulation 57 (10) of the NBFC Regulations, 2008, to defer redemption requests to the next dealing day, had such requests exceed ten percent of the total number of units in issue. However, no such defer redemption request has been exercised by the fund during the period.

An analysis of the Fund's financial liabilities into relevant maturity grouping as at 30 June 2014 is tabulated below:

	30 June 2014				Total
	Maturity up to				
	Three months	Six months	One year	More than one year	
	(Rupees in 000)				
Payable to ABL Asset Management Company Limited - Management Company	15,162	-	-	-	15,162
Payable to MCB Financial Services Limited - Trustee	107	-	-	-	107
Dividend Payable	25,670	-	-	-	25,670
Payable against purchase of investments	80,314	-	-	-	80,314
Accrued expenses and other liabilities	3,570	-	-	-	3,570
<b>Total liabilities</b>	<b>124,823</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>124,823</b>

Units of the Fund are redeemable on demand at the option of the unit holder, however, the Fund does not anticipate significant redemption of units.

## 18.3 Market risk

### 18.3.1 Price risk

Price risk is the risk of volatility in prices of financial instruments resulting from their dependence on

market sentiments, speculative activities, supply and demand for financial instruments and liquidity in the market. The value of investments may fluctuate due to change in business cycles affecting the business of the company in which the investment is made, change in business circumstances of the company, industry environment and / or the economy in general.

The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The primary objective of the Fund is to provide the maximum return to the unit holders from investment in Shariah compliant investments for the given level of risks. The Fund's market risk is managed on a daily basis by the investment committee in accordance with the policies and procedures laid down by the Securities and Exchange Commission of Pakistan. Further, it is managed by monitoring exposure to marketable securities and by complying with the internal risk management policies and regulations laid down in NBFC Regulations, 2008.

The Fund's overall market positions are monitored on a quarterly basis by the Board of Directors of the Management Company.

Details of the Fund's investment portfolio exposed to price risk, at the reporting date are disclosed in note 5 to these financial statements. As at 30 June 2014, the Fund's overall exposure to price risk is limited to the fair value of those positions. The Fund manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weighting to that of the KSE Meezan Index (KMI 30). The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

The net income and net assets of the Fund will increase / (decrease) by Rs. 15.579 million if the prices of equity vary due to increase / decrease in KMI 30 by 1% with all other factors held constant. The table below is a summary of the significant sector concentrations within the equity portfolio.

#### Sector wise portfolio

	30 June 2014	
	Fund's equity portfolio (%)	KMI 30 benchmark portfolio (%)
Automobile and Parts	2.22%	1.26%
Oil and Gas	40.61%	44.43%
Chemicals	15.22%	13.85%
Commercial Banks	3.64%	0.00%
Electricity	10.23%	14.46%
Fixed Line Telecommunication	0.00%	2.14%
Pharma and Bio Tech	0.00%	1.19%
General Industrials	4.99%	2.12%
Personal Goods (Textile)	3.03%	2.81%
Construction and Materials (Cement)	19.40%	15.41%
Others	0.66%	2.33%
	<b>100.00%</b>	<b>100.00%</b>

The Fund manager uses KMI as a reference point in making investment decisions. However, the fund manager does not manage the Fund's investment strategy to track KMI or any other index or external benchmark. The sensitivity analysis presented is based upon the portfolio composition as at 30 June 2014.

The composition of the Fund's investment portfolio and the correlation thereof to KMI, is expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2014 is not necessarily indicative of the effect on the Fund's net assets attributed to units of future movements in the level of KMI.

### 18.3.2 Interest rate risk

The interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates which affect cash flows pertaining to debt instruments and their fair values. The Fund does not hold any debt instruments therefore its net assets are not exposed to these risks.

#### Cash flow interest rate risk

The Fund's interest risk arises from the balances in saving accounts.

During the period ended 30 June 2014, the net income and net assets of the Fund would have increased / (decreased) by Rs. 2.797 million had the interest rates on saving accounts with banks increased / (decreased) by 100 basis points.

#### Fair value interest rate risk

Since the Fund does not have any investment in fixed rate security, therefore, is not exposed to fair value interest rate risk.

### 18.3.3 Currency risk

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

## 19. UNITHOLDERS' FUND RISK MANAGEMENT

The unit holder fund is represented by redeemable units. These units are entitled to distribution and payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown in the Statement of Movement in Unit holders' Fund.

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

The Fund has no restrictions on the subscription and redemption of units.

The Fund meets the requirement of sub-regulation 54 (3a) which requires that the minimum size of an Open End Scheme shall be one hundred million rupees at all time during the life of the scheme.

In accordance with the risk management policies stated in the note 18, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet

redemptions, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

## 19.1 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund's accounting policy on fair value measurements is discussed in note 3.1.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at 30 June 2014, all the investments were categorised in level 1.

## 20. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S. No.	Name	Designation	Experience in years	Qualification
1	Farid Ahmed Khan	Chief Executive Officer	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

20.1 Mr. Kamran Aziz is the Fund Manager of the Fund. He is also managing ABL Islamic Income Fund and ABL Stock Fund.

## 21. TRANSACTIONS WITH BROKERS / DEALERS

List of top 10 brokers by percentage of commission charged during the year ended 30 June 2014

S. No.	Particulars	Percentage
1	BMA Capital Management Limited	11.34%
2	Arif Habib Limited	11.05%
3	Foundation Securities (Private) Limited	10.72%
4	Elexir Securities Pakistan (Private) Limited	8.90%
5	JS Global Capital Limited	8.48%
6	Topline Securities (Private) Limited	7.61%
7	Optimus Capital Management (Private) Limited	6.41%
8	Fortune Securities Limited	6.13%
9	Global Securities Pakistan Limited	4.84%
10	Invest & Finance Securities Limited	4.65%



## 22. PATTERN OF UNIT HOLDING

As at 30 June 2014			
Category	Number of unit holders	Net assets value of the amount invested	Percentage of total investment
(Rupees in '000)			
Individuals	163	115,876	6.71%
Associated companies / directors	3	193,575	11.21%
Insurance companies	2	10,863	0.62%
Retirement Funds	18	398,363	23.06%
Others	4	1,008,887	58.40%
	<b>190</b>	<b>1,727,564</b>	<b>100.00%</b>

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

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	No. of meetings			Meetings not attended
		Held	Attended	Leave granted	
<b>Directors</b>					
1	Sheikh Mukhtar Ahmed	6	6	-	-
2	Muhammad Waseem Mukhtar	6	5	1	36th 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 33rd, 34th
7	Khawaja Muhammad Almas	6	6	-	- -
8	Farid Ahmed Khan*	6	6	-	- -
<b>Other persons</b>					
1	Saqib Matin**	6	6	-	- -

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

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

\*\*\* Appointed as new Director of ABL Asset Management Company Limited on July 12, 2013 vide circular resolution and was subsequently ratified by the Board of Directors in the 32nd meeting of the Board of Directors held on August 6, 2013.

redemptions, such liquidity being augmented by short term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

## 19.1 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund's accounting policy on fair value measurements is discussed in note 3.1.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at 30 June 2014, all the investments were categorised in level 1.

## 20. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S. No.	Name	Designation	Experience in years	Qualification
1	Farid Ahmed Khan	Chief Executive Officer	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

20.1 Mr. Kamran Aziz is the Fund Manager of the Fund. He is also managing ABL Islamic Income Fund and ABL Stock Fund.

## 21. TRANSACTIONS WITH BROKERS / DEALERS

List of top 10 brokers by percentage of commission charged during the year ended 30 June 2014

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7	Optimus Capital Management (Private) Limited	6.41%
8	Fortune Securities Limited	6.13%
9	Global Securities Pakistan Limited	4.84%
10	Invest & Finance Securities Limited	4.65%

**24. 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