

ABL 
Stock Fund



ANNUAL'
REPORT 10

 **ABL Asset Management**
Discover the potential

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 **ABL Asset Management**
Discover the potential

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Vision

“Creating investment solutions „
within everyone’s reach



Mission & Core Values

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

Fund information

Management Company:	ABL Asset Management Company Limited 11 – B, Lalazar M. T. Khan Road, Karachi.	
Board of Directors of the Management Company:	Sheikh Mukhtar Ahmed Mr. Mohammad Aftab Manzoor Mr. M. Jawaid Iqbal Mr. Muhammad Yaseen Mr. M. Shakeb Murad Mr. Kamran Nishat	Chairman Director Director Director Director Director
Audit Committee:	Mr. Mohammad Aftab Manzoor Mr. Muhammad Yaseen Mr. Kamran Nishat	Chairman Member Member
Chief Executive Officer:	Mr. Farid Ahmed Khan, CFA	
Chief Operating Officer & Company Secretary:	Mr. Sulaiman S. Mehdi	
Chief Financial Officer:	Mr. Saqib Matin	
Head of Internal Audit & Compliance:	Mr. Faisal Nadeem Mangroria	
Trustee:	Central Depository Company of Pakistan Ltd. 99-B, Block B, S.M.C.H.S Main Shahrah-e-faisal, Karachi.	
Bankers to the Fund:	Allied Bank Limited Bank Al- Falah Limited United Bank Limited	
Distributor:	Allied Bank Limited BMA Financial Services Limited IGI Investment Bank Limited Vector Consulting (Pvt.) Limited	
Auditor:	A.F. Ferguson & Co Chartered Accountants State Life Building No. 1-C I.I. Chundrigar Road, Karachi.	
Legal Advisor:	Bawany & Partners Room No. 404, 4th Floor Beaumont Plaza, 6 – C1 – 10, Beaumont Road, Civil Lines, Karachi.	
Registrar:	ABL Asset Management Company Limited. 11 – B, Lalazar, M. T. Khan Road, Karachi.	
Rating	Management Company: AM3 by JCR-VIS	

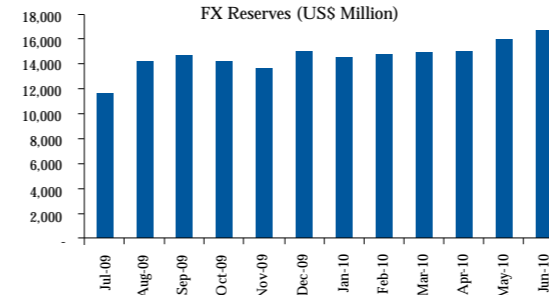
REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of ABL Asset Management Company Limited, the management company of ABL Stock Fund (ABL-SF), is pleased to present the Audited Financial Statements of ABL Stock Fund for the period ended June 30, 2010.

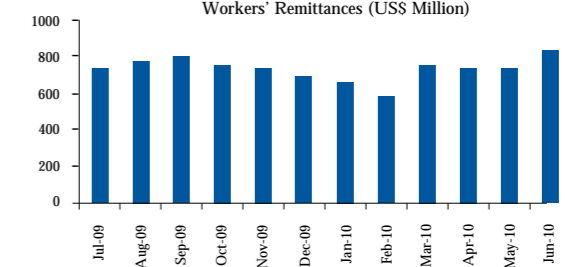
ECONOMIC REVIEW

During the period under review (July 09 – June 10), Pakistan's macroeconomic indicators depicted a mixed picture in the backdrop of global financial recovery and continued domestic unrest. The Gross Domestic Product (GDP) posted an increase of 4.1% in FY10, a commendable bounce from eight year low of 2% growth touched in FY09. The revival was led by Services sector growth which grew by 4.6% followed by 4.4% growth in Large Scale Manufacturing. On the other hand, fiscal account continued to bleed with the fiscal deficit soaring to 6.2% of GDP, well above government's estimate of 4.2% and wide off the targets set by IMF. On the bright side, total Foreign Exchange Reserves touched all time high of US\$16.8 billion thanks to almost \$4.1bn of IMF loans received during the year and record-high remittances. Lower oil prices helped reduce trade deficit and coupled with 14% growth in remittances, brought the current account deficit (CAD) down to 1.96% of GDP.

FX Reserves (US\$ Million)

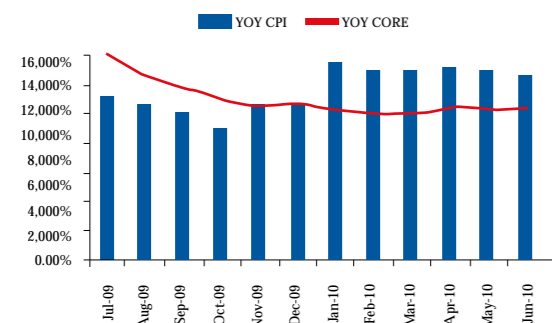


Workers' Remittances (US\$ Million)

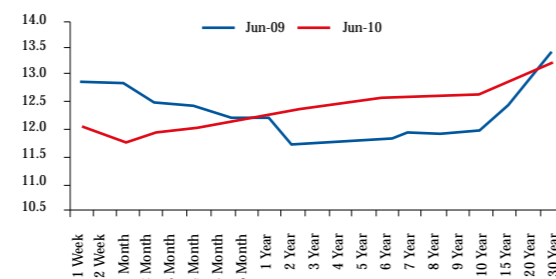


Foreign direct investment (FDI) shrunk significantly 41% YoY to US\$ 2.2 billion despite improved flows on the portfolio side. A combination of slowdown in global commodity prices, relatively stable exchange rate, tight Monetary Policy and high base effect curtailed inflation in first half of the fiscal year. This led to a cut in Policy Discount Rate by 100 bps in July 2009 and 50 bps in November 2009 by the State Bank of Pakistan. In order to curb money market volatility, SBP also introduced a rate corridor where the Discount Rate served as a ceiling and the floor rate was set approximately 300 bps below the Discount Rate. Inflationary pressures started to re-emerge in the second half of the fiscal year and CPI rose to 11.7% YoY whereas core inflation depicted an increase of 11.0% YoY. Heavy budgetary borrowing from the banking system, lack of committed foreign flows and mounting inflationary pressures were also reflected in comparative yield curves. In addition to that, circular debt problems in power and commodity sectors put further pressure on corporate sector liquidity and the ensuing credit demand pushed debt rates further up.

INFLATION



YIELD CURVE



SECTOR OVERVIEW

Asset quality once again was the key theme for the banking sector in FY10 where growth in sector NPLs at +15%, outpaced the 12% jump in assets. This hike took sector NPL ratio to 13.1% as of June-10 from 11.5% in Jun-09. However, higher asset yields (and thus higher margins) coupled with moderate growth in earning assets, kept top-line growth intact in a high credit cost environment. The interest rate spread of the banking sector averaged a respectable 7.37% in FY10 as compared to FY09 average of 7.55% despite 150bps reduction in discount rate. Another strategy that marked FY10 for banks was constant shift of asset mix towards low risk assets, especially sovereign instruments. Given the high cost of credit and lucrative rates on T-bills due to persistent fiscal deficit and rising inflation, banks remained risk averse in FY10 and preferred diverting funds into risk-free government papers.

As the world entered the second year of economic recovery, oil prices stabilized and traded in the range of \$69-82/bbl. Average crude prices were up 7% Y/Y to \$76/bbl. In line with international prices, realized crude prices also increased by 5% to \$63/bbl for domestic E&Ps. However, realized gas prices dipped by 12% Y/Y based on local gas pricing mechanism, which looks at previous six month's prices. An important highlight in FY10 was the auction of 41 exploration licenses in October 2009 which followed introduction of new E&P policy in 2009. This initiative should fare well for the industry as it could lead to higher drilling activity in future years. On the downstream side, burgeoning circular debt and possible increase in turnover tax continued to haunt investors. FY10-11 fiscal budget has raised minimum turnover tax to 1% from 0.5% and Oil Marketing Companies (OMCs) are now required to pay higher of minimum turnover tax or corporate tax of 35%. This poses risk of earnings downgrade for OMCs as effective tax rate can escalate to 50-55%.

Though power companies' financial health showed some improvement in 1HFY10 after intermittent receipt of outstanding payments from the government, inter-corporate debt again swelled in third quarter on the back of rising oil prices and generation costs. Tariff hikes appear to be in the pipeline for FY11, as the government has slashed power subsidy in the federal budget. An expected 28% hike in power tariff is on cards but will take some time to materialize as government seeks ways to balance out IMF's conditions with its own populist aspirations.

FY10 was a tough year for the local cement industry as profitability was hit hard by breakdown of the domestic pricing agreement in Aug-09 and subsequent 24-28% decline in retail cement prices. However, the strong domestic demand recovery (~24% y/y increase) brought some respite to the sector. Exports were more or less flat during the year. After a weak run in April and May, cement prices in the North have risen by roughly Rs.25-

30/bag to Rs.280-300/bag in Jun-10. The monsoon season and the onslaught of flood has tempered the short term outlook for the sector but we believe that the long term prospects continue to look good.

Fertilizer sector, once again, had a pleasant year with respect to nutrient off-takes, which improved marginally over the last year. However, key event that spoiled fertilizer sector theme was the gas curtailment issue. In 2H FY10-11, fertilizer companies faced gas curtailment of up to 12-15%, which reduced their production capacities. To counter this negative development, fertilizer companies increased urea prices by more than Rs.70 per bag thereby improving their margins on net basis.

Export focused textile industry (~ 53% contribution to total exports) recovered from the lows of FY09 on back of better global outlook during FY10. Overall, textile exports in 11mFY10 were up 7% y/y to \$9.37bn. Headline export numbers for most products in the textile chain have been positive with only fabric and bed wear numbers showing some weakness. The biggest contributors to growth meanwhile have been yarn (+26%),

made-ups (+16%) & synthetics (+106%). Rupee depreciation, better cotton crops and robust global demand were the factors that marked solid performance of textile industry in FY10.

MUTUAL FUND INDUSTRY REVIEW

Economic stability and better returns helped revive the local asset management industry. As liquidity improved and TFC prices recovered, mutual fund returns started to improve which helped attract investors back towards the sector. However, there were some setbacks towards the end of the fiscal year in the shape of imposition of capital gains tax and workers welfare fund levy on all mutual funds. These developments stifled the recovery and overall Assets under Management (AUM) of the mutual fund industry decreased by 1.78% to Rs.199.52 billion in June 2010 from Rs.203.14 billion in June 2009. Further, the AUMs of equity funds category decreased by 51.68% to Rs.39.15 billion as on June 30, 2010 as compared to Rs.81.02 billion in the same period last year

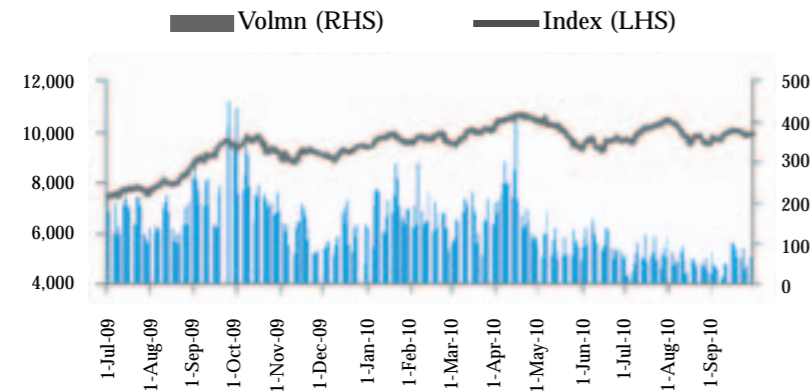
FUND PERFORMANCE

During the period under review, ABL Stock Fund's AUM grew to Rs.376.2 million. Since ABL-SF's inception on June 28, 2009, the fund size has increased by 4% till June 30, 2010.

During the year ended June 30, 2010 ABL-SF delivered absolute return of 32.72%, which positioned ABL-SF as the best performing equity fund in the Industry.

However, ABL-SF was not able to outperform its benchmark KSE-100, which appreciated by 36% during FY10. Underperformance was primarily on account of increase in price of OGDC, which now forms more than 20% of KSE-100. Mutual fund regulations do not permit Collective Investment Schemes to invest more than 10% of their AUM in any one script, which, although prudent, restricts fund ability to track movement (called tracking error) in OGDC's share price. To overcome this anomaly, ABL-SF changed its benchmark from KSE-100 to KSE-30 starting FY11, which will resolve this issue to great extent.

Bulk of fund investments were parked in the E&P (39%) and banking (23%) sectors on close of Fiscal Year 2010. The fund was also invested into Electricity and Chemicals sectors at 11% and 14% respectively at the end of the period. ABL-SF is increasingly focused on sectors that are known for their high pay outs and ability to pass on inflationary pressure, which partly explains the high concentration in E&P, Electricity and Chemical sectors. E&P and Power sector will provide a hedge against economic slowdown due to the inelastic nature of their product demand. Banking sector stocks are set to benefit from the decline in NPLs and improvement in margins due to rising interest rates which could help most banks to post significant growth in earnings next year.



During the year ended June 30, 2010 ABL Stock Fund earned total income of Rs.105.09 million out of which Rs.89.97 million was earned from capital gain on sale of securities, Rs.16.82 million was earned from dividend income and Rs.3.58 million from profit on bank accounts, whereas Rs.5.53 million was unrealized diminution on re-measurement of investments. After accounting for expenses of Rs.18.53 million (comprising mainly of the management fee of Rs.11.39 million) net income from operating activities for the period ended June 30, 2010 stood at Rs.86.53 million. With the net element of income/(loss) and capital gains/(losses) of Rs.26.23 million included in the prices of units issued less those in units redeemed and Rs.0.30 million provision for workers welfare fund, the net income for the period ended June 30, 2010 stood at Rs.112.46 million.

DIVIDEND

The Board of Directors of the management company on June 28, 2010 approved and declared final dividend distribution of Rs.3.2813 per unit (32.81% of the par value of Rs.10) for ABL-SF for the year ended June 30, 2010.

STRATEGY, REVIEW AND OUTLOOK OF ABL-SF

For strategy, review and outlook of ABL-SF, kindly refer to the Fund Manager's Report on Page 9 of the Annual Report

CORPORATE GOVERNANCE

The Board of Directors states that:

1. Financial Statements present fairly the statement of affairs, the results of operations, cash flows and the changes in unit holder's fund;
2. Proper books of accounts have been maintained by the Fund.
3. Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgments;
4. Relevant International Accounting Standards, as applicable in Pakistan, provision of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the Trust Deed and directives issued by the Securities and Exchange Commission of Pakistan have been followed in the preparation of the financial statements;
5. The system of internal control is sound in design and has been effectively implemented and monitored;
6. There has been no significant doubts upon the Funds' ability to continue as going concern;
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
8. Performance table of the Fund is given on page 12 of the Annual Report;
9. There is no any statutory payment on account of taxes, duties, levies and charges outstanding;

10. The statement as to the value of investments of Staff Provident Fund is not applicable in the case of the Fund as such expenses are borne by the Management Company;

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

S. No.	NAME	DESIGNATION	BEGINNING UNITS	UNITS ISSUED	UNITS REDEEMED	BONUS UNITS	CLOSING UNITS
1	Mr. Sulaiman S. Mehdi	COO/Company Secretary	-	9,996	9,996	-	-
2	Mr. Saqib Matin	CFO	-	22,183	-	-	22,183

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

13. The pattern of holding in ABL Stock Fund is given in notes to the Financial Statements.

AUDITORS

M/s. A.F.ergusons & Co. (Chartered Accountants), on the recommendation of the Audit Committee of the Board of Directors are being eligible for re-appointment have been appointed as auditors for the year ended June 30, 2011 for ABL Stock Fund (ABL-SF).

FUND STABILITY RATING

On July 29, 2010, JCR-VIS has assigned Fund Performance Ranking of MFR 5-Star to ABL-SF.

MANAGEMENT QUALITY RATING

On December 31, 2009, JCR-VIS has reaffirmed the Management Quality Rating of ABL Asset Management Company Limited (ABL AMCL) at 'AM3' (AM-Three), which denotes 'good management quality.'

OUTLOOK

The economic and political uncertainty, in terms of looming circular debt, huge public sector borrowing requirements and challenges on political front (NRO being case in point) will continue to keep stock market range bound in 1hFy11. Introduction of Capital Gains Tax from July 1, 2010 and lack of consensus on the leverage product will further drive down the volumes and make price discovery even more difficult. Long-term outlook of economy and equity markets, however, appears promising. Going forward, the smooth transition from consolidation to recovery will require addressing key risks, including 1) Power crises, which is seriously damaging the overall economic growth and as per Ministry of Finance, this contributed to 1% decline in headline GDP growth in Fiscal Year 2010 2) Higher inflation, which is keeping SBP cautioned towards interest rates 3) Liquidity constraints, which is leading to crowding out of private sector and 4) Political stability which is essential for attracting investment and promoting an enabling investment climate.

ACKNOWLEDGEMENT

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

Karachi, October 25, 2010

For and on behalf of the Board



FARID AHMED KHAN
CEO

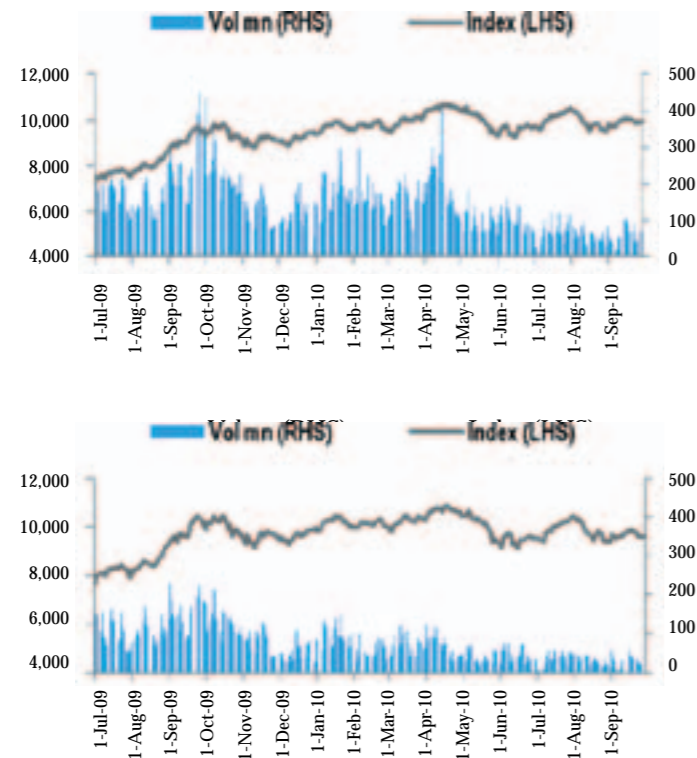
FUND MANAGER'S REPORT

OBJECTIVE

ABL Stock Fund (ABL-SF) aims to provide long term risk adjusted returns to investors by investing in diversified portfolio of equity instruments offering capital gains and dividends

MARKET OVERVIEW

Coming off a disappointing negative 42% return in Fiscal Year 2009, KSE-100 ended Fiscal Year 2010 with a 36% gain, which puts it amongst the best performing stock markets in the region. Foreign Portfolio Investment (FPI) and IMF-backed economic stability package were the key features that underpinned KSE's performance in 2010. FPI of \$561 million into KSE during the year was in line with the global trends, as foreign investors continue to hunt for values in emerging economies which appear to be leading the global recovery into the growth phase.



Average traded volumes at KSE during the year - while up 47% over the floor ridden FY09 at US\$84mn - were still on the lower side compared to FY04-08 average daily turnover of US\$436mn. The absence of leverage product, perceived high risk of equities and dearth of liquidity were the key reasons behind falling volumes. Politics remained in the news throughout the year but only seldom affected market sentiments, as investors started building an element of political uncertainty in their base case.

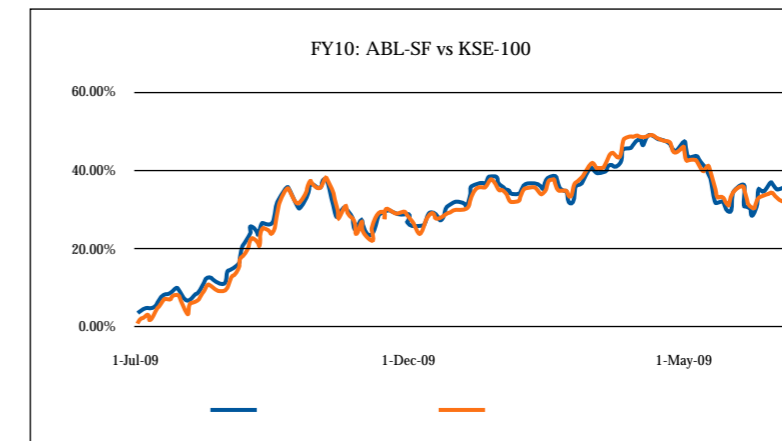
On economic front, Pakistan's landscape remained in a consolidation phase last year with moderate improvements in key indicators. GDP growth recovered to 4.1% (above government target) in FY-10, inflation came down from 20.8% to 11.7% and foreign exchange reserves improved to US\$16bn in FY10 from US\$11.5bn last year. However Ex-IMF financing, reserves are flat since June 2009. After losing 18% of its value Y/Y against the USD in June 2009, Pak rupee stabilized in a range in FY10 and depreciated ~5% Y/Y.

In a nutshell, while the economy showed progress on the external and monetary fronts in FY10 relative to last year, risks remained in place on fiscal side, supply management and inflation.

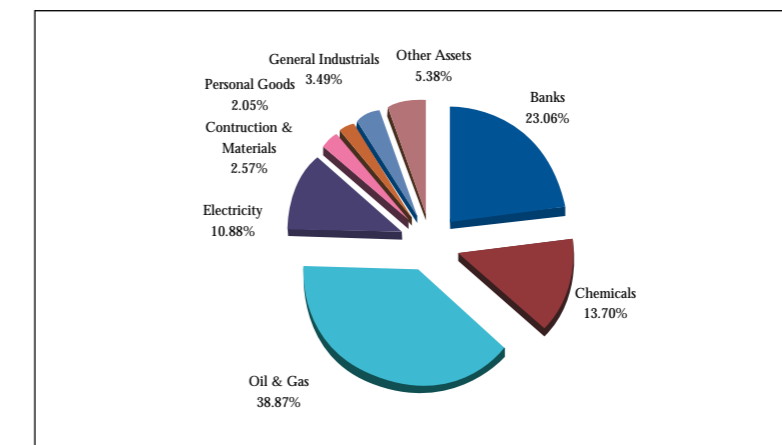
Mutual Funds Industry remained under pressure and assets under management fell by 2.3% during Fiscal Year 2010. Equity Funds category, however, shrank by 51% during the period owing to the transfer of NIT's LoC portfolio to the unit holding banks. This transfer alone shaved off roughly Rs.20 bn from Equity funds category. Ex-NIT, the industry AUMs were flat on YoY basis.

FUND PERFORMANCE

Compared to its benchmark KSE-100 index, ABL-SF returned 32.72% to its investors during FY10, underperforming the index by 302 basis points. The underperformance is largely due to the fund's inability to take higher exposure in index heavy weight stocks like OGDC and MCB Bank due to 10% per scrip exposure regulatory limit. As OGDC and MCB were two of the best performing scrip last year, ABL-SF and its peers were unable to match index performance. However, ABL-SF ended FY10 as the best performing stock fund in the equity fund category, beating second best performing fund by more than five percentage points. As a result of this extra-ordinary performance, ABL SF achieved "MFR 5-Star" rating from JCR-VIS for the year ended June 30, 2010. MFR 5-Star rating is defined as "Very Good Performance" as per JCR-VIS's rating scheme and reflects highest possible rating a stock fund can achieve for its performance.



We attribute our superior performance to better stock selection and a buy-to-hold strategy which reduced our trading costs. ABL-SF, as at June 30, 2010, was nearly 95% invested in equities and the rest in cash and cash equivalents. Equity investments were mainly concentrated in Oil & Gas, Banking, Chemicals and Electricity sectors with exposures of 38.9%, 23.1%, 13.7% and 10.9% respectively. The high exposure to Oil & Gas sector is primarily due to clubbing of three different sectors namely Oil & Gas Exploration, Refineries and Oil Marketing Companies into single category by the Karachi Stock Exchange (in line with the New Sector Classification rules). Mufap is actively involved in negotiating this issue of clubbing of three important sectors with the SECP and we are confident that the regulator will decide the matter in favor of mutual funds by relaxing this per sector limit.



ABL-SF also announced a full year dividend @ Rs.3.2813/unit at closing of the period ended June 30, 2010. Fiscal Year 2010, overall, was a rewarding year for ABL Stock Fund investors and we will strive to better our performance in times to come.

FUTURE OUTLOOK AND STRATEGY

The corporate result season is now nearly over and although most sectors, particularly Banking and Fertilizer, posted robust earnings growth, they failed to excite investors at large. The devastation caused by flood and its impact on the economy overwhelmed investors' sentiments whereas the specter of rising interest rates is keeping liquidity at bay. Going forward, we expect market volumes to recover as investors digest the post-flood scenario and start focusing on attractive valuations. The launch of a leverage product will also go a long way in improving liquidity and volumes. Foreign investment flows into the emerging markets are still very strong and Pakistan continues to get a decent share. We are cautiously optimistic on mid to long term performance of KSE, which is still trading at a significant discount to regional markets as well as to its own historic multiples. Building the right portfolio is what will produce results for investors under current circumstances.

ABL-SF – PERFORMANCE		FY2010
ABL-SF Yield since Inception		32.43%
Benchmark KSE-100		35.74%

ABL-SF – AUM & PRICING		FY2010
Assets under Management as at June 30, 2010 (PKR mn)		376.158
Closing NAV per unit as at June 30, 2010 (PKR) (Ex- Dividends)		10.0134
Closing NAV per unit as at June 30, 2010 (Cum- Dividends)		13.2947

Distributions	Payout	Rs. Per Unit
Annual Dividend (June 2010)	95%	3.2813

Performance Table

	June 28, 2009 to June 30, 2010 Rupees
Net Assets	<u>376,158,199</u>
Net Income	<u>112,454,548</u>
	(Rupees per unit)
Net Assets value as on June 30, 2010	<u>10.0134</u>
Interim distribution	<u>-</u>
Final distribution	<u>3.2813</u>
Distribution date - Annual	<u>June 28, 2010</u>
Closing offer price	<u>10.3138</u>
Closing repurchase price	<u>10.0134</u>
Highest offer price	<u>15.3833</u>
Lowest offer price	<u>10.3082</u>
Highest repurchase price per unit	<u>14.9352</u>
Lowest repurchase price per unit	<u>10.0080</u>
	Percentage
Total return of the fund	
- capital growth	<u>0.134%</u>
- income distribution	<u>32.8130%</u>
Average return of the fund	<u>32.72%</u>
Date of Launch	<u>June 28, 2009</u>

Disclaimer

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

CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED

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CDC House, 99-B, Block "B"
S.M.C.H.S. Main Shakra-e-Faisal
Karachi - 74400, Pakistan.
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Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com

TRUSTEE REPORT TO THE UNIT HOLDERS

ABL STOCK FUND

Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

The ABL Stock Fund (the Fund), an open-end fund was established under a trust deed dated April 23, 2009, executed between ABL Asset Management Company Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund for the period from June 28, 2009 to June 30, 2010 in accordance with the provisions of the following:

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



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

Karachi: October 25, 2010



A.F.FERGUSON & CO.

A member firm of

 PRICEWATERHOUSECOOPERS

A.F.Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
11, Chundrigar Road, P.O.Box 4716
Karachi-74000, Pakistan
Telephone: (021) 32426682-6 / 32426711-5
Facsimile: (021) 32413007 / 32427938

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

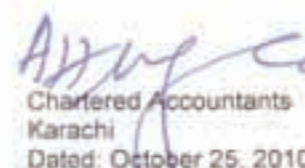
We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **ABL Stock Fund** to comply with the Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange where the Fund is listed.

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the period from June 28, 2009 to June 30, 2010.



Chartered Accountants
Karachi
Dated: October 25, 2010

Lahore Office: 25 C. Airy Avenue, Canal Bank, Gallberg V, P. O. Box 39, Lahore, Pakistan Tel: (92-42) 35775864-71 Fax: (92-42) 35775872
Islamabad Office: PMA Building, 3rd Floor, 49 Blue Area, East of H-10/4 Road, P.O.Box 3071, Islamabad-44000, Pakistan Tel: (92-51) 2277457-40 Fax: (92-51) 2277424
Kabul Office: House No. 1916, Street No. 1, Behind Cinema Bazar, Nahr-e-Daman, Karte-4, Kabul, Afghanistan. Tel: +93-779-315120, +93-799-115120

STATEMENT OF COMPLIANCE BY ABL STOCK FUND WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD FROM JUNE 28, 2009 TO JUNE 30, 2010

This statement is being presented to comply with the Code of Corporate Governance ("the Code") contained in Regulation No.35 of the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance. The board of directors ("the Board") of ABL Asset Management Company Limited ("the Management Company"), an un-listed public company, manages the affairs of ABL 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 non-executive directors. At present, the Board includes seven non-executive directors two of whom are non-executive independent directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company.
3. All the directors of the Management Company have confirmed that they are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurred during the period under review. One upon the resignation of Mr. Samad Dawood which was duly filled within 30 days. The other vacancy occurred due to resignation of Mr. Anis ur Rahman (CEO) with effect from November 01, 2009 which was duly filled by the appointment of Mr. Farid Ahmed Khan, as CEO, with effect from February 24, 2010
5. The Management Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the Management Company.
6. The Board has developed a vision/mission statement, an overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before such meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The related party transactions are placed before the audit committee and approved by the board of directors on quarterly basis with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.

10. The Directors have been provided with the copies of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies & Notified Entities Regulations, 2008, Companies Ordinance 1984, Listing Regulations, Code of Corporate Governance, Prudential Regulations, Management Company's Memorandum and Articles of Association and all other relevant rules and regulations and hence are conversant with the relevant laws applicable to the Management Company and to the Fund.
11. No new appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit has been made during the current period.
12. The roles and responsibilities of the Chairman and the CEO have been approved by the Board.
13. The Directors' Report of the Fund for the period from June 28, 2009 to June 30, 2010 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
14. The financial statements of the Fund were duly endorsed by the CEO and CFO of the Management Company before approval of the Board.
15. The directors, CEO and executives do not hold any interest in the units of the Fund other than disclosed in the Directors Report.
16. The Management Company has complied with all the applicable corporate and financial reporting requirements of the Code with respect to the fund.
17. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors of the Management Company, including the Chairman of the Committee.
18. The meetings of the Audit Committee were held once in every quarter and prior to the approval of interim and final results of the Fund as required by the Code. The terms of reference of the Audit Committee have been approved in the meeting of the Board and the Committee has been advised to ensure compliance with those terms of reference.
19. There exists an effective internal audit function within the Management Company.
20. The statutory auditors of the Fund have confirmed that they have been give a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partner of the firm, their spouse and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. We confirm that all other material principles contained in the Code have been complied with.

Karachi, October 25, 2010

For and on behalf of the Board


FARID AHMED KHAN
CEO

A.F.FERGUSON & CO.

A member firm of

PRICEWATERHOUSECOOPERS

A.F. Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
11-Chandigarh Road, P.O.Box 4716
Karachi-74000, Pakistan
Telephone: 0211 3242662/4 / 32426711-3
Facsimile: 0211 32415007 / 32427918

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of ABL Stock Fund, which comprise the statement of assets and liabilities as at June 30, 2010, and the related income statement, distribution statement, cash flow statement and statement of movement in unit holders' fund for the period from June 28, 2009 to June 30, 2010 and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the 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 misstatements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2010 and of its financial performance, cash flows and transactions for the period from June 28, 2009 to June 30, 2010 in accordance with the approved accounting standards as applicable in Pakistan.

Other matters

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



Chartered Accountants

Engagement Partner: Rashid A. Jafer

Dated: October 25, 2010

Karachi

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ABL STOCK FUND STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2010

	Note	June 30, 2010 Rupees
ASSETS		
Bank balances	4	6,937,666
Investments	5	395,731,515
Dividend and profit receivable	6	482,796
Security deposits	7	2,600,000
Receivable against sale of investments		51,960,297
Preliminary expenses and floatation costs	8	2,866,609
Total assets		460,578,883
LIABILITIES		
Payable to ABL Asset Management Company Limited - Management Company	9	4,596,263
Payable to Central Depository Company of Pakistan Limited - Trustee	10	67,096
Payable to Securities and Exchange Commission of Pakistan	11	360,521
Dividend payable		78,463,823
Accrued expenses and other liabilities	12	932,981
Total liabilities		84,420,684
Net assets		376,158,199
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		376,158,199
CONTINGENCIES AND COMMITMENTS		
	14	Number of units
NUMBER OF UNITS IN ISSUE		37,565,305
		Rupees
NET ASSET VALUE PER UNIT	15	10.0134
FACE VALUE PER UNIT		10.0000

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

For ABL Asset Management Company Limited
(Management Company)



FARID AHMED KHAN
CEO



MUHAMMAD YASEEN
DIRECTOR

ABL STOCK FUND INCOME STATEMENT

FOR THE PERIOD FROM JUNE 28, 2009 TO JUNE 30, 2010

Note	For the period from June 28, 2009 to June 30, 2010 Rupees
INCOME	
Capital gain on sale of securities	89,971,931
Income from Government Securities	237,231
Dividend income	16,816,032
Unrealised diminution on remeasurement of financial assets at fair value assets profit or loss - 'held for trading'	(5,534,477)
Profit on bank accounts	3,583,902
Other income	13,793
	<u>105,088,412</u>
EXPENSES	
Remuneration of ABL Asset Management Company Limited - Management Company	11,384,920
Remuneration of Central Depository Company of Pakistan Limited - Trustee	798,831
Annual fee - Securities and Exchange Commission of Pakistan	360,521
Brokerage expense, federal excise duty and capital value tax	4,248,838
Auditors' remuneration	395,000
Amortisation of preliminary expenses and floatation costs	716,652
Printing charges	140,364
Annual rating fee	90,000
Listing fee	80,000
Settlement and bank charges	344,593
Other expenses	2,500
Total operating expenses	<u>18,562,219</u>
Net income from operating activities	<u>86,526,193</u>
Element of accrued income / (loss) and capital gains/ (losses) included in prices of units issued less those in units redeemed	26,228,225
Workers welfare fund	(299,870)
Net income for the period before taxation	<u>112,454,548</u>
Taxation	3.9 -
Net income for the period after taxation	<u>112,454,548</u>
Other comprehensive income for the period	-
Total comprehensive income for the period	<u><u>112,454,548</u></u>
Earnings per unit	17

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

For ABL Asset Management Company Limited
(Management Company)


FARID AHMED KHAN
CEO


MUHAMMAD YASEEN
DIRECTOR

ABL STOCK FUND DISTRIBUTION STATEMENT


FOR THE PERIOD FROM JUNE 28, 2009 TO JUNE 30, 2010

	For the period from June 28, 2009 to June 30, 2010 Rupees
Net income for the period	112,454,548
Final distribution	
- Rs.3.2813 per unit on June 28, 2010	(33,484,691)
- Issue of 3,291,623 bonus units	(78,463,823)
- Cash distribution	
Undistributed income carried forward	<u>506,034</u>
Undistributed income comprising:	
Realised income	6,040,511
Unrealised loss	(5,534,477)
	<u><u>506,034</u></u>

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

For ABL Asset Management Company Limited
(Management Company)


FARID AHMED KHAN
CEO


MUHAMMAD YASEEN
DIRECTOR

ABL STOCK FUND STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

FOR THE PERIOD FROM JUNE 28, 2009 TO JUNE 30, 2010

	For the period from June 28, 2009 to June 30, 2010 Rupees
Net Assets at beginning of the period	-
Issue of 62,160,695 units for the period from June 28, 2009 to June 30, 2010	690,960,955
Redemption of 27,887,013 units for the period from June 28, 2009 to June 30, 2010	(322,565,256)
	368,395,699
Issue of 3,291,623 bonus units	33,484,691
Element of (income)/ loss and (capital gains)/ losses included in prices of units issued less those in units redeemed-transferred to income statement	(26,228,225)
Other net income for the period	28,017,094
Capital gain on sale of securities	89,971,931
Unrealised diminution on remeasurement of financial assets at fair value through profit or loss - 'held for trading'	(5,534,477)
Final distribution	
- Issue of 3,291,623 bonus units	(33,484,691)
- Cash distribution	(78,463,823)
	506,034
Net asset at the end of the period	<u>376,158,199</u>

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

For ABL Asset Management Company Limited
(Management Company)


FARID AHMED KHAN
CEO


MUHAMMAD YASEEN
DIRECTOR

ABL STOCK FUND CASH FLOW STATEMENT

FOR THE PERIOD FROM JUNE 28, 2009 TO JUNE 30, 2010

	For the period from June 28, 2009 to June 30, 2010 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income for the period before taxation	112,454,548
Adjustment for non-cash charges and other items;	
Remuneration of ABL Asset Management Company Limited - Management Company	11,384,920
Remuneration of Central Depository Company of Pakistan Limited - Trustee	798,831
Unrealised appreciation / diminution on re-measurement of investments classified as financial assets at fair value through profit or loss - 'held for trading'	5,534,477
Dividend income	(16,816,032)
Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed	(26,228,225)
Amortization of preliminary expenses and floatation costs	716,652
	<u>87,845,171</u>
(Increase) / decrease in assets	
Investments - net	(401,265,992)
Profit receivable	(94,296)
Deposits and prepayments	(2,600,000)
Receivable against sale of investments	(51,960,297)
	<u>(455,920,585)</u>
Increase / (decrease) in liabilities	
Payable to Securities and Exchange Commission of Pakistan	360,521
Accrued expenses and other liabilities	932,981
	<u>1,293,502</u>
Dividend received	16,427,532
Remuneration paid to ABL Asset Management Company Limited - Management Company	(10,371,918)
Remuneration paid to Central Depository Company of Pakistan Limited - Trustee	(731,735)
	<u>5,323,879</u>
Net cash used in operating activities	<u>(361,458,033)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Net receipts / (payments) against issuance / (redemption) of units	368,395,699
Net cash generated from financing activities	<u>368,395,699</u>
Net increase in cash and cash equivalents	6,937,666
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	<u>6,937,666</u>

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

For ABL Asset Management Company Limited
(Management Company)


FARID AHMED KHAN
CEO


MUHAMMAD YASEEN
DIRECTOR

ABL STOCK FUND NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM JUNE 28, 2009 TO JUNE 30, 2010

1 LEGAL STATUS AND NATURE OF BUSINESS

ABL Stock Fund (the Fund) was established under a trust deed executed between ABL Asset Management Company Limited (ABL AMCL) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Securities and Exchange Commission of Pakistan (SECP) authorised constitution of the Trust Deed on April 10, 2009 and it was executed on April 23, 2009 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Fund is an open ended fund and is listed on the Karachi Stock Exchange (Guarantee) Limited. Units of the Fund are offered for public subscription on a continuous basis. The units are transferable and redeemable by surrendering them to the Fund. The units of the Fund were initially offered for public subscription at par from June 25, 2009 to June 27, 2009 and thereafter these units are offered for public subscription on a continuous basis.

The Securities and Exchange Commission of Pakistan (SECP) vide its letter No. NBFC-II/DD/AMLAMC/681 dated June 30, 2009 had granted exemption to ABL Asset Management Company Limited from preparation and publishing of the financial statements of ABL Stock Fund for the period from June 28, 2009 to June 30, 2009. Accordingly, the current financial statements have been prepared for the period from June 28, 2009 to June 30, 2010.

The objective of the Fund is to provide higher risk adjusted returns to investors by investing in diversified portfolio of equity instruments offering capital gains and dividends. The investment objectives and policies are more fully explained in the Fund's Offering documents.

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 'AM3' to the Management Company.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Where ever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or 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 not yet effective:

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Fund's accounting periods beginning on or after January 1, 2010:

- a) IAS 7 (Amendment), 'Statement of Cash Flows' (effective from January 1, 2010). The amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. The amendment is not expected to have any impact on the Fund's financial statements.
- b) IAS 24 'Related Party Disclosures' (revised) (effective from January 1, 2011). The revised standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party.

There are certain other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or to have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

2.3 Accounting Convention

These financial statements have been prepared under the historical cost convention except for investments classified as 'financial assets at fair value through profit or loss' category which are carried at fair value.

2.4 Functional and Presentation Currency

These financial statements have been prepared in Pak Rupees, which is the Fund's functional and presentation currency.

2.5 Critical accounting estimates and judgments

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

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

- i. Classification and valuation of financial assets (notes 3.1 and 5)
- ii. Amortisation of preliminary expenses and floatation costs (note 3.6)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

3.1 Financial assets

3.1.1 Classification

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Available for sale

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

3.1.2 Regular way contracts

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

3.1.3 Initial recognition and measurement

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

Loans and receivables are carried at amortised cost.

3.1.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale that comprise of equity securities are valued on the basis of quoted market prices available at the stock exchange.

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

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

3.1.5 Impairment

The carrying value of the Fund's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount. An impairment loss is recognised in the income statement.

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under circular No. 1 of 2009 issued by the Securities and Exchange Commission of Pakistan.

The management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circular, in accordance with the provisioning policy approved by the Board of Directors.

3.1.6 Derecognition

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

3.1.7 Offsetting of financial assets and liabilities

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

3.2 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument.

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

3.3 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

3.4 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company. Transaction costs are recorded as the income of the Fund.

Units redeemed are recorded at the redemption price, 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, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

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

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of 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 income / gains / (losses) held in the Unit Holder's Fund in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the other comprehensive income in the income statement. 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.

3.6 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years commencing from June 28, 2009, as per the requirement of the Trust Deed of the Fund.

3.7 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 obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.8 Net asset value per unit

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

3.9 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 realized or unrealized, is distributed amongst the unit holders. Accordingly, no provision has been made for current and deferred taxation in these financial statements.

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 unrealized, to its unit holders every year.

3.10 Proposed dividend and transfer between reserves

Dividends declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared / transfers are made.

3.11 Revenue recognition

- Unrealised gains or losses arising on revaluation of investments classified as 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise.
- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Dividend income on equity securities is recognised when the right to receive dividend is established.
- Profit on bank deposits is recognised on an accrual basis.

3.12 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried in the balance sheet at cost.

	Note	June 30, 2010 Rupees
4 BANK BALANCES		
Saving accounts	4.1	<u>6,937,666</u>
		<u>6,937,666</u>

4.1 These saving accounts carry mark-up at rates ranging from 5.00% to 11.50% per annum. Deposits in savings accounts include Rs. 6,813,708/- maintained with Allied Bank Limited, a related party.

	Note	June 30, 2010 Rupees
5 INVESTMENTS		
At fair value through profit or loss - held for trading		
Government securities	5.1	39,818,400
Quoted equity securities	5.2	<u>355,913,115</u>
		<u>395,731,515</u>

5.1 Government securities

Issue Date	Tenor	Face Value			Balance as at June 30, 2010			Market value as a percentage of net assets	Market value as a percentage of total investment
		Purchase during the period	Disposed/ Matured during the period	Balance as at June 30, 2010	Cost	Market Value	Appreciation / (diminution)		
Rupees									
June 18, 2009	1Year	25,000,000	25,000,000	-	-	-	-	-	-
April 22, 2010	3 Months	40,000,000	-	40,000,000	39,815,223	39,818,400	3,177	10.59%	10.06%
		<u>65,000,000</u>	<u>25,000,000</u>	<u>40,000,000</u>	<u>39,815,223</u>	<u>39,818,400</u>	<u>3,177</u>		

5.2 Quoted equity securities

Name of investee company	Number of Shares				Market Value as a June 30, 2010	Market Value as a percentage of net assets	Market value as a percentage of investment	Market value as a percentage of paid-up capital of investee company
	Purchase during the period	Bonus / Right	Sale during the period	As at June 30, 2010				

Rupees

Shares of Listed companies-fully paid ordinary shares of Rs. 10 each unless stated otherwise.

FINANCIAL SERVICES									
Arif Habib Securities Limited	725,000	-	725,000	-	-	-	-	-	-
Jahangir Siddiqui & Company Limited	1,515,000	-	1,515,000	-	-	-	-	-	-
JS Investments Limited	25,500	-	25,500	-	-	-	-	-	-
BANKS									
Allied Bank Limited	609,355	51,080	123,380	537,055	30,585,282	8.13%	8.59%	0.07%	
Bank Alfalah Limited	1,182,958	-	1,182,958	-	-	-	-	-	-
Faysal Bank Limited	50,000	-	50,000	-	-	-	-	-	-
Habib Bank Limited	55,000	-	55,000	-	-	-	-	-	-
Habib Metropolitan Bank Limited	75,000	12,000	87,000	-	-	-	-	-	-
JS Bank Limited	500,000	-	500,000	-	-	-	-	-	-
MCB Bank Limited	770,000	11,600	646,600	135,000	26,215,650	6.97%	7.37%	0.02%	
Meezan Bank Limited	982,095	44,032	512,449	513,678	7,474,015	1.99%	2.10%	0.07%	
National Bank of Pakistan	1,091,000	-	901,000	190,000	12,179,000	3.24%	3.42%	0.01%	
NIB Bank Limited	300,000	-	300,000	-	-	-	-	-	-
The Bank of Punjab	26,055	-	26,055	-	-	-	-	-	-
United Bank Limited	1,602,855	20,000	1,432,855	190,000	10,299,900	2.74%	2.89%	0.02%	
EQUITY INVESTMENT INSTRUMENTS									
PICIC Growth Fund	250,000	-	250,000	-	-	-	-	-	-
NON LIFE INSURANCE									
Adamjee Insurance Company Limited	535,000	-	535,000	-	-	-	-	-	-
Pakistan Reinsurance Company Limited	125,000	-	125,000	-	-	-	-	-	-
PERSONAL GOODS									
Azgard Nine Limited	750,000	-	750,000	-	-	-	-	-	-
Nishat Chunian Limited	-	-	-	-	-	-	-	-	-
Nishat Mills Limited	1,053,972	78,750	1,053,972	178,750	7,707,700	2.05%	2.17%	0.05%	
Nishat Mills Limited-Rights	212,972	-	212,972	-	-	0.00%	0.00%	-	-
GENERAL INDUSTRIALS									
Thal Limited	-	-	-	-	-	-	-	-	-
(Face value.Rs.5 each)	138,163	-	-	138,163	13,117,195	3.49%	3.69%	0.27%	
CONSTRUCTION AND MATERIALS									
DG Khan Cement Company Limited	1,367,000	-	1,367,000	-	-	-	-	-	-
Lucky Cement Limited	1,251,322	-	1,095,600	155,722	9,676,565	2.57%	2.72%	0.05%	
Maple Leaf Cement Factory Limited	200,000	-	200,000	-	-	-	-	-	-
OIL AND GAS									
Attock Refinery Limited	80,205	-	80,205	-	-	-	-	-	-
Attock Petroleum Limited	53,000	-	16,000	37,000	10,720,750	2.85%	3.01%	0.06%	
Pakistan State Oil Company Limited	301,500	-	195,000	106,500	27,711,300	7.37%	7.79%	0.06%	
Pakistan Oilfields Limited	1,026,000	-	874,289	151,711	32,754,405	8.71%	9.20%	0.06%	

5.2 Quoted equity securities

Name of investee company	Number of Shares				Market Value as a June 30, 2010	Market Value as a percentage of net assets	Market value as a percentage of investment	Market value as a percentage of paid-up capital of investee company
	Purchase during the period	Bonus / Right	Sale during the period	As at June 30, 2010				
Rupees								
Pakistan Petroleum Limited	578,792	27,900	442,000	164,692	30,323,091	8.06%	8.52%	0.02%
National Refinery Limited	40,000	-	-	40,000	7,314,000	1.94%	2.05%	0.05%
Oil & Gas Development Company Limited	1,340,563	-	1,076,760	263,803	37,378,247	9.94%	10.50%	0.01%
Shell Pakistan Limited	41,000	-	41,000	-	-	-	-	-
ELECTRICITY								
Kot Addu Power Company Limited	430,500	-	325,500	105,000	4,382,700	0.01%	0.01%	0.01%
The Hub Power Company Limited	1,465,000	-	321,550	1,143,450	36,544,662	9.72%	10.27%	0.10%
AUTOMOBILE AND PARTS								
Indus Motor Company Limited	15,000	-	15,000	-	-	-	-	-
Pak Suzuki Motor Company Limited	50,000	-	50,000	-	-	-	-	-
SOFTWARE AND COMPUTER SERVICES								
Netsol Technologies Limited	475,000	-	475,000	-	-	-	-	-
TELECOMMUNICATION								
Pakistan Telecommunication Company Limited	1,767,510	-	1,767,510	-	-	-	-	-
CHEMICALS								
Dawood Hercules Chemicals Limited	125,000	4,000	129,000	-	-	-	-	-
Engro Corporation Limited	850,700	17,009	742,605	125,104	21,715,552	5.77%	6.10%	0.04%
Engro Polymer & Chemicals Limited	450,000	-	450,000	-	-	-	-	-
Fauji Fertilizer Company Limited	720,200	-	430,949	289,251	29,813,101	7.93%	8.38%	0.04%
Fauji Fertilizer Bin Qasim Limited	1,369,968	-	1,369,968	-	-	-	-	-
ICI Pakistan Limited	35,000	-	35,000	-	-	-	-	-
Pakistan PTA Limited	100,000	-	100,000	-	-	-	-	-
REAL ESTATE INVESTMENT AND SERVICES								
Pace (Pakistan) Limited	1,775,000	-	1,775,000	-	-	-	-	-
					<u>355,913,115</u>			

	Note	June 30, 2010 Rupees
5.2.1 Net unrealised diminution on re-measurement of investments classified as fair value through profit or loss - 'held for trading'		
Market value of securities	5.2	355,913,115
less: Carrying value of securities		<u>(361,450,769)</u>
		<u>(5,537,654)</u>
5.3 The above investment includes shares of Engro Corporation Limited: 50,000, Fauji Fertilizer Company Limited: 8,000, The Hub Power Company Limited: 300,000, Lucky Cement Limited: 25,000, MCB Bank Limited: 20,000, Pakistan Oilfields Limited: 23,000, Pakistan Petroleum Limited: 20,000, Pakistan State Oil Company Limited: 38,000 and United Bank Limited: 120,000, pledge with National Clearing Company of Pakistan Limited having a market value (in aggregate) amounting to Rs. 49,569,760 which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular number 11 dated October 23, 2007 issued by the Securities & Exchange Commission of Pakistan.		
6 DIVIDEND AND PROFIT RECEIVABLE		
Dividend receivable		388,500
Profit accrued on savings accounts		94,296
		<u>482,796</u>
7 SECURITY DEPOSITS		
National Clearing Company of Pakistan Limited		2,500,000
Central Depository Company of Pakistan Limited		100,000
		<u>2,600,000</u>
8 PRELIMINARY EXPENSES AND FLOATATION COSTS		
Incurred during the period		3,583,261
Less: amortised during the period		(716,652)
Balance as at June 30, 2010		<u>2,866,609</u>
Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund. As per the requirement of the Trust Deed, these costs are being amortized over a period not exceeding five years.		
9 PAYABLE TO ABL ASSET MANAGEMENT COMPANY LIMITED - MANAGEMENT COMPANY		
Management fee	9.1	981,886
Sales load		31,116
Preliminary expenses and floatation costs		3,583,261
		<u>4,596,263</u>
9.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding 3 percent of the average annual net assets of the Fund and thereafter of an amount equal to 2 percent of such assets of the Fund. In the current period, the Management Company has charged remuneration at the rate of 3 percent of the average annual net assets of the Fund. The amount of remuneration is being paid monthly in arrears.		
10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE		
Trustee fee	10.1	65,458
Settlement charges		1,638
		<u>67,096</u>

10.1 Under the provisions of the Trust Deed, the Trustee is entitled to a remuneration, to be paid monthly in arrears, as per the following tariff structure:

Net Assets	Tariff per annum
Upto Rs. 1,000 million	Rs. 0.7 million or 0.20% per annum of Net Asset Value whichever is higher.
Exceeding Rs. 1,000 million	Rs. 2 million plus 0.10% per annum of Net Asset Value exceeding Rs. 1,000 million.

11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme is required to pay as an annual fee to the SECP, an amount equal to 0.095% of the average annual net assets of the scheme.

	Note	June 30, 2010 Rupees
12 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration		264,000
Annual rating fee payable		90,000
Brokerage & other charges		179,404
Workers' Welfare Fund	12.1	299,870
Other payable		99,707
		<u>932,981</u>

12.1 PROVISION FOR WORKERS' WELFARE FUND

Through the Finance Act, 2008, an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance), whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. The issue is subjudice in the Honorable High Court of Sindh and a stay has been granted to one of MUFAP's members. MUFAP has received a clarification from Ministry of Labour that WWF is not applicable on mutual funds and in the light of the legal opinion of the counsel appointed by MUFAP; the management company believes that this levy may not be applicable on funds under its management.

However, various legal opinions are available on this matter. Some legal advisors are of the view that this levy is not applicable on CIS and therefore provision is not required to be created while there is also a contrary view according to which this levy has become applicable on the fund and the letter issued by the Ministry of Labour & Manpower, Government of Pakistan has no legal significance.

Keeping in view the legal ambiguity on this matter and in case of any adverse developments, the management company has undertaken that it will bear the impact up to May 26, 2010, the date on which the decision on the petition filed by MUFAP in the High Court of Sindh was received by MUFAP. The High Court had dismissed MUFAP's petition mainly on the grounds that MUFAP (the Petitioner) could not be held entitled to maintain a petition in respect of its members as it was not the aggrieved party. The management company has also made provision at the rate of two percent of the profit for the period from May 27, 2010 to June 30, 2010 in the books of the Fund for the current year. The breakup of charge is as follows:

	June 30, 2010 Rupees
Charge to be borne by the Management Company	1,955,218
Charge to be borne by the Fund	299,870
Total charge	<u>2,255,088</u>

13 FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2010			
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
Assets				
Bank Balances	6,937,666	-	-	6,937,666
Investments	-	395,731,515	-	395,731,515
Dividend and profit receivable	482,796	-	-	482,796
Security deposits	2,600,000	-	-	2,600,000
Receivable against sale of investments	51,960,297	-	-	51,960,297
	<u>61,980,759</u>	<u>395,731,515</u>	<u>-</u>	<u>457,712,274</u>

	As at June 30, 2010		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
Liabilities			
Payable to ABL Asset Management Company Limited - Management Company	-	4,596,263	4,596,263
Payable to Central Depository Company of Pakistan Limited.-Trustee	-	67,096	67,096
Dividend payable	-	78,463,823	78,463,823
Accrued expenses and other liabilities	-	932,981	932,981
	<u>-</u>	<u>84,060,163</u>	<u>84,060,163</u>

14 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments outstanding as at June 30, 2010.

15 NET ASSET VALUE PER UNIT

The net asset value (NAV) per unit is calculated by dividing the net assets of the Fund by the number of units in circulation as at the period end.

	June 30, 2010 Rupees
16 AUDITORS' REMUNERATION	
Annual audit fee	175,000
Half yearly review fee	100,000
Code of corporate governance	25,000
Other certifications and services	70,000
Out of pocket expenses	25,000
	<u>395,000</u>

17 EARNINGS PER UNIT (EPU)

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

18 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons/ Related parties include ABL Asset Management Company Limited being the Management Company, Allied Bank Limited, ABL Asset Management Company Limited - Staff Provident Fund, Allied Bank Limited- Employees Superannuation (Pension) Fund, Central Depository Company being the trustee of the Fund and the directors and officers of the management company.

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

Detail of transactions and balances with connected persons are as follows:

	For the period from June 28, 2009 to June 30, 2010 Rupees
ABL Asset Management Company Limited - Management Company	
Issue of 24,200,596 units	278,000,000
Bonus of 2,166,073 units	22,034,807
Redemption of 17,485,328 units	204,072,364
Remuneration for the period	11,384,920
Allied Bank Limited	
Issue of 10,000,000 units	100,000,000
Markup income for the period	3,495,343
Cash dividend	32,813,000
Bank charges	14,708
ABL AMC Staff Provident Fund	
Issue of 85,000 units	850,000
Redemption of 85,000 units	911,557
ABL Employees Superannuation (Pension) Fund	
Issue of 10,000,000 units (Investment in seed capital of the fund)	100,000,000
Cash dividend	32,813,000
Central Depository Company of Pakistan Limited - Trustee	
Remuneration for the period	798,831
Settlement charges & connection fee	100,269
Key Management personnel	
Executives	
Issue of 62,403 units	755,000
Redemption of 23,496 units	296,671
Cash dividend	127,665
Detail of balances outstanding as at June 30, 2010 with connected persons are as follows:	
ABL Asset Management Company Limited - Management Company	
Management fee payable	981,886
Preliminary expenses and floatation costs	3,583,261
Sales load payable	31,116
Units held 8,881,340	88,932,410
Allied Bank Limited	
Markup accrued	94,171
Bank balance	6,813,708
Units held 10,000,000	100,134,000
ABL Employees Superannuation (Pension) Fund	
Units held 10,000,000	100,134,000

Detail of balances outstanding as at June 30, 2010 with connected persons are as follows (Continued):

	For the period from June 28, 2009 to June 30, 2010 Rupees
Central Depository Company of Pakistan Limited - Trustee	
Trustee fee payable	65,458
Settlement charges payable	1,638
Security deposit with CDC	100,000
Key Management personnel	
Executives	
Units held 38,907 units	389,591

19. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S.No.	Name	Designation	Experience in years	Qualification
1	Mr. Farid Ahmed Khan	Chief Executive Officer	15	CFA
2	Mr. Sulaiman S. Mehdi	Chief Operating Officer	09	ACIS
3	Mr. Muhammad Imran	Chief Investment Officer	11	MBA
4	Mr. Hammad Abbas	Fund Manager	6	MBA
5	Mr. Kamran Aziz	Fund Manager	3	BBA

19.1 Mr. Kamran Aziz is not managing any other Fund.

20. TOP TEN BROKERS/ DEALERS BY PERCENTAGE OF COMMISSION PAID

	For the period from June 28, 2009 to June 30, 2010
1 JS Global Capital Limited	13.18%
2 Adam Securities (Pvt.) Limited	10.81%
3 Invisor Securities Limited	9.61%
4 Elixir Securities Pakistan (Private) Limited	9.04%
5 Fortune Securities Limited	8.64%
6 Arif Habib Limited	7.56%
7 Foundation Securities (Pvt.) Limited	5.42%
8 Crosby Securities Pakistan (Pvt.) Limited	4.42%
9 BMA Capital Management Limited	3.49%
10 IGI Finex Securities Limited	3.33%

21 PATTERN OF UNIT HOLDINGS

-----As at June 30, 2010-----				
Category	Number of Unit holders	Number of Unit held	Net asset value of the amount invested	Percentage of total investment
-----Rupees-----				
Individuals	106	2,266,041	22,690,882	6.03%
Associated Companies/ Directors	3	28,881,340	289,201,774	76.88%
Insurance Companies	-	-	-	-
Bank/ DFI's	-	-	-	-
NBFCs	-	-	-	-
Retirement Funds	3	6,417,924	64,265,543	17.08%
Public Limited Companies	-	-	-	-
Others -	-	-	-	-
	112	37,565,305	376,158,199	100%

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

The 14th, 15th, 16th, 17th Board meetings were held on August 07, 2009, October 20, 2009, February 24, 2010 and April 26, 2010 respectively. Information in respect of attendance by directors in the meetings is given below:

S. No.	Name of Director	Number of meetings held	Attended	leave granted	Meetings not attended
1	Sheikh Mukhtar Ahmed	4	1	3	14th, 15th and 17th
2	Mr. Mohammad Aftab Manzoor	4	4	-	-
3	Mr. M. Jawaid Iqbal	4	1	3	14th, 15th and 16th
4	Mr. Muhammad Yaseen	4	4	-	-
5	Mr. M. Shakeb Murad	4	3	1	17th
6	Mr. Samad Dawood	2	1	1	15th
7	Mr. Anis ur Rahman	2	2	-	-
8	Mr. Kamran Nishat	2	2	-	-
9	Mr. Farid Ahmed Khan***	1	1	-	-

* Resigned in 15th meeting of the BOD held on October 20, 2009.

** Appointed as new Independent Director of the ABL AMCL in 15th meeting of the BOD held on October 20, 2009.

*** Appointed as new Chief Executive Officer (CEO) of ABL AMCL in 16th meeting of BOD held on February 24, 2010.

23 FINANCIAL RISK MANAGEMENT

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

23.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

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

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

23.1.1 Currency risk

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

23.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Fund has no significant interest-bearing assets, the Fund's income and operating cash flows are substantially independent of changes in market interest rates.

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

As at June 30, 2010					
Interest Rate	Exposed to Yield / Interest risk			Not exposed to Yield / Interest rate risk	Total
	Upto three months	More than three months and up to one year	More than one year		
%	-----Rupees-----				

On-balance sheet financial instruments

Financial assets

Bank Balances	5 to 11.5	6,937,666	-	-	-	6,937,666
Investments	-	39,818,400	-	-	355,913,115	395,731,515
Dividend and profit receivable	-	-	-	-	482,796	482,796
Security deposits	-	-	-	-	2,600,000	2,600,000
Receivable against sale of investments	-	-	-	-	51,960,297	51,960,297
Sub Total		46,756,066	-	-	410,956,208	457,712,274

Financial liabilities

Payable to ABL Asset Management Company Limited - Management Company	-	-	-	-	4,596,263	4,596,263
Payable to Central Depository Company of Pakistan Limited.-Trustee	-	-	-	-	67,096	67,096
Dividend payable	-	-	-	-	78,463,823	78,463,823
Accrued expenses and other liabilities	-	-	-	-	932,981	932,981
Sub Total		-	-	-	84,060,163	84,060,163

On-balance sheet gap

On-balance sheet gap		46,756,066	-	-	326,896,045	373,652,111
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23.1.3 Price risk

The Fund is exposed to equity price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities as at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the trust deed. The Fund's constitutive document / NBFC Regulations also limit individual equity securities to no more than 10% of net assets, or issued capital of the investee company and sector exposure limit to 25% of net assets.

In case of 5% increase / decrease in KSE 100 index on June 30, 2010, net income for the year would increase / decrease by Rs. 12.681 million and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2010 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

23.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. Credit risk arises from deposits with banks and financial institutions, and credit exposure arising as a result of dividends receivable on equity securities. For banks and financial institutions, only reputed parties are accepted. Credit risk on dividend receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the central clearing company. The risk of default is considered minimal due to inherent systematic measures taken therein.

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

23.2.1 The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2010:

Bank Balances by rating category	2010
Allied Bank Limited	AA
MCB Bank Limited	AA+
Bank Alfalah Limited	AA
United Bank Limited	AA+
Askari Commercial Bank Limited	AA
Soneri Bank Limited	AA-
NIB Bank Limited	AA-
Bank Al Habib Limited	AA+

The maximum exposure to credit risk before any credit enhancement as at June 30, 2010 is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

23.2.2 Concentration of credit risk

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

23.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. 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. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

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

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

The maturity profile of the Fund's liabilities based on contractual maturities is given below:

As at June 30, 2010				
Upto three months	More than three months and up to one year	More than one year	Total	
-----Rupees-----				
Payable to ABL Asset Management Company Limited - Management Company	1,013,002	716,652	2,866,609	4,596,263
Payable to Central Depository Company of Pakistan Limited.-Trustee	67,096	-	-	67,096
Dividend payable	78,463,823	-	-	78,463,823
Accrued expenses and other liabilities	932,981	-	-	932,981
Sub Total	80,476,902	716,652	2,866,609	84,060,163

23.4 Fair value of financial instruments

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

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

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

24 UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Asset Management Company has arranged for investment in seed capital through ABL - Employees Superannuation (Pension) Fund for a period of two years in compliance with Regulation 44(3)(e)(iii) of the NBFC Regulations. The said period of two years will expire in June 2011.

The Fund has no restrictions on the subscription and redemption of units. There is no specific capital requirement which is applicable on the Fund.

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

In accordance with the risk management policies stated in note 23, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

25 DATE OF AUTHORISATION FOR ISSUE


These financial statements were authorised for issue by the Board of Directors of the Management Company on October 25, 2010.

26 GENERAL

26.1 Figures have been rounded off to the nearest rupee.

For ABL Asset Management Company Limited
(Management Company)


FARID AHMED KHAN
CE O


MUHAMMAD YASEEN
DIRECTOR