

# Annual Report 2018

## CORPORATE INFORMATION

### Board of Directors

Azhar Hamid  
Chairman

Yasir Qadri  
Chief Executive Officer

Syed Furrugh Zaeem  
Director

Zia Ijaz  
Director

Sharjeel Shahid  
Director

Mirza Muhammad Sadeed  
Hassan Barlas - Director

Naz Khan  
Director

### Audit Committee

Naz Khan  
Chair

Zia Ijaz  
Member

Sharjeel Shahid  
Member

Mirza Muhammad Sadeed  
Hassan Barlas  
Member

### Risk and Compliance Committee

Mirza Muhammad Sadeed Barlas  
Chairman

Syed Furrugh Zaeem  
Member

Yasir Qadri  
Member

Azhar Hamid  
Member

Sharjeel Shahid  
Member

### HR & Compensation Committee

Azhar Hamid  
Chairman

Naz Khan  
Member

Syed Furrugh Zaeem  
Member

Zia Ijaz  
Member

Yasir Qadri  
Member

### Shariah Advisory Board

Mufti Muhammad Hassaan Kaleem  
Member

Mufti Muhammad Najeeb Khan  
Member

### Chief Financial Officer

Umair Ahmed

### Company Secretary

Aly Osman

### Registered Office

4th Floor, STSM Building,  
Beaumont Road, Civil Lines,  
Karachi, Pakistan.

### Operations Office

4th Floor, STSM Building,  
Beaumont Road, Civil Lines,  
Karachi, Pakistan.

UAN: (92-21) 111-825-262  
Fax: (92-21) 32214930

### Date of incorporation of the Management Company/ Pension Fund Manager

Incorporated in Pakistan on  
3 April 2001 as a Public Limited  
Company under the Companies  
Ordinance, 1984

### Management Quality Rating

AM1 by JCR-VIS Credit Rating Company

### Funds Under Management

UBL Liquidity Plus Fund  
Launch Date: 21 June 2009

UBL Government Securities Fund  
Launch Date: 27 July 2011

UBL Money Market Fund  
Launch Date: 14 October 2010

UBL Income Opportunity Fund  
Launch Date: 29 March 2013

UBL Growth & Income Fund  
Launch Date: 2 March 2006

UBL Asset Allocation Fund  
Launch Date: 20 August 2013

UBL Stock Advantage Fund  
Launch Date: 4 August 2006

Al-Ameen Islamic Sovereign Fund  
Launch Date: 07 November 2010

Al-Ameen Islamic Aggressive Income Fund  
Launch Date: 20 October 2007

Al-Ameen Islamic Cash Fund  
Launch Date: 17 September 2012

Al-Ameen Shariah Stock Fund  
Launch Date: 24 December 2006

Al-Ameen Islamic Asset Allocation Fund  
Launch Date: 10 December 2013

Al- Ameen Islamic Financial Planning Fund  
Launch Date: 23 June 2015

UBL Retirement Savings Fund  
Launch Date: 10 May 2010

Al-Ameen Islamic Retirement Savings Fund  
Launch Date: 10 May 2010

Al-Ameen Islamic Dedicated Equity Fund  
Launch Date: 05 Jan 2016

Al- Ameen Islamic Financial Planning Fund - II  
Launch Date: 21 February 2017

UBL Capital Protected Fund - III  
Launch Date: 26 January 2017

UBL Financial Planning Fund  
Launch Date: 28 September 2017

Al- Ameen Islamic Financial Planning Fund - III  
Launch Date: 28 May 2018

UBL Dedicated Equity Fund  
Launch Date: 29 May 2018

UBL Financial Sector Fund  
Launch Date: 06 April 2018

### Conventional Investment Plans

UBL Mahana Munafa Plan

UBL Children Savings Plan

UBL Equity Builder Plan

UBL Wealth Builder Plan

### Islamic Investment Plans

Al-Ameen Mahana Munafa Plan

Al-Ameen Children Savings Plan

Al-Ameen Equity Builder Plan

Al-Ameen Wealth Builder Plan

Al-Ameen Hajj Savings Plan

## Directors' Report

The Board of Directors of UBL Fund Managers Limited is pleased to present to you the reports of its UBL Liquidity Plus Fund (ULPF), UBL Money Market Fund (UMMF), UBL Government Securities Fund (UGSF), UBL Growth and Income Fund (UGIF), UBL Stock Advantage Fund (USF), UBL Income Opportunity Fund (UIOF) UBL Gold Fund (UGF), UBL Asset Allocation Fund (UAAF) and UBL Capital Protected Fund –III (UCPF-III), UBL Dedicated Equity Fund (UDEF), UBL Financial Stock Fund (UFSF), UBL Active Principal Preservation Plan I (UAPPP-I), UBL Active Principal Preservation Plan II (UAPPP-II) and UBL Conservative Allocation Plan (UCONAP) for the period ended June 30, 2018.

### Economy Review – FY18

The Fiscal Year 2018 remained yet another eventful year for Pakistan as the country posted a real GDP growth rate of 5.8% highest in thirteen years. The main highlights in support of this strong momentum were low inflation and strong growth in private sector credit off-take (17%YoY) amid low interest rate environment. However, rising industrial expansion, growing aggregate demand and increased government spending resulted in external and fiscal deficits beyond projection.

The Headline Inflation for FY18 remained moderate, averaging to 3.9%YoY against 4.2% in FY17 largely due to low food inflation. Consequently, the CPI inflation stood well within the SBP's full year inflation target of 6.0%. However, towards the end of the fiscal year, core inflation jumped to 7.1% reflecting a build-up of inflationary pressures amid heating economy. Change in international oil prices outlook, growing aggregate demand and lagged-impact of PKR devaluation are expected to remain prime drivers for inflation for the upcoming fiscal year.

The SBP continued pre-emptive measures to allay concerns of overheating of economy. As per its latest MPC meeting, SBP highlighted that a strong fiscal growth in 2HFY18, growing inflationary pressures due to recent PKR devaluation and higher international oil prices has prompted need for near term price stability measures. As a result, the committee decided to increase policy rate by 100bps to 7.5% in Jul-18. We expect monetary tightening to continue further in coming months.

The current account position continued to deteriorate reaching a deficit of USD 18bn in FY18 (43%YoY). The widening deficit was mainly on account of high trade deficit (+17%). Despite positive growth in exports (13%YoY), external account position continues to remain challenging for the authorities warranting additional policy measures. Balance of payment imbalances created by a large trade deficit, debt servicing and low realization of foreign direct investments, eventually led to pressure on foreign exchange reserves. As a result, country's foreign reserves fell from USD21bn to USD16bn a decline of 23%. This ultimately led to pressure on rupee and resulted in depreciation of ~20% since last year. We expect the recent corrective policy measures by central bank to discourage imports and provide relief to exports, thus lead to improvement in overall external account position going forward.

On the fiscal side, higher government spending amidst low tax collection augmented fiscal deficit to a new high in recent years (~7%) than previously anticipated (4.1%). In a bid to increase tax-base, the government introduced tax amnesty scheme to encourage documentation of the economy and improve reserve position. However, response to this scheme has been below expectations and the next government will have to initiate some austerity measures including cut in its development spending in order to contain its deficit.

During FY18, yields on short and long term tenor witnessed changes aligned with SBP's monetary policy tightening. Yield on 3M, 6M and 12M T-Bills increased by 79bps, 90bps and 116bps, respectively. Similarly, yield on 3-year, 5-year and 10-year bonds increased 180bps, 171bps and 86bps, respectively.

In light of recent elections, prospect of a stable government will bode well for the country's economy. In a bid to counter current economic challenges we expect a bundle of austerity measures including but not limited to re-entry into IMF's program, financial support from China and other friendly nations, issuance of Eurobonds or investment bonds for expatriates as well as extensive reforms on domestic front. Corrective measures by the newly formed Govt will lower GDP growth in FY19 this will aid in stabilizing economy over medium term (GDP growth: +4.5-5%).

## **Debt Market Review – FY18**

The International Crude Oil prices exhibited an upward trend for the fiscal year. The prices increased from USD 45-per barrel increasing as much as ~70% closing at a new high of USD ~80 per barrel. Increasing oil prices, higher commodity prices (with exception of sugar) along with lagged impact of PKR devaluation (+16%) aided in increasing inflation rate to 4.4% for 4QFY18. Core measures of inflation witnessed an upward trajectory where NFNE which is somewhat sticky in nature increased to 7.1% by end of FY18. Taking cues from this trend we expect SBP to continue its current monetary tightening policy.

In twelve PIB auctions for FY18 conducted during the year, the government raised PKR~102bn (PKR ~894bn in FY17) against target of PKR 330bn. Consequently, outstanding amount for the PIBs in the market increased to PKR 29.47trn. Participation in the auctions was largely skewed towards three and five year paper in line with interest rate hikes. Cut off yields in June auction trimmed to 7.5%, 8.5% and 8.7% for three, five and ten year PIB instruments respectively. In July'18 PIB Auction the government accepted PKR ~6.9bn.

The yield curve based on government securities of various maturities has shifted upwards in line with the ongoing increasing discounts rates. Yield on 3M, 6M and 12M T-Bills increased by 79bps, 90bps and 116bps, respectively. Similarly, yield on 3-year, 5-year and 10-year bonds increased 180bps, 171bps and 86bps, respectively. The spread between annualized yields of 1-year T-bills (7.20% p.a.) and 10-year PIBs (9.03% p.a.) stood at 1.83% as of 30 June 2018.

## **Stock Market Review for FY18**

In the aftermath of distressing events in FY18, the KSE-100 index posted a cumulative loss of 10% after a prolonged period of 8-years. Market's decline was largely driven by a series of tensed political events, burgeoning concerns on macro-economic front along with continued sell-off by foreign investors (USD289mn). With growing uncertainties, market participants remained cautious, keeping average market-traded volumes depressed (84mn).

The benchmark index commenced the year with high hopes but soon suffered foreign outflows post MSCI inclusion. A series of setbacks augmented uncertainties during 1HFY18, keeping the equity market in a jittery position and pushing the index to a low of 37,919 points. The primary highlights among these were disqualification of sitting PM followed by barring of Finance Minister to run office; leaving little room to focus on economy. This was followed by a

21-day protest by TLP against the government pushing the regime into isolation. Without any proper economic manager in place, the country stood open to increasing hazards on the macroeconomic fronts.

With political tensions, concerns on external account started to unearth as support from low oil prices started to fade away. In the 3QFY18, some positive triggers like appointment of Finance Minister, smooth senate elections, announcement of tax amnesty scheme along with introduction of essential policy action prompted interest by market participants, leading to inflow of USD 31mn.

However, the concerns on macroeconomic front remained strong, requiring further use of policy actions. The full year FY18 current account deficit augmented to ~USD18bn (+43%YoY) further weighing down investor sentiment. Moreover, fiscal deficit came in much higher at ~7%. Mushrooming twin-deficit financing requirements weakened foreign reserves position. SBP's reserves were down to ~USD10bn at end of FY18, further deteriorating investor confidence.

On the international front, US Fed continued on its monetary tightening policy by 25bps to 2% during FY18. We expect this stance to continue in CY18. International oil prices mounted to a 4-year high of USD80/bbl amid better co-operation between member OPEC and Non-OPEC countries. Overall, commodity prices also rallied upwards with growing demands from importing countries. Escalation of ongoing trade-war is expected to push oil prices downhill. This will be favorable for a high energy importing country like Pakistan. Moreover, a stable government will also resume work on the multi-billion CPEC project.

Going forward, remedial measures taken by central bank combined with austerity by newly formed Govt will enable corrective measures and stabilize economy over medium term. Moreover, subsiding political tensions, steep discount (~24% from its peak) along with a high earnings-yield offering (~12%) is expected to strengthen investor sentiment and bring investor's interest back in the local equity market.

## **Future Outlook**

After a successful general elections process, a climate of political-stability is expected to reign in the country. The newly elected PTI government will face economic challenges in the months to follow, necessitating fresh loans from international financial institutions, including IMF, issuance of Eurobonds or Sukuk in international markets targeting expatriates, as well as possible financial support from China for sustaining foreign reserves position. We believe new PTI Govt to opt for effective and immediate reforms on fiscal side. This may involve cutting development expenditures, subsidies for power and agriculture and divesting in PSEs.

Taking cues from its recent bailout package for Argentina, we expect a similar support-program amounting in double-digits for Pakistan. Moreover, IMF will also work with the new government to smooth future debt repayments and push for endeavors to expand exports base and to make them more competitive.

Lagged impact of PKR devaluation, higher oil prices along with excessive demand will push inflation upwards requiring further use of price stability measures. We expect monetary tightening to continue, potentially pulling policy-rate upwards to 8.0-8.5%. On international front, political climate in US Mid-Term elections in Nov'18 and ongoing trade-war is expected to have medium term implications for oil price.

We expect the corrective policy course to bring about a slowdown in the economy for FY19. We believe these corrective measures will be important for stabilizing economy over medium term. Furthermore, improved security, better energy situation along with a stable regime will stand pivotal in bringing overall GDP growth to sustainable 5.0% level.

## **Fund Performance and Announcements**

### **UBL LIQUIDITY PLUS FUND (ULPF)**

The Fund earned total income of PKR 600.753 million for the year ended June 30, 2018 which mainly includes markup / interest income on bank balances, Government Securities. After accounting for the expenses of PKR 92.137 million, the Fund managed to earn a net income of PKR 508.616 million. The net assets of the Fund were PKR 14,454.210 million as at June 30, 2018 representing the net asset value of PKR 106.2344 per unit.

Subsequent to year ended, on July 02, 2018, The Board of Directors of the Management Company approved a final distribution of Rs.5.5510 per unit on the face value of Rs.100 each (i.e.5.55%).

JCR-VIS Credit Rating Company Limited (JCR-VIS) has reaffirmed AA (f) rating to the Fund.

### **UBL MONEY MARKET FUND (UMMF)**

The Fund earned total income of PKR 71.376 million for the year ended June 30, 2018 which mainly includes markup / interest income on bank balances, placements and Government Securities. After accounting for the expenses of PKR 14.806 million, the Fund managed to earn a net income of PKR 56.570 million. The net assets of the Fund were PKR 1,615.672 million as at June 30, 2018 representing the net asset value of PKR 105.6073 per unit.

Subsequent to year ended, on July 02, 2018, The Board of Directors of the Management Company approved a final distribution of Rs.5.1412 per unit on the face value of Rs.100 each (i.e.5.14%).

JCR-VIS Credit Rating Company Limited (JCR-VIS) has reaffirmed AA (f) rating to the Fund.

### **UBL GOVERNMENT SECURITIES FUND (UGSF)**

The Fund earned total income of PKR 166.420 million for the year ended June 30, 2018 which mainly includes markup / interest income on bank balances, term deposit receipts, Government Securities and. After accounting for the expenses of PKR 43.089 million, the Fund managed to earn a net income of PKR 123.331 million. The net assets of the Fund were PKR 1,877.040 million as at June 30, 2018 representing the net asset value of PKR 110.5634 per unit.

Subsequent to year ended, on July 02, 2018, The Board of Directors of the Management Company approved a final distribution of Rs.4.9688 per unit on the face value of Rs.100 each (i.e. 4.97%).

JCR-VIS Credit Rating Company Limited (JCR-VIS) has upgraded rating to A+ (f).

### **UBL GROWTH & INCOME FUND (UGIF)**

The Fund earned total income of PKR 220.563 million for the year ended June 30, 2018 which mainly includes markup / interest income on bank balances, Government Securities, Corporate Sukuks. After accounting for the expenses of PKR 73.515 million, the Fund managed to earn a net income of PKR 147.048 million. The net assets of the Fund were PKR 1,301.602 million as at June 30, 2018 representing the net asset value of PKR 89.3150 per unit.

Subsequent to year ended, on July 02, 2018, The Board of Directors of the Management Company approved a final distribution of Rs.4.4223 per unit on the face value of Rs.100 each (i.e. 4.42%).

JCR-VIS Credit Rating Company Limited (JCR-VIS) has upgraded the Fund stability rating at A(f).

### **UBL INCOME OPPORTUNITY FUND (UIOF)**

The Fund earned total income of PKR 23.052 million for the year ended June 30, 2018, which mainly includes markup / interest income on bank balances, placements, government securities, corporate bonds / sukuks and investment in margin trading system. After accounting for the expenses of PKR 6.765 million, the Fund managed to earn a net income of PKR 16.287 million. The net assets of the Fund were PKR 557.268 million as at June 30, 2018 representing the net asset value of PKR 114.7192 per unit.

Subsequent to year ended, on July 02, 2018, The Board of Directors of the Management Company approved a final distribution of Rs.4.7439 per unit on the face value of Rs.100 each (i.e. 4.74%).

JCR-VIS Credit Rating Company Limited (JCR-VIS) has rated the fund at A – (f) during the year.

### **UBL GOLD FUND (UGF)**

The fund has been revoked on August 02, 2017.

### **UBL STOCK ADVANTAGE FUND (USF)**

The Fund incurred a total loss of PKR 826.813 million for the year ended 30 June, 2018 (including an unrealized loss of PKR 411.101 million on re-measurement of investments) as compared to total income of PKR 1,808.776 million (including an unrealized gain of PKR 480.654 million on re-measurement of investments). The loss of the fund is mainly due to capital loss on sale of securities amounting to PKR 485.069 million (2017: capital gain amounting to PKR 982.841 million), dividend income amounting to PKR 295.419 million (2017: PKR 229.480 million). Total expenses amounted to PKR 216.453 million. The net assets of the Fund were PKR 6,891.411 million as at June 30, 2018 representing the net asset value of PKR 68.51 per unit.

The Fund is not yet rated.

### **UBL ASSET ALLOCATION FUND (UAAF)**

The Fund earned a total income of PKR 8.219 million for the year ended 30 June 2018 (including an unrealized loss of PKR 15.207 million and impairment loss of PKR 10.071 million on revaluation of investments). The earnings of the Fund mainly include capital loss from sale of securities amounting to PKR 114.043 million, income from Government Securities, bank balances, Corporate TFC's, Term Deposits Receipts amounting to PKR 88.594 and dividend income of PKR 58.947 million. After accounting for expenses of PKR 47.915 million, the Fund managed a net loss of PKR 39.696 million. The net assets of the Fund were PKR 2,249.249 million as at June 30, 2018 representing the net asset value of PKR 134.5792 per unit.

### **UBL CAPITAL PROTECTED FUND III (UCPF III)**

The Fund earned a total income of PKR 10.804 million for the period ended 30 June 2018. The earnings of the Fund represent income from bank balances, term deposits receipts and dividends. After accounting for expenses of PKR 8.841 million, the Fund managed to earn a net income of PKR 1.963 million. The net assets of the Fund were PKR 412.821 million as at June 30, 2018 representing the net asset value of PKR 100.6508 per unit.

Subsequent to year ended, on July 02, 2018, The Board of Directors of the Management Company approved a final distribution of Rs.0.4900 per unit on the face value of Rs.100 each (i.e. 0.49%).

### **UBL FINANCIAL SECTOR FUND (UFSF)**

The Fund earned a total income of PKR 1.532 million for the period ended 30 June 2018. The earnings of the Fund represent income from bank balances and dividends. After accounting for expenses of PKR 1.651 million, the Fund managed to earn a net loss of PKR 0.119 million. The net assets of the Fund were PKR 372.153 million as at June 30, 2018 representing the net asset value of PKR 91.2211 per unit.

### **UBL DEDICATED EQUITY FUND (UDEF)**

The Fund earned a total income of PKR 1.091 million for the period ended 30 June 2018. The earnings of the Fund represent income from bank balances, term deposits receipts and dividends. After accounting for expenses of PKR 0.447 million, the Fund managed to earn a net income of PKR 0.644 million. The net assets of the Fund were PKR 45.810 million as at June 30, 2018 representing the net asset value of PKR 98.1306 per unit.

### **UBL CONSERVATIVE ALLOCATION PLAN (UCONAP)**

The Fund earned a total income of PKR 36.156 million for the period from 28 September 2017 to 29 June 2018. The earnings of the Fund represent income from bank balances and capital gains from sale of investments. After accounting for expenses of PKR 2.527 million, the Fund managed to earn a net income of PKR 33.629 million. The

net assets of the Fund were PKR 26.10 million as at June 29, 2018 representing the net asset value of PKR 100.0975 per unit

Subsequent to June 29, 2018 all units of UBL Conservative Allocation Plan have been redeemed by unit holders of the Fund.

### **UBL ACTIVE PRINCIPAL PRESERVATION PLAN I (UAPPP-I)**

The Fund earned a total income of PKR 1.790 million for the period from 28 February 2018 to 30 June 2018. The earnings of the Fund represent income from bank balances and capital gains from sale of investments. After accounting for expenses of PKR 0.28 million, the Fund managed to earn a net income of PKR 1.510 million. The net assets of the Fund were PKR 173.165 million as at June 30, 2018 representing the net asset value of PKR 100.8796 per unit

### **UBL ACTIVE PRINCIPAL PRESERVATION PLAN II (UAPPP-II)**

The Fund earned a total income of PKR 2.265 million for the period from 31 May 2018 to 30 June 2018. The earnings of the Fund represent income from bank balances, term deposits receipts and capital gains from sale of investments. After accounting for expenses of PKR 0.221 million, the Fund managed to earn a net income of PKR 2.044 million. The net assets of the Fund were PKR 324.118 million as at June 30, 2018 representing the net asset value of PKR 100.6329 per unit

Subsequent to year ended, on July 02, 2018, The Board of Directors of the Management Company approved a final distribution of Rs.0.1258 per unit on the face value of Rs.100 each (i.e. 0.13%).

## **Strategy, review and Outlook of Funds**

For Strategy, Review and Outlook of funds, kindly review the respective section of the Fund Manager's report on Annual Report.

## **Code of Corporate Governance**

The Management Company is committed to high standards of corporate governance and the Board of Directors of the Management Company is accountable to the unit holders for good corporate governance. Management is continuing to comply with the provisions of best practices set out in the code of corporate governance particularly with regard to independence of non-executive directors. The Funds remains committed to conduct business in line with listing regulations of Pakistan Stock Exchange.

The following specific statements are being given to comply with the requirements of the Code of Corporate Governance:

- Financial Statements present fairly the statement of affairs, the results of operations, cash flows and the changes in unit holder's fund;
- Proper books of accounts have been maintained by the Funds;
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgments;
- Relevant International Financial Reporting Standards, as applicable in Pakistan, provision of the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of the financial statements;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no significant doubts upon the Funds ability to continue as going concern;
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
- Performance table of Funds is given in Annual report;
- The statement as to the value of investments of provident fund is not applicable on the Funds but applies to the Management Company, hence the no disclosure is made in the Directors' Report of the Funds;
- Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements;
- **Risk framework and Internal Control System :**

UBL Fund Managers Limited has in place an approved Risk Management Policy that provides the framework to manage risks associated with its activities. It is designed to identify, assess, monitor and manage risk emanating from across the entity.

UBL Fund Managers Limited follows Enterprise Risk Management (ERM) which is a process, ongoing and flowing through an entity effected by people at every level of an organization applied in strategy setting applied across the enterprise, at every level and unit, and includes taking an entity-level portfolio view of risk designed to identify potential events that, if they occur, will affect the entity and to manage risk within its risk appetite.

**UBL Fund Managers Limited has total seven directors:**

- a) Male: Six Directors;
- b) Female: One Director

**The composition of board is as follows:**

- a) Independent Directors: Two Directors
- b) Executive Directors: One Director
- c) Non-Executive Directors: Four Directors

The UBL Fund Managers Board's primary responsibility is to supervise affairs of the Company and provide direction to its management. The management is responsible to keep the Board informed regarding Company affairs and effectively implement directions and guidelines given by the BOD.

The Board, in exercise of effective governance and internal control system, strives to balance the spectrum of stakeholders of the Company, including its shareholders, unit holders, customers, employees, regulator and the communities in which it operates. In all actions taken by the Board, the Directors exercise independent business judgment in what they reasonably believe to be in the best interests of the Company.

According to best corporate governance practices, the Board of directors of UBL Fund Managers Limited has established several Board Committees to augment Risk Management , Internal Control system and good corporate governance throughout the entity. These Board Committees facilitate the Board and the Management on issues related to their particular area of competence.

**The Board has the following committees:**

**a. Audit Committee**

- i. Ms. Naz Khan (Chair-Independent);
- ii. Mr. Zia Ijaz;
- iii. Mirza Muhammad Sadeed Hassan Barlas;
- iv. Mr. Sharjeel Shahid.

**b. HR and Remuneration Committee**

- i. Mr. Azhar Hameed (Chairman-Independent);
- ii. Ms. Naz Khan;
- iii. Syed Furrukh Zaeem;
- iv. Mr. Zia Ijaz;
- v. Mr. Yasir Qadri.

**c. Risk Management Committee**

- i. Mirza Muhammad Sadeed Hassan Barlas (Chairman);

- ii. Mr. Yasir Qadri;
- iii. Mr. Azhar Hameed;
- iv. Syed Furrukh Zaeem;
- v. Mr. Sharjeel Shahid.

- The details as required by the code of corporate governance regarding the pattern of holding are given in their respective financial statements. The name wise detail of associated companies /undertakings, directors and key executives and other connected person / related parties are hereunder:

#### **UBL LIQUIDITY PLUS FUND**

<b>Name</b>	<b>Closing units</b>
Yasir Qadri	141,584
United Bank Limited	113,898
Ammar Valika	88,176
Umair Ahmed	8,475
Syed Furrukh Zaeem	64
UBL Fund Managers Ltd.	6,496,019
UBL active principal preservation plan I	680,188
UBL Active Principal Preservation Plan II	987,865
Naiyar Zamani Gohar	1,348,260
Interloop limited	23,696,557

#### **UBL MONEY MARKET FUND**

<b>Name</b>	<b>Closing units</b>
United Bank Limited	111,361
UBL Fund Managers Ltd. Employees Provident Fund	35,851
Ubl Fund Managers ltd. Employees Gratuity Fund	80,476
Syed Furrukh Zaeem	87
Ubl Fund Managers Limited	6,026,963
UBL Active Principal Preservation Plan I	684,201
UBL Active Principal Preservation Plan II	806,075

#### **UBL GOVERNMENT SECURITIES FUND**

<b>Name</b>	<b>Closing units</b>
Amin Kamruddin Gulamani	963
Hafeezullah Ishaq	9,632
Naiyar Zamani Gohar	3,986,921

**UBL GROWTH & INCOME FUND**

<b>Name</b>	<b>Closing units</b>
Yasir Qadri	2
Amin Kamruddin Gulamani	1,259
Gul Ahmed Energy Ltd.	2,246,484
Ispahani Foods	1,582,852
National Management Foundation	2,092,048

**UBL INCOME OPPORTUNITY FUND**

<b>Name</b>	<b>Closing units</b>
Yasir Qadri	126,496
Greenstar Social Marketing Pakistan (G) Ltd.	2,438,172

**UBL STOCK ADVANTAGE FUND (USF)**

<b>Name</b>	<b>Closing units</b>
Zeeshan Quddus	21,450
Yasir Qadri	87,482
Mirza Muhammad Sadeed Hassan Barlas	22,538
Amin Kamruddin Gulamani	2,665
Ammar Valika	85,986
UBL Fund Managers Limited – Employees Gratuity Fund	60,301
UBL Fund Managers Limited – Employees Provident Fund	8,524
UBL Fund Managers Limited	3,731,614
Sindh General Provident Investment Fund	7,632,649

**UBL ASSET ALLOCATION FUND**

<b>Name</b>	<b>Closing units</b>
Amin Kamruddin Gulamani	10,395
Syed Furrukh Zaeem	40,033
Umair Ahmed	5,839

### **UBL CAPITAL PROTECTED FUND III**

<b>Name</b>	<b>Closing units</b>
UBL-Employees Provident Fund Trust	1,523,256
UBL Employees Gratuity Fund Trust	182,791
Fateh Khan Akhtar	501,327
Fakhar un Nisa Akhtar	501,341

### **UBL FINANCIAL SECTOR FUND**

<b>Name</b>	<b>Closing units</b>
Ammar Valika	10,434
Mr. Yasir Qadri	3,254
UBL Fund Managers Ltd.	1,481,882
Hafeezullah Ishaq	670,132

### **UBL DEDICATED EQUITY FUND**

<b>Name</b>	<b>Closing units</b>
UBL Active Principal Preservation Plan I	286,760
UBL Active Principal Preservation Plan II	180,065

### **UBL Active Principal Preservation Plan I**

<b>Name</b>	<b>Closing units</b>
Rehana Bashir	244,733
Bai Virbajji Soparivala Parsi High School	290,321

### **UBL Active Principal Preservation Plan II**

<b>Name</b>	<b>Closing units</b>
Multiline Enterprises	622,862

- There have been no trades in the units of the Funds carried out by the Directors, CEO, COO, CFO , Head of Internal Audit & Company Secretary except as disclosed below and in the notes to the accounts;

### **UBL LIQUIDITY PLUS FUND**

<b>Name</b>	<b>Designation</b>	<b>Beginning Units</b>	<b>Units issued</b>	<b>Units redeemed</b>	<b>Bonus Units</b>	<b>Closing Units</b>
Syed Furrukh Zaeem	Director	64	-	-	-	64

Yasir Qadri	Chief Executive Officer	-	160,802	19,218	-	141,584
Umair Ahmed	Chief Financial Officer	-	8,475	-	-	8,475
Ammar Valika	Head of Sales	43,920	169,743	125,487	-	88,176

### **UBL MONEY MARKET FUND**

Name	Designation	Beginning Units	Units issued	Units redeemed	Bonus Units	Closing Units
Syed Furrukh Zaeem	Director	87	-	-	-	87

### **UBL GROWTH & INCOME FUND**

Name	Designation	Beginning Units	Units issued	Units redeemed	Bonus Units	Closing Units
Yasir Qadri	Chief Executive Officer	-	5	3	-	2
Ammar Valika	Head of Sales	47,956	3	47,959	-	-
Umair Ahmed	Chief Financial Officer	26,490	-	26,490	-	-
Amin Gulamani	Head of HR	1,259	-	-	-	1,259

### **UBL STOCK ADVANTAGE FUND**

Name	Designation	Beginning Units	Units issued	Units redeemed	Bonus Units	Closing Units
Zeeshan Quddus	Chief Business Development Officer	-	21,450	-	-	21,450
Ammar Valika	Head of Sales	78,810	93,162	85,986	-	85,986
Yasir Qadri	Chief Executive Officer	277,505	331,228	521,251	-	87,482
Amin Gulamani	Head of HR	2,668	114	117	-	2,665
Mirza Muhammad Sadeed Hassan Barlas	Director	-	75,020	52,482	-	22,538

### **UBL ASSET ALLOCATION FUND**

Name	Designation	Beginning Units	Units issued	Units redeemed	Bonus Units	Closing Units
Syed Furrukh Zaeem	Director	40,032	-	-	-	40,032

Umair Ahmed	Chief Financial Officer	-	8,832	2,993	-	5,839
Amin Kamruddin Gulamani	Head of HR	4,079	6,316	-	-	10,395

#### **UBL GOVERNMENT SECURITIES FUND**

Name	Designation	Beginning Units	Units issued	Units redeemed	Bonus Units	Closing Units
Amin Kamruddin Gulamani	Head of HR	971	64	72	-	963

#### **UBL INCOME OPPORTUNITY FUND**

Name	Designation	Beginning Units	Units issued	Units redeemed	Bonus Units	Closing Units
Yasir Qadri	Chief Executive Officer	-	224,090	97,592	-	126,496

#### **UBL FINANCIAL SECTOR FUND (UFSF)**

Name	Designation	Beginning Units	Units issued	Units redeemed	Bonus Units	Closing Units
Yasir Qadri	Chief Executive Officer	-	3,254	-	-	3,254
Umair Ahmed	Chief Financial Officer	-	19,997	19,997	-	-
Ammar Valika	Head of Sales	-	20,868	10,434	-	10,434

## **BOARD OF DIRECTORS (BOD)**

During the year, seven meetings of the Board of Directors of the Management Company were held. The details of the attendance are as under:

Members	August 23, 2017	September 25, 2017	October 27, 2017	December 06, 2017	February 16, 2018	April 26, 2018	May 02, 2018	Total meetings attended
Tariq Kirmani **	✓	✓	N/A	N/A	N/A	N/A	N/A	2
Azhar hamid *	N/A	N/A	✓	✓	✓	✓	✓	5
Yasir Qadri	✓	✓	✓	✓	✓	✓	✓	7
Naz Khan *	N/A	N/A	✓	✓	✓	✓	✓	5
Shabbir Hussain Hashmi **	✓	✓	N/A	N/A	N/A	N/A	N/A	2
Sharjeel Shahid *	N/A	N/A	✓	✓	×	✓	×	3
Zia Ijaz	✓	✓	✓	✓	×	✓	×	5
Syed Furrukh Zaeem	✓	✓	✓	✓	✓	✓	✓	7
Mirza Muhammad Sadeed Hassan Barlas	✓	✓	✓	✓	×	✓	✓	6
Fawaz Taj Siddiqui ****	✓	✓	✓	✓	✓	N/A	N/A	5
Umair Ahmed	✓	✓	✓	✓	✓	✓	✓	7
S.M. Aly Osman ****	N/A	N/A	N/A	N/A	N/A	✓	✓	2

\* Elected at EOGM held on September 29, 2017

\*\* Independent Directors have completed three consecutive term

\*\*\* Mr. Zulfiqar Alavi resigned on August 07, 2017.

\*\*\*\* Mr. Fawaz Taj siddiqui resigned and appointment of Mr. S.M. Aly Osman effective from April 2, 2018 as Company Secretary

## **BOARD AUDIT COMMITTEE (BAC)**

During the year ended June 30, 2018 five (5) BAC meetings held. The details of attendance are as under:

Members	22-Aug-17	12-Sep-17	26-Oct-17	15-Feb-18	25-Apr-18
Naz Khan *	N/A	N/A	✓	✓	✓
Shabbir Hussain Hashmi **	✓	✓	N/A	N/A	N/A
Sharjeel Shahid *	N/A	N/A	✓	✓	✓
Syed Furrukh Zaeem *	✓	✓	N/A	N/A	N/A
Zia Ijaz	✓	×	✓	×	✓
Mirza Muhammad Sadeed Hassan Barlas	✓	✓	✓	×	✓
Umair Ahmed	✓	✓	✓	✓	✓
Fawaz Siddiqui ***	✓	✓	✓	✓	N/A
S.M. Aly Osman ***	N/A	N/A	N/A	N/A	✓

\* Board has reconstituted the committee effective from October 13, 2017

\*\* Independent Director has completed three consecutive term

\*\*\* Mr. Fawaz Taj Siddiqui resigned and appointment of Mr. S.M. Aly Osman effective from April 2, 2018 as Head of Internal Audit

### **HUMAN RESOURCE COMPENSATION COMMITTEE (HRCC)**

During the year ended June 30, 2018 four (4) HRCC meetings held. Below are the attendance of Board of Directors:

<b>Name</b>	<b>21-Aug-17</b>	<b>22-Sept-17</b>	<b>7-Feb-18</b>	<b>2-May-18</b>
Tariq Kirmani	✓	✓	×	×
Shabbir Hussain Hashmi	✓	✓	×	×
Zia Ijaz	✓	✓	✓	✓
Yasir Qadri	✓	✓	✓	✓
Amin Gulamani	✓	✓	✓	✓
Azhar Hamid	×	×	✓	✓
Naz Khan	×	×	✓	✓
Syed Furrukh Zaeem	×	×	✓	✓

### **RISK MANAGEMENT COMMITTEE**

During the year ended June 30, 2018 four (4) BRCC meetings held. Below is the attendance of Board of Directors:

<b>Members</b>	<b>Aug 22, 2017</b>	<b>Sept 22, 2017</b>	<b>Feb 15, 2018</b>	<b>April 25, 2018</b>
Sadeed Barlas *	✓	✓	×	✓
Tariq Kirmani ****	✓	✓	-	-
Furrukh Zaeem	✓	✓	✓	✓
Yasir Qadri	✓	✓	✓	✓
Azhar hamid *****	-	-	✓	✓
Sharjeel Shahid *****	-	-	×	✓
Hadi Hassan Mukhi ***	-	-	-	✓
S.M. Aly Osman **	✓	✓	✓	-

\* Mr. Sadeed Barlas was elected as the New Chairman BRCC on 22nd August 2017.

\*\* S.M. Aly Osman was redesignated as the Head of Internal Audit as of 1st March 2018.

\*\*\* Mr. Hadi Hassan Mukhi was redesignated as the Head of Risk Management and Compliance as of 1st March 2018.

\*\*\*\* Independent Directors have completed three consecutive term.

\*\*\*\*\* Elected at EOGM held on September 29, 2017

As required by the Code, five directors on the Board have completed the Director Training Program (DTP).

All the directors are well conversant with the relevant laws applicable to the Fund and the Management Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.

### **Auditors**

The present auditors as per table below retire on conclusion of the audit for the year ended June 30, 2018:

<b>S.R. No</b>	<b>Name of Fund</b>	<b>Name of auditors as of June 30, 2018</b>	<b>Status of appointment for the year ending June 30, 2019</b>
1.	UBL Stock Advantage Fund	M/s Deloitte Yousuf Adil & Co., Chartered Accountants	Eligible for re-appointment
2.	UBL Income Opportunity Fund	EY Ford Rhodes Chartered Accountants	Eligible for re-appointment
3.	UBL Asset Allocation Fund	M/s KPMG Taseer Hadi & Co., Chartered Accountants	Not eligible for re-appointment, for being statutory auditors of the fund for consecutive five years.
4.	UBL Money Market Fund	M/s KPMG Taseer Hadi & Co., Chartered Accountants	Eligible for re-appointment
5.	United Growth & Income Fund	EY Ford Rhodes Chartered Accountants	Eligible for re-appointment
6.	UBL Government Securities Fund	M/s BDO Ebrahim & Co., Chartered Accountants	Eligible for re-appointment
7.	UBL Liquidity Plus Fund	M/s BDO Ebrahim & Co., Chartered Accountants	Eligible for re-appointment
8.	UBL Capital Protected Fund-III	M/s BDO Ebrahim & Co., Chartered Accountants	Eligible for re-appointment
9.	UBL Dedicated Equity Funds	EY Ford Rhodes Chartered Accountants	Eligible for re-appointment
10.	UBL Financial Planning Fund	EY Ford Rhodes Chartered Accountants	Eligible for re-appointment
11.	UBL Financial Sector Fund	M/s BDO Ebrahim & Co., Chartered Accountants	Eligible for re-appointment

The auditors, where being eligible, offered themselves for reappointment and where the change in the external auditors is required because of the completion of the maximum time allowed under the NBFC Regulations, the new auditors have consented to be appointed as the external auditors of the firm. The Audit Committee of the Board has recommended their appointment as external auditors for the year ending June 30, 2019

## **Acknowledgements**

We would like to thank our valued unit holders for their confidence and trust in UBL Fund Managers Limited. In addition, we would like to acknowledge the Securities and Exchange Commission of Pakistan, State Bank of Pakistan, Central Depository Company of Pakistan Limited (Trustee) for their continued support, guidance and cooperation. The Board also likes to take this opportunity to express its appreciation to the employees for their dedication, commitment, enthusiasm and hard work.

## **FOR & ON BEHALF OF THE BOARD**

**YASIR QADRI**  
**CHIEF EXECUTIVE**

Karachi, Dated: **August 28, 2018**

## ڈائریکٹرز کی رپورٹ

یو بی ایل فنڈ نیچر لمیٹڈ کے ڈائریکٹرز 30 جون 2018ء کو ختم ہوجانے والے عرصے کیلئے اس کی یو بی ایل لیکویڈٹی پلس فنڈ (یو ایل پی ایف)، یو بی ایل منی مارکیٹ فنڈ (یو ایم ایم ایف)، یو بی ایل گورنمنٹ سکیورٹیز فنڈ (یو جی ایس ایف) یو بی ایل گروتھ اینڈ انکم فنڈ (یو جی آئی ایف) یو بی ایل اسٹاک ایڈوانٹج فنڈ (یو ایس ایف) یو بی ایل انکم پورٹفولیو فنڈ (یو آئی او ایف)، یو بی ایل گولڈ فنڈ (یو جی ایف) یو بی ایل ایسیٹ ایلیکیشن فنڈ (یو اے اے ایف)، اور یو بی ایل سٹیبل پروڈیکٹڈ فنڈ-III (یو سی پی ایف-III)، یو بی ایل ڈیڈ ویکیٹیڈ ایکویٹی فنڈ (یو ڈی ای ایف) یو بی ایل فنانشل اسٹاک فنڈ (یو ایف ایس ایف) یو بی ایل ایکٹیو پرنسپل پریزیرویشن پلان-I (یو اے پی پی پی-I)، یو بی ایل ایکٹیو پرنسپل پریزیرویشن پلان-II (یو اے پی پی پی-II) رپورٹس آپ کی خدمت میں پیش کر کے انتہائی خوش ہیں۔

### اقتصادی جائزہ- مالی سال 2018ء

مالی سال 2018ء بھی پاکستان کیلئے ایک اور بھرپور سال رہا کیونکہ ملک نے تیرہ برسوں میں بلند ترین 5.8% کی حقیقی شرح نمو ظاہر کی ہے اس مستحکم رفتار کی ہم وجہ کم افراط زر اور نجی شعبے میں حصول قرضہ جات کی مستحکم نمو (سال بہ سال 17%) تھی جو کم شرح کے ماحول کے بیچ رہی تاہم بڑھتی ہوئی صنعتی توسیع، بڑھتی ہوئی مجموعی طلب اور بڑھتے ہوئے حکومتی اخراجات توقع سے کہیں زیادہ بیرونی اور مالیاتی خسارہ جات پر منتج ہوئے۔

مالی سال 18ء کیلئے سرنامہ افراط زر معتدل رہا، مالی سال 17ء میں 4.2% کے مقابلے میں سال بہ سال 3.9% تک اوسطاً رہا جس کی بڑی وجہ کم سطح پر رہنے والا غذائی افراط زر تھا۔ نتیجے کے طور پر سی پی آئی افراط زر ایس جی پی کے پورے سال کے افراط زر کے ہدف 6% کے اندر ہی رہا، تاہم مالی سال کے اختتام کی طرف، بنیادی افراط زر 7.1% پر جا پہنچا جو پرجوش معیشت کے بیچ افراط زر کے دباؤ کی تشکیل کی عکاسی کرتا ہے۔ بین الاقوامی تیل کی قیمتوں کی توقعات میں تبدیلی، بڑھتی ہوئی مجموعی طلب اور پاکستانی روپے کی قدر میں کمی کے سست رو اثرات آنے والے مالی سال کیلئے افراط زر کیلئے حسب توقع بڑے محرکات ثابت ہوں گے۔

ایس جی پی نے معیشت کی برافر ونگ کی تشویش اور پریٹنیشن کو کم کرنے کی غرض سے پیٹنگیر اندہ اقدامات جاری رکھے۔ اس کے تازہ ترین ایم پی سی اجلاس کے مطابق، ایس جی پی نے واضح کیا کہ مالی سال 18ء کے دوسرے نصف میں مستحکم مالیاتی نمو، پاکستانی روپے کی قدر میں حالیہ کمی کی وجہ سے بڑھتے ہوئے افراط زر کے دباؤ اور بین الاقوامی تیل کی قیمتوں میں قدرے اضافے نے قریب ترمذت کیلئے قیمتوں میں استحکام کے اقدامات کی ضرورت کو تیز کر دیا ہے۔ جس کے نتیجے میں کمیٹی نے فیصلہ کیا ہے کہ جولائی 18ء میں شرح پالیسی 100 بی پی ایس کے اضافے سے اُسے 7.5% تک بڑھا دیا جائے۔ آنے والے مہینوں میں ہم مالیاتی سختی کے تسلسل کی توقع کرتے ہیں۔

حسابات کی حالیہ صورتحال مالی سال 18 میں مسلسل خراب ہوتے ہوئے 18 ارب ڈالر کے خسارے تک پہنچ گئی ہے (سال بہ سال 43%)۔ بڑھتے ہوئے خسارے کی بڑی وجہ بہت زیادہ تجارتی خسارہ (+17%) تھا برآمدات میں مثبت اضافے کے باوجود (سال بہ سال 13%)، بیرونی حسابات کی صورتحال حکام کیلئے اضافی پالیسی اقدامات کے جواز کی غرض سے مسلسل چیلنجنگ رہے گی۔ بہت بڑے تجارتی خسارے، قرضہ جات سروسنگ اور براہ راست غیر ملکی سرمایہ کاری کی کم سے کم عملی شکل اختیار کرنے سے تخلیق کردہ ادائیگی کے توازن میں عدم ہائے توازن، نے بالا غیر ملکی زرمبادلہ کے ذخائر پر دباؤ ڈال رکھا ہے۔ جس کے نتیجے کے طور پر، غیر ملکی زرمبادلہ کے ملکی ذخائر 23% کی کمی سے 21 ارب ڈالر سے 16 ارب ڈالر تک گر چکے ہیں۔ اس نے آخر کار پاکستانی روپے پر دباؤ ڈالا اور پچھلے سال سے تقریباً 20% کی قدر کی کمی پر منتج ہوا۔ مرکزی بینک کی جانب سے درآمدات کی حوصلہ شکنی اور برآمدات کو سہارا فراہم کرنے کی غرض سے لیے گئے حالیہ اصلاحی پالیسی اقدامات سے ہمیں توقع ہے کہ مجموعی طور پر بیرونی حسابات کی صورتحال میں بہتری کی طرف پیش رفت ہوجائے گی۔

مالیاتی پہلو پر، ٹیکس کی کم وصولی کے بیچ حکومت کے بلند تر اخراجات نے حالیہ برسوں میں پچھلے پیش بینی (4.1%) سے زیادہ (تقریباً 7%) تک کی ایک نئی بلندی تک مالیاتی خسارے کو پہنچا دیا ہے ٹیکس بیس میں کچھ اضافے کی کوششوں میں حکومت نے معیشت کو ضبط و تھریئر میں لانے کی حوصلہ افزائی کی غرض سے ٹیکس ایمنسٹی اسکیم متعارف کروائی اور ذخائر (زرمبادلہ) کی صورتحال کو بہتر کیا ہے تاہم، اس اسکیم کی پذیرائی توقع سے کم رہی ہے اور آنے والی حکومت کو کفایت شعاری کے کچھ اقدامات کا آغاز کرنا پڑے گا جس میں اس کے خسارے کو کم کرنے کیلئے اس کے ترقیاتی اخراجات میں کمی کرنا بھی شامل ہوگا۔

مالی سال 18 کے دوران، قلیل اور طویل مدتی آمدن (ماحول) پر ایس جی پی کی سختی والی مالیاتی پالیسی سے ہم آہنگ تبدیلیوں کا مشاہدہ بھی کیا گیا 3 ماہ، 6 ماہ، اور 12 ماہ کے ٹریڈری بلز پر آمدن (ماحول) علی الترتیب 79، 90 اور 116 بی پی ایس تک بڑھ گئے۔ اسی طرح 3، 5 اور 10 سال کے بانڈز پر آمدن میں علی الترتیب 171، 180 اور 86 بی پی ایس تک اضافہ ہو گیا۔

حالیہ انتخابات کی روشنی میں، مستحکم حکومت کا امکان ملک کی معیشت کیلئے نیک شگون ہوگا۔ حالیہ معاشی چیلنجز کا مقابلہ کرنے کی کوشش میں ہم کفایت شعاری کے کئی اقدامات کی توقع کرتے ہیں جس میں آئی ایم ایف کے پروگرام میں دوبارہ شمولیت، چین اور دیگر دوست ممالک سے مالیاتی مدد، تارکین وطن کیلئے یورو بونڈز یا سرمایہ کاری بونڈز کے اجراء کے ساتھ ساتھ ملکی محاذ پر طویل اصلاحات بھی شامل ہیں لیکن صرف انھیں اقدامات تک محدود نہیں۔ تشکیل پانے والی نئی حکومت کی جانب سے اصلاحی اقدامات مالی سال 19ء میں شرح نمو میں کمی لائیں گے جس سے وسط مدت پر ہی معیشت کو مستحکم کرنے میں مدد ملے گی (شرح نمو 5%-4.5+)۔

## بازار قرض کا جائزہ - مالی سال 2018ء

بین الاقوامی خام تیل کی قیمتوں نے اس مالی سال کیلئے تیزی کے رجحان کو ظاہر کیا ہے۔ قیمتیں 45 ڈالر فی بیرل سے تقریباً 70% کے اضافے کے ساتھ 80 ڈالر فی بیرل کے ایک نئی بلندی پر بند ہوئی ہیں۔ تیل کی بڑھتی ہوئی قیمتوں، بلند تر اشیائے صرف کی قیمتوں (شکر کی توقع کے ساتھ) مع پاکستانی روپے میں کمی کے پڑنے والے اثرات نے مالی سال 18ء کی چوتھی سہ ماہی کیلئے افراط زر کی 4.4% تک کی شرح میں اضافے میں بڑی مدد کی ہے۔ اس رجحان کے اشاروں سے ہم توقع کرتے ہیں کہ ایس بی پی (مرکزی بینک) اپنی جاری سخت مالیاتی پالیسی کے تسلسل کو برقرار رکھے گا۔

مالی سال 18ء کیلئے اس سال کے دوران منعقدہ 12 پی آئی جی آکشنز سے حکومت نے 330 ارب روپے کے ہدف کے مقابلے میں تقریباً 102 ارب روپے (مالی سال 17 میں تقریباً 894 ارب روپے) حاصل کیے نتیجتاً مارکیٹ میں پی آئی جی کیلئے بقا یا رقم 29.74 کھرب روپے تک بڑھ گئی۔ آکشن میں شرکت زیادہ تر شرح میں اضافے سے ہم آہنگ 3 اور 5 سال کی ضمانت (پیپر) کی طرف رہی۔ جولائی 18ء میں پی آئی جی آکشن میں حکومت نے تقریباً 6.9 ارب روپے قبول کیے۔

خط آمدن (ماحول) جو مختلف چیلنجوں کی حکومتی ضمانتوں (سیورٹیز) پر مبنی تھا بڑھتے ہوئے جاری شرح ہائے رعایت سے ہم آہنگ اوپر کی جانب منتقل ہو گیا۔ 3، 6 اور 12 ماہ کے ٹریڈری بلز پر آمدن علی الترتیب 79، 90 اور 116 بی پی ایس تک بڑھ گئی۔ پھیلاؤ ایک سالہ ٹی بلز (7.20% سالانہ) اور 10 سالہ پی آئی جی (9.03% سالانہ) کے سالانہ کی بنیاد پر آمدن کے درمیان برطابق 30 جون 2018ء، 1.83% پر قائم رہا۔

## جائزہ بازارِ حصص برائے مالی سال 18ء

مالی سال 18 میں پریشان کن واقعات کے ہوجانے کے بعد، کے ایس ای-100 انڈیکس نے 8 برسوں کے طویل عرصے کے بعد 10% کے مجموعی نقصان کو ظاہر کیا۔ بازار میں مندی کے بڑے محرکات میں کشیدہ سیاسی واقعات کا سلسلہ، اقتصادِ گلی محاذ پر بڑھتی تشویش کے ساتھ غیر ملکی سرمایہ کاروں کی جانب سے مسلسل فروخت (289 ملین ڈالر) شامل ہیں۔ بڑھتی ہوئی غیر یقینی کی کیفیات کے ساتھ بازار میں شریک ہونے اور حصہ لینے والے محتاط ہو گئے جس نے مارکیٹ میں تجارت کردہ احجام (والیمز) کو اوسطاً مندی کا شکار رکھا (84 ملین)۔

پینچ مارک انڈیکس نے سال کا آغاز بلند توقعات کے ساتھ کیا لیکن جلد ہی ایم ایس سی آئی میں شمولیت کے بعد غیر ملکی اخراج سے دو چار ہو گیا۔ مالی سال 18ء کے پہلے نصف کے دوران پریشانیوں کے سلسلے میں اضافہ ہو گیا، جس نے بازارِ حصص کو غیر پائیدار صورتحال میں رکھا اور انڈیکس کو 37,919 پوائنٹس کی کم تر سطح پر دھکیل دیا۔ ان بڑے بڑے واقعات کے بیچ برسرِ اقتدار وزیرِ اعظم کی نااہلی بھی تھی جس کے بعد وزیر خزانہ کو بھی کام کرنے سے روک دیا گیا، جس نے معیشت پر توجہ کیلئے بہت تھوڑی گنجائش چھوڑی۔ اس کے بعد ٹی ایل پی کی جانب سے حکومت مخا 21 دن کا احتجاج شروع ہوا جس نے حکومت کو تنہا کر دیا۔ کسی بھی مناسب معاشی نظم کار کی موقع پر موجودگی کے بغیر، ملک اقتصادِ گلی (میکرو اکنامک) محاذوں پر زیادہ سے زیادہ خطروں کیلئے کھلا چھوڑ دیا گیا تھا۔

سیاسی بحرانوں کے ساتھ، بیرونی حسابات پر تشویش نے ظاہر ہونا شروع کر دیا کیونکہ تیل کی کم قیمتوں سے ملنے والی مدد رفتہ رفتہ ختم ہوتی چلی گئی۔ مالی سال 18ء کی تیسری سہ ماہی میں، کچھ مثبت آثار جیسے وزیر خزانہ کی تقرری، سینیٹ کے ہموار انتخابات، ٹیکس ایجنسی اسکیم کا اعلان اور ساتھ ہی اہم پالیسی اقدام کے آغاز سے شرکاء بازار کی جانب سے دلچسپی کو اکسایا۔ جس کے نتیجے میں 31 ملین ڈالر کا دخول (Inflow) ہوا۔ تاہم، اقتصادِ گلی (میکرو اکنامک) محاذ پر تشویشات مستحکم رہیں، مزید پالیسی اقدامات کے استعمال کی ضرورت ہے۔ پورے مالی سال 18ء کے حسابات جاری کا خسارہ تقریباً 18 ارب ڈالر تک بڑھ گیا (سال بہ سال +43%) جو سرمایہ کاروں کے جذبات کو مزید ٹھنڈا کرنے کا سبب ہے۔ علاوہ ازیں مالیاتی خسارہ تقریباً 7% سے زیادہ پر آ گیا۔ بڑھتے ہوئے دوہرے خسارے کی فراہمی قرضہ شرائط نے غیر ملکی زرمبادلہ کے ذخائر کو کمزور کر کے رکھ دیا ہے۔ ایس بی پی کے ذخائر مالی سال 18ء کے اختتام پر تقریباً 10 ارب ڈالر تک گر گئے ہیں، جو سرمایہ کاروں کے اعتماد کو مزید خراب کر رہا ہے۔

بین الاقوامی محاذ پر، امریکی فیڈرل ریزرو بورڈ نے مالی سال 18ء کے دوران اپنی مالیاتی پالیسی کو سختی کے تسلسل 25 بی پی ایس سے 2% تک جاری رکھا۔ ہم اس موقف کے تسلسل کی توقع جاری سال 18ء میں بھی رکھتے ہیں۔ تیل کی بین الاقوامی قیمتیں 80 ڈالر فی بیرل کی 4 سالہ بلندی کو پہنچ گئی جو کہ اوپیک ممبر اور غیر اوپیک ممالک کے درمیان بہتر تعاون کا شاخسانہ ہے۔ مجموعی طور پر ایشیائے صرف کی قیمتیں بھی درآمدی ممالک سے بڑھتی ہوئی طلب کے ساتھ اوپر کی طرف گئی ہیں۔ جاری تجارتی جن کے بڑھ جانے سے توقع ہے کہ اس سے تیل کی قیمتیں نیچے کی طرف لڑھک جائیں گی۔ یہ تیل کے زیادہ درآمدی ملک جیسے پاکستان کیلئے سازگار ہوگا۔ تاہم، مستحکم حکومت ملٹی بلین سی بیک منصوبے پر کام کو پھر سے شروع کر دے گی۔ پیش قدمی کرتے ہوئے مرکزی بینک کی جانب سے نئی تشکیل پانے والی حکومت کی کفایت شعاری کو ساتھ ملا کر لیے گئے چارہ ساز اقدامات اصلاحی اقدامات کو ممکن بنائیں گے اور وسط مدت پر معیشت کو مستحکم کر پائیں گے۔ اس کے علاوہ سیاسی بحرانوں کو کم کرنے سے، فوری رعایت (اس کی بلندی سے تقریباً 24%) مع زیادہ آمدن کی پیشکش (تقریباً 12%) سے توقع ہوگی کہ اس سے سرمایہ کار کا اعتماد مضبوط ہوگا اور مقامی بازارِ حصص میں سرمایہ کار کی دلچسپی لوٹ آئے گی۔

## توقعات مستقبل

کامیاب عام انتخابات کے عمل کے بعد، توقع کی جاتی ہے کہ ملک کے اندر سیاسی استحکام کی ایک فضا قائم ہو جائے گی۔ نئی منتخب کردہ پی ٹی آئی حکومت آگے آنے والے مہینوں میں معاشی چیلنجز کا سامنا کرے گی، جس سے بین الاقوامی مالیاتی اداروں بشمول آئی ایم ایف، بیرون ملک پاکستانیوں کو ہدف بناتے ہوئے بین الاقوامی مارکیٹس میں یورو بونڈز یا صکوک کا اجراء ساتھ ہی ساتھ زرمبادلہ کے ذخائر کی صورتحال کو پائیدار رکھنے کی غرض سے چین سے ممکنہ مالی امداد کے ذریعے تازہ قرضوں کی ضرورت پڑے گی۔ ہمیں یقین ہے کہ نئی پی ٹی آئی حکومت مالیاتی پہلو پر مؤثر اور فوری اصلاحات کا انتخاب کرے گی۔ اس میں ترقیاتی اخراجات میں

کمی، توانائی اور زراعت کیلئے رعایات اور پبلک سیکٹرانٹرنپرائزز (پی ایس ایز) میں سرمایہ کاری واپس لینا بھی شامل ہے۔

ارجنٹائن کیلئے اس کے حالیہ ٹیل آؤٹ پیکیج سے رہنمائی حاصل کرتے ہوئے، ہم پاکستان کیلئے دو ہندسوں پر مشتمل مالیت کے ایک ایسے ہی اعانتی پروگرام کی توقع کرتے ہیں۔ علاوہ ازیں، آئی ایم ایف بھی نئی حکومت کے ساتھ مستقبل کے قرضوں کی ادائیگیوں کو ہموار کرنے کی غرض سے کام کرے گا اور اساس برآمدات بڑھانے کی کوششوں کیلئے زور دے گا اور انھیں زیادہ مسابقتانہ بنانے میں مدد کرے گا۔

پاکستانی روپے کی قدر میں کمی، تیل کی بلند قیمتوں مع زیادہ طلب کے پڑنے والے اثرات افراط زر کو اور پر دھکیل دیں گے جسے قیمتوں کے استحکام کے اقدامات کے مزید استعمال کی ضرورت پڑے گی۔ ہم مالیاتی سختی کے تسلسل کی توقع کرتے ہیں جو ممکنہ طور پر شرح پالیسی کو 8.0% سے 8.5% تک اوپر لے جائے گی۔ بین الاقوامی محاذ پر نومبر 18ء میں امریکی وسط مدتی انتخابات میں سیاسی فضا اور جاری تجارتی جنگ سے توقع ہے کہ اس سے تیل کی قیمتوں کیلئے درمیانی مدت کے اثرات پڑیں گے۔

ہم اصلاحی پالیسی کے چلنے سے توقع کرتے ہیں کہ یہ مالی سال 19ء کیلئے معیشت میں سست روی کا سبب بنے گی۔ ہمیں یقین ہے کہ یہ اصلاحی اقدامات وسط مدتی عرصے کیلئے معیشت کے استحکام کی غرض سے اہم ہوں گے۔ مزید برآں بہتر سیکورٹی، توانائی کی بہتر صورتحال مع ایک مستحکم و پائیدار حکومت مجموعی شرح نمو کو پائیدار 5.0% سطح پر لانے میں مرکزی حیثیت کی حامل ہوگی۔

## فنڈ کارکردگی اور اعلانات

### یو بی ایل لیکویڈٹی پلس فنڈ (یو ایل پی ایف)

اس فنڈ نے 30 جون 2018ء کو ختم شدہ سال کیلئے 600.753 ملین روپے کی کل آمدن حاصل کر لی، جس میں زیادہ تر بینک بیلنسز پر مارک اپ/سودی آمدن، حکومتی ضمانتیں شامل ہیں۔ 92.137 ملین روپے کے اخراجات کے بعد اس فنڈ نے 508.616 ملین روپے کی خالص آمدن کے حصول کو منظم کیا۔ فنڈ کے خالص اثاثہ جات برطبق 30 جون 2018ء 14,452.210 ملین روپے تھے جو کہ 106.2344 روپے فی یونٹ کے خالص اثاثہ جات مالیت کی ترجمانی کرتے ہیں۔

ختم شدہ سال کے بعد، 02 جولائی 2018ء پر منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے ہر 100 روپے کی فیس ویلیو پر 5.5510 روپے فی یونٹ کی حتمی تقسیم کی منظوری دی (یعنی 5.55%)۔

جے سی آر-وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ (جے سی آر-وی آئی سی) نے اس فنڈ کیلئے اے اے (ایف) درجہ بندی کی از سر نو توثیق کر دی ہے۔

### یو بی ایل منی مارکیٹ فنڈ (یو ایم ایم ایف)

اس فنڈ نے 30 جون 2018ء کو ختم شدہ سال کیلئے 71.376 ملین روپے کی کل آمدن حاصل کر لی، جس میں زیادہ تر بینک بیلنسز پر مارک اپ/سودی آمدن، حکومتی ضمانتیں شامل ہیں۔ 14.806 ملین روپے کے اخراجات کے بعد اس فنڈ نے 56.570 ملین روپے کی خالص آمدن کے حصول کو منظم کیا۔ فنڈ کے خالص اثاثہ جات برطبق 30 جون 2018ء 1,615.672 ملین روپے تھے جو کہ 105.6073 روپے فی یونٹ کے خالص اثاثہ جات مالیت کی ترجمانی کرتے ہیں۔

ختم شدہ سال کے بعد، 02 جولائی 2018ء پر منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے ہر 100 روپے کی فیس ویلیو پر 5.1412 روپے فی یونٹ کی حتمی تقسیم کی منظوری دی (یعنی 5.14%)۔

جے سی آر-وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ (جے سی آر-وی آئی سی) نے اس فنڈ کیلئے اے اے (ایف) درجہ بندی کی از سر نو توثیق کر دی ہے۔

### یو بی ایل گورنمنٹ سیکورٹیز فنڈ (یو جی ایس ایف)

اس فنڈ نے 30 جون 2018ء کو ختم شدہ سال کیلئے 166.420 ملین روپے کی کل آمدن حاصل کر لی، جس میں زیادہ تر بینک بیلنسز پر مارک اپ/سودی آمدن، ٹرم ڈپازٹس، سٹیٹس، حکومتی ضمانتیں شامل ہیں اور 43.089 ملین روپے کے اخراجات کے بعد اس فنڈ نے 123.331 ملین روپے کی خالص آمدن کے حصول کو منظم کیا۔ فنڈ کے خالص اثاثہ جات برطبق 30 جون 2018ء 1,877.040 ملین روپے تھے جو کہ 110.5634 روپے فی یونٹ کے خالص اثاثہ جات مالیت کی ترجمانی کرتے ہیں۔

ختم شدہ سال کے بعد، 02 جولائی 2018ء پر منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے ہر 100 روپے کی فیس ویلیو پر 4.9688 روپے فی یونٹ کی حتمی تقسیم کی منظوری دی (یعنی 4.97%)۔

جے سی آر-وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ (جے سی آر-وی آئی سی) نے اس فنڈ کیلئے اے اے (ایف) درجہ بندی تک اپ گریڈ کر دیا ہے۔

### یو بی ایل گروتھ اینڈ انکم فنڈ (یو بی آئی ایف)

اس فنڈ نے 30 جون 2018ء کو ختم شدہ سال کیلئے 220.563 ملین روپے کی کل آمدن حاصل کر لی۔ جس میں زیادہ تر بینک بیلنسز پر مارک اپ/سودی آمدن، حکومتی ضمانتیں، کارپوریٹ سٹاک شامل ہیں اور 73.515 ملین روپے کے اخراجات کے بعد اس فنڈ نے 147.048 ملین روپے کی خالص آمدن کے حصول کو منظم کیا۔ اس فنڈ کے خالص اثاثہ جات بمطابق 30 جون 2018ء 1,301.602 ملین روپے تھے جو کہ فی یونٹ 89.3150 روپے کی خالص اثاثہ جات مالیت کی ترجمانی کرتے ہیں۔

ختم شدہ سال کے بعد، 02 جولائی 2018ء کو بینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے ہر -1000 روپے کی فیس ویلیو پر 4.4223 روپے فی یونٹ کی حتمی تقسیم کی منظوری دی (یعنی %4.42)۔

جے سی آر-وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ (جے سی آر-وی آئی ایس) نے فنڈ اسٹیبلشمنٹ ریٹنگ کو اے (ایف) {A (f)} پر اپ گریڈ کر دیا ہے۔

### یو بی ایل ایل پور چیٹی فنڈ (یو آئی او ایف)

اس فنڈ نے 30 جون 2018ء کو ختم شدہ سال کیلئے 23.052 ملین روپے کی کل آمدن حاصل کی، جس میں بینک بیلنسز پر مارک اپ/سودی آمدن، پلیسمنٹس، حکومتی ضمانتیں، کارپوریٹ بانڈز/سٹاک اور مارجن ٹریڈنگ سسٹم میں سرمایہ کاری شامل ہیں۔ 6.765 ملین روپے کے اخراجات کے بعد اس فنڈ نے 16.287 ملین روپے کی خالص آمدن حاصل کی۔ اس فنڈ کے خالص اثاثہ جات بمطابق 30 جون 2018ء 557.286 ملین روپے تھے جو کہ فی یونٹ 114.7192 روپے کی خالص اثاثہ جات مالیت کی ترجمانی کرتے ہیں۔

ختم شدہ سال کے بعد، 02 جولائی 2018ء پر بینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے ہر -100 روپے کی فیس ویلیو پر فی یونٹ 4.7439 روپے کی حتمی تقسیم کی منظوری دی (یعنی %4.74)۔

جے سی آر-وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ (جے سی آر-وی آئی ایس) نے اس سال کے دوران فنڈ کو اے-انٹس (ایف) پر درجہ بند کیا ہے۔

### یو بی ایل گولڈ فنڈ (یو بی ایف)

یہ فنڈ مورخہ 02 اگست 2017ء کو منسوخ کر دیا گیا ہے۔

### یو بی ایل اسٹاک ایڈوانٹج فنڈ (یو ایف ایس)

اس فنڈ نے 30 جون 2018ء کو ختم شدہ سال کیلئے 826.813 ملین روپے کے مجموعی نقصانات برداشت کیے (جس میں سرمایہ کاریوں کی ازسر نو پیمائش/جانچ پر 411.101 ملین روپے کا غیر حقیقی کردہ نقصان بھی شامل ہے) کیونکہ 1,808,776 ملین روپے کی کل آمدن سے اگر مقابلہ کیا جائے (اس میں سرمایہ کاریوں کی ازسر نو پیمائش/جانچ پر 480.654 ملین روپے کے غیر حقیقی کردہ فوائد بھی شامل ہیں)۔ اس فنڈ کے نقصان کی بڑی وجہ 485.069 ملین کی مالیت کی سکیورٹیز کی فروخت پر سرمائے کا نقصان ہے (2017 : 982.841 ملین روپے کی مالیت کا حصول سرمایہ)، 295.419 ملین روپے کی مالیت کا منافع منقسمہ (2017 : 229.480 ملین روپے)۔ کل اخراجات کی مالیت 216.453 ملین روپے رہی۔ اس فنڈ کے خالص اثاثہ جات بمطابق 30 جون 2018ء 6,891.411 ملین روپے تھے جو کہ فی یونٹ 68.51 روپے کی مالیت خالص اثاثہ جات کی ترجمانی کرتے ہیں اس فنڈ کی درجہ بندی اب تک نہیں کی گئی ہے۔

### یو بی ایل ایسیٹ ایلوکیشن فنڈ (یو اے اے ایف)

اس فنڈ نے 30 جون 2018ء کو ختم ہونے والے سال کیلئے 8.219 ملین روپے کی کل آمدن حاصل کی (جس میں 15.207 ملین روپے کے غیر حقیقی کردہ نقصان اور سرمایہ کاریوں کی ازسر نو پیمائش پر 10.071 ملین روپے کا نقصان معذوری بھی شامل ہے)۔ اس فنڈ کی کمائی میں زیادہ تر 114.043 ملین روپے مالیت تک کی سکیورٹیز کی فروخت سے نقصان سرمایہ، حکومتی سکیورٹیز سے آمدن، بینک بیلنسز، کارپوریٹ ٹی ایف سیزر، 88.594 ملین روپے تک کی ٹرم ڈپازٹس ریسیپٹس اور 58.947 ملین روپے کی منافع منقسمہ آمدن بھی شامل ہے۔ 47.915 ملین روپے کے اخراجات کے بعد، اس فنڈ نے 39.696 ملین روپے کے خالص نقصان کی نظم کاری کی۔ اس فنڈ کے خالص اثاثہ جات بمطابق 30 جون 2018ء 2,249.249 ملین روپے رہے جو کہ فی یونٹ 134.5792 روپے کی خالص مالیت اثاثہ جات کو ظاہر کرتے ہیں۔

### یو بی ایل سیٹل پروٹیکٹڈ فنڈ-III (یو بی پی ایف-III)

اس فنڈ نے 30 جون 2018ء کو ختم ہونے والے عرصے کیلئے 10.804 ملین روپے کی کل آمدن حاصل کی۔ اس فنڈ کی کمائی میں بینک بیلنسز سے انکم، ٹرم ڈپازٹس ریسیپٹس اور منافع ہائے منقسمہ شامل ہیں۔ 8.841 ملین روپے کے اخراجات کے بعد، اس فنڈ نے 1.963 ملین روپے کے خالص آمدن کی نظم کاری کی۔ اس فنڈ کے خالص اثاثہ جات بمطابق 30 جون 2018ء 412.821 ملین روپے رہے جو کہ فی یونٹ 100.6508 روپے کی خالص مالیت اثاثہ جات کی ترجمانی کرتے ہیں۔

ختم شدہ سال کے بعد، 02 جولائی 2018ء پر مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے ہر -100/ روپے کی فیس ویلیو پر فی یونٹ 0.4900 روپے کی حتمی تقسیم کی منظوری دی (یعنی %0.49)۔

یو بی ایل فنانشل کیلکولیشن (یو ایف ای ایف)

اس فنڈ نے 30 جون 2018ء کو ختم ہونے والے عرصے کیلئے 1.532 ملین روپے کی کل آمدن حاصل کی۔ اس فنڈ کی کمائی بینک بیلنسز سے آمدن اور منافع ہائے منقسمہ کی ترجمانی کرتی ہے۔ 1.651 ملین روپے کے اخراجات کے بعد، اس فنڈ نے 0.119 ملین روپے کے خالص نقصانات کی نظم کاری کی۔ اس فنڈ کے خالص اثاثہ جات 372.153 ملین روپے بمطابق 30 جون 2018ء رہے جو کہ فی یونٹ 91.2211 روپے کی خالص مالیت اثاثہ جات کی ترجمانی کرتے ہیں۔

یو بی ایل ڈیڈ ویلٹیڈ ایکٹیو فنڈ (یو ڈی ای ایف)

30 جون 2018ء کو ختم شدہ عرصے کیلئے اس فنڈ کی کل آمدن 1.091 ملین روپے رہی۔ اس فنڈ کی کمائی بینک بیلنسز سے آمدن، ٹرم ڈپازٹس ریسیٹس اور منافع ہائے منقسمہ کی ترجمان ہے۔ 0.447 ملین روپے کے اخراجات کے بعد، اس فنڈ نے 0.644 ملین روپے کی خالص آمدن کی نظم کاری کی۔ اس فنڈ کے خالص اثاثہ جات بمطابق 30 جون 2018ء 45.810 ملین روپے رہے جو کہ فی یونٹ 98.1306 روپے کی خالص مالیت اثاثہ جات کو ظاہر کرتے ہیں۔

یو بی ایل کنزرویٹو ایکویٹی لین پلان (یو ای او این اے پی)

اس فنڈ نے 28 ستمبر 2017ء سے 29 جون 2018ء تک کے عرصے کیلئے 36.156 ملین روپے کی کل آمدن حاصل کی۔ اس فنڈ کی کمائی بینک بیلنسز سے آمدن اور سرمایہ کاریوں کی فروخت سے حصول سرمایہ کی ترجمان ہے۔ 2.527 ملین روپے کے اخراجات کے بعد، اس فنڈ نے 33.629 ملین روپے کی خالص آمدن کی نظم کاری کی۔ اس فنڈ کے خالص اثاثہ جات بمطابق 29 جون 2018ء 26.10 ملین روپے رہے جو کہ فی یونٹ 100.0975 روپے کی خالص مالیت اثاثہ جات کی ترجمانی کرتے ہیں۔

29 جون 2018ء کے بعد یو بی ایل کنزرویٹو ایکویٹی لین پلان کے تمام پونٹس اس فنڈ کے یونٹ ہولڈرز کی جانب سے بھٹا لیے گئے ہیں۔

یو بی ایل ایکٹیو پرنسپل پریزرویشن پلان - I (یو اے پی پی پی - I)

اس فنڈ نے 30 جون 2018ء تک کے عرصے کیلئے 1.790 ملین روپے کی کل آمدن حاصل کی۔ اس فنڈ کی کمائی بینک بیلنسز سے آمدن اور سرمایہ کاریوں کی فروخت سے حصول سرمایہ کی ترجمان ہے۔ 0.28 ملین روپے کے اخراجات کے بعد، اس فنڈ نے 1.510 ملین روپے کی خالص آمدن کی نظم کاری کی۔ اس فنڈ کے خالص اثاثہ جات بمطابق 30 جون 2018ء 173.165 ملین روپے رہے جو کہ فی یونٹ 100.8796 روپے کی خالص مالیت اثاثہ جات کی ترجمانی کرتے ہیں۔

یو بی ایل ایکٹیو پرنسپل پریزرویشن پلان - II (یو اے پی پی پی - II)

اس فنڈ نے 31 مئی 2018ء سے 30 جون 2018ء تک کے عرصے کیلئے 2.265 ملین روپے کی کل آمدن حاصل کی۔ اس فنڈ کی کمائی بینک بیلنسز سے آمدن، ٹرم ڈپازٹس ریسیٹس اور سرمایہ کاریوں کی فروخت سے حصول سرمایہ کی ترجمانی کرتی ہے۔ 0.221 ملین روپے کے اخراجات کے بعد، اس فنڈ نے 2.044 ملین روپے کی خالص آمدن کی نظم کاری کی۔ اس فنڈ کے خالص اثاثہ جات بمطابق 30 جون 2018ء 324.118 ملین روپے رہے جو کہ فی یونٹ 100.6329 روپے کی خالص مالیت اثاثہ جات کی ترجمان ہے۔

ختم شدہ سال کے بعد، 02 جولائی 2018ء پر مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے ہر -100/ روپے کی فیس ویلیو پر فی یونٹ 0.1258 روپے کی حتمی تقسیم کی منظوری دی (یعنی %0.13)۔

فنڈز کی حکمت عملی، جائزہ اور توقعات

فنڈز کی حکمت عملی، جائزہ اور توقعات کیلئے ازراہ کرم سالانہ رپورٹ پر فنڈ مینجمنٹ رپورٹ کے متعلقہ حصے کا جائزہ لیں۔

ادارہ جاتی نظم و نسق کا ضابطہ

مینجمنٹ کمپنی کارپوریٹ گورننس یعنی ادارہ جاتی نظم کے بلند معیارات کی طرف پرعزم ہے اور مینجمنٹ کمپنی کا بورڈ آف ڈائریکٹرز اچھے ادارہ جاتی نظم کیلئے یونٹ ہولڈرز کو جواب دہ ہے۔ مینجمنٹ تسلسل کے ساتھ ضابطہ ادارہ جاتی نظم میں متعین کیے گئے بہترین طور طریقوں کی فراہمی کی تعمیل کرتی ہے، خاص طور پر نان-ایگزیکٹیو ڈائریکٹرز کی خود مختاری کے سلسلے میں۔ یہ فنڈ پاکستان/اسٹاک ایکسچینج کے مندرجہ ضوابط سے ہم آہنگی کے ساتھ کاروبار کی تعمیل میں پرعزم رہتا ہے۔

ضابطہ ادارہ جاتی نظام کی شرائط کی تکمیل کے سلسلے میں درج ذیل خصوصی بیانات پیش کیے جا رہے ہیں:

- مالیاتی گوشوارہ جات امور کار کی صورتحال، افعال کے نتائج، نقد بہاؤ اور فنڈ کے پونٹ ہولڈرز میں تبدیلی کو ایمانداری سے پیش کرتے ہیں؛
- فنڈز کی جانب سے مناسب کتب حسابات قائم رکھی گئی ہیں؛
- مالیاتی گوشوارہ جات کی تیاری میں حسابات کی مناسب تدابیر (پالیسیز) کو مستقل مزاجی سے بروئے کار لایا گیا ہے اور حسابات کے تخمینہ جات معقول اور محتاط آراء پر مبنی ہیں؛
- متعلقہ انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز، جیسے کہ پاکستان میں الگ ہیں، نان۔ بیکننگ فنانس کمپنیز (اسٹیبلشمنٹ اینڈ ریگولیشن) 2003ء کا قانون، نان۔ بیکننگ فنانس کمپنیز اور نوٹیفائیڈ انٹرنیشنل ریگولیشنز 2008ء، متعلقہ ٹرسٹ ڈیڈ کی شرائط اور سیورٹی اینڈ ایکچینج کمیشن آف پاکستان کی جانب سے جاری کردہ احکامات کی مالیاتی گوشواروں کی تیاری میں بیرونی کی جاتی رہی ہے؛
- انٹرنل کنٹرول کا نظام بلحاظ ترتیب و تدوین بالکل درست اور موثر ہے اور اس کی نگرانی کی جاتی رہی ہے؛
- جاری کاروبار کے طور پر فنڈز کے تسلسل کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں؛
- مندرجہ ضوابط میں تفصیل کے مطابق ادارہ جاتی نظام کے بہترین طور طریقوں سے ذرہ برابر بھی انحراف نہیں رہا ہے؛
- فنڈز کی جدول کارکردگی سالانہ رپورٹ میں دی گئی ہے؛
- پروویڈنٹ فنڈ کی سرمایہ کاریوں کی مالیت بربطابق گوشوارہ (بیان) فنڈز پر لاگو نہیں ہے لیکن منجمنٹ کمپنی پر قابل اطلاق، لہذا فنڈز کی ڈائریکٹرز رپورٹ میں اُسے ظاہر نہیں کیا گیا ہے؛
- ٹیکسز، ڈیوٹیز، لیویز اور چارجز کی مد میں کوئی قانونی ادائیگی باقی ہے، اگر ہے تو، اُسے مالیاتی گوشوارہ جات میں مکمل طور پر ظاہر کیا جا رہا ہے

### رسک فریم ورک اور انٹرنل کنٹرول سسٹم

یو بی ایل فنڈ منیجرز لمیٹڈ نے ایک منظور شدہ رسک منجمنٹ پالیسی کو نافذ کر رکھا ہے جو کہ اس کی سرگرمیوں سے جڑے خطرات کی نظم کاری کی غرض سے ایک فریم ورک فراہم کرتی ہے۔ اسے پورے کے پورے ادارے سے صادر ہونے والے خطرات کی نشاندہی، تخمینہ، نگرانی اور نظم کاری کی غرض سے تشکیل دیا گیا ہے۔ یو بی ایل فنڈ منیجرز لمیٹڈ انٹرنل رسک منجمنٹ (ای آر ایم) کی پیروی کرتا ہے جو کہ ایک پروسیس (عمل) ہے جو جاری و ساری ہے اور مسلسل چل رہا ہے ایک وجود کار (ایٹھٹی) کے ذریعے چلا یا جاتا ہے جو کہ ادارے کی ہر سطح پر اُس کے افراد مؤثر کرتے ہیں جو پورے کاروبار پر حکمت عملی کے تعین کیلئے ہر سطح اور ہر اکائی پر بروئے کار لایا جاتا ہے بشمول خطرے کے اس نقطہ نظر کیلئے جو ادارے کی سطح کے پورٹفولیو کیلئے لیا جاتا ہے اور اس لیے تشکیل دیا جاتا ہے کہ اگر ممکنہ واقعات رونما ہو جائیں تو ان کی نشاندہی کرے، اُس شے (وجود کار) پر اثر انداز ہو اور اس کے خطرے کی رغبت و میلان کے اندر اندر خطرے کی نظم کاری یعنی اُسے منظم کرے۔

### یو بی ایل فنڈ منیجرز کے کل سات (7) ڈائریکٹرز ہیں:

(ا) مرد: چھ (6) ڈائریکٹرز؛

(ب) عورت: ایک (1) ڈائریکٹر

### بورڈ کی تشکیل درج ذیل ہے:

(ا) آزاد ڈائریکٹرز: 2 ڈائریکٹرز

(ب) ایگزیکٹو ڈائریکٹرز: 1 ڈائریکٹر

(ج) نان-ایگزیکٹو ڈائریکٹرز: 4 ڈائریکٹرز

یو بی ایل فنڈ منیجرز بورڈ کی بنیادی ذمے داری کمپنی کے امور کی نگرانی و سرپرستی ہے اور اس کی انتظامیہ کو ہدایت کی فراہمی ہے۔ انتظامیہ کی ذمے داری ہے کہ وہ کمپنی سے متعلق امور کے سلسلے میں بورڈ کو آگاہ رکھے اور بورڈ آف ڈائریکٹرز کی جانب سے دیے گئے اصول ہائے رہنمائی اور ہدایت کو مؤثر طور پر نافذ کرے۔

بورڈ، مؤثر نظم و نسق اور انٹرنل کنٹرول سسٹم پر عمل درآمد کرتے ہوئے، کمپنی کے اسٹیک ہولڈرز کے سلسلے کو متوازن رکھنے کی کوشش کرتا ہے، جس میں اس کے شیئر ہولڈرز، پونٹ ہولڈرز، کسٹمرز، ملازمین، ریگولیٹرز اور وہ معاشرے و سماج جن میں وہ کام کرتے ہیں۔ بورڈ کی جانب سے لیے گئے تمام اقدامات میں، ڈائریکٹرز آزاد کاروباری رائے کو بروئے کار لاتے ہیں جنہیں وہ کمپنی کے بہترین مفاد میں معقول طور پر درست سمجھتے ہیں۔ بہترین ادارہ جاتی نظم کے طور طریقوں کے مطابق، یو بی ایل فنڈ منیجرز لمیٹڈ کے بورڈ آف ڈائریکٹرز نے پورے ادارے کے ان رسک منجمنٹ، انٹرنل کنٹرول سسٹم اور اچھے ادارہ جاتی نظم کو بڑھاو دینے کی غرض سے کئی بورڈ کمیٹیز قائم کر رکھی ہیں۔ یہ بورڈ کمیٹیز مہارت کے اپنے خاص میدان سے متعلق مسائل پر منجمنٹ اور بورڈ کو سہولت، ہم پہنچاتی ہیں۔

بورڈ کی درج ذیل کمیٹی ہیں:

(i) آڈٹ کمیٹی

(i) محترمہ مہناز خان (صدر، آزاد)؛

(ii) جناب ضیا اعجاز؛

(iii) مرزا محمد سعید حسان برلاس؛

(iv) جناب شرجیل شاہد

(ب) ایچ آر اینڈ ریمیریشن کمیٹی

(i) جناب اظہر حمید (صدر، آزاد)؛

(ii) محترمہ ناز خان؛

(iii) سید فرخ زعیم؛

(iv) جناب ضیا اعجاز

(v) جناب یاسر قادری

(ج) رسک مینجمنٹ کمیٹی

(i) مرزا محمد سعید حسان برلاس (چیئرمین)

(ii) جناب یاسر قادری

(iii) جناب اظہر حمید

(iv) سید فرخ زعیم

(v) جناب شرجیل شاہد

• تفصیلات جیسا کہ پیٹرن آف ہولڈنگ سے متعلق ضابطہ ادارہ جاتی نظم کی جانب سے درکار ہیں ان کے متعلقہ مالیاتی گوشواروں میں دی گئی ہیں۔ منسلکہ کمپنیز/ انڈر ٹیکنگ، ڈائریکٹرز اور اہم ایگزیکٹوز اور دیگر جڑے ہوئے لوگ/متعلقہ پارٹیز کی ناموں کے لحاظ سے تفصیل درج ہے:

یو بی ایل لیکویڈٹی فنڈ

نام	کلوزنگ پونٹس
یاسر قادری	141,584
یونائیٹڈ بینک لمیٹڈ	113,898
عمار ولیکا	88,176
عمیر احمد	8,475
سید فرخ زعیم	64
یو بی ایل فنڈ مینجری لمیٹڈ	6,496,019
یو بی ایل ایکٹیو پرنسپل پریزرویشن پلان-I	680,188
یو بی ایل ایکٹیو پرنسپل پریزرویشن پلان-II	987,865
نیر زمانی گوہر	1,348,260
انٹرنل اوپ لمیٹڈ	23,696,557

یو بی ایل منی مارکیٹ فنڈ

کلوزنگ پونٹس	نام
111,361	یونائیٹڈ بینک لمیٹڈ
35,851	یو بی ایل فنڈ منیجرز لمیٹڈ ایسپلائی پروویڈنٹ فنڈ
80,476	یو بی ایل فنڈ منیجرز لمیٹڈ ایسپلائی گریجویٹ فنڈ
87	سید فرخ زعیم
6,026,963	یو بی ایل فنڈ منیجرز لمیٹڈ
684,201	یو بی ایل ایکٹیو پرنسپل پریزرویشن پلان-I
806,075	یو بی ایل ایکٹیو پرنسپل پریزرویشن پلان-II

یو بی ایل گورنمنٹ سکیورٹیز فنڈ

کلوزنگ پونٹس	نام
963	امین قمر الدین غلامانی
9,632	حفیظ اللہ اسحق
3,986,921	نیر زامانی گوہر

یو بی ایل گروتھ اینڈ انکم فنڈ

کلوزنگ پونٹس	نام
2	یاسر قادری
1,259	امین قمر الدین غلامانی
2,246,484	گل احمد انرجی لمیٹڈ
1,582,852	اصفہانی فوڈز
2,092,048	میشنل مینجمنٹ فاؤنڈیشن

یو بی ایل انکم اپورٹینیٹی فنڈ

کلوزنگ پونٹس	نام
126,496	یاسر قادری
2,438,172	گرین اسٹار سوشل مارکیٹنگ پاکستان (جی) لمیٹڈ

یو بی ایل اسٹاک ایڈوانٹج فنڈ (یو ایس ایف)

کلوزنگ پونٹس	نام
21,450	ذیشان قدوس
87,482	یاسر قادری
22,538	مرزا محمد سعید حستان برلاس
2,665	امین قمر الدین غلامانی
85,986	عمار ولیکا
60,301	یو بی ایل فنڈ منیجرز لمیٹڈ ایسپلائی گریجویٹ فنڈ
8,524	یو بی ایل فنڈ منیجرز لمیٹڈ ایسپلائی پروویڈنٹ فنڈ

3,731,614	یو بی ایل فنڈ نیجرز لمیٹڈ
7,632,649	سندھ جنرل پروویڈنٹ انویسٹمنٹ فنڈ

### یو بی ایل ایسیٹ ایلوکیشن فنڈ

کلوزنگ پونٹس	نام
10,395	امین قمر الدین غلامانی
40,033	سید فرخ زعیم
5,839	عمیر احمد

### یو بی ایل کینٹل پروڈیکٹ فنڈ-III

کلوزنگ پونٹس	نام
1,523,256	یو بی ایل پروویڈنٹ فنڈ ٹرسٹ
182,791	یو بی ایل ایمپلائز گریجویٹ فنڈ ٹرسٹ
501,327	فتح خان اختر
501,341	فخر النساء اختر

### یو بی ایل فنانشل سیکر فنڈ

کلوزنگ پونٹس	نام
10,434	عمار ولیکا
3,254	یاسر قادری
1,481,882	یو بی ایل فنڈ نیجرز لمیٹڈ
670,132	حفیظ اللہ اسحق

### یو بی ایل ڈیڈ بیلینڈ ایکویٹی فنڈ

کلوزنگ پونٹس	نام
286,760	یو بی ایل ایکٹیو پرنسپل پریزرویشن پلان-I
180,065	یو بی ایل ایکٹیو پرنسپل پریزرویشن پلان-II

### یو بی ایل ایکٹیو پرنسپل پریزرویشن پلان-I

کلوزنگ پونٹس	نام
244,733	ریحانہ بشیر
290,321	بانئی ویر باجی پارس ہائی اسکول

### یو بی ایل ایکٹیو پرنسپل پریزرویشن پلان-II

کلوزنگ پونٹس	نام
622,862	ملٹی لائن انٹر پرائزز

• ڈائریکٹرز، سی ای او، سی ایف او، ہیڈ آف انٹرنل آڈٹ اینڈ کمپنی سیکریٹری کی جانب سے فنڈز کے پونٹس میں کوئی تجارت نہیں کی گئی سوائے اس کے جو درج ذیل میں اور حسابات کے ملاحظیات میں ظاہر کردی گئی ہیں:

یو بی ایل لیکویڈٹی پلس فنڈ

نام	عہدہ	ابتدائی یونٹس	جاری کردی یونٹس	نکلوائے گئے یونٹس	بونس یونٹس	کلوزنگ یونٹس
سید فرخ زعیم	ڈائریکٹر	64	-	-	-	64
یاسر قادری	چیف ایگزیکٹو آفیسر	-	160,802	19,218	-	141,584
عمیر احمد	چیف فنانشل آفیسر	-	8,475	-	-	8,475
عمار ولیکا	ہیڈ آف سیلز	43,920	169,743	125,487	-	88,176

یو بی ایل منی مارکیٹ فنڈ

نام	عہدہ	ابتدائی یونٹس	جاری کردی یونٹس	نکلوائے گئے یونٹس	بونس یونٹس	کلوزنگ یونٹس
سید فرخ زعیم	ڈائریکٹر	87	-	-	-	87

یو بی ایل گروتھ اینڈ انکم فنڈ

نام	عہدہ	ابتدائی یونٹس	جاری کردی یونٹس	نکلوائے گئے یونٹس	بونس یونٹس	کلوزنگ یونٹس
یاسر قادری	چیف ایگزیکٹو آفیسر	-	5	3	-	2
عمار ولیکا	ہیڈ آف سیلز	47,956	3	47,959	-	-
عمیر احمد	چیف فنانشل آفیسر	26,490	-	26,490	-	-
امین غلامانی	ہیڈ آف ایچ آر	1,259	-	-	-	1,259

یو بی ایل اسٹاک ایڈوانٹج فنڈ

نام	عہدہ	ابتدائی یونٹس	جاری کردی یونٹس	نکلوائے گئے یونٹس	بونس یونٹس	کلوزنگ یونٹس
ذیشان قدوس	چیف برنس ڈیولپمنٹ آفیسر	-	21,450	-	-	21,450
عمار ولیکا	ہیڈ آف سیلز	78,810	93,162	85,986	-	85,986
یاسر قادری	چیف ایگزیکٹو آفیسر	277,505	331,228	521,251	-	87,482
امین غلامانی	ہیڈ آف ایچ آر	2,668	114	117	-	2,665
مرزا محمد سعید حسان برلاس	ڈائریکٹر	-	75,020	52,482	-	22,538

یو بی ایل ایسیٹ ایکویٹیشن فنڈ

نام	عہدہ	ابتدائی یونٹس	جاری کردی یونٹس	نکلوائے گئے یونٹس	بونس یونٹس	کلوزنگ یونٹس
سید فرخ زعیم	ڈائریکٹر	40,032	-	-	-	40,032
عمیر احمد	چیف فنانشل آفیسر	-	8,832	2,993	-	5,839
امین قمر الدین غلامانی	ہیڈ آف ایچ آر	4,079	6,316	-	-	10,395

یو بی ایل گورنمنٹ سکیورٹیز فنڈ

نام	عہدہ	ابتدائی یونٹس	جاری کردی یونٹس	نکلوائے گئے یونٹس	بونس یونٹس	کلوزنگ یونٹس
امین قمر الدین غلامانی	ہیڈ آف ایچ آر	971	64	72	-	963

یو بی ایل انکم اپورٹیٹیٹی فنڈ

نام	عہدہ	ابتدائی یونٹس	جاری کردی یونٹس	نکلوائے گئے یونٹس	بونس یونٹس	کلوزنگ یونٹس
یاسر قادری	چیف ایگزیکٹو آفیسر	-	224,090	97,592	-	126,496

یو ای ایل فنانشل کیئر فنڈ (یو ایف ایس ایف)

نام	عہدہ	ابتدائی پونش	جاری کردی پونش	نکلوائے گئے پونش	پونش پونش	کلوزنگ پونش
یاسر قادری	چیف ایگزیکٹو آفیسر	-	3,254	-	-	3,254
عمیر احمد	چیف فنانشل آفیسر	-	19,997	19,997	-	-
عثمان روپکا	ہیڈ آف سیز	-	20,868	10,434	-	10,434

بورڈ آف ڈائریکٹرز (بی او ڈی)

اس سال کے دوران، بینچمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کے ساتھ اجلاس منعقد ہوئے۔ حاضری کی تفصیلات درج ذیل ہیں:

Members	August 23, 2017	September 25, 2017	October 27, 2017	December 06, 2017	February 16, 2018	April 26, 2018	May 02, 2018	Total meetings attended
Tariq Kirmani **	✓	✓	N/A	N/A	N/A	N/A	N/A	2
Azhar hamid *	N/A	N/A	✓	✓	✓	✓	✓	5
Yasir Qadri	✓	✓	✓	✓	✓	✓	✓	7
Naz Khan *	N/A	N/A	✓	✓	✓	✓	✓	5
Shabbir Hussain Hashmi **	✓	✓	N/A	N/A	N/A	N/A	N/A	2
Sharjeel Shahid *	N/A	N/A	✓	✓	x	✓	x	3
Zia Ijaz	✓	✓	✓	✓	•x	•✓	•x	5
Syed Furrukh Zaeem	✓	✓	✓	✓	✓	✓	✓	7
Mirza Muhammad Sadeed Hassan Barlas	✓	✓	✓	✓	•x	•✓	✓	6
Fawaz Taj Siddiqui ****	✓	✓	✓	✓	✓	N/A	N/A	5
Umair Ahmed	✓	✓	✓	✓	✓	✓	✓	7
S.M. Aly Osman ****	N/A	N/A	N/A	N/A	N/A	✓	✓	2

\* Elected at EOGM held on September 29, 2017

\*\* Independent Directors have completed three consecutive term

\*\*\* Mr. Zulfiqar Alavi resigned on August 07, 2017.

\*\*\*\* Mr. Fawaz Taj Siddiqui resigned and appointment of Mr. S.M. Aly Osman effective from April 2, 2018 as Company Secretary

بورڈ آف ڈٹ کمیٹی (بی اے سی)

اس سال کے دوران، بینچمنٹ کمپنی کے بورڈ آف ڈٹ کمیٹی کے پانچ اجلاس منعقد ہوئے۔ حاضری کی تفصیلات درج ذیل ہیں:

Members	22-Aug-17	12-Sep-17	26-Oct-17	15-Feb-18	25-Apr-18
Naz Khan *	N/A	N/A	✓	✓	✓
Shabbir Hussain Hashmi **	✓	✓	N/A	N/A	N/A
Sharjeel Shahid *	N/A	N/A	✓	✓	✓
Syed Furrukh Zaeem *	✓	✓	N/A	N/A	N/A
Zia Ijaz	✓	x	✓	x	✓
Mirza Muhammad Sadeed Hassan Barlas	✓	✓	✓	x	✓
Umair Ahmed	✓	✓	✓	✓	✓
Fawaz Siddiqui ***	✓	✓	✓	✓	N/A
S.M. Aly Osman ***	N/A	N/A	N/A	N/A	✓

\* Board has reconstituted the committee effective from October 13, 2017

\*\* Independent Director has completed three consecutive term

\*\*\* Mr. Fawaz Taj Siddiqui resigned and appointment of Mr. S.M. Aly Osman effective from April 2, 2018 as Head of Internal Audit

## ہیومن ریسورس کمیٹیشن کمیٹی (ایچ آر سی سی)

30 جون 2018ء کو ختم شدہ سال کے دوران ایچ آر سی سی کے چار (4) اجلاس منعقد ہوئے۔ بورڈ آف ڈائریکٹرز کی حاضری کی تفصیل درج ذیل ہے:

Name	21-Aug-17	22-Sept-17	7-Feb-18	2-May-18
Tariq Kirmani	✓	✓	×	×
Shabbir Hussain Hashmi	✓	✓	×	×
Zia Ijaz	✓	✓	✓	✓
Yasir Qadri	✓	✓	✓	✓
Amin Gulamani	✓	✓	✓	✓
Azhar Hamid	×	×	✓	✓
Naz Khan	×	×	✓	✓
Syed Furrugh Zaeem	×	×	✓	✓

## رسک مینجمنٹ کمیٹی

30 جون 2018ء کو ختم شدہ سال کے دوران بی آر سی سی کے چار (4) اجلاس منعقد ہوئے۔ بورڈ آف ڈائریکٹرز کی حاضری کی تفصیل درج ذیل ہے:

Members	Aug 22, 2017	Sept 22, 2017	Feb 15, 2018	April 25, 2018
Sadeed Barlas *	✓	✓	×	✓
Tariq Kirmani ****	✓	✓	-	-
Furrugh Zaeem	✓	✓	✓	✓
Yasir Qadri	✓	✓	✓	✓
Azhar hamid *****	-	-	✓	✓
Sharjeel Shahid *****	-	-	×	✓
Hadi Hassan Mukhi ***	-	-	-	✓
S.M. Aly Osman **	✓	✓	✓	-

\* Mr. Sadeed Barlas was elected as the New Chairman BRCC on 22nd August 2017.

\*\* S.M. Aly Osman was redesignated as the Head of Internal Audit as of 1st March 2018.

\*\*\* Mr. Hadi Hassan Mukhi was redesignated as the Head of Risk Management and Compliance as of 1st March 2018.

\*\*\*\* Independent Directors have completed three consecutive term.

\*\*\*\*\* Elected at EOGM held on September 29, 2017

جیسا کہ ضابطے کے طور پر درکار ہے بورڈ پر موجود پانچ ڈائریکٹرز نے ڈائریکٹرز مینٹنگ پروگرام (ڈی ٹی پی) مکمل کر لیا ہے۔

تمام ڈائریکٹرز فنڈ اور مینجمنٹ کمیٹی، اس کی پالیسیز اور طریقہ کار اور میٹورنڈم اینڈ آرٹیکلز آف ایسوسی ایشن کی دفعات سے متعلق لاگو قوانین سے خوب واقفیت رکھتے ہیں اور اپنے فرائض اور ذمے داریوں سے باخبر ہیں۔

آڈٹرز

30 جون 2018ء کو ختم شدہ سال کیلئے موجودہ آڈٹرز درج ذیل جدول کے مطابق آڈٹ کے اختتام پر سبکدوش ہو چکے ہیں:

S.R. No	Name of Fund	Name of auditors as of June 30, 2018	Status of appointment for the year ending June 30, 2019
1.	UBL Stock Advantage Fund	M/s Deloitte Yousuf Adil & Co., Chartered Accountants	Eligible for re-appointment
2.	UBL Income Opportunity Fund	EY Ford Rhodes Chartered Accountants	Eligible for re-appointment
3.	UBL Asset Allocation Fund	M/s KPMG Taseer Hadi & Co., Chartered Accountants	Not eligible for re-appointment, for being statutory auditors of the fund for consecutive five years.
4.	UBL Money Market Fund	M/s KPMG Taseer Hadi & Co., Chartered Accountants	Eligible for re-appointment
5.	United Growth & Income Fund	EY Ford Rhodes Chartered Accountants	Eligible for re-appointment
6.	UBL Government Securities Fund	M/s BDO Ebrahim & Co., Chartered Accountants	Eligible for re-appointment
7.	UBL Liquidity Plus Fund	M/s BDO Ebrahim & Co., Chartered Accountants	Eligible for re-appointment
8.	UBL Capital Protected Fund-III	M/s BDO Ebrahim & Co., Chartered Accountants	Eligible for re-appointment
9.	UBL Dedicated Equity Funds	EY Ford Rhodes Chartered Accountants	Eligible for re-appointment
10.	UBL Financial Planning Fund	EY Ford Rhodes Chartered Accountants	Eligible for re-appointment
11.	UBL Financial Sector Fund	M/s BDO Ebrahim & Co., Chartered Accountants	Eligible for re-appointment

آڈٹرز، جہاں اہل ہیں، نے خود کو دوبارہ تقرری کیلئے پیش کر دیا ہے اور جہاں این بی ایف سی ضوابط کے تحت زیادہ سے زیادہ وقت کی تکمیل پر کیونکہ بیرونی آڈٹرز میں تبدیلی درکار ہے اس لیے نئے آڈٹرز نے ادارے کے بیرونی آڈٹرز کے طور پر تقرری کی رضامندی ظاہر کی ہے۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2019ء کو اختتام پذیر سال کیلئے بیرونی آڈٹرز کے طور پر ان کی تقرری کی سفارش کر دی ہے۔

اظہار تشکر

ہم اپنے گرانقدر یونٹ ہولڈرز کا یوبی ایل فنڈ منیجرز لمیٹڈ پر اُن کے اعتماد اور یقین کیلئے شکریہ ادا کرتے ہیں۔ اس کے علاوہ ہم سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ (ٹرسٹی) کا اُن کی مسلسل اعانت، رہنمائی اور تعاون پر بھی شکریہ ادا کرنا چاہیں گے۔ بورڈ اس موقع کو غنیمت جانتے ہوئے اپنے تمام ملازمین کا بھی اُن کی لگن، عزم، جذبے اور محنتِ شاقہ کیلئے اعتراف کے ساتھ تہ دل سے شکر گزار ہے۔

منجانب و برائے بورڈ

یاسر قادری

چیف ایگزیکٹو، کراچی، بتاریخ 28 اگست 2018ء

# ULPF

## UBL Liquidity Plus Fund

### INVESTMENT OBJECTIVE

ULPF is an open-end Money Market Fund, investing in a diversified portfolio of low risk assets. The Fund seeks to provide attractive daily returns while maintaining comparatively high liquidity.

<b>Management Company</b>	UBL Fund Managers Limited
<b>Trustee</b>	Central Depository Company of Pakistan Limited 99-B, Block-B, S.M.C.H.S., Main Shahra-e-Faisal, Karachi. Tel: (9221) 111-111-500
<b>Distribution Company</b>	United Bank Limited  (for detail of others, please visit our website: <a href="http://www.ublfunds.com.pk">www.ublfunds.com.pk</a> )
<b>Auditor</b>	BDO Ebrahim & Co., Chartered Accountants
<b>Bankers</b>	United Bank Limited Bank Alfalah Limited MCB- Global Faysal Bank Limited Samba Bank Allied Bank Limited Habib Bank Limited Sindh Bank Limited Zarai Taraqiati Bank Limited Habib Metropolitan Bank Limited Askari Bank Limited National Bank Of Pakistan Meezan Bank Limited
<b>Management Co.Rating</b>	AM1 (JCR-VIS)
<b>Fund Rating</b>	AA(f) (JCR-VIS)

## Fund Manager's Report – UBL Liquidity Plus Fund (ULPF)

- i) **Description of the Collective Investment Scheme category and type**  
Money Market / Open-end
- ii) **Statement of Collective Investment Scheme's investment objective**  
ULPF is an open-end Money Market Fund, investing in a diversified portfolio of low risk assets. The Fund seeks to provide attractive daily returns while maintaining comparatively high liquidity.
- iii) **Explanation as to whether the Collective Investment Scheme achieved its stated objective**  
The Collective Investment Scheme achieved its stated objective.
- iv) **Statement of benchmark(s) relevant to the Collective Investment Scheme**  
70% Average of 3M PKRV rates + 30% 3M average deposit rate of three 3 AA rated scheduled Banks as selected by MUFAP
- v) **Comparison of the Collective Investment Scheme's performance during the period compared with the said benchmarks**

Monthly Yield	Jul'17	Aug'17	Sep'17	Oct'17	Nov'17	Dec'17	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18	FYTD
ULPF	5.52%	5.27%	5.34%	5.47%	5.29%	5.77%	5.64%	5.51%	5.74%	5.76%	5.11%	5.74%	5.51%
Benchmark	5.19%	5.17%	5.17%	5.16%	5.19%	5.22%	5.22%	5.38%	5.48%	5.54%	5.63%	4.71%	5.26%

- vi) **Description of the strategies and policies employed during the period under review in relation to the Collective Investment Scheme's performance**  
ULPF yielded a return of 5.51% p.a. during FY18 outperforming its benchmark by 25bps. The net assets of the fund stood at PKR 14,454mn at the end of FY18. At the end of Jun'18 major exposure was maintained in cash to take advantage of attractive rates on offer. The Asset allocation was made as such to ensure high liquidity is kept intact. The weighted average maturity of the fund was 3 days at the end of FY18.
- vii) **Disclosure of the Collective Investment Scheme's asset allocation as at the date of the report and particulars of significant changes in asset allocation since the last report (if applicable)**

Asset Allocation (% of Total Assets)	Jun-17	Jun-18
Placements with Banks	0%	11%
Placements with DFIs	0%	0%
Placements with NBFCs	0%	0%
Reverse Repo	0%	0%
T-Bills	0%	0%
PIBs	0%	0%
Cash	98%	89%
Others	2%	0%
Leverage	Nil	Nil

viii) **Analysis of the Collective Investment Scheme's performance**

FY'18 Return:	5.51%
Standard Deviation (12m trailing):	0.07%
Sharpe Ratio (12m trailing):	(9.30)

ix) **Changes in total NAV and NAV per unit since the last review period or since commencement (in case of newly established Collective Investment Schemes)**

Net Asset Value			NAV per unit		
30-Jun-18	30-Jun-17	Change	30-Jun-18	30-Jun-17	Change
Rupees (000)		%	Rupees		%
14,454,210	4,082,243	254.08	106.2344	100.6834	5.51

x) **Disclosure on the markets that the Collective investment Scheme has invested in including - review of the market(s) invested in and performance during the period**

**Debt Market Review – FY18**

The International Crude Oil prices exhibited an upward trend for the fiscal year. The prices increased from USD 45-per barrel increasing as much as ~70% closing at a new high of USD ~80 per barrel. Increasing oil prices, higher commodity prices (with exception of sugar) along with lagged impact of PKR devaluation (+16%) aided in increasing inflation rate to 4.4% for 4QFY18. Core measures of inflation witnessed an upward trajectory where NFNE which is somewhat sticky in nature increased to 7.1% by end of FY18. Taking cues from this trend we expect SBP to continue its current monetary tightening policy.

In twelve PIB auctions for FY18 conducted during the year, the government raised PKR~102bn (PKR ~894bn in FY17) against target of PKR 330bn. Consequently, outstanding amount for the PIBs in the market increased to PKR 29.47trn. Participation in the auctions was largely skewed towards three and five year paper in line with interest rate hikes. Cut off yields in June auction trimmed to 7.5%, 8.5% and 8.7% for three, five and ten year PIB instruments respectively. In July'18 PIB Auction the government accepted PKR ~6.9bn.

The yield curve based on government securities of various maturities has shifted upwards in line with the ongoing increasing discounts rates. Yield on 3M, 6M and 12M T-Bills increased by 79bps, 90bps and 116bps, respectively. Similarly, yield on 3-year, 5-year and 10-year bonds increased 180bps, 171bps and 86bps, respectively. The spread between annualized yields of 1-year T-bills (7.20% p.a.) and 10-year PIBs (9.03% p.a.) stood at 1.83% as of 30 June 2018.

xi) **Disclosure on distribution (if any), comprising:-**

**- particulars of income distribution or other forms of distribution made and proposed during the period; and**

**- statement of effects on the NAV before and after distribution is made**

Final distribution for the year ended June 30, 2018 was made subsequent to year end, on July 02, 2018.

Below are the details of such distribution

Distribution				Per unit	
Declared on	Bonus	Cash	Per Unit	Cum NAV	Ex NAV
	Rupees (000)		----- Rupees -----		
July 02, 2018	-	755,457	5.5510	106.2344	100.6834

- xii) **Description and explanation of any significant changes in the state of affairs of the Collective Investment Scheme during the period and up till the date of the manager's report, not otherwise disclosed in the financial statements**

There were no significant changes in the state of affairs during the year under review.

- xiii) **Breakdown of unit holdings by size**

Range of Units	Number of Investors
	ULPF
0.0001 - 9,999.9999	4,936
10,000.0000 - 49,999.9999	293
50,000.0000 - 99,999.9999	47
100,000.0000 - 499,999.9999	52
500,000.0000 & Above	31
<b>Total</b>	<b>5,359</b>

- xiv) **Disclosure on unit split (if any), comprising:-**

There were no unit splits during the period.

- xv) **Disclosures of circumstances that materially affect any interests of unit holders**

Investment are subject to market risk.

- xvi) **Disclosure if the Asset Management Company or its delegate, if any, receives any soft commission (i.e. goods and services) from its broker(s) or dealer(s) by virtue of transactions conducted by the Collective Investment Scheme.**

No soft commissions are received by the AMC from its brokers or dealers by virtue of transactions conducted by the Collective Investment Scheme.

## **PERFORMANCE TABLE**

### **UBL Liquidity Plus Fund**

	<b>2018</b>	2017	2016
<b>NET ASSETS AS AT 30 JUNE - Rupees in '000</b>	<b>14,454,210</b>	4,082,243	2,501,908
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - Rupees</b>			
Class C units - Offer	<b>106.2344</b>	100.6834	100.5229
- Redemption	<b>106.2344</b>	100.6834	100.5229
<b>RETURN OF THE FUND - %</b>			
Total Return of the Fund	<b>5.51</b>	6.22	5.53
Capital Growth (per unit)	<b>5.51</b>	0.17	0.06
Date of Income Distribution	-	19-Jun-17	27-Jun-16
Income Distribution	-	6.08	5.50
<b>AVERAGE ANNUAL RETURN - %</b>			
One Year	<b>5.51</b>	6.22	5.53
Second Year	<b>5.87</b>	5.88	7.03
Third Year	<b>5.75</b>	6.76	7.36
Forth Year	<b>6.45</b>	7.07	7.75
Fifth Year	<b>6.76</b>	7.45	8.47
Since Inception	<b>8.55</b>	8.91	9.20
<b>OFFER / REPURCHASE DURING THE YEAR- Rupees</b>			
Highest price per unit - Class C units - Offer	<b>106.2344</b>	106.5799	105.678
Highest price per unit - Class C units - Redemption	<b>106.2344</b>	106.5799	105.678
Lowest price per unit - Class C units - Offer	<b>100.7136</b>	100.5240	100.2671
Lowest price per unit - Class C units - Redemption	<b>100.7136</b>	100.5240	100.2671
<b>PORTFOLIO COMPOSITION - %</b>			
Percentage of Net Assets as at 30 June			
<b>PORTFOLIO COMPOSITION BY CATEGORY - %</b>			
Bank Balances	<b>89</b>	98.00	75.00
Placement with Banks	<b>11</b>	-	-
Government securities	-	-	21.00
Other	-	2.00	4.00
<b>PORTFOLIO COMPOSITION BY MARKET - %</b>			
Debt market	<b>100.00</b>	100.00	100.00

Note:

- The IPO of the Fund was held on 19-20 June 2009 and the Fund commenced its operations from 21 June 2009.

### **DISCLAIMER**

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

**Head Office:**

CDC House, 99-B, Block 'B',  
S.M.C.H.S., Main Shahra-e-Faisal,  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**UBL LIQUIDITY PLUS FUND**

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

We Central Depository Company of Pakistan Limited, being the Trustee of UBL Liquidity Plus Fund (the Fund) are of the opinion that UBL Fund Managers Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 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.

**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 13, 2018



**STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 BY UBL FUND MANAGERS LIMITED**

**NAME OF FUND: UBL LIQUIDITY PLUS FUND**

**YEAR ENDING: JUNE 30, 2018**

The Securities and Exchange Commission of Pakistan (SECP) through its letter dated April 18, 2018 to Mutual Funds Association of Pakistan (MUFAP) has exempted the open-end collective investment schemes from the requirements of the Code of Corporate Governance. However, the Board of Directors of UBL Fund Managers Limited (the Management Company) of UBL Liquidity Plus Fund (the Fund), for the purpose of establishing a framework of good governance whereby a Fund is managed by best practice of Corporate governance, has voluntarily opted to comply with the relevant provisions of the Listed Companies (Code of Corporate Governance) Regulations 2017 (The Code).

The Management Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following:
  - a. Male: Six Directors;
  - b. Female: One Director.
2. The composition of the Board is as follows:

Category	Name
Independent Directors	Mr. Azhar Hamid
	Ms. Naz Khan
Executive Directors	Mr. Yasir Qadri
Non - Executive Directors	Mirza Muhammad Sadeed Hassan Barlas
	Mr. Sharjeel Shahid
	Mr. Zia Ijaz
	Syed Furrukh Zaeem

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company.
4. 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.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained. The Management Company has placed the Whistle Blowing Policy, Proxy Policy and the Principles of the Code of Conduct (Statement of Ethics and Business Practice) on its website.
6. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
7. The Board has a formal and effective mechanism in place for an annual evaluation of the Board's own performance.

**UBL FUND MANAGERS LIMITED**

+92 21 111 825 262

info@ublfunds.com

4<sup>th</sup> Floor, STSM Building, Beaumont Road, Civil Lines, Karachi.

www.ublfunds.com



8. The Chairman of the Board is an Independent director. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board as empowered by the relevant provisions of the Act and these Regulations.
9. 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. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
10. Following directors and executive have acquired the prescribed Director Training Program (DTP) certification:

**Directors**

- a. Mirza Muhammad Sadeed Hassan Barlas
- b. Mr. Yasir Qadri
- c. Mr. Zia Ijaz
- d. Ms. Naz Khan
- e. Syed Furrukh Zaeem

**Executive**

- f. S.M. Aly Osman

11. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
12. CFO and CEO duly endorsed the financial statements before approval of the Board.
13. The Board has formed committees comprising of members given below. The Board Audit Committee and the Board Human Resource & Compensation Committee are chaired by separate Independent directors:
  - a. Board Audit Committee
    - i. Ms. Naz Khan (Chair);
    - ii. Mirza Muhammad Sadeed Hassan Barlas;
    - iii. Mr. Sharjeel Shahid;
    - iv. Mr. Zia Ijaz.
  - b. Board Human Resource & Compensation Committee
    - i. Mr. Azhar Hamid (Chairman);
    - ii. Mr. Yasir Qadri;
    - iii. Mr. Zia Ijaz;
    - iv. Ms. Naz Khan;
    - v. Syed Furrukh Zaeem.
  - c. Board Risk & Compliance Committee
    - i. Mirza Muhammad Sadeed Hassan Barlas (Chairman);
    - ii. Mr. Azhar Hamid;
    - iii. Mr. Sharjeel Shahid;
    - iv. Mr. Yasir Qadri;
    - v. Syed Furrukh Zaeem.



14. The Terms of Reference of the aforesaid Committees have been formed, documented and advised to the Committee for compliance.
15. The frequency of meetings of the Committee were as per following:
  - a. Board Audit Committee : Quarterly Meeting
  - b. Board Human Resource & Compensation Committee: Quarterly Meeting
  - c. Board Risk & Compliance Committee: Quarterly Meeting
16. The Board has set up an independent and effective internal audit function and the audit personnel are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company.
17. 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) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
18. The Board Audit Committee recommends to the Board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that any other significant requirements of the Regulations have been complied with.

  
**AZHAR HAMID**  
Chairman

Karachi.  
Dated: August 28, 2018

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE UNITHOLDERS OF UBL LIQUIDITY PLUS FUND ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 AS ADOPTED BY THE BOARD OF DIRECTORS OF UBL FUND MANAGERS LIMITED**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) as adopted by the Board of Directors (the Board) of UBL Fund Managers Limited, the Management Company of UBL Liquidity Plus Fund (the Fund) for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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's 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 Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Fund's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Fund for the year ended June 30, 2018.

We draw attention to the following paragraph as detailed in the Statement of Compliance:

*"The Securities and Exchange Commission of Pakistan (SECP) through its letter dated April 18, 2018 to Mutual Funds Association of Pakistan (MUFAP) has exempted the open-end collective investment schemes from the requirements of the Code of Corporate Governance. However, the Board of Directors of UBL Fund Managers Limited (the Management Company) of UBL Liquidity Plus Fund (the Fund), for the purpose of establishing a framework of good governance whereby a Fund is managed by best practice of Corporate governance, has voluntarily opted to comply with the relevant provisions of the Listed Companies (Code of Corporate Governance) Regulations 2017 (The Code)."*

Accordingly, our opinion is in relation to Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017 as adopted by the Board of Directors of the Management Company.

KARACHI

DATED: AUGUST 28, 2018



CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of UBL Liquidity Plus Fund ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2018, and the income statement, statement of comprehensive income, statement of cash flows and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2018, and its financial performance and its cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S.NO	Key audit matter(s)	How the matter was addressed in our audit
1.	<p><b>Amendment to the NBFC Regulations, 2008</b></p> <p>The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations).</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"><li>We reviewed the processes and controls implemented by the Fund relating to the production and review of system generated reports and manual workings for the purpose of calculations of element of income or loss and bifurcation of amount paid on redemption of units into "capital value" and "income already paid on units redeemed".</li></ul>

S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>The said notification included a definition and explanation relating to "element of income" and excluded the element of income from the expression "accounting income" as described in Regulation 63 of the Regulations (amount distributable to unit holders) of the NBFC Regulations.</p> <p>Previously, an equalization account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.</p> <p>As per the revised methodology mentioned in the notification referred above, element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unitholders' fund. Furthermore, the amendments also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the said amendments.</p> <p>Due to the significance of impact on financial results of the Fund including substantial changes in disclosures of the Fund's financial statements as a result of above mentioned amendments, we have considered the application of amendments as a key audit matter. (Refer Note 4.12 to the financial statements of the Fund)</p>	<ul style="list-style-type: none"> <li>• We evaluated the accuracy of system generated reports and manual workings produced by the Fund to ensure that the data is consistent with source documents and the said workings are in compliance with all the statutory provisions relating to element of income or loss.</li> <li>• We assessed the appropriateness of the recognition, measurement and presentation of "element of income / loss" in accordance with the amended provisions of the NBFC Regulations. We also considered the guidelines issued by MUFAP in respect of the accounting for element of income / loss as per the revised Regulations and assessed its implementation by the Fund.</li> <li>• We evaluated the adequacy of disclosures regarding the change in accounting policy with respect to element of income / loss along with the adequacy of additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' in accordance with the requirements of the relevant financial reporting standards and the guidance issued by MUFAP in relation thereto.</li> </ul>

**Information other than the financial statements and auditor's report thereon**

The Management Company is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a

material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of the Management Company and its Board of Directors**

The Management Company (“UBL Fund Managers Limited”) of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Company is responsible for assessing the Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Management Company is responsible for overseeing the Fund’s financial reporting process.

#### **Auditor’s responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Company.

- Conclude on the appropriateness of the Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on other legal and regulatory requirements

Based on our audit, we further report that in our opinion the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

The engagement partner on the audit resulting in this independent auditor's report is Zulfikar Ali Causer.

KARACHI

DATE 28 AUG 2018

  
 BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS

**UBL LIQUIDITY PLUS FUND  
STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2018**

	2018	2017
Note	----- (Rupees in '000) -----	
<b>ASSETS</b>		
Bank balances	5	12,991,421
Placements and Term Deposit Receipts	6	4,179,845
Investments	7	1,580,000
Mark-up / interest receivable	8	-
Deposits, prepayments and other receivable	9	-
Advance tax	10	18,914
<b>TOTAL ASSETS</b>		21,443
		9
		15,770
		2,482
		1,944
		14,608,587
		4,257,629
<b>LIABILITIES</b>		
Payable to UBL Fund Managers Limited - Management Company	11	10,922
Payable to Central Depository Company of Pakistan Limited - Trustee	12	2,676
Payable to Securities and Exchange Commission of Pakistan	13	1,185
Accrued expenses and other liabilities	14	320
<b>TOTAL LIABILITIES</b>		7,080
		2,490
		135,190
		169,900
		154,377
		175,386
<b>NET ASSETS</b>		14,454,210
		4,082,243
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		14,454,210
		4,082,243
<b>CONTINGENCIES AND COMMITMENTS</b>	15	
		----- (Number of units) -----
<b>NUMBER OF UNITS IN ISSUE</b>	16	136,059,656
		40,545,329
		----- (Rupees) -----
<b>NET ASSETS VALUE PER UNIT</b>		106.2344
		100.6834

The annexed notes from 1 to 34 form an integral part of these financial statements.

**For UBL Fund Managers Limited  
(Management Company)**

\_\_\_\_\_  
SD  
**CHIEF EXECUTIVE OFFICER**

\_\_\_\_\_  
SD  
**CHIEF FINANCIAL OFFICER**

\_\_\_\_\_  
SD  
**DIRECTOR**

**UBL LIQUIDITY PLUS FUND  
INCOME STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2018**

	2018	2017
Note	----- (Rupees in '000) -----	
<b>INCOME</b>		
Financial income	17 603,476	209,706
Capital loss on sale of investments - net	(3,398)	(933)
Other income	675	221
<b>Total income</b>	<u>600,753</u>	<u>208,994</u>
<b>EXPENSES</b>		
Remuneration of UBL Fund Managers Limited - Management Company	11.1 48,597	25,693
Sindh Sales Tax on Management Company's remuneration	11.2 6,318	3,340
Remuneration of Central Depository Company of Pakistan Limited - Trustee	12.1 8,567	3,661
Annual fee of Securities and Exchange Commission of Pakistan	13.1 7,081	2,490
Bank charges	845	196
Auditors' remuneration	18 738	688
Brokerage and settlement expenses	729	231
Allocated expenses	19 8,596	3,320
Fees and subscription charges	266	272
Listing fee	27	50
Legal and professional charges	152	352
Printing expenses	21	22
Other expenses	21	11
<b>Total operating expenses</b>	<u>81,958</u>	<u>40,326</u>
<b>Net income from operating activities</b>	518,795	168,668
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	-	(113,073)
Reversal of provision for Workers' Welfare Fund	14.2 -	28,386
Provision for Sindh Workers' Welfare Fund	14.2 10,179	(3,642)
<b>Net income for the year before taxation</b>	<u>508,616</u>	<u>80,339</u>
Taxation	20 -	-
<b>Net income for the year after taxation</b>	<u>508,616</u>	<u>80,339</u>
<b>Allocation of net income for the year</b>		
Income already paid on units redeemed	(254,922)	
<b>Net income for the year available for distribution</b>	<u>253,694</u>	
Relating to capital gains	-	
Excluding capital gains	<u>253,694</u>	
Earnings per unit	21	

The annexed notes from 1 to 34 form an integral part of these financial statements.

**For UBL Fund Managers Limited  
(Management Company)**

SD  
\_\_\_\_\_  
**CHIEF EXECUTIVE OFFICER**

SD  
\_\_\_\_\_  
**CHIEF FINANCIAL OFFICER**

SD  
\_\_\_\_\_  
**DIRECTOR**

**UBL LIQUIDITY PLUS FUND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2018</b>	<b>2017</b>
	----- (Rupees in '000) -----	
Net income for the year after taxation	508,616	80,339
Other comprehensive income		
Items that may be reclassified subsequently to income statement	-	-
Items that will not be reclassified subsequently to income statement	-	-
Total comprehensive income for the year	<u>508,616</u>	<u>80,339</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

**For UBL Fund Managers Limited  
(Management Company)**

\_\_\_\_\_  
SD  
**CHIEF EXECUTIVE OFFICER**

\_\_\_\_\_  
SD  
**CHIEF FINANCIAL OFFICER**

\_\_\_\_\_  
SD  
**DIRECTOR**

**UBL LIQUIDITY PLUS FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2018</b>	<b>2017</b>
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	508,616	80,339
<b>Adjustments for:</b>		
Financial income	(604,151)	(209,927)
Capital loss on sale of investments - net	3,398	933
Element of loss and capital losses included in the prices of units issued less those in units redeemed - net	-	113,073
Provision for Sindh Workers' Welfare Fund	10,179	3,642
Reversal of Provision for Workers' Welfare Fund	-	(28,386)
	<u>(590,574)</u>	<u>(120,665)</u>
<b>Cash used in operations before working capital changes</b>	<u>(81,958)</u>	<u>(40,326)</u>
<b>Working capital changes</b>		
<b>Decrease / (increase) in assets</b>		
Investments - net	(3,398)	597,278
Deposits, prepayments and other receivables	38,627	(51,358)
Advance tax	(538)	(7)
	34,691	545,913
<b>(Decrease) / increase in liabilities</b>		
Payable to UBL Fund Managers Limited - Management Company	8,246	(3,465)
Payable to Central Depository Company of Pakistan Limited - Trustee	865	(2)
Annual fee payable to Securities and Exchange Commission of Pakistan	4,590	(1,430)
Accrued expenses and other liabilities	(44,889)	86,601
	(31,188)	81,704
Profit received on bank balances and investments	606,680	230,255
Net cash generated from operating activities	<u>528,225</u>	<u>817,546</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issuance of units	37,438,819	14,425,004
Payment against redemption of units	(27,575,468)	(12,964,252)
Dividend paid	-	(73,829)
Net cash generated from financing activities	<u>9,863,351</u>	<u>1,386,923</u>
Net increase in cash and cash equivalents during the year	10,391,576	2,204,469
Cash and cash equivalents at the beginning of the year	4,179,845	1,975,376
Cash and cash equivalents at the end of the year	<u>14,571,421</u>	<u>4,179,845</u>
Bank balances	12,991,421	4,179,845
Term Deposit Receipts	1,580,000	-
	<u>14,571,421</u>	<u>4,179,845</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

**For UBL Fund Managers Limited  
(Management Company)**

SD  
\_\_\_\_\_  
**CHIEF EXECUTIVE OFFICER**

SD  
\_\_\_\_\_  
**CHIEF FINANCIAL OFFICER**

SD  
\_\_\_\_\_  
**DIRECTOR**

**UBL LIQUIDITY PLUS FUND  
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	2018			2017
	Capital value	Undistributed income	Total	Total
Note	(Rupees in '000)			
Net assets at the beginning of the year	4,002,156	80,087	4,082,243	2,501,908
Issuance of 359,901,975 units (2017: 140,673,252 units)				
Capital value of units	36,236,154	-	36,236,154	-
Element of income during the year				
Due to net income earned	1,202,665	-	1,202,665	-
<b>Total proceeds on issuance of units</b>	<b>37,438,819</b>		<b>37,438,819</b>	<b>14,425,004</b>
Redemption of 264,387,648 units (2017: 125,016,859 units)				
Capital value of units	(26,619,448)	-	(26,619,448)	-
Element of income during the year				
Due to net income earned	(701,098)	(254,922)	(956,020)	-
<b>Total payments on redemption of units</b>	<b>(27,320,546)</b>	<b>(254,922)</b>	<b>(27,575,468)</b>	<b>(12,964,252)</b>
Element of loss and capital losses included in the prices of units issued less those in units redeemed - net	-	-	-	113,073
Total comprehensive income for the year	-	508,616	508,616	80,339
Distribution during the year	-	-	-	(73,829)
<b>Net income for the year less distribution</b>	<b>-</b>	<b>508,616</b>	<b>508,616</b>	<b>6,510</b>
<b>Net assets at the end of the year</b>	<b>14,120,429</b>	<b>333,781</b>	<b>14,454,210</b>	<b>4,082,243</b>
Undistributed income brought forward comprises of:				
Realised gain		80,087	80,087	75,020
Unrealised gain / (loss)		-	-	(1,443)
Total undistributed income brought forward		80,087	80,087	73,577
<b>Income available for distribution:</b>				
Relating to capital gains		-	-	-
Excluding capital gains		253,694	253,694	80,339
		253,694	253,694	80,339
Distribution during the year: Nil (2017: Rs. 6.08 per unit declared on June 19, 2017)				
<b>Undistributed income carried forward</b>		<b>333,781</b>	<b>333,781</b>	<b>80,087</b>
<b>Undistributed income carried forward comprises of:</b>				
Realised gain		333,781	333,781	80,087
Unrealised gain		-	-	
<b>Total undistributed income carried forward</b>		<b>333,781</b>	<b>333,781</b>	<b>80,087</b>
			(Rupees)	(Rupees)
Net assets value per unit at the beginning of the year			100.6834	100.5229
Net assets value per unit at the end of the year			106.2344	100.6834

The annexed notes from 1 to 34 form an integral part of these financial statements.

**For UBL Fund Managers Limited  
(Management Company)**

SD  
CHIEF EXECUTIVE OFFICER

SD  
CHIEF FINANCIAL OFFICER

SD  
DIRECTOR

**UBL LIQUIDITY PLUS FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1 UBL Liquidity Plus Fund (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) as an open-ended mutual fund. It was constituted under the Trust Deed dated May 07, 2009 between UBL Fund Managers Limited (a wholly owned subsidiary company of United Bank Limited) as the Management Company, a company incorporated under the repealed Companies Ordinance, 1984 (now Companies Act) and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed has also been approved by the Securities and Exchange Commission of Pakistan (SECP). The registered office of the Management Company is situated at 4th floor, STSM Building, Beaumont Road, Civil Lines, Karachi.
- 1.2 The Management Company of the Fund is registered with the SECP as a Non-Banking Finance Company under the NBFC Rules.
- 1.3 The Fund is a money market scheme and units of the Fund are listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering them to the Fund at the option of the unit holder. The Fund is categorised as an open-ended money market scheme in accordance with Circular No. 7 of 2009 issued by the SECP and it commences its operations on June 21, 2009.
- 1.4 The principal activity of the Fund is to seek and provide attractive daily returns while maintaining comparatively high liquidity by investing in diversified portfolio of low risk assets.
- 1.5 Title to the assets of the Fund are held in the name of the CDC as the Trustee of the Fund.
- 1.6 JCR-VIS Credit Rating Company has assigned an asset manager quality rating of 'AM1' (stable outlook) to the Management Company as on December 29, 2017 and a stability rating of "AA (f)" to the Fund as on December 29, 2017.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan.

The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed. Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

## **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except investments that are stated at fair values. These financial statements have been prepared by following accrual basis of accounting except for cash flows information.

## **2.3 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees, which is the Fund's functional and presentation currency.

## **2.4 Use of estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying 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 the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

## **Classification and valuation of investments**

For details please refer notes 4.2 and 22 to these financial statements.

## **Impairment of investment**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. This objective evidence of impairment of fixed income securities is determined in accordance with provisioning criteria for non performing exposures as per the requirements of Circular No. 33 of 2012 dated October 24, 2012.

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

For details please refer note 4.12 to these financial statements.

## **Provision for taxation**

For details please refer notes 4.9 and 19 to these financial statements.

## **Sindh Workers' Welfare Fund**

For details please refer note 14.2 to these financial statements.

## **Other assets**

Judgment is involved in assessing the realisability of other assets balances.

## **3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS**

### **3.1 Amendments that are effective in current year and are relevant to the Fund**

The Fund has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standards:

		<b>Effective date (annual periods beginning on or after)</b>
IFRS 7	Statement of Cash Flows - Amendments resulting from the disclosure initiative	January 01, 2017
IFRS 12	Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses	January 01, 2017

**Effective date  
(annual periods  
beginning on or  
after)**

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 12 Disclosure of Interests in Other Entities January 01, 2017

### **3.2 Amendments not yet effective**

The following amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

	Conceptual framework for Financial reporting 2018-Original Issue	March 2018
IFRS 2	Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 4	Insurance Contracts - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2018
IFRS 7	Financial Instruments : Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	Applies when IFRS 9 is applied
IFRS 9	Financial Instruments - Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	January 01, 2018
IFRS 9	Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	January 01, 2018
IFRS 9	Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019

		<b>Effective date (annual periods beginning on or after)</b>
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 19	Employee benefits - Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
IAS 39	Financial Instruments: Recognition and Measurements- Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	Applies when IFRS 9 is applied
IAS 40	Investment Property - Amendments to clarify transfers or property to, or from, investment property	January 01, 2018

The Annual Improvements to IFRSs that are effective from the dates mentioned below against respective standards:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2018
IAS 28	Investments in Associates and Joint Ventures	January 01, 2018

Annual Improvements to IFRSs (2015 – 2017) Cycle:

IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

### **3.3 Standards or interpretations not yet effective**

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned below against the respective standard:

IFRS 9 Financial Instruments	July 01, 2018
IFRS 15 Revenue from Contracts with Customers	July 01, 2018
IFRS 16 Leases	January 1, 2019

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1 First Time Adoption of International Financial Reporting Standards
IFRS 14 Regulatory Deferral Accounts
IFRS 17 Insurance Contracts

The effects of IFRS 15 - Revenues from Contracts with Customers and IFRS 9 - Financial Instruments are still being assessed, as these new standards may have a significant effect on the Fund's future financial statements.

The Fund expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Fund's financial statements in the period of initial application.

## **4 SIGNIFICANT ACCOUNTING POLICIES**

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

### **4.1 Cash and cash equivalents**

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

### **4.2 Financial assets**

#### **4.2.1 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 classification of its financial assets at initial recognition and re-evaluates this classification on regular basis.

Investments are categorised as follows:

**a) Loans and receivables**

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

**b) Financial assets at fair value through profit or loss**

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

**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. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

**4.2.2 Regular way contracts**

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

**4.2.3 Initial recognition and measurement**

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

**4.2.4 Subsequent measurement**

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

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

**Basis of valuation of Government securities**

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

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

Net gains and losses arising from changes in the fair value of available for sale financial assets are recognised in unit holders' fund through other comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised in unit holders' fund is shown in the income statement.

#### **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 on these instruments are also recognised in the income statement when the financial assets carried at amortised cost are derecognised or impaired.

#### **4.2.5 Impairment**

The Fund assesses at each reporting date whether there is objective evidence that the financial assets or a group of financial assets are 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 assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

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

For certain other financial assets, a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against those 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.

#### **4.2.6 Derecognition**

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

#### **4.3 Financial liabilities**

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

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

#### **4.4 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.

#### **4.5 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.

#### **4.6 Provisions**

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

#### **4.7 Collaterals**

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

#### **4.8 Securities under repurchase / resale agreements**

Transactions of purchase under resale (reverse-repo) of marketable and Government securities, are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repos) are not recognised in the statement of assets and liabilities. Amounts paid under these agreements are included in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement on a time proportionate basis.

Transactions of sale under repurchase (repo) of marketable and Government securities are entered into at contracted rates for specified periods of time. Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of assets and liabilities and are measured in accordance with accounting policies for investment securities.

The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the life of the repo agreement on a time proportionate basis.

#### **4.9 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 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 the 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.

#### **4.10 Proposed distributions**

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

#### **4.11 Issuance and redemption of units**

Units are allocated at the offer price prevalent on the day on which funds for purchase of units are realised. The offer price represents the net asset value per unit at the end of the preceding day. Issue of units is also recorded on realisation of funds.

Units redeemed are recorded at the redemption price, applicable to units for which the Fund receives redemption applications during business hours of that day. The redemption price represents the net asset value per unit at the end of the preceding day. Redemption of units is recorded on acceptance of application for redemption.

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

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, since there are practical impediments attached to retrospective application of change in accounting policy and retrospective restatement, therefore, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017. Further, MUFAP has clarified that the amendment is applicable for accounting period beginning on July 01, 2017. Accordingly, corresponding figures have not been restated. The „Distribution Statement“ for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations vide the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the income / loss of the Fund would have been higher by Rs 246.450 million. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these financial statements.

#### **4.13 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 issue at the year end.

#### **4.14 Revenue recognition**

- Gains / (losses) arising on sale of investments is accounted for in the year in which it arises.
- Unrealised (loss) / gain on revaluation of investments classified as financial assets at fair value through profit or loss is included in the income statement in the year in which it arises.
- Unrealised (loss) / gain on revaluation of investments classified as „available-for-sale“ is included in the equity through other comprehensive income in the year in which it arises.
- Income on reverse repurchase lending arrangements, certificates of investment, placements, Government securities and investments in debt securities is recognised at rate of return implicit in the instrument / arrangement on a time proportionate basis.
- Profit on bank balances and term deposits is recorded on accrual basis.

#### **4.15 Foreign currency transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rates are recognised in the income statement.

#### **4.16 Transactions with related parties / connected persons**

Transactions with related parties / connected persons are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

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

	Note	2018 ----- (Rupees in '000) -----	2017
<b>5 BANK BALANCES</b>			
Cash at bank			
In current accounts		4	4
In saving accounts	5.1	12,991,417	4,179,841
		<u>12,991,421</u>	<u>4,179,845</u>

5.1 Profit rates on these savings accounts range between 3.75% to 6.60% per annum (June 30, 2017: 3.75% to 6.2% per annum). This includes an amount held by a related party (United Bank Limited) amounting to Rs. 32.157 million (June 30, 2017: Rs. 156.665 million) on which return is earned at 4.00% (June 30, 2017: 4.00%) per annum.

## 6 PLACEMENTS AND TERM DEPOSIT RECEIPTS (TDRs)

Opening balance		-	-
Acquired during the year		14,416,000	940,000
Matured during the year	6.1 & 6.2	(12,836,000)	(940,000)
Closing balance	6.3	<u>1,580,000</u>	<u>-</u>

6.1 Term Deposit Receipts having face value of Rs. 4,646 million carrying interest rate ranging from 6.29% to 7.60% were acquired and matured during the year.

6.2 Letter of Placements having face value of Rs. 9,770 million carrying interest rates ranging from 6.25% to 6.75% were acquired and matured during the year.

6.3 This TDR carries interest at the rate of 7.35% per annum and will mature on July 20, 2018.

6.4 As per Regulation 55(5) of the Regulations, exposure of a collective investment scheme to any single entity shall not exceed an amount equal to ten per cent of total net assets of the collective investment scheme. The Fund has made investments in following entities in excess of ten percent of its net assets:

Entity	Amount ( Rupees in '000)	Percentage of Net Assets
Habib Metropolitan Bank Limited	1,580,000	10.93%

## 7 INVESTMENTS

### 7.1 Investments in Government Securities designated at fair value through profit or loss

Name of security	At the beginning	Acquired during	Sold/ matured	At the end of the	Market value as	Market value as	Percentage of
	of the year	the year	during year	year	at June 30, 2018	at June 30, 2017	
Note	No. of holdings				(Rupees in '000)		
<b>Pakistan Investment Bonds</b>							
PIB-3 Years	-	10,000	10,000	-	-	-	0%
PIB-5 Years	-	9,000	9,000	-	-	-	
<b>Market Treasury Bills *</b>							
T bills 3 months	-	401,070	401,070	-	-	-	0%
T bills 6 months	-	18,150	18,150	-	-	-	0%
	-	438,220	438,220	-	-	-	0%

\* These T-bills have nominal value of Rs 100,000 each.

**2018**                      **2017**  
----- (Rupees in '000) -----

## 8 MARK-UP / INTEREST RECEIVABLE

Markup / interest receivable on:

Saving accounts	15,414	21,443
Term deposit receipts	3,500	-
	18,914	21,443

## 9 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE

Deposit for CDS Account	100	100
Prepaid rating fees	239	239
Other receivables	36	-
Receivable against issuance of units	15,395	54,058
	15,770	54,397

## 10 ADVANCE TAX

The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 151 and 233 of ITO 2001. The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II- 66417-R" dated May 12, 2015, made it mandatory to obtain exemption certificates under section 159(1) of the Income Tax Ordinance, 2001 from Commissioner Inland Revenue (CIR).

During the year, prior to receiving tax exemption certificate(s) from CIR various withholding agents have deducted advance tax under section 151 of ITO 2001. The management is confident that the same shall be refunded after filing Income Tax Return for Tax Year 2018.

	Note	2018 ----- (Rupees in '000) -----	2017
<b>11 PAYABLE TO UBL FUND MANAGERS LIMITED - MANAGEMENT COMPANY</b>			
Remuneration payable (including Sindh Sales tax)	11.1	7,952	2,048
Conversion charges payable		96	66
Allocated expense payable	19	2,874	562
		10,922	2,676

- 11.1 As per NBFC Regulations, the Management Company is entitled to remuneration of an amount not exceeding 1% of average annual net assets of the Fund. The Management Company has charged remuneration at the rate of 7.5% of the gross earnings of the Fund calculated on a daily basis subject to minimum of 0.25% and maximum of 1% of the average daily net assets from November 19, 2017. Previously the Management Company was charging remuneration at the rate of 10% of gross earnings of the fund, calculated on a daily basis subject to a minimum of 0.5% and maximum of 1% of the average daily net assets of the Fund.
- 11.2 The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

**12 PAYABLE TO CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED - TRUSTEE**

Trustee fee payable (including Sindh Sales tax)	12.1 & 12.2	1,185	320
---	----------------	-------	-----

- 12.1 The Trustee is entitled to a monthly remuneration for the services rendered to the Fund under the provisions of the Trust Deed and Offering Document as per the tariff structure specified therein, based on the daily net asset value of the Fund. The remuneration is paid to the Trustee monthly in arrears.

As per the Trust Deed and Offering Document, the tariff structure applicable to the Fund in respect of the Trustee fee during the year ended June 30, 2018 is as follows:

Up to Rs. 1,000 million	0.15% p.a. of NAV
Rs. 1,000 million to Rs. 10,000 million	Rs. 1.5 million plus 0.075% p.a. of NAV exceeding Rs. 1,000 million
Exceeding Rs. 10,000 million	Rs. 8.25 million plus 0.06% p.a. of NAV exceeding Rs. 10,000 million

12.2 The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% on the Trustee fee through the Sindh Sales Tax on Services Act, 2011.

	Note	2018 ----- (Rupees in '000) -----	2017 ----- (Rupees in '000) -----
<b>13 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee payable	13.1	<u>7,080</u>	<u>2,490</u>

13.1 Under the provisions of NBFC Regulations, a collective investment scheme classified as money market scheme is required to pay as annual fee to the SECP, an amount equal to 0.075% of the average annual net assets of the Fund.

**14 ACCRUED EXPENSES AND OTHER LIABILITIES**

Auditors' remuneration payable		469	456
Brokerage expense payable		219	32
Payable against legal charges		11	-
Capital gains tax payable		15,999	6,716
Zakat deducted at source payable		715	872
Payable against redemption of units		48,565	93,136
Withholding tax payable		-	9,632
Provision for indirect duties and taxes	14.1	55,390	55,390
Sindh sales tax payable		-	24
Provision for Sindh Workers' Welfare Fund	14.2	13,822	3,642
		<u>135,190</u>	<u>169,900</u>

- 14.1 As per the requirements of the Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company was applied with effect from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law. The matter was collectively taken up by the Management Company jointly with other Asset Management Companies and Trustees of respective Collective Investment Schemes (CISs), through a Constitutional Petition filed in the Honorable High Court of Sindh (SHC) during September 2013. In this respect, the SHC had issued a stay order against the recovery of FED due to which the Fund has not made any payments for FED upto June 30, 2016.

On June 30, 2016, the Honorable Sindh High Court of Pakistan had passed a Judgment that after 18th amendment in the Constitution of Pakistan, the Provinces alone have the legislative power to levy a tax on rendering or providing services, therefore, chargeability and collection of FED after July 01, 2011 is ultra vires to the Constitution of Pakistan. On September 23, 2016, the Federal Board of Revenue (FBR) filed an appeal in the Supreme Court of Pakistan (SCP) against above judgement, which is pending adjudication. Management Company, as a matter of abundant caution, has maintained full provision for FED aggregating to Rs. 55.390 million until the matter is resolved. Had the provision not been made, the net asset value per unit of the Fund as at June 30, 2018 would have been higher by Re. 0.4071 per unit (June 30, 2017: Rs. 1.3661 per unit).

Through Finance Act, 2016, FED on services rendered by Non-Banking Financial Institutions (NBFIs) including Asset Management Companies, which are already subject to provincial sales tax, has been withdrawn. Therefore provision for FED has not been recorded.

- 14.2 The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) as a result of which it was construed that all Collective Investment Schemes / Mutual Funds (CISs) whose income exceeded Rs. 500,000 in a tax year were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever was higher.

The amendments introduced in the WWF Ordinance were challenged in various High Courts of Pakistan. The Honorable Lahore High Court (LHC) and the Honorable High Court of Sindh (SHC) arrived at different conclusions in respect of the validity of the amendments made through the Finance Act in relation to the WWF. Both the decisions of the LHC and the SHC were challenged in the Honorable Supreme Court of Pakistan (SCP). On November 10, 2016 the SCP passed a judgment declaring the insertion of amendments introduced through Finance Act, 2008 pertaining to WWF as unlawful for the reason that the WWF is not in the nature of tax and therefore, could not be introduced through money bill under the Constitution. Subsequently, the Federal Board of Revenue (FBR) has filed a review petition in the SCP against the said judgment, which is pending adjudication.

Further, as a consequence of the 18th amendment to the Constitution, levy for the WWF was also introduced by the Government of Sindh through the Sindh Workers Welfare Fund (SWWF) Act 2014. SWWF Act 2014, enacted on May 21, 2015, requires every Industrial Establishment located in the province of Sindh and having total income of Rs.500,000 or more in any year of account commencing on or after the date of closing of account on or after December 31, 2013, to pay two percent of so much of its total income declared to SWWF. The said Act includes any concern engaged in the Banking or Financial Institution in the definition of “Industrial Undertaking” but does not define Financial Institution. The Management Company, based on an opinion obtained by the Mutual Funds Association of Pakistan (MUFAP), believes that Mutual Funds are not liable to pay Sindh WWF under the said law, for the reason that the Mutual Funds are not financial institutions and rather an investment vehicle. However, the Sindh Revenue Board has not accepted the said position of MUFAP and as a result, MUFAP has taken up this matter with the Sindh Finance Ministry for resolution.

In view of the above developments regarding the applicability of Federal and Sindh WWF on Mutual Funds, the MUFAP obtained a legal opinion on these matters and based on such legal advice (which also stated that even if a review petition is filed by any party, such petition can only be based on very limited grounds and the chances of any major change in the SCP judgement are very limited, has recommended to all its members on January 12, 2017 the following:

- i) The provision against the WWF held by the Mutual Funds till June 30, 2015 should be reversed on January 12, 2017; and
- ii) Provision against Sindh WWF, on prudent basis, should be made from the date of enactment of the Sindh WWF Act, 2014 (i.e. May 21, 2015) with effect from January 12, 2017.

The above decisions were communicated to SECP and the Pakistan Stock Exchange Limited on January 12, 2017. In response to the aforementioned letter SECP vide its letter dated February 1, 2017 advised MUFAP that the adjustments relating to the above should be made prospectively and adequate disclosure shall be made in the financial statements of Mutual Funds. Accordingly, the Fund has recorded these adjustments in its books of account on January 12, 2017.

Had the provision against SWWF not been made, the net assets value per unit would have been higher by Re. 0.1016 per unit.

## **15 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017.

**2018**                      **2017**  
 ----- (Rupees in '000) -----

**16 NUMBER OF UNITS IN ISSUE**

Total units in issue at the beginning of the year	40,545,329	24,888,936
Add: Units issued	359,901,975	140,673,252
Less: Units redeemed	(264,387,648)	(125,016,859)
Total units in issue at the end of the year	136,059,656	40,545,329

**17 FINANCIAL INCOME**

Markup / interest income on:		
Bank balances	281,275	126,505
Placements and term deposit receipts	72,300	6,510
Market Treasury Bills	249,901	76,691
	603,476	209,706

**18 AUDITORS' REMUNERATION**

Annual audit fee	348	336
Fee for review of half yearly financial statements	163	157
Fee for review of compliance with the requirements of the Code of Corporate Governance	43	42
Fee for other certifications / services	43	42
Out of pocket expenses and sales tax	141	111
	738	688

**19 ALLOCATED EXPENSES**

As per regulation 60(3)(s) of NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the scheme, maximum up to 0.1% of the average annual net assets or the actual cost whichever is lower. Accordingly the Management Company has charged 0.1% of the average annual net assets being the lower.

## 20 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. 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 Management Company intends to distribute by way of cash dividend at least 90% of the aforementioned net accounting income earned by the fund to the unit holders. Accordingly, no provision for current and deferred tax has been made in these financial statements.

## 21 EARNINGS PER UNIT

Earnings per unit based on cumulative weighted average units for the period has not been disclosed as in the opinion of the Management Company the determination of the same is not practicable.

## 22 TOTAL EXPENSE RATIO

As per Directive 23 of 2016 dated July 20, 2016 issued by Securities and Exchange Commission of Pakistan, the Total Expense Ratio of the Fund is 0.98% as on June 30, 2018 which includes 0.26% representing Government Levy, Worker's Welfare Fund and SECP fee.

## 23 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2018, the financial assets carried on the statement of assets and liabilities are categorised either as 'Loans and receivables' or 'at fair value through profit or loss'. The financial liabilities carried on the statement of assets and liabilities are categorised as other financial liabilities i.e. liabilities other than 'at fair value through profit or loss'.

Particulars	As at June 30, 2018		
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Total
Rupees in '000			
<b>Financial assets</b>			
Bank balances	12,991,421	-	12,991,421
Term deposit receipt	1,580,000	-	1,580,000
Mark-up / interest receivable	18,914	-	18,914
Deposits and other receivable	15,495	-	15,495
	<u>14,605,830</u>	<u>-</u>	<u>14,605,830</u>

Particulars	As at June 30, 2018		
	Financial liabilities 'at fair value through profit or loss'	Other financial liabilities	Total
Rupees in '000			
<b>Financial liabilities</b>			
Payable to UBL Fund Managers Limited - Management Company	-	10,007	10,007
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	1,049	1,049
Accrued expenses and other liabilities	-	49,264	49,264
	<u>-</u>	<u>60,320</u>	<u>60,320</u>

Particulars	As at June 30, 2017		
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Total
Rupees in '000			
<b>Financial assets</b>			
Bank balances	4,179,845	-	4,179,845
Investments	-	-	-
Mark-up / interest receivable	21,443	-	21,443
Deposits and other receivable	54,158	-	54,158
	<u>4,255,446</u>	<u>-</u>	<u>4,255,446</u>

Particulars	As at June 30, 2017		
	Financial liabilities 'at fair value through profit or loss'	Other financial liabilities	Total
Rupees in '000			
<b>Financial liabilities</b>			
Payable to UBL Fund Managers Limited - Management Company	-	2,440	2,440
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	320	320
Accrued expenses and other liabilities	-	93,624	93,624
	<u>-</u>	<u>96,384</u>	<u>96,384</u>

**24 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF THE COMMISSION CHARGE**

		<b>June 30, 2018 (Percentage)</b>
1	Bright Capital (Private) Limited	37.2%
2	Currency Market Associates (Private) Limited	20.1%
3	Invest Capital Markets Limited	15.9%
4	Paramount Capital (Private) Limited	6.9%
5	Invest One Markets Limited	5.1%
6	Elixir Securities Pakistan (Private) Limited	4.6%
7	C&M Management (Private) Limited	2.4%
8	Next Capital Limited	2.3%
9	Pearl Securities Limited	2.1%
10	Summit Capital (Private) Limited	1.4%
		<u>98.0%</u>

		<b>June 30, 2017 (Percentage)</b>
1	Bright Capital (Private) Limited	24.3%
2	Vector Capital (Private) Limited	20.6%
3	Elixir Securities Pakistan (Private) Limited	20.5%
4	Invest Capital Markets Limited	17.2%
5	EFG Hermes Pakistan Limited	5.6%
6	Summit Capital (Private) Limited	3.7%
7	BMA Capital Management Limited	3.0%
8	Invest One Markets Limited	2.8%
9	JS Global Capital Limited	1.8%
10	Pearl Securities Limited	0.5%
		<u>99.9%</u>

## 25 BRIEF PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of the members of the Investment Committee of the Fund are as follows:

S. No.	Name	Designation	Experience in years	Qualification
1	Yasir Qadri	Chief Executive Officer	22.1	MBA
2	Farhan Bashir Khan	Head of Research	11.6	MBA
3	Usama Bin Razi	Fund Manager	14.7	MBA
4	Syed Suleman Akhtar	Chief Investment Officer	16.85	MBA, CFA
5	Hadi Hassan Mukhi	Acting Head of Risk & Compliance *	18	B.Com

\* Head of Risk - non voting observer

Usama Bin Razi is the Fund Manager of the Fund. He is also the Fund Manager of UBL Growth and Income Fund, UBL Asset Allocation Fund, UBL Government Securities Fund, UBL Retirement Savings Fund, UBL Capital Protected Fund III, Al-Ameen Islamic Aggressive Income Fund and Al-Ameen Islamic Asset Allocation Fund.

## 26 PATTERN OF UNIT HOLDING

Category	-----June 30, 2018-----		
	Number of unit holders	Number of units held	Percentage of units held
Individuals	5,251	19,287,342	14.18%
Associated Companies and Key Executives	9	8,516,269	6.26%
Insurance Companies	3	665,412	0.49%
Retirement Funds	23	2,652,184	1.95%
Public Limited Companies	32	90,151,270	66.26%
Others	41	14,787,179	10.87%
	5,359	136,059,656	100.00%

Category	-----June 30, 2017-----		
	Number of unit holders	Number of units held	Percentage of units held
Individuals	4,255	12,460,175	30.73%
Associated Companies and Directors	6	1,234,433	3.04%
Insurance Companies	1	100,451	0.25%
Retirement Funds	26	3,719,963	9.17%
Public Limited Companies	20	11,333,340	27.95%
Others	20	11,696,967	28.85%
	4,328	40,545,329	100.00%

## 27 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Connected persons / related parties comprise of United Bank Limited (Holding Company of Management Company), UBL Fund Managers Limited (Management Company), Al-Ameen Islamic Financial Services (Private) Limited (Subsidiary of the Management Company), entities under common management or directorships, Central Depository Company of Pakistan Limited (Trustee) and the Directors and Officers of Management Company.

Remuneration to the Management Company and the Trustee is determined in accordance with the provisions of NBFC Rules, 2003, NBFC Regulations, 2008 and the Trust Deed respectively.

Other transactions with the related parties / connected persons have been carried out at agreed / commercial terms.

Details of transaction with the related parties and balances with them at the year end are as follows:

	Management Company	Associated Companies	Trustee	Funds under Common Management	Directors and Key Executives	Other Connected persons / related parties
	(Rupees in '000)					
<b>Transactions during the year ended June 30, 2018</b>						
Profit on savings accounts	-	9,410	-	-	-	-
Bank charges	-	92	-	-	-	-
Units issued	1,247,580	15,300	-	3,850,631	35,676	4,262,620
Units redeemed	577,163	27,039	-	3,706,334	15,234	1,623,552
Purchase of securities	-	4,495,025	-	800,267	-	-
Sale of securities	-	346,633	-	1,470,171	-	-
Remuneration (including Sindh sales tax)	54,915	-	8,567	-	-	-
Allocated expenses	8,596	-	-	-	-	-
Listing fee	-	-	-	-	-	25
Custody fee	-	-	8	-	-	-
<b>Transactions during the year ended June 30, 2017</b>						
Profit on savings accounts	-	15,038	-	-	-	-
Bank charges	-	61	-	-	-	-
Units issued	119,000	113,813	-	-	18,532	2,001,282
Units redeemed	120,379	5,070	-	-	16,491	1,001,088
Divided paid	-	1,330	-	-	15	7,783
Purchase of securities	-	3,824,876	-	587,484	-	-
Sale of securities	-	2,548,766	-	2,424,600	-	-
Remuneration (including sales tax)	29,033	-	3,661	-	-	-
Allocated expenses	3,320	-	-	-	-	-
Custody fee	-	-	6	-	-	-
<b>Balances held as at June 30, 2018</b>						
Units held (in Units '000)	6,496	114	-	1,668	238	25,045
Units held (in Rupees '000)	690,099	12,111	-	177,199	25,284	2,660,641
Bank balances	-	32,158	-	-	-	-
Deposits	-	-	100	-	-	-
Remuneration payable	7,935	-	1,185	-	-	-
Other payables	113	-	-	-	-	-
Allocated expense payable	2,874	-	-	-	-	-
Profit receivable	-	221	-	-	-	-
<b>Balances held as at June 30, 2017</b>						
Units held (in Units '000)	-	1,190	-	-	44	9,961
Units held (in Rupees '000)	-	119,813	-	-	4,430	1,002,907
Bank balances	-	156,665	-	-	-	-
Deposits	-	-	100	-	-	-
Remuneration payable	2,048	-	320	-	-	-
Other payables	66	-	-	-	-	-
Allocated expense payable	562	-	-	-	-	-
Profit receivable	-	78	-	-	-	-

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

During the year, seven meetings of the Board of Directors of the Management Company were held. The details of the attendance are as under:

Particulars	August 23, 2017	September 25, 2017	October 27, 2017	December 06, 2017	February 16, 2018	April 26, 2018	May 02, 2018	Total meetings attended
<b>Name of Directors:</b>								
Tariq Kirmani **	✓	✓	N/A	N/A	N/A	N/A	N/A	2
Azhar Hamid *	N/A	N/A	✓	✓	✓	✓	✓	5
Yasir Qadri	✓	✓	✓	✓	✓	✓	✓	7
Naz Khan *	N/A	N/A	✓	✓	✓	✓	✓	5
Shabbir Hussain Hashmi **	✓	✓	N/A	N/A	N/A	N/A	N/A	2
Sharjeel Shahid *	N/A	N/A	✓	✓	x	✓	x	3
Zia Ijaz	✓	✓	✓	✓	x	✓	x	5
Syed Furrukh Zaeem	✓	✓	✓	✓	✓	✓	✓	7
Mirza Muhammad Sadeed Hassan Barlas **	✓	✓	✓	✓	x	✓	✓	6
<b>Name of Key Executives</b>								
Fawaz Taj Siddiqui ****	✓	✓	✓	✓	✓	N/A	N/A	5
Umair Ahmed	✓	✓	✓	✓	✓	✓	✓	7
S.M. Aly Osman ****	N/A	N/A	N/A	N/A	N/A	✓	✓	2

\* Elected at EOGM held on September 29, 2017

\*\* Independent Director's have completed three consecutive term

\*\*\* Mr. Zulfikar Alavi resigned on August 07, 2017.

\*\*\*\* Mr. Fawaz Taj Siddiqui resigned and appointment of Mr. S.M. Aly Osman effective from April 2, 2018 as Company Secretary

## 29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's objective in managing risks is the creation and protection of Unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the Fund's constitutive documents and the regulations and the directives issued by the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

### 29.1 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 the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee and the regulations laid down by the SECP. Market risk comprises of three types of risk: currency risk, interest rate risk and price risk.

### 29.1.1 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 does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

### 29.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2018, the Fund is exposed to such risk on its balances held with bank, investments in Placements, and Government securities. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

#### a) Sensitivity analysis for variable rate instruments

The Fund is exposed to cash flow interest rate risk for balances in certain savings accounts and term deposit receipts, the interest rates on which range between 3.75% to 6.60% per annum and 7.35% per annum respectively.

In case of 100 basis points increase / decrease in interest rates on June 30, 2018, with all other variables held constant, the net income for the year and the net assets would have been higher / lower by Rs. 145.714 million (2017: Rs. 41.798 million).

#### b) Sensitivity analysis for fixed rate instruments

Presently, the Fund does not hold any fixed rate instrument and is not exposed to fair value interest rate risk.

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

Particulars	June 30, 2018					
	Effective yield/ interest rate	Total	Exposed to interest rate risk			Not exposed to interest rate risk
			Upto three months	More than three months and upto one year	More than one year	
	%		(Rupees in '000)			
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	3.75 - 6.60	12,991,421	12,991,417	-	-	4
Term deposit receipts	6.29 - 7.60	1,580,000	1,580,000	-	-	-
Mark-up / interest receivable		18,914	-	-	-	18,914
Deposits and other receivable		15,495	-	-	-	15,495
<b>Sub total</b>		14,605,830	14,571,417	-	-	34,413
<b>Financial liabilities</b>						
Payable to UBL Fund Managers Limited - Management Company		10,007	-	-	-	10,007
Payable to the Central Depository Company of Pakistan Limited - Trustee		1,049	-	-	-	1,049
Accrued expenses and other liabilities		49,264	-	-	-	49,264
<b>Sub total</b>		60,320	-	-	-	60,320
<b>On-balance sheet gap (a)</b>		14,545,510	14,571,417	-	-	(25,907)
<b>Off-balance sheet financial instrument</b>		-	-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-	-
<b>Total interest rate sensitivity gap (a) + (b)</b>		14,545,510	14,571,417	-	-	(25,907)
<b>Cumulative interest rate sensitivity gap</b>			14,571,417	-	-	

Particulars	June 30, 2017					
	Effective yield/ interest rate	Total	Exposed to interest rate risk			Not exposed to interest rate risk
			Upto three months	More than three months and upto one year	More than one year	
	%		(Rupees in '000)			
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	3.75 to 6.2	4,179,845	4,179,841	-	-	-4
Mark-up / interest receivable		21,443	-	-	-	21,443
Deposits and other receivable		54,158	-	-	-	54,158
<b>Sub total</b>		4,255,446	4,179,841	-	-	75,605
<b>Financial liabilities</b>						
Payable to UBL Fund Managers Limited - Management Company		2,440	-	-	-	2,440
Payable to the Central Depository Company of Pakistan Limited - Trustee		320	-	-	-	320
Accrued expenses and other liabilities		93,624	-	-	-	93,624
<b>Sub total</b>		96,384	-	-	-	96,384
<b>On-balance sheet gap (a)</b>		4,159,062	4,179,841	-	-	(20,779)
<b>Off-balance sheet financial instrument</b>		-	-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-	-
<b>Total interest rate sensitivity gap (a) + (b)</b>		4,159,062	4,179,841	-	-	(20,779)
<b>Cumulative interest rate sensitivity gap</b>		-	4,179,841	-	-	-

### 29.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Fund is not exposed to the risk as its constitutive documents prohibit it from investing in equity securities.

### 29.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to non-payment of redemptions request on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by the SECP.

#### Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed of.

The Fund can borrow, with the prior approval of the trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings were made during the year.

In order to manage the Fund's overall liquidity, the Fund also has the option to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. Further the

Fund also has the ability to suspend redemptions of units with the approval of Board of Directors of the Management Company in extraordinary circumstances. An interval of six working days between the receipt of a redemption request and issuance of against it to the holder provides a cushion in the repayment of on-demand redemption of units. However, during the year no such option was exercised or considered necessary.

The following table 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.

Particulars	June 30, 2018			Total
	Upto three months	More than three months and upto one year	Over one year	
----- Rupees in '000 -----				
<b>Financial liabilities</b>				
Payable to UBL Fund Managers Limited - Management Company	10,007	-	-	10,007
Payable to the Central Depository Company of Pakistan Limited - Trustee	1,049	-	-	1,049
Accrued expenses and other liabilities	49,264	-	-	49,264
<b>Total liabilities</b>	<b>60,320</b>	<b>-</b>	<b>-</b>	<b>60,320</b>

Particulars	June 30, 2017			Total
	Upto three months	More than three months and upto one year	Over one year	
----- Rupees in '000 -----				
<b>Financial liabilities</b>				
Payable to UBL Fund Managers Limited - Management Company	2,440	-	-	2,440
Payable to the Central Depository Company of Pakistan Limited - Trustee	320	-	-	320
Accrued expenses and other liabilities	93,624	-	-	93,624
<b>Total liabilities</b>	<b>96,384</b>	<b>-</b>	<b>-</b>	<b>96,384</b>

### 29.3 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation. The Fund's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements.

#### Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC Rules, the NBFC Regulations and guidelines given by the SECP from time to time.

The maximum exposure to credit risk before any credit enhancement as at June 30, 2018 is the carrying amount of the financial assets. None of these assets are 'impaired' nor 'past due but not impaired'. Investment in Government securities, however, are not exposed to credit risk as they are guaranteed by the Government of Pakistan.

29.3.1 The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2018:

**Balances with banks by rating category**

Name of the bank	Rating agency	Balances held by the Fund as at June 30, 2018	Latest available published rating as at July 16, 2018
Rupees in '000			
Allied Bank Limited	PACRA	134	AAA
Askari Bank Limited	PACRA	6	AA+
Bank Alfalah Limited	PACRA	11,974	AA+
Faysal Bank Limited	PACRA	150	AA
Habib Bank Limited	JCR-VIS	12,934,983	AAA
Habib Metropolitan Bank Limited	PACRA	104	AA+
Meezan Bank Limited	JCR-VIS	26	AA+
United Bank Limited	JCR-VIS	32,158	AAA
Sindh Bank Limited	JCR-VIS	1,302	AA
Samba Bank Limited	JCR-VIS	6,241	AA
MCB Bank Limited	PACRA	2,940	AAA
Zarai Taraqiat Bank Limited	PACRA	83	AAA
National Bank of Pakistan	PACRA	1,320	AAA
		12,991,421	

29.3.2 The analysis below summarizes the credit quality of the Fund's credit exposure:

<b>Rating by rating category</b>	<b>2018</b>	<b>2017</b>
	----- (Percentage) -----	
AAA	46.00	27.00
AA- to AA+	54.00	73.00
	100.00	100.00

**Concentration on credit risk**

Concentration of risk arises when a number of financial instruments or contracts are entered into the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Fund's major asset balances are held with one bank. The management believes that these banks are reputed institutions.

**30 UNIT HOLDERS' FUND RISK MANAGEMENT**

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. The Fund's objective when managing the unit holders' fund is to safeguard the Fund's ability to continue as a going concern in order to provide returns for the benefits of the unit holders to maintain a strong base of assets to support the development of the investment activities of the Fund and to meet unexpected losses or opportunities.

As required under the NBFC Regulations, every open end scheme shall maintain minimum fund size (i.e. net assets of the Fund) of Rs. 100 million at all times during the life of scheme. In order to comply with the requirement and to maintain or adjust the Unit Holders' Fund, the Fund's policy is to perform the following:

- Monitors the level of daily issuance and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to unit holders;
- Redeem and issue units in accordance with the constitutive documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and issuance; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer critically track the movement of „Assets under Management“. The Board of Directors is updated regarding key performance indicators e.g. yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current year.

### **31 FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

As per the requirements of IFRS 7 (Financial Instruments: Disclosures), the Fund shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: 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); and
- Level 3: Inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs)

As of June 30, 2018, the Fund does not hold any financial instrument measured at fair value.

During the year ended June 30, 2018, there were no transfers between level 1 and level 2 fair value measurements and no transfers into and out of level 3 fair value measurements.

**32 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE**

The Board of Directors of the Management Company on July 2, 2018 approved a final distribution of Rs. 5.5510 per unit on the face value of Rs. 100 each (i.e. 5.55%) amounting to Rs. 755.457 million. The financial statements of the Fund for the year ended June 30, 2018 do not include the effect of this distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2019.

**33 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue by Board of Directors of the Management Company on August 28, 2018.

**34 GENERAL**

These Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

**For UBL Fund Managers Limited  
(Management Company)**

SD

\_\_\_\_\_  
**CHIEF EXECUTIVE OFFICER**

SD

\_\_\_\_\_  
**CHIEF FINANCIAL OFFICER**

SD

\_\_\_\_\_  
**DIRECTOR**

# UMMF

UBL Money Market Fund

## INVESTMENT OBJECTIVE

The objective of UBL Money Market Fund is to generate competitive returns within a low risk portfolio to provide a regular stream of income and easy liquidity to its investors by investing a major chunk of the portfolio in short term government securities.

<b>Management Company</b>	UBL Fund Managers Limited
<b>Trustee</b>	Central Depository Company of Pakistan Limited 99-B, Block-B, S.M.C.H.S., Main Shahra-e-Faisal, Karachi. Tel: (9221) 111-111-500
<b>Distribution Company</b>	United Bank Limited  (for detail of others, please visit our website: <a href="http://www.ublfunds.com.pk">www.ublfunds.com.pk</a> )
<b>Auditor</b>	KPMG - Taseer Hadi & Co
<b>Bankers</b>	United Bank Limited Bank Alfalah Limited MCB- Global Faysal Bank Limited Samba Bank Allied Bank Limited Habib Bank Limited Sindh Bank Limited Zarai Taraqati Bank Limited Habib Metropolitan Bank Limited Askari Bank Limited National Bank of Pakistan Meezan Bank Limited
<b>Management Co.Rating</b>	AM1 (JCR-VIS)
<b>Fund Rating</b>	AA(f) (JCR-VIS)

## Fund Manager's Report – UBL Money Market Fund (UMMF)

- i) **Description of the Collective Investment Scheme category and type**  
Money Market / Open-end
- ii) **Statement of Collective Investment Scheme's investment objective**  
The objective of UBL Money Market Fund is to generate competitive returns within a low risk portfolio to provide a regular stream of income and easy liquidity to its investors by investing a major chunk of the portfolio in short term government securities.
- iii) **Explanation as to whether the Collective Investment Scheme achieved its stated objective**  
The Fund achieved its stated objective.
- iv) **Statement of benchmark(s) relevant to the Collective Investment Scheme**  
70% Average of 3M PKRV rates + 30% 3M average deposit rate of three 3 AA rated scheduled Banks as selected by MUFAP

- v) **Comparison of the Collective Investment Scheme's performance during the period compared with the said benchmarks**

Monthly Yield	Jul'17	Aug'17	Sep'17	Oct'17	Nov'17	Dec'17	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18	FYTD
UMMF	4.62%	4.74%	4.77%	5.04%	4.74%	4.78%	5.47%	5.48%	5.67%	5.65%	4.93%	5.58%	5.12%
Benchmark	5.19%	5.17%	5.17%	5.16%	5.19%	5.22%	5.22%	5.38%	5.48%	5.54%	5.63%	4.71%	5.26%

- vi) **Description of the strategies and policies employed during the period under review in relation to the Collective Investment Scheme's performance**  
During the period under review, UMMF generated a return of 5.12% p.a during FY18. At end of Jun'18, net assets of the fund stood at PKR 1,616mn. The Fund Manager managed to maintain a high-quality liquid profile with major allocation to cash. Furthermore, the weighted average time to maturity of the fund was 2.59 days.
- vii) **Disclosure of the Collective Investment Scheme's asset allocation as at the date of the report and particulars of significant changes in asset allocation since the last report (if applicable)**

Asset Allocation (% of Total Assets)	Jun-17	Jun-18
Placements with Banks	0%	8%
Placements with DFIs	0%	0%
PIBs	0%	0%
GoP Ijarah Sukuk	0%	0%
T-Bills	0%	0%
Cash	99%	91%
Others	1%	0%
Leverage	Nil	Nil

**viii) Analysis of the Collective Investment Scheme's performance**

FY'18 Return:	5.12%
Standard Deviation (12m trailing):	0.12%
Sharpe Ratio (12m trailing):	(8.44)

**ix) Changes in total NAV and NAV per unit since the last review period or since commencement (in case of newly established Collective Investment Schemes)**

Net Asset Value			NAV per unit		
30-Jun-18	30-Jun-17	Change	30-Jun-18	30-Jun-17	Change
Rupees (000)		%	Rupees		%
1,615,672	876,240	84.39	105.6073	100.4661	5.12

**x) Disclosure on the markets that the Collective investment Scheme has invested in including - review of the market(s) invested in and performance during the period**

**Debt Market Review – FY18**

The International Crude Oil prices exhibited an upward trend for the fiscal year. The prices increased from USD 45-per barrel increasing as much as ~70% closing at a new high of USD ~80 per barrel. Increasing oil prices, higher commodity prices (with exception of sugar) along with lagged impact of PKR devaluation (+16%) aided in increasing inflation rate to 4.4% for 4QFY18. Core measures of inflation witnessed an upward trajectory where NFNE which is somewhat sticky in nature increased to 7.1% by end of FY18. Taking cues from this trend we expect SBP to continue its current monetary tightening policy.

In twelve PIB auctions for FY18 conducted during the year, the government raised PKR~102bn (PKR ~894bn in FY17) against target of PKR 330bn. Consequently, outstanding amount for the PIBs in the market increased to PKR 29.47trn. Participation in the auctions was largely skewed towards three and five year paper in line with interest rate hikes. Cut off yields in June auction trimmed to 7.5%, 8.5% and 8.7% for three, five and ten year PIB instruments respectively. In July'18 PIB Auction the government accepted PKR ~6.9bn.

The yield curve based on government securities of various maturities has shifted upwards in line with the ongoing increasing discounts rates. Yield on 3M, 6M and 12M T-Bills increased by 79bps, 90bps and 116bps, respectively. Similarly, yield on 3-year, 5-year and 10-year bonds increased 180bps, 171bps and 86bps, respectively. The spread between annualized yields of 1-year T-bills (7.20% p.a.) and 10-year PIBs (9.03% p.a.) stood at 1.83% as of 30 June 2018.

- xi) Disclosure on distribution (if any), comprising:-**  
 - particulars of income distribution or other forms of distribution made and proposed during the period; and  
 - statement of effects on the NAV before and after distribution is made

Final distribution for the year ended June 30, 2018 was made subsequent to year end, on July 02, 2018. Below are the details of such distribution

Distribution				Per unit	
Declared on	Bonus	Cash	Per Unit	Cum NAV	Ex NAV
	Rupees (000)		----- Rupees -----		
July 02, 2018	-	78,655	5.1412	105.6073	100.4661

- xii) Description and explanation of any significant changes in the state of affairs of the Collective Investment Scheme during the period and up till the date of the manager's report, not otherwise disclosed in the financial statements**

The fund has been re-categorized as money market scheme from income scheme and accordingly the pricing mechanism of the scheme has been changed from forward to backward pricing mechanism.

- xiii) Breakdown of unit holdings by size**

Range of Units	Number of Investors
	UMMF
0.0001 - 9,999.9999	888
10,000.0000 - 49,999.9999	63
50,000.0000 - 99,999.9999	15
100,000.0000 - 499,999.9999	11
500,000.0000 & Above	6
<b>Total</b>	<b>983</b>

- xiv) Disclosure on unit split (if any), comprising:-**

There were no unit splits during the period.

- xv) Disclosures of circumstances that materially affect any interests of unit holders**

Investment are subject to market risk.

- xvi) Disclosure if the Asset Management Company or its delegate, if any, receives any soft commission (i.e. goods and services) from its broker(s) or dealer(s) by virtue of transactions conducted by the Collective Investment Scheme.**

No soft commissions are received by the AMC from its brokers or dealers by virtue of transactions conducted by the Collective Investment Scheme.

## **PERFORMANCE TABLE**

### **UBL Money Market Fund**

	<b>2018</b>	2017	2016
<b>NET ASSETS AS AT 30 JUNE - Rupees in '000</b>	<b>1,615,672</b>	876,240	1,298,800
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - Rupees *</b>			
Class C units - Offer	<b>106.8007</b>	101.6014	101.7610
- Redemption	<b>105.6073</b>	100.4661	100.4353
<b>RETURN OF THE FUND - %</b>			
Total Return of the Fund	<b>5.12</b>	5.41	5.15
Capital Growth (per unit)	<b>5.12</b>	0.01	0.05
Date of Income Distribution	-	26-Jun-17	23-Jun-16
Income Distribution	-	5.40	5.10
<b>AVERAGE ANNUAL RETURN - %</b>			
One Year	<b>5.12</b>	5.41	5.15
Second Year	<b>5.27</b>	5.28	6.57
Third Year	<b>5.23</b>	6.18	6.57
Since inception	<b>8.11</b>	8.54	9.06
<b>OFFER / REPURCHASE DURING THE YEAR- Rupees *</b>			
Highest price per unit - Class C units - Offer	<b>106.8007</b>	106.9419	106.8279
Highest price per unit - Class C units - Redemption	<b>105.6073</b>	105.7470	105.4361
Lowest price per unit - Class C units - Offer	<b>101.6261</b>	101.4997	101.6777
Lowest price per unit - Class C units - Redemption	<b>100.4906</b>	100.3656	100.3530

\* Front-end load @ 1% is applicable

### **PORTFOLIO COMPOSITION - %**

Percentage of Net Assets as at 30 June

### **PORTFOLIO COMPOSITION BY CATEGORY - %**

Bank Balances	<b>92.00</b>	99.00	53.00
Placements and Term Deposit Receipts	<b>8.00</b>	-	3.00
Government securities	-	-	44.00

### **PORTFOLIO COMPOSITION BY MARKET - %**

Debt market	<b>100</b>	99	100
-------------	------------	----	-----

Note:

- The IPO of the Fund was held from 12 October 2010 to 13 October 2010 and the Fund commenced its operations from 14 October 2010.

### **DISCLAIMER**

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

**Head Office:**

CDC House, 99-B, Block 'B',  
S.M.C.H.S., Main Shahra-e-Faisal,  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**UBL MONEY MARKET FUND**

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

We Central Depository Company of Pakistan Limited, being the Trustee of UBL Money Market Fund (the Fund) are of the opinion that UBL Fund Managers Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 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.

**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 19, 2018





**STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 BY UBL FUND MANAGERS LIMITED**

**NAME OF FUND: UBL MONEY MARKET FUND**

**YEAR ENDING: JUNE 30, 2018**

The Securities and Exchange Commission of Pakistan (SECP) through its letter dated April 18, 2018 to Mutual Funds Association of Pakistan (MUFAP) has exempted the open-end collective investment schemes from the requirements of the Code of Corporate Governance. However, the Board of Directors of UBL Fund Managers Limited (the Management Company) of UBL Money Market Fund (the Fund), for the purpose of establishing a framework of good governance whereby a Fund is managed by best practice of Corporate governance, has voluntarily opted to comply with the relevant provisions of the Listed Companies (Code of Corporate Governance) Regulations 2017 (The Code).

The Management Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following:
  - a. Male: Six Directors;
  - b. Female: One Director.
2. The composition of the Board is as follows:

Category	Name
Independent Directors	Mr. Azhar Hamid
	Ms. Naz Khan
Executive Directors	Mr. Yasir Qadri
Non - Executive Directors	Mirza Muhammad Sadeed Hassan Barlas
	Mr. Sharjeel Shahid
	Mr. Zia Ijaz
	Syed Furrukh Zaeem

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company.
4. 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.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained. The Management Company has placed the Whistle Blowing Policy, Proxy Policy and the Principles of the Code of Conduct (Statement of Ethics and Business Practice) on its website.
6. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
7. The Board has a formal and effective mechanism in place for an annual evaluation of the Board's own performance.



8. The Chairman of the Board is an Independent director. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board as empowered by the relevant provisions of the Act and these Regulations.
9. 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. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
10. Following directors and executive have acquired the prescribed Director Training Program (DTP) certification:

**Directors**

- a. Mirza Muhammad Sadeed Hassan Barlas
- b. Mr. Yasir Qadri
- c. Mr. Zia Ijaz
- d. Ms. Naz Khan
- e. Syed Furrukh Zaeem

**Executive**

- f. S.M. Aly Osman

11. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
12. CFO and CEO duly endorsed the financial statements before approval of the Board.
13. The Board has formed committees comprising of members given below. The Board Audit Committee and the Board Human Resource & Compensation Committee are chaired by separate Independent directors:
  - a. Board Audit Committee
    - i. Ms. Naz Khan (Chair);
    - ii. Mirza Muhammad Sadeed Hassan Barlas;
    - iii. Mr. Sharjeel Shahid;
    - iv. Mr. Zia Ijaz.
  - b. Board Human Resource & Compensation Committee
    - i. Mr. Azhar Hamid (Chairman);
    - ii. Mr. Yasir Qadri;
    - iii. Mr. Zia Ijaz;
    - iv. Ms. Naz Khan;
    - v. Syed Furrukh Zaeem.
  - c. Board Risk & Compliance Committee
    - i. Mirza Muhammad Sadeed Hassan Barlas (Chairman);
    - ii. Mr. Azhar Hamid;
    - iii. Mr. Sharjeel Shahid;
    - iv. Mr. Yasir Qadri;
    - v. Syed Furrukh Zaeem.



14. The Terms of Reference of the aforesaid Committees have been formed, documented and advised to the Committee for compliance.
15. The frequency of meetings of the Committee were as per following:
  - a. Board Audit Committee : Quarterly Meeting
  - b. Board Human Resource & Compensation Committee: Quarterly Meeting
  - c. Board Risk & Compliance Committee: Quarterly Meeting
16. The Board has set up an independent and effective internal audit function and the audit personnel are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company.
17. 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) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
18. The Board Audit Committee recommends to the Board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that any other significant requirements of the Regulations have been complied with.

  
**AZHAR HAMID**  
Chairman

Karachi.  
Dated: August 28, 2018



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2, Beaumont Road  
Karachi 75530 Pakistan  
+92 (21) 35685847, Fax +92 (21) 35685095

### **To the Unit Holders of UBL Money Market Fund**

#### **Review Report on Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance Regulations, 2017 ("the Regulations") prepared by the Board of Directors of UBL Fund Managers Limited ("the Management Company") for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review whether the Statement of Compliance reflects the status of the Management Company's compliance with the provisions of the Regulations in respect of the Fund and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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

The Regulations require 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, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Management Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.



KPMG Taseer Hadi & Co.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Funds for the year ended 30 June 2018.

*Gina Taseer Hadi*

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

**Date: 28 August 2018**

**Karachi**



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2, Beaumont Road  
Karachi 75530 Pakistan  
+92 (21) 35685847, Fax +92 (21) 35685095

## **INDEPENDENT AUDITORS' REPORT**

### **To the Unit holders of UBL MONEY MARKET FUND**

#### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of UBL Money Market Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2018, income statement, statement of comprehensive income, statement of movement in unit holders' fund, cash flow statement for the year then ended, and notes to the financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



KPMG Taseer Hadi & Co.

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<p><b>Amendments to the NBFC Regulations, 2008</b></p> <p>Refer to note 3.4.3 to the accompanying financial statements with respect to element of income.</p> <p>The amendments to NBFC Regulations, 2008 brought through SRO 756(I)/2017 dated 03 August 2017 issued by Securities and Exchange Commission of Pakistan (SECP), have necessitated changes in accounting policies with respect to recording of element of income / loss on net basis from income statement to unit holders' fund and consideration of income already paid on units redeemed as dividend. The said SRO also required certain presentation changes. The Fund has applied these changes with effect from 1 July 2017.</p> <p>We identified the said changes as a key audit matter because application of these changes involved complex calculations and judgment in respect of determination of income already paid on units redeemed, distribution and refund of capital (element of income) to conform with the methodology specified by MUFAP for such calculations.</p>	<p>Our audit procedures in respect of change in accounting polices due to amendments in NBFC Regulations 2008 included the following:</p> <ul style="list-style-type: none"><li>• Obtaining an understanding of and assessing the design and operating effectiveness of controls in place for determination of income already paid on units redeemed, distribution and refund of capital (element of income).</li><li>• Testing, on sample basis, that income already paid on units redeemed, distribution and refund of capital (element of income) have been determined as per the methodology specified by MUFAP in consultation with SECP.</li><li>• Assessing the adequacy of disclosures made with respect to change in accounting policies and the requirements of NBFC Regulations, 2008.</li></ul>



KPMG Taseer Hadi & Co.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of directors are responsible for overseeing the Fund's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be



KPMG Taseer Hadi & Co.

expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



KPMG Taseer Hadi & Co.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **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.

The engagement partner responsible for the audit resulting in this independent auditor's report is Mazhar Saleem.

**Date: 28 August 2018**

**Karachi**

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

UBL Money Market Fund  
Statement of Assets and Liabilities  
As at 30 June 2018

	Note	30 June 2018 (Rupees in '000)	30 June 2017
<b>Assets</b>			
Bank balances	5	1,490,596	885,801
Term deposit receipt	6	135,000	-
Profit receivable	7	3,058	5,872
Deposit, prepayments and other receivables	8	1,769	2,122
Advance tax	9	1,071	509
<b>Total assets</b>		<b>1,631,494</b>	<b>894,304</b>
<b>Liabilities</b>			
Payable to the Management Company	10	998	1,310
Payable to Central Depository Company of Pakistan Limited - Trustee	11	169	162
Payable to Securities and Exchange Commission of Pakistan	12	828	507
Accrued expenses and other payables	13	13,827	16,085
<b>Total liabilities</b>		<b>15,822</b>	<b>18,064</b>
<b>Net assets</b>		<b>1,615,672</b>	<b>876,240</b>
<b>Unit holders' fund</b> (as per the statement attached)		<b>1,615,672</b>	<b>876,240</b>
<b>Contingency</b>	18		
		<b>(Number of Units)</b>	
<b>Number of units in issue</b> (face value of units is Rs. 100 each)		<b>15,298,865</b>	<b>8,721,753</b>
		<b>(Rupees)</b>	
<b>Net asset value per unit</b>	4.8	<b>105.6073</b>	<b>100.4661</b>

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For UBL Fund Managers Limited  
(Management Company)**

SD  
\_\_\_\_\_  
Chief Executive Officer

SD  
\_\_\_\_\_  
Chief Financial Officer

SD  
\_\_\_\_\_  
Director

**UBL Money Market Fund**  
**Income Statement**  
*For the year ended 30 June 2018*

	<b>30 June</b>	<b>30 June</b>
	<b>2018</b>	<b>2017</b>
<i>Note</i>	<b>(Rupees in '000)</b>	
<b>Income</b>		
Financial income	14 <b>71,446</b>	42,261
Net capital loss on sale of investments	15 <b>(116)</b>	(2)
Other income	<b>46</b>	15
<b>Total income</b>	<b>71,376</b>	<b>42,274</b>
<b>Expenses</b>		
Remuneration of the Management Company	10.1 <b>7,647</b>	6,763
Sindh Sales Tax on the Management Company's remuneration	10.2 <b>994</b>	879
Allocation of expenses relating to the Fund	10.3 <b>1,103</b>	676
Remuneration of Central Depository Company of Pakistan Limited - Trustee	11 <b>1,691</b>	1,139
Annual fee of Securities and Exchange Commission of Pakistan	12 <b>828</b>	507
Bank charges	<b>298</b>	110
Auditors' remuneration	16 <b>637</b>	586
Listing fees	<b>27</b>	55
Legal and professional charges	<b>152</b>	105
Brokerage expenses	<b>44</b>	39
Other expenses	<b>253</b>	242
<b>Total operating expenses</b>	<b>13,674</b>	<b>11,101</b>
<b>Net income from operating activities</b>	<b>57,702</b>	<b>31,173</b>
Net element of loss and capital losses included in prices of units issued less those in units redeemed	3.4.3 -	(3,699)
Reversal of provision for Workers' Welfare Fund	13.2 -	4,782
Provision for Sindh Workers' Welfare Fund	13.2 <b>(1,132)</b>	<b>(1,335)</b>
	<b>(1,132)</b>	<b>3,447</b>
<b>Net income for the year before taxation</b>	<b>56,570</b>	<b>30,921</b>
Taxation	17 -	-
<b>Net income for the year after taxation</b>	<b>56,570</b>	<b>30,921</b>
<b>Allocation of net income for the year after taxation</b>		
Net income for the year after taxation	<b>56,570</b>	
Income already paid on units redeemed	<b>(37,863)</b>	
Accounting income available for distribution	<b>18,707</b>	
<b>Accounting income available for distribution</b>		
- Relating to capital gains	-	
- Excluding capital gains	<b>18,707</b>	
	<b>18,707</b>	

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For UBL Fund Managers Limited**  
**(Management Company)**

SD  
 Chief Executive Officer

SD  
 Chief Financial Officer

SD  
 Director

UBL Money Market Fund  
Statement of Comprehensive Income  
*For the year ended 30 June 2018*

	30 June 2018	30 June 2017
	(Rupees in '000)	
<b>Net income for the year after taxation</b>	<b>56,570</b>	30,921
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b><u>56,570</u></b>	<b><u>30,921</u></b>

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For UBL Fund Managers Limited  
(Management Company)**

SD  
**Chief Executive Officer**

SD  
**Chief Financial Officer**

SD  
**Director**

UBL Money Market Fund  
Statement of Movement in Unit holders' Fund  
For the year ended 30 June 2018

	2018			2017		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
----- (Rupees in '000) -----						
<b>Net assets at beginning of the year</b>	869,767	6,473	876,240	1,292,589	6,211	1,298,800
<b>Issuance of 51,468,020 units</b> (2017: 56,751,413 units)						
- Capital value	5,212,022	-	5,212,022			
- Element of income	129,025	-	129,025			
Total proceeds on issuance of units	5,341,047	-	5,341,047	5,699,824	225,010	5,924,834
<b>Redemption of 44,890,908 units</b> (2017: 60,961,090 units)						
- Capital value	(4,531,759)	-	(4,531,759)			
- Element of loss	(88,563)	(37,863)	(126,426)			
Total payments on redemption of units	(4,620,322)	(37,863)	(4,658,185)	(6,122,645)	(228,710)	(6,351,355)
Net element of loss and capital losses included in prices of units issued less those in units redeemed	-	-	-	-	3,699	3,699
Total comprehensive income for the year	-	56,570	56,570	-	30,921	30,921
Interim distribution for the year ended 30 June 2018: Nil [2017: Rs 5.40 per unit (Date of Distribution: 29 June 2017)]	-	-	-	-	(30,659)	(30,659)
Net income for the year less distribution	-	56,570	56,570	-	262	262
<b>Net assets at end of the year</b>	<b>1,590,492</b>	<b>25,180</b>	<b>1,615,672</b>	<b>869,767</b>	<b>6,473</b>	<b>876,240</b>
<b>Undistributed income brought forward:</b>						
- Realised income		6,473			6,068	
- Unrealised income		-			143	
		6,473			6,211	
<b>Accounting income available for distribution</b>						
- Relating to capital gains		-				
- Excluding capital gains		18,707				
		18,707				
Net income for the year after taxation					30,921	
Interim distribution for the year ended 30 June 2018: Nil [2017: Rs 5.40 per unit (Date of Distribution: 29 June 2017)]					(30,659)	
<b>Undistributed income carried forward</b>		<b>25,180</b>			<b>6,473</b>	
<b>Undistributed income carried forward comprise of:</b>						
- Realised income		25,180			6,473	
- Unrealised income		-			-	
		25,180			6,473	
			(Rupees)			(Rupees)
<b>Net assets value per unit at beginning of the year</b>			<b>100.4661</b>			<b>100.4353</b>
<b>Net assets value per unit at end of the year</b>			<b>105.6073</b>			<b>100.4661</b>

The annexed notes from 1 to 29 form an integral part of these financial statements.

For UBL Fund Managers Limited  
(Management Company)

SD  
Chief Executive Officer

SD  
Chief Financial Officer

SD  
Director

UBL Money Market Fund  
Cash Flow Statement  
For the year ended 30 June 2018

	30 June 2018	30 June 2017
Note	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	56,570	30,921
<b>Adjustments for non-cash and other items:</b>		
Financial income	(71,446)	(42,261)
Net capital loss on sale of investments	116	2
Provision for Sindh Workers' Welfare Fund	1,132	1,335
Reversal of provision for Workers' Welfare Fund	-	(4,782)
Net element of loss and capital losses included in prices of units issued less those in units redeemed	-	3,699
	<u>(70,198)</u>	<u>(42,007)</u>
<b>Net cash used in operations before working capital changes</b>	<b>(13,628)</b>	<b>(11,086)</b>
<b>Working capital changes</b>		
<i>(Increase) / decrease in assets</i>		
Investments	(116)	678,714
Deposit, prepayments and other receivables	-	(627)
Advance tax	(562)	-
	<u>(678)</u>	<u>678,087</u>
<i>(Decrease) / increase in liabilities</i>		
Payable to the Management Company	(312)	121
Payable to Central Depository Company of Pakistan Limited - Trustee	7	45
Payable to Securities and Exchange Commission of Pakistan	321	(182)
Payable against purchase of investment	-	(210,620)
Accrued expenses and other payables	(3,390)	4,556
	<u>(3,374)</u>	<u>(206,080)</u>
Profit received	<u>74,260</u>	<u>72,630</u>
<b>Net cash flows generated from operating activities</b>	<b>56,580</b>	<b>533,551</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of units	5,341,400	5,924,834
Payments on redemption of units	(4,658,185)	(6,351,355)
Cash distribution to unit holders	-	(30,659)
<b>Net cash flows generated from / (used in) in financing activities</b>	<b>683,215</b>	<b>(457,180)</b>
<b>Net increase in cash and cash equivalents</b>	<b>739,795</b>	<b>76,371</b>
Cash and cash equivalents at beginning of the year	<u>885,801</u>	<u>809,430</u>
<b>Cash and cash equivalents at end of the year</b>	<b><u>1,625,596</u></b>	<b><u>885,801</u></b>
<b>CASH AND CASH EQUIVALENTS</b>		
Bank balances	1,490,596	885,801
Term deposit receipt	135,000	-
<b>Cash and cash equivalents at end of the year</b>	<b><u>1,625,596</u></b>	<b><u>885,801</u></b>

The annexed notes from 1 to 29 form an integral part of these financial statements.

For UBL Fund Managers Limited  
(Management Company)

SD  
Chief Executive Officer

SD  
Chief Financial Officer

SD  
Director

# UBL Money Market Fund

## Notes to the Financial Statements

*For the year ended 30 June 2018*

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

UBL Money Market Fund (the Fund) was established under the Trust Deed executed between UBL Fund Managers Limited (the Management Company - a wholly owned subsidiary company of United Bank Limited), as the Management Company, and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on 10 August 2010 and was approved by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the requirements of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The Fund commenced its operations from 14 October 2010.

The Management Company of the Fund is registered with the SECP as a Non-Banking Finance Company under the NBFC Rules, 2003. The registered office of the Management Company is situated at 4th Floor, STSM Building, Beaumont Road, Civil Lines.

The Fund is an open ended mutual fund and is listed on the Pakistan Stock Exchange Limited. Units are offered for subscription on a continuous basis to general public. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holders.

The investment objective of the fund is to provide a regular stream of income and easy liquidity to its investors by investing a major chunk of the portfolio in short term government securities.

Title to the assets of the Fund are held in the name of the Central Depository Company of Pakistan Limited as the Trustee of the Fund.

### **2 BASIS OF PRESENTATION**

#### **Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

### **3 BASIS OF PREPARATION**

#### **3.1 Basis of measurement**

These financial statements have been prepared on the basis of historical cost convention, except that certain financial assets that have been carried at fair values in accordance with the requirements of International Accounting Standard (IAS) 39.

#### **3.2 Functional and presentation currency**

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund. All amounts have been rounded to the nearest thousand, unless stated otherwise.

#### **3.3 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in the application of accounting policies are given below:

##### **a) Judgments**

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in note 4.1.1 - Regarding the classification of investments.

##### **b) Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the year ending 30 June 2018 is included in the following notes:

- Notes 4.1.3 and 4.1.4 - Valuation of investments
- Notes 4.1.5 and 4.15 - Impairment of financial instruments and other assets

#### **3.4 New or amendments to existing standard / interpretation and forthcoming requirements**

##### **3.4.1 Standards, amendments or interpretations which became effective during the year**

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2017 but are considered not to be relevant or do not have any significant effect on the the Funds' financial statements and are therefore not stated in these financial statements.

##### **3.4.2 Application of Companies Act, 2017**

The Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 23 of 2017 which application has been deferred till 31 December 2017. Therefore, the provision of the Companies Act, 2017 are applicable from 01 January 2018 (refer note 2). However, it does not have any significant impact on the Fund's financial statements.

### **3.4.3 Change in Accounting Policy Element of income / (loss)**

Up to 30 June 2017, the element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the accounting period is recognized in income statement on net basis and to the extent that it is represented by unrealised appreciation / (diminution) arising during the year on available for sale securities is included in distribution statement on net basis.

Securities & Exchange Commission of Pakistan through its SRO 756(I)/2017 dated 03 August 2017 has made certain amendments in NBFCs and Notified Entities Regulations, 2008. The SRO changed the definition of accounting income in regulation (63) sub-regulation (I) which excludes the element of income from "accounting income". As per SRO, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. It also specifies that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.

The said SRO also deleted 'Distribution Statement' and requires additional disclosures with respect to "Income Statement" (relating to allocation of net income for the year) and "Statement of Movement in Unit Holders' Fund" and recording of element of income / loss included in price of unit issued or redeemed directly in Statement of movements in unit holders' fund instead of income statement. MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from 01 July 2017 as clarified by SECP vide its email dated 7 February 2018. Accordingly, corresponding figures have not been restated. Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs. 2.548 million net off charge for SWWF in respect of element of income and consequently NAV per unit would have been higher by Rs. 0.17.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Fund's financial statements.

- Transfers of Investment Property (Amendments to IAS 40 „Investment Property“ - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Fund's financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 „Investments in Associates and Joint Ventures“] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Fund's financial statements.

- IFRIC 22 „Foreign Currency Transactions and Advance Consideration“ (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 15 „Revenue from contracts with customers“ (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 „Revenue“, IAS 11 „Construction Contracts“ and IFRIC 13 „Customer Loyalty Programmes“. The management is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on the adoption of the standard. However the management considers that the impact would not be significant.
- IFRS 9 „Financial Instruments“ and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The amendments are not likely to have an impact on Fund's financial statements.

- IFRS 16 „Leases“ (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 „Leases“, IFRIC 4 „Determining whether an Arrangement contains a Lease“, SIC-15 „Operating Leases- Incentives“ and SIC-27 „Evaluating the Substance of Transactions Involving the Legal Form of a Lease“. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The amendments are not likely to have an impact on Fund’s financial statements.
- Amendment to IAS 28 „Investments in Associates and Joint Ventures“ - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or „LTI“). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Fund’s financial statements.
- Amendments to IAS 19 „Employee Benefits“- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The amendments are not likely to have an impact on Fund’s financial statements
- IFRIC 23 „Uncertainty over Income Tax Treatments“ (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The amendments are not likely to have an impact on Fund’s financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company’s financial statements.

## **4 SIGNIFICANT ACCOUNTING POLICIES**

The principle accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied except for the change in accounting policy as mentioned in note 3.4.3, to all the periods presented.

### **4.1 Financial assets**

#### **4.1.1 Classification**

The management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The Fund classifies its financial assets in the following categories:

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

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

##### **b) Available-for-sale financial assets**

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

##### **c) Loans and receivables**

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

#### **4.1.2 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.

#### **4.1.3 Initial recognition and measurement**

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These 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 associated with these financial assets are charged to the Income Statement.

#### **4.1.4 Subsequent measurement**

Subsequent to initial recognition, financial assets are valued as follows:

##### **'Financial assets at fair value through profit or loss'**

###### *Basis of valuation of debt securities*

Investment in debt securities is valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP via Circular 1 of 2009, Circular 33 of 2012 and Circular 35 of 2012. The Circulars also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

### *Basis of valuation of government securities*

The government securities not listed on a stock exchange and traded in the interbank market are valued at the average rates quoted on a widely used electronic quotation system (PKRV rates) which are based on the remaining tenure of the securities.

### **Loans and receivables**

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

#### **4.1.5 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. If such an 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 reclassified from the statement of comprehensive income to the income statement.

For financial assets classified as 'loans and receivable', 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 amount of the provision is measured as the difference between the asset's carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

#### **4.1.6 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.

#### **4.2 Financial liabilities**

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

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

#### **4.3 Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount 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 to realize the assets and settle the liabilities simultaneously.

#### **4.4 Unitholders' fund**

Unitholders' 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.

#### **4.5 Issuance and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received, by the distributors / Management Company during business hours, as of the close of the previous day on which the applications were received. The offer price represents the net assets value per unit as of the close of previous day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

Units redeemed are recorded at the redemption price, applicable to units as of the close of the previous day. The redemption price represents the net assets value per unit as of the close of the previous day on which the applications were received less any back-end load , any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

#### **4.6 Element of income**

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

#### **4.7 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 are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

#### **4.8 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 outstanding at the year end.

#### **4.9 Taxation**

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 among the unit holders. Provided that for the purpose of determining distribution of atleast ninety percent of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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 taxation in these financial statements as the Fund distributes more than ninety percent of its accounting income for the current year and intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders' every year.

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.

#### 4.10 Revenue recognition

- Capital gains / (losses) arising on sale / redemption of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealized gains / (losses) arising on revaluation of investments classified as 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Income on debt and government securities is recognised on time proportion basis using the effective yield.
- Profit on saving accounts and term deposits is recognised taken into account the effective yield.

#### 4.11 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.

#### 4.12 Earnings per unit

Earnings per unit based on cumulative weighted average units for the period has not been disclosed as in the opinion of the Management Company the determination of the same is not practicable.

#### 4.13 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of Assets and Liabilities at cost. These comprise of deposits with banks and highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short term cash commitments rather than for investments for other purposes.

#### 4.14 Distributions

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

#### 4.15 Other assets

Other assets are stated at cost less impairment losses, if any.

### 5 BANK BALANCES

	Note	30 June 2018	30 June 2017
		(Rupees in '000)	
In current accounts	5.1	86	99
In saving accounts	5.2	<u>1,490,510</u>	<u>885,702</u>
		<u>1,490,596</u>	<u>885,801</u>

5.1 This represents balance with United Bank Limited, holding company of the Management Company.

5.2 These carry profit rates ranging from 3.75% to 7.60% (30 June 2017: 3.75% to 6.2%) per annum. This includes balance with United Bank Limited of Rs. 2.405 million (30 June 2017: Rs. 14.35 million) carrying profit rate of 4% (30 June 2017: 4%) per annum.

<b>6 TERM DEPOSIT RECEIPT</b>	<i>Note</i>	<b>30 June 2018</b>	30 June 2017
		<b>(Rupees in '000)</b>	
Commercial bank	6.1	<u><b>135,000</b></u>	<u>-</u>

6.1 It carries profit at rate of 7.35% per annum and will mature on 20 July 2018.

## 7 PROFITS RECEIVABLE

### Profits receivable on:

- Bank balances	<b>2,759</b>	5,872
- Term deposit receipt	<u><b>299</b></u>	<u>-</u>
	<u><b>3,058</b></u>	<u>5,872</u>

## 8 DEPOSIT, PREPAYMENTS AND OTHER RECEIVABLES

Receivable against issuance of units	<b>1,572</b>	1,925
Security deposit with Central Depository Company of Pakistan Limited - Trustee	<b>100</b>	100
Prepayments	<u><b>97</b></u>	<u>97</u>
	<u><b>1,769</b></u>	<u>2,122</u>

## 9 ADVANCE TAX

The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150A, 151 and 233 of ITO 2001. The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II- 66417-R" dated May 12, 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). During the year, prior to receiving tax exemption certificate(s) from CIR various withholding agents have deducted advance tax under section 151 of ITO 2001. The management is confident that the same shall be refunded after filing Income Tax Return for Tax year 2018.

<b>10 PAYABLE TO THE MANAGEMENT COMPANY</b>	<i>Note</i>	<b>30 June 2018</b>	30 June 2017
		<b>(Rupees in '000)</b>	
Management remuneration payable	10.1	<b>576</b>	953
Sindh Sales Tax on management remuneration	10.2	<b>75</b>	124
Payable against allocation of expenses relating to the Fund	10.3	<b>209</b>	144
Other payables		<u><b>138</b></u>	<u>89</u>
		<u><b>998</b></u>	<u>1,310</u>

10.1 As per regulation 61 of amended Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), the Management Company of the Fund is entitled to an accrued remuneration equal to an amount not exceeding 1 % of average annual net assets in case of Money Market Scheme. The Management Company has charged remuneration at the rate of 7.5% of the gross earnings of the Scheme, calculated on a daily basis not exceeding the maximum rate of remuneration permitted. Moreover, the fee is subject to a minimum of 0.25% of the daily net assets. This basis for accrual of management fee is applied with effect from 15 January 2018.

Previously, the Management Company of the Fund has charged remuneration at the rate of 10% of the gross earnings of the Scheme, calculated on a daily basis not exceeding the maximum rate of remuneration permitted. The remuneration is paid to the Management Company on monthly basis in arrears.

10.2 Sindh Sales Tax has been charged at 13% (30 June 2017: 13%) on the management fee charged during the year.

10.3 As a result of amendments in NBFC Regulations vide statutory notification (SRO No. 1160 / (I) dated 25 November 2015), the Management Company may charge fee and expenses related to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) upto a maximum of 0.1% per annum of the average annual net assets or the actual cost whichever is lower. Accordingly, the management company has charged 0.1% per annum of the average annual net assets, being lower.

## 11 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed and Offering Document as per the tariff specified therein, based on the daily net asset value of the Fund. The remuneration is paid to the Trustee on monthly basis in arrears. The tariff structure applicable to the Fund in respect of the trustee fee for the year ended 30 June 2018 is as follows:

Net assets	Tariff per annum
- Up to Rs.1 billion	0.15% per annum of net asset value
- From Rs.1 billion to Rs.10 billion	Rs. 1.5 million plus 0.075% per annum of net asset value exceeding Rs.1 billion
- On amount exceeding Rs. 10 billion	Rs.8.25 million plus 0.06% per annum of net asset value exceeding Rs. 10 billion.

## 12 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Fund is required to pay SECP an annual fee at the rate of 0.075 % of the average daily net assets of the Fund in accordance with regulation 62 of the NBFC regulations, 2008.

13 ACCRUED EXPENSES AND OTHER PAYABLES	Note	30 June 2018	30 June 2017
(Rupees in '000)			
Provision for indirect duties and taxes	13.1	9,499	9,499
Provision for Sindh Workers' Welfare Fund	13.2	2,467	1,335
Withholding tax deducted at source		-	2,973
Capital gains tax payable		668	1,004
Zakat deducted at source		520	567
Auditors' remuneration payable		397	384
Brokerage payable		56	54
Sindh Sales Tax payable		3	3
Sales load and other payables		217	266
		<b>13,827</b>	<b>16,085</b>

13.1 As per the requirements of the Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company was applied with effect from 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 results in double taxation, which does not appear to be the spirit of the law. The matter was collectively taken up by the Management Company jointly with other Asset Management Companies and Trustees of respective Collective Investment Schemes (CISs), through a Constitutional Petition filed in the Honourable Sindh High Court (SHC) during September 2013. In this respect, the SHC had issued a stay order against the recovery of FED due to which the Fund has not made any payments for FED upto 30 June 2016.

On 30 June 2016, the Honourable Sindh High Court of Pakistan had passed a Judgment that after 18th amendment in the Constitution of Pakistan, the Provinces alone have the legislative power to levy a tax on rendering or providing services, therefore, chargeability and collection of FED after 01 July 2011 is ultra vires to the Constitution of Pakistan. On 23 September 2016, the Federal Board of Revenue (FBR) filed an appeal in the Supreme Court of Pakistan (SCP) against above judgement, which is pending adjudication. Management Company, as a matter of abundant caution, has maintained full provision for FED aggregating to Rs. 9.112 million (30 June 2017: Rs. 9.499 million) until the matter is resolved. Had the provision not been made, the net asset value per unit of the Fund as at 30 June 2018 would have been higher by Rs. 0.60 per unit (30 June 2017: Rs. 1.04 per unit).

Through Finance Act, 2016, FED on services rendered by Non-Banking Financial Institutions (NBFIs) including Asset Management Companies, which are already subject to provincial sales tax, has been withdrawn. Therefore, in the current year, provision for FED has not been recorded.

**13.2** The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) as a result of which it was construed that all Collective Investment Schemes / Mutual Funds (CISs) whose income exceeded Rs.500,000 in a tax year were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever was higher.

The amendments introduced in the WWF Ordinance were challenged in various High Courts of Pakistan. The Honourable Lahore High Court (LHC) and the Honourable Sindh High Court (SHC) arrived at different conclusions in respect of the validity of the amendments made through the Finance Act in relation to the WWF. Both the decisions of the LHC and the SHC were challenged in the Honourable Supreme Court of Pakistan (SCP). On 10 November 2016 the SCP passed a judgment declaring the insertion of amendments introduced through Finance Act, 2008 pertaining to WWF as unlawful for the reason that the WWF is not in the nature of tax and therefore, could not be introduced through money bill under the Constitution. Subsequently, the Federal Board of Revenue (FBR) has filed a review petition in the SCP against the said judgment, which is pending adjudication.

Further, as a consequence of the 18th amendment to the Constitution, levy for the WWF was also introduced by the Government of Sindh through the Sindh Workers Welfare Fund (SWWF) Act 2014. SWWF Act 2014, enacted on 21 May 2015, requires every Industrial Establishment located in the province of Sindh and having total income of Rs.500,000 or more in any year of account commencing on or after the date of closing of account on or after 31 December 2013, to pay two percent of so much of its total income declared to SWWF. The said Act includes any concern engaged in the Banking or Financial Institution in the definition of "Industrial Undertaking" but does not define Financial Institution. The Management Company, based on an opinion obtained by the Mutual Funds Association of Pakistan (MUFAP), believes that Mutual Funds are not liable to pay Sindh WWF under the said law, for the reason that the Mutual Funds are not financial institutions and rather an investment vehicle. However, the Sindh Revenue Board has not accepted the said position of MUFAP and as a result, MUFAP has taken up this matter with the Sindh Finance Ministry for resolution.

In view of the above developments regarding the applicability of Federal and Sindh WWF on Mutual Funds, the MUFAP obtained a legal opinion on these matters and based on such legal advice (which also stated that even if a review petition is filed by any party, such petition can only be based on very limited grounds and the chances of any major change in the SCP judgement are very limited, has recommended to all its members on 12 January 2017 the following:

- The provision against the Federal WWF held by the Mutual Funds till 30 June 2015 should be reversed on 12 January 2017; and
- Provision against Sindh WWF, on prudent basis, should be made from the date of enactment of the Sindh WWF Act, 2014 (i.e., 21 May 2015) with effect from 12 January 2017.

The above decisions were communicated to SECP and the Pakistan Stock Exchange Limited on 12 January 2017. In response to the aforementioned letter SECP vide its letter dated 1 February 2017 advised MUFAP that the adjustments relating to the above should be made prospectively and adequate disclosure shall be made in the condensed interim financial information of Mutual Funds. Accordingly, the Fund has recorded these adjustments in its books of account on 12 January 2017.

The cumulative net effect of the above two adjustments, had they not been made, would have resulted in an increase in the net assets value per unit by Rs. 0.16 per unit.

<b>14 FINANCIAL INCOME</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
Profits on:		
- Bank balances	<b>40,060</b>	23,749
- Term deposit receipts / letter of placements	<b>6,860</b>	1,130
- Market treasury bills	<b>24,526</b>	16,547
- Pakistan investment bonds	<b>-</b>	835
	<b><u>71,446</u></b>	<b><u>42,261</u></b>

15	NET CAPITAL LOSS ON SALE OF INVESTMENTS	30 June 2018	30 June 2017
		(Rupees in '000)	
	<b>Designated at fair value through profit or loss</b>		
	- Market treasury bills	(116)	57
	- Pakistan investment bonds	-	(59)
		<u>(116)</u>	<u>(2)</u>

#### 16 AUDITORS' REMUNERATION

Annual audit fee	286	280
Half yearly review fee	141	137
Fee for certifications and other services	139	108
Out of pocket expenses	71	61
	<u>637</u>	<u>586</u>

#### 17 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Board of Directors of the Management Company in their meeting held on 02 July 2018 (refer note 29) has distributed more than ninety percent of the Fund's accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders during the year. Accordingly, no provision has been made in the financial statements for the year ended 30 June 2018.

#### 18 CONTINGENCY

As at 30 June 2018, there is no contingency.

#### 19 TOTAL EXPENSE RATIO

The Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/18/2016 dated 20 July 2016, requires that collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the year ended 30 June 2018 is 1.34% which include 0.29% representing government levy, Sindh Workers' Welfare Fund and SECP fee.

20	RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES	Receivable against sale of units	Payable against redemption of units	Total
		(Rupees in '000)		
	Opening balance as at 1 July 2017	1,925	-	1,925
	Receivable against issuance of units	5,341,047	-	5,341,047
	Payable against redemption of units	-	4,658,185	4,658,185
		5,341,047	4,658,185	9,999,232
	Amount received on issuance of units	(5,341,400)	-	(5,341,400)
	Amount paid on redemption of units	-	(4,658,185)	(4,658,185)
		(5,341,400)	(4,658,185)	(9,999,585)
	<b>Closing balance as at 30 June 2018</b>	<u>1,572</u>	<u>-</u>	<u>1,572</u>

## 21 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Connected persons / related parties comprise of United Bank Limited (Holding Company of Management Company), UBL Fund Managers Limited (Management Company), Al-Ameen Islamic Financial Services (Private) Limited (Subsidiary of the Management Company), entities under the common management or directorship, Central Depository Company of Pakistan Limited as trustee and custodian of the Fund, the directors and officers of the Management Company and unit holders holding 10% or more of the Fund's net assets.

Remuneration to the management company and the trustee is determined in accordance with the provision of Non Banking Finance Companies Rules, 2003, Non Banking Finance Companies and Notified Entities regulations, 2008 and the Trust Deed respectively.

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

Details of transactions with related parties / connected persons and balances with them at the year end are as follows:

	Management Company	Associated Companies	Trustee	Funds under Common Management	Directors and Key Executives	Other Connected Persons / Related Parties
----- (Transactions during the year ended 30 June 2018) ----- ----- (Rupees in '000) -----						
Units issued	1,637,639	12,279	-	1,403,578	-	-
Units redeemed	1,013,284	7,194	-	1,253,850	-	-
Profit on saving accounts	-	255	-	-	-	-
Bank charges	-	79	-	-	-	-
Purchase of securities	-	-	-	99,901	-	-
Sale of securities	-	247,595	-	1,488,787	-	-
Remuneration	7,647	-	1,496	-	-	-
Sindh Sales tax on remuneration	994	-	195	-	-	-
Allocation of expenses relating to the Fund	1,103	-	-	-	-	-
Listing fee	-	-	-	-	-	25
----- (Balances held as at 30 June 2018) -----						
Units held (in units '000)	6,027	228	-	1,490	0.09	-
Units held (in rupees '000)	636,491	24,046	-	157,384	9	-
Bank balances *	-	2,491	-	-	-	-
Remuneration payable **	651	-	169	-	-	-
Sales load and other payable	122	206	-	-	-	-
Payable against allocated expenses	209	-	-	-	-	-
Profit receivable	-	7	-	-	-	-

\* These carry profit rate of 4% per annum.

\*\* This balance is inclusive of Sindh Sales Tax payable

	Management Company	Associated Companies	Trustee	Funds under Common Management	Directors and Key Executives	Other Connected Persons / Related Parties
----- (Transactions during the year ended 30 June 2017) ----- ----- (Rupees in '000) -----						
Units issued	-	7,257	-	-	0.404	504,000
Units redeemed	-	-	-	-	-	715,572
Profit on saving accounts	-	2,911	-	-	-	-
Bank charges	-	49	-	-	-	-
Purchase of securities	-	358,380	-	464,903	-	-
Sale of securities	-	524,745	-	1,713,587	-	-
Remuneration	6,763	-	1,008	-	-	-
Sindh Sales tax on remuneration	879	-	131	-	-	-
Dividend paid to unit holders	-	962	-	-	0.450	9,934
Allocation of expenses relating to the Fund	676	-	-	-	-	-
----- (Balances held as at 30 June 2017) -----						
Units held (in units '000)	-	181	-	-	0.087	3,908
Units held (in rupees '000)	-	18,184	-	-	8,740	392,622
Bank balances *	-	14,349	-	-	-	-
Remuneration payable **	1,077	-	162	-	-	-
Sales load and other payable	89	-	-	-	-	-
Payable against allocated expenses	144	-	-	-	-	-
Profit receivable	-	153	-	-	-	-

\* These carry profit rate of 4% per annum.

\*\* This balance is inclusive of Sindh Sales Tax payable

## 22 FINANCIAL RISK MANAGEMENT

22.1 The Fund's objective in managing risks is the creation and protection of Unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to credit risk, liquidity risk and market risk arising from the financial instruments it holds.

### 22.2 Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation. The Fund's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements.

#### *Management of credit risk*

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of NBFC rules and regulations and guidelines given by SECP from time to time.

Credit risk is managed and controlled by the management company of the Fund in the following manner:

- The fund limits its exposure to credit risk by only investing in instruments and bank deposits that have a minimum "AA-" from a credit rating agency duly approved by the SECP.
- Investment transactions are carried out with large number of brokers, whose credit rating is taken into account so as to minimize the risk of default and transactions are settled or paid for only upon deliveries.
- The risk of counter party exposure due to failed trade causing a loss to the Fund is mitigated by a periodic review of trade reports, credit ratings and financial statements on a regular basis.
- Cash is held only with reputable banks (including related party).

The table below analyses the Fund's maximum exposure to credit risk:

	30 June 2018	30 June 2017
<b>Financial assets exposed to credit risk</b>	<b>(Rupees in '000)</b>	
Bank balances	1,490,596	885,801
Term deposit receipt	135,000	-
Profit receivable	3,058	5,872
	<u>1,628,654</u>	<u>891,673</u>

Credit risk arising on financial assets is monitored through a regular analysis of financial position of brokers and other parties. Further, all transactions in securities are executed through approved brokers, thus the risk of default is considered to be minimal. For Debt instruments settlement, Delivery versus Payment (DvP) mechanism applied by Trustee of the Fund minimize the credit risk. 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.

All deposits with Banks and CDC are highly rated and risk of default is considered minimal. Further, investment in government securities is not exposed to credit risk.

The analysis below summarizes the credit quality of the Fund's portfolio in total as on 30 June 2018:

<b>Rating by category</b>	<b>30 June 2018</b>	30 June 2017
	-----%-----	
AAA	<b>46.00</b>	6.17
AA	<b>31.00</b>	-
AA- to AA+	<b>23.00</b>	92.99
Others	-	0.84
<b>Total</b>	<b><u>100.00</u></b>	<b><u>100.00</u></b>

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

The Fund's activities may give rise to settlement risk. „Settlement risk“ is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the majority of transactions, the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

### 22.3 Liquidity risk

„Liquidity risk“ is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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 unitholder's redemptions at any time. The Fund manages the liquidity risk by maintaining maturities of 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 invested in short term government securities and saving accounts . 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 Fund manager 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 percent of the net assets. However, no such borrowing has been obtained during the year.

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.

In addition to unitholders' fund, the analysis below summarizes the Fund's financial liabilities into relevant maturity grouping as at 30 June 2018:

	30 June 2018				Total
	Maturity Upto			More than one year	
	Three months	Six months	One year		
(Rupees in '000)					
<b>Financial Liabilities</b>					
Payable to Management Company	998	-	-	-	998
Payable to Central Depository Company of Pakistan Limited - Trustee	169	-	-	-	169
Accrued expenses and other payables	1,861	-	-	-	1,861
<b>Total Liabilities</b>	<b>3,028</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,028</b>
	30 June 2017				
	Maturity Upto			More than one year	Total
	Three months	Six months	One year		
(Rupees in '000)					
<b>Financial Liabilities</b>					
Payable to Management Company	1,310	-	-	-	1,310
Payable to Central Depository Company of Pakistan Limited - Trustee	162	-	-	-	162
Accrued expenses and other payables	5,251	-	-	-	5,251
<b>Total Liabilities</b>	<b>6,723</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,723</b>

## 22.4 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and debt security prices.

### i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market interest rates. The Fund's interest rate risk is monitored on a daily basis by the board of directors.

As at 30 June 2018, the balances that may be exposed to interest rate risk are as follows:

	30 June 2018	30 June 2017
	(Rupees in '000)	
<b>Variable rate instruments</b>		
Bank balances	<u>1,490,596</u>	<u>885,801</u>
<b>Fixed rate instrument</b>		
Term deposit receipt	<u>135,000</u>	<u>-</u>

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the year end would have increased / (decreased) the net assets and net income by Rs. 14.906 million (30 June 2017: Rs. 8.858 million), assuming all other variables held constant.

### Cash flow sensitivity analysis for fixed rate instrument

Short term investment with a bank is carried at held to maturity. Therefore a change in interest rate at the reporting date would not effect the income statement.

The composition of the Fund's investment portfolio and KIBOR rates announced are expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2018 is not necessarily indicative of the effect on Funds net assets of future movements in interest rates. The fluctuation in interest rate of 100 basis points is reasonably possible in the current economic environment.

**ii) Foreign Currency risk**

Foreign 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 does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

**iii) 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 Fund in which the investment is made, change in business circumstances of the Fund, industry environment and / or the economy in general. The Fund is not exposed to the risk as its constitutive documents prohibit it from investing in equity securities.

**22.5 Unit holders' fund risk management (Capital risk Management)**

The Fund's objective when managing unit holder's funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders and to ensure reasonable safety of capital. The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in market conditions. Under the NBFC regulations, 2008, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme. The Fund size depends on the issuance and redemption of units.

In order to maintain or adjust the capital structure, the Fund's policy is to perform the following:

- Monitors the level of daily issuance and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to unit holders;
- Redeem and issue units in accordance with the constitutive documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and issuance; and
- The Fund Manager / Investment Committee members and Chief Executive of the Fund critically track the movement of „Assets under Management“. The Board of Directors is updated about the fund yield and movement of NAV and total fund size at the end of each quarter.

**23. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

#### On-balance sheet financial instruments

<u>30 June 2018</u>	Note	Carrying amount				Fair value				
		Fair value through profit and loss	Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets not measured at fair value</b>										
	23.1									
Bank balances		-	-	1,490,596	-	1,490,596				
Term deposit receipt		-	-	135,000	-	135,000				
Profits receivable		-	-	3,058	-	3,058				
Deposit, prepayments and other receivables		-	-	1,769	-	1,769				
		-	-	1,630,423	-	1,630,423				
<b>Financial liabilities not measured at fair value</b>										
	23.1									
Payable to the Management Company		-	-	-	998	998				
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	169	169				
Accrued expenses and other payables		-	-	-	670	670				
		-	-	-	1,837	1,837				
<b>30 June 2017</b>										
	Note	Carrying amount				Fair value				
		Fair value through profit and loss	Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets not measured at fair value</b>										
	23.1									
Bank balances		-	-	885,801	-	885,801				
Profits receivable		-	-	5,872	-	5,872				
Deposit, prepayments and other receivables		-	-	2,122	-	2,122				
		-	-	893,795	-	893,795				
<b>Financial liabilities not measured at fair value</b>										
	23.1									
Payable to the Management Company		-	-	-	1,310	1,310				
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	162	162				
Accrued expenses and other payables		-	-	-	5,251	5,251				
		-	-	-	6,723	6,723				

23.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

**24 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID BY THE FUND**

**Commission  
2018  
%**

**Name of Broker**

Currency Market Associates (Private) Limited	10.04
Next Capital Limited	2.35
Invest Capital Markets Limited	20.05
BIPL Securities Limited	0.94
Paramount Capital (Private) Limited	1.29
C&M Management (Private) Limited	12.48
Bright Capital (Private) Limited	52.10
EFG Hermes Pakistan Limited	0.75
	<u>100.00</u>

**Commission  
2017  
%**

**Name of Broker**

Invest One Market Limited	33.08
Bright Capital (Private) Limited	16.97
Invest Capital Market Limited	16.50
C&M Management Private Limited	14.73
Elixer Securities Pakistan Limited	9.29
Vector Capital Limited	6.35
Paramount Capital Private Limited	2.24
BIPL Securities Limited	0.84
	<u>100.00</u>

**25 INVESTMENT COMMITTEE**

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

S. No.	Name	Designation	Experience in years	Qualification
1	Yasir Qadri	Chief Executive Officer	22	MBA
2	Syed Suleman Akhtar	Chief Investment Officer	17	MBA, CFA
3	Farhan Bashir Khan	Head of Research	12	MBA
4	Asim Wahab Khan	Head of Investment Strategy & Equity	13	MBA, CFA
5	Syed Sheeraz Ali	Fund Manager	9	BS
6	Hadi Hassan Mukhi	Acting Head of Risk & Compliance **	18	B.Com

\*Syed Sheeraz Ali is also Fund Manager of UBL Income Opportunity Fund, UBL Financial Planning Fund and Al Ameen Islamic Cash Fund.

\*\* Head of Risk - non voting observer

**26 DIRECTORS' MEETING ATTENDANCE**

During the year, seven meetings of the Board of Directors of the Management Company were held. The details of the attendance are as under:

Name of Director	Dates Meetings attended	23 August	25 September	27 October	6 December	16 February	26 April	2 May
		2017	2017	2017	2017	2018	2018	2018
Tariq Kirmani **	2	✓	✓	N/A	N/A	N/A	N/A	N/A
Azhar hamid *	5	N/A	N/A	✓	✓	✓	✓	✓
Yasir Qadri	7	✓	✓	✓	✓	✓	✓	✓
Naz Khan *	5	N/A	N/A	✓	✓	✓	✓	✓
Shabbir Hussain Hashmi **	2	✓	✓	N/A	N/A	N/A	N/A	N/A
Sharjeel Shahid *	3	N/A	N/A	✓	✓	x	✓	x
Zia Ijaz	5	✓	✓	✓	✓	x	✓	x
Syed Furrukh Zaeem	7	✓	✓	✓	✓	✓	✓	✓
Mirza Muhammad								
Sadeed Hassan Barlas	6	✓	✓	✓	✓	x	✓	✓
Fawaz Taj Siddiqui ****	5	✓	✓	✓	✓	✓	N/A	N/A
Umair Ahmed	7	✓	✓	✓	✓	✓	✓	✓
S.M. Aly Osman ****	2	N/A	N/A	N/A	N/A	N/A	✓	✓

\* Elected at EOGM held on 29 September 2017.

\*\* Independent Director's have completed three consecutive term.

\*\*\* Mr. Zulfqar Alavi resigned on 07 August 2017.

\*\*\*\* Mr. Fawaz Taj siddiqui resigned and appointment of Mr. S.M. Aly Osman effective from 02 April 2018 as Company Secretary.

## 27 PATTERN OF UNIT HOLDERS

Category	30 June 2018		
	Number of		
	Unit holders	Units held	Percentage
Individuals	951	3,562,743	23.29%
Associated companies and directors	4	227,776	1.49%
Insurance companies	4	948,904	6.20%
Non Banking Financial Companies	3	7,517,239	49.14%
Retirement funds	15	2,046,864	13.38%
Public limited companies	4	962,040	6.29%
Others	2	33,299	0.21%
	<b>983</b>	<b>15,298,865</b>	<b>100.00%</b>

Category	30 June 2017		
	Number of		
	Unit holders	Units held	Percentage
Individuals	850	3,569,035	40.92%
Associated companies and directors	4	181,503	2.08%
Insurance companies	3	64,609	0.74%
Retirement funds	7	2,493,702	28.60%
Public limited companies	3	1,993,863	22.86%
Others	6	419,042	4.80%
	<b>873</b>	<b>8,721,754</b>	<b>100.00%</b>

## 28 CREDIT RATING

JCR - VIS Credit Rating Company has upgraded management quality rating from AM2++ (stable outlook) to AM1 to the management company as at 29 December 2017.

## 29 GENERAL

### 29.1 Subsequent event - Non adjusting

The Board of the Management Company has approved final cash dividend for the year ended 30 June 2018 on 02 July 2018 at Rs. 5.14 per unit (2016: Nil) amounting to Rs. 18.746 million (2016: Nil).

The financial statements of the Fund for the year ended 30 June 2018 do not include the effect of above distribution which will be accounted for in the financial statements for the year ending 30 June 2019.

### 29.2 Date of authorisation for issue

These financials statements were authorized for issue by Board of Directors of the Management Company on 28-Aug-18.

**For UBL Fund Managers Limited  
(Management Company)**

SD  
Chief Executive Officer

SD  
Chief Financial Officer

SD  
Director

# UGSF

## UBL Government Securities Fund

### INVESTMENT OBJECTIVE

The objective of the fund is to generate a competitive return with minimum risk, by investing primarily in Government Securities.

<b>Management Company</b>	UBL Fund Managers Limited
<b>Trustee</b>	Central Depository Company of Pakistan Limited 99-B, Block-B, S.M.C.H.S., Main Shakra-e-Faisal, Karachi. Tel: (9221) 111-111-500
<b>Distribution Company</b>	United Bank Limited (for detail of others, please visit our website: <a href="http://www.ublfunds.com.pk">www.ublfunds.com.pk</a> )
<b>Auditors</b>	BDO Ebrahim & Co., Chartered Accountants
<b>Bankers</b>	United Bank Limited Bank Alfalah Limited NIB Bank Limited Faysal Bank Limited Samba Bank Limited Sindh Bank Limited National Bank of Pakistan MCB Bank Limited Allied Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited Meezan Bank Limited JS Bank Limited Zarai Taraqati Bank Limited Askari Bank Limited
<b>Management Co.Rating</b>	AM1 (JCR)VIS)
<b>Fund Rating</b>	A+ (f) (JCR)VIS)

## Fund Manager's Report – UBL Government Securities Fund (UGSF)

- i) **Description of the Collective Investment Scheme category and type**  
Income / Open-end
- ii) **Statement of Collective Investment Scheme's investment objective**  
The objective of the fund is to generate a competitive return with minimum risk, by investing primarily in Government Securities.
- iii) **Explanation as to whether the Collective Investment Scheme achieved its stated objective**  
The Fund achieved its stated objective.
- iv) **Statement of benchmark(s) relevant to the Collective Investment Scheme**  
Average of 6M PKRV rates.
- v) **Comparison of the Collective Investment Scheme's performance during the period compared with the said benchmarks**

Monthly Yield	Jul'17	Aug'17	Sep'17	Oct'17	Nov'17	Dec'17	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18	FYTD
<b>UGSF</b>	3.40%	3.87%	4.99%	4.77%	4.68%	4.67%	4.54%	4.94%	4.68%	5.46%	5.17%	5.39%	4.71%
<b>Benchmark</b>	6.00%	6.00%	6.01%	6.01%	6.01%	6.02%	6.03%	6.24%	6.47%	6.36%	6.43%	6.84%	6.20%

- vi) **Description of the strategies and policies employed during the period under review in relation to the Collective Investment Scheme's performance**

UBL Government Securities Fund posted a return of 4.71% p.a. during FY18. At end of FY18, the Fund Manager allocated 55% to T-Bills and 40% in Cash. Moreover, the weighted average maturity of the fund was 0.08 years.

- vii) **Disclosure of the Collective Investment Scheme's asset allocation as at the date of the report and particulars of significant changes in asset allocation since the last report (if applicable)**

Asset Allocation (% of Total Assets)	Jun-17	Jun-18
Placements with banks	0%	4%
PIBs	4%	0%
GOP Ijarah Sukuk	19%	0%
Reverse Repo	0%	0%
T-Bills	44%	55%
Cash	33%	40%
Others	1%	0%
Leverage	Nil	Nil

viii) **Analysis of the Collective Investment Scheme's performance**

FY'18 Return:	4.71%
Standard Deviation (12m trailing):	0.20%
Sharpe Ratio (12m trailing):	(7.00)

ix) **Changes in total NAV and NAV per unit since the last review period or since commencement (in case of newly established Collective Investment Schemes)**

Net Asset Value			NAV per unit		
30-Jun-18	30-Jun-17	Change	30-Jun-18	30-Jun-17	Change
Rupees (000)		%	Rupees		%
1,877,040	3,339,182	(43.79)	110.5634	105.5946	4.71

x) **Disclosure on the markets that the Collective investment Scheme has invested in including - review of the market(s) invested in and performance during the period**

**Debt Market Review – FY18**

The International Crude Oil prices exhibited an upward trend for the fiscal year. The prices increased from USD 45-per barrel increasing as much as ~70% closing at a new high of USD ~80 per barrel. Increasing oil prices, higher commodity prices (with exception of sugar) along with lagged impact of PKR devaluation (+16%) aided in increasing inflation rate to 4.4% for 4QFY18. Core measures of inflation witnessed an upward trajectory where NFNE which is somewhat sticky in nature increased to 7.1% by end of FY18. Taking cues from this trend we expect SBP to continue its current monetary tightening policy.

In twelve PIB auctions for FY18 conducted during the year, the government raised PKR~102bn (PKR ~894bn in FY17) against target of PKR 330bn. Consequently, outstanding amount for the PIBs in the market increased to PKR 29.47trn. Participation in the auctions was largely skewed towards three and five year paper in line with interest rate hikes. Cut off yields in June auction trimmed to 7.5%, 8.5% and 8.7% for three, five and ten year PIB instruments respectively. In July'18 PIB Auction the government accepted PKR ~6.9bn.

The yield curve based on government securities of various maturities has shifted upwards in line with the ongoing increasing discounts rates. Yield on 3M, 6M and 12M T-Bills increased by 79bps, 90bps and 116bps, respectively. Similarly, yield on 3-year, 5-year and 10-year bonds increased 180bps, 171bps and 86bps, respectively. The spread between annualized yields of 1-year T-bills (7.20% p.a.) and 10-year PIBs (9.03% p.a.) stood at 1.83% as of 30 June 2018.

xi) **Disclosure on distribution (if any), comprising:-**

- particulars of income distribution or other forms of distribution made and proposed during the period; and
- statement of effects on the NAV before and after distribution is made

Final distribution for the year ended June 30, 2018 was made subsequent to year end, on July 02, 2018. Below are the details of such distribution

Distribution				Per unit	
Declared on	Bonus	Cash	Per Unit	Cum NAV	Ex NAV
	Rupees (000)		----- Rupees -----		
July 02, 2018	-	84,356	4.9688	110.5634	105.5946

- xii) **Description and explanation of any significant changes in the state of affairs of the Collective Investment Scheme during the period and up till the date of the manager's report, not otherwise disclosed in the financial statements**

There were no significant changes in the state of affairs during the year under review.

- xiii) **Breakdown of unit holdings by size**

Range of Units	Number of Investors
	UGSF
0.0001 - 9,999.9999	2,616
10,000.0000 - 49,999.9999	167
50,000.0000 - 99,999.9999	27
100,000.0000 - 499,999.9999	16
500,000.0000 & Above	4
<b>Total</b>	<b>2,830</b>

- xiv) **Disclosure on unit split (if any), comprising:-**

There were no unit splits during the period.

- xv) **Disclosures of circumstances that materially affect any interests of unit holders**

Investment are subject to market risk.

- xvi) **Disclosure if the Asset Management Company or its delegate, if any, receives any soft commission (i.e. goods and services) from its broker(s) or dealer(s) by virtue of transactions conducted by the Collective Investment Scheme.**

No soft commissions are received by the AMC from its brokers or dealers by virtue of transactions conducted by the Collective Investment Scheme.

## **PERFORMANCE TABLE**

### **UBL Government Securities Fund**

	<b>2018</b>	2017	2016
<b>NET ASSETS AS AT 30 JUNE - Rupees in '000</b>	<b>1,877,040</b>	3,339,182	13,976,144
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - Rupees *</b>			
Class C units - Offer *	111.8128	106.7878	106.8724
- Redemption	110.5634	105.5946	105.4801
<b>RETURN OF THE FUND - %</b>			
Total Return of the Fund	<b>4.71</b>	4.81	8.95
Capital Growth (per unit)	<b>4.71</b>	(0.14)	0.85
Date of Income Distribution	-	26-Jun-17	23-Jun-16
Income Distribution	-	4.95	8.10
Date of Bonus distribution	-	-	17-Jun-16
Bonus Distribution	-	-	3.00
<b>AVERAGE ANNUAL RETURN - %</b>			
One Year	<b>4.71</b>	4.81	8.95
Second Year	<b>4.76</b>	6.88	4.55
Third Year	<b>6.16</b>	4.64	3.06
Since inception	<b>3.13</b>	2.37	1.88
<b>OFFER / REPURCHASE DURING THE YEAR- Rupees *</b>			
Highest price per unit - Class C units - Offer	<b>111.8128</b>	111.6365	117.6178
Highest price per unit - Class C units - Redemption	<b>110.5634</b>	110.3891	116.0855
Lowest price per unit - Class C units - Offer	<b>106.7397</b>	106.6445	106.5687
Lowest price per unit - Class C units - Redemption	<b>105.5470</b>	105.4529	105.1803
* Front-end load @1% is applicable			
<b>PORTFOLIO COMPOSITION - %</b>			
Percentage of Net Assets as at 30 June			
<b>PORTFOLIO COMPOSITION BY CATEGORY - %</b>			
Bank Balances	<b>40.00</b>	33.00	25.00
Placements and Term Deposit Receipts	<b>5.00</b>	-	4.00
Government securities	<b>55.00</b>	67.00	71.00
<b>PORTFOLIO COMPOSITION BY MARKET - %</b>			
Debt market	<b>100.00</b>	100.00	100.00

Note:

- The IPO of the Fund was held from 25 July 2011 to 26 July 2011 and the Fund commenced its operations from 27 July 2011

### **DISCLAIMER**

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

**Head Office:**

CDC House, 99-B, Block 'B',  
S.M.C.H.S., Main Shahra-e-Faisal,  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**UBL GOVERNMENT SECURITIES FUND**

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

We Central Depository Company of Pakistan Limited, being the Trustee of UBL Government Securities Fund (the Fund) are of the opinion that UBL Fund Managers Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 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.

A handwritten signature in black ink, appearing to read 'Aftab Ahmed Diwan'.

**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 19, 2018



**STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 BY UBL FUND MANAGERS LIMITED**

**NAME OF FUND: UBL GOVERNMENT SECURITIES FUND**

**YEAR ENDING: JUNE 30, 2018**

The Securities and Exchange Commission of Pakistan (SECP) through its letter dated April 18, 2018 to Mutual Funds Association of Pakistan (MUFAP) has exempted the open-end collective investment schemes from the requirements of the Code of Corporate Governance. However, the Board of Directors of UBL Fund Managers Limited (the Management Company) of UBL Government Securities Fund (the Fund), for the purpose of establishing a framework of good governance whereby a Fund is managed by best practice of Corporate governance, has voluntarily opted to comply with the relevant provisions of the Listed Companies (Code of Corporate Governance) Regulations 2017 (The Code).

The Management Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following:
  - a. Male: Six Directors;
  - b. Female: One Director.
2. The composition of the Board is as follows:

Category	Name
Independent Directors	Mr. Azhar Hamid
	Ms. Naz Khan
Executive Directors	Mr. Yasir Qadri
Non - Executive Directors	Mirza Muhammad Sadeed Hassan Barlas
	Mr. Sharjeel Shahid
	Mr. Zia Ijaz
	Syed Furrugh Zaeem

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company.
4. 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.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained. The Management Company has placed the Whistle Blowing Policy, Proxy Policy and the Principles of the Code of Conduct (Statement of Ethics and Business Practice) on its website.
6. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
7. The Board has a formal and effective mechanism in place for an annual evaluation of the Board's own performance.



8. The Chairman of the Board is an Independent director. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board as empowered by the relevant provisions of the Act and these Regulations.
9. 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. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
10. Following directors and executive have acquired the prescribed Director Training Program (DTP) certification:

**Directors**

- a. Mirza Muhammad Sadeed Hassan Barlas
- b. Mr. Yasir Qadri
- c. Mr. Zia Ijaz
- d. Ms. Naz Khan
- e. Syed Furrukh Zaeem

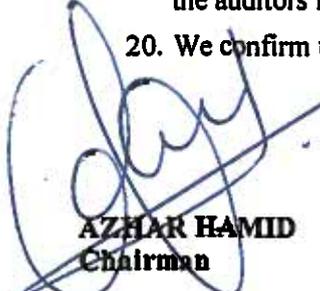
**Executive**

- f. S.M. Aly Osman

11. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
12. CFO and CEO duly endorsed the financial statements before approval of the Board.
13. The Board has formed committees comprising of members given below. The Board Audit Committee and the Board Human Resource & Compensation Committee are chaired by separate Independent directors:
  - a. Board Audit Committee
    - i. Ms. Naz Khan (Chair);
    - ii. Mirza Muhammad Sadeed Hassan Barlas;
    - iii. Mr. Sharjeel Shahid;
    - iv. Mr. Zia Ijaz.
  - b. Board Human Resource & Compensation Committee
    - i. Mr. Azhar Hamid (Chairman);
    - ii. Mr. Yasir Qadri;
    - iii. Mr. Zia Ijaz;
    - iv. Ms. Naz Khan;
    - v. Syed Furrukh Zaeem.
  - c. Board Risk & Compliance Committee
    - i. Mirza Muhammad Sadeed Hassan Barlas (Chairman);
    - ii. Mr. Azhar Hamid;
    - iii. Mr. Sharjeel Shahid;
    - iv. Mr. Yasir Qadri;
    - v. Syed Furrukh Zaeem.



14. The Terms of Reference of the aforesaid Committees have been formed, documented and advised to the Committee for compliance.
15. The frequency of meetings of the Committee were as per following:
  - a. Board Audit Committee : Quarterly Meeting
  - b. Board Human Resource & Compensation Committee: Quarterly Meeting
  - c. Board Risk & Compliance Committee: Quarterly Meeting
16. The Board has set up an independent and effective internal audit function and the audit personnel are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company.
17. 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) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
18. The Board Audit Committee recommends to the Board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that any other significant requirements of the Regulations have been complied with.

  
**AZHAR HAMID**  
Chairman

Karachi.  
Dated: August 28, 2018

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE UNITHOLDERS OF UBL GOVERNMENT SECURITIES FUND ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 AS ADOPTED BY THE BOARD OF DIRECTORS OF UBL FUND MANAGERS LIMITED**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) as adopted by the Board of Directors (the Board) of UBL Fund Managers Limited, the Management Company of UBL Government Securities Fund (the Fund) for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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's 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 Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Fund's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Fund for the year ended June 30, 2018.

We draw attention to the following paragraph as detailed in the Statement of Compliance:

*"The Securities and Exchange Commission of Pakistan (SECP) through its letter dated April 18, 2018 to Mutual Funds Association of Pakistan (MUFAP) has exempted the open-end collective investment schemes from the requirements of the Code of Corporate Governance. However, the Board of Directors of UBL Fund Managers Limited (the Management Company) of UBL Government Securities Fund (the Fund), for the purpose of establishing a framework of good governance whereby a Fund is managed by best practice of Corporate governance, has voluntarily opted to comply with the relevant provisions of the Listed Companies (Code of Corporate Governance) Regulations 2017 (The Code)."*

Accordingly, our opinion is in relation to Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017 as adopted by the Board of Directors of the Management Company.

KARACHI

DATED: AUGUST 28, 2018



CHARTERED ACCOUNTANTS  
Engagement Partner: Zulfikar Ali Causer

## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of UBL Government Securities Fund ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2018, and the income statement, statement of comprehensive income, statement of cash flows and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2018, and its financial performance and its cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S.NO	Key audit matter(s)	How the matter was addressed in our audit
1.	<p>Amendment to the NBFC Regulations, 2008</p> <p>The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations).</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"><li>We reviewed the processes and controls implemented by the Fund relating to the production and review of system generated reports and manual workings for the purpose of calculations of element of income or loss and bifurcation of amount paid on redemption of units into "capital</li></ul>

S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>The said notification included a definition and explanation relating to "element of income" and excluded the element of income from the expression "accounting income" as described in Regulation 63 of the Regulations (amount distributable to unit holders) of the NBFC Regulations.</p> <p>Previously, an equalization account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.</p> <p>As per the revised methodology mentioned in the notification referred above, element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unitholders' fund.</p> <p>Furthermore, the amendments also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the said amendments.</p> <p>Due to the significance of impact on financial results of the Fund including substantial changes in disclosures of the Fund's financial statements as a result of above mentioned amendments, we have considered the application of amendments as a key audit matter. (Refer Note 4.12 to the financial statements of the Fund)</p>	<p>value" and "income already paid on units redeemed".</p> <ul style="list-style-type: none"> <li>• We evaluated the accuracy of system generated reports and manual workings produced by the Fund to ensure that the data is consistent with source documents and the said workings are in compliance with all the statutory provisions relating to element of income or loss.</li> <li>• We assessed the appropriateness of the recognition, measurement and presentation of "element of income / loss" in accordance with the amended provisions of the NBFC Regulations. We also considered the guidelines issued by MUFAP in respect of the accounting for element of income / loss as per the revised Regulations and assessed its implementation by the Fund.</li> <li>• We evaluated the adequacy of disclosures regarding the change in accounting policy with respect to element of income / loss along with the adequacy of additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' in accordance with the requirements of the relevant financial reporting standards and the guidance issued by MUFAP in relation thereto.</li> </ul>
2.	<p><b>Existence and valuation of debt securities</b></p> <p>As disclosed in note 6 to the financial statements of the Fund for the year ended June 30, 2018, the investments held by the Fund comprised of debt instruments which represent 55% of the total assets of the Fund as at the year end.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• We tested controls over acquisition, disposals and periodic valuation of debt instruments portfolio and performed substantive audit procedures on year-end balance of portfolio including review of</li> </ul>

## **Responsibilities of the Management Company and its Board of Directors**

The Management Company (“UBL Fund Managers Limited”) of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Company is responsible for assessing the Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Management Company is responsible for overseeing the Fund’s financial reporting process.

## **Auditor’s responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Company.

- Conclude on the appropriateness of the Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on other legal and regulatory requirements

Based on our audit, we further report that in our opinion the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

The engagement partner on the audit resulting in this independent auditor's report is Zulfikar Ali Causer.

KARACHI  
DATE 28 AUG 2018

  
 BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS

**UBL GOVERNMENT SECURITIES FUND  
STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2018**

	2018	2017
	----- (Rupees in '000) -----	
<b>ASSETS</b>		
Bank balances	5 1,645,436	1,141,088
Investments	6 2,277,353	2,309,209
Term deposit receipts	7 185,000	-
Mark up / interest receivable	8 5,142	8,709
Prepayments and other receivables	9 4,336	11,238
Advance tax	10 5,122	1,508
<b>TOTAL ASSETS</b>	<u>4,122,389</u>	<u>3,471,752</u>
<b>LIABILITIES</b>		
Payable to UBL Fund Managers Limited - Management Company	11 2,477	4,691
Payable to Central Depository Company of Pakistan Limited - Trustee	12 206	341
Payable to Securities and Exchange Commission of Pakistan	13 2,045	7,926
Accrued expenses and other liabilities	14 2,240,621	119,612
<b>TOTAL LIABILITIES</b>	<u>2,245,349</u>	<u>132,570</u>
<b>NET ASSETS</b>	<u>1,877,040</u>	<u>3,339,182</u>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>	<u>1,877,040</u>	<u>3,339,182</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	15	----- (Number of units) -----
<b>NUMBER OF UNITS IN ISSUE</b>	16 <u>16,977,050</u>	<u>31,622,643</u>
<b>NET ASSETS VALUE PER UNIT</b>	<u>110.5634</u>	<u>105.5946</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

**For UBL Fund Managers Limited  
(Management Company)**

---SD---  
**CHIEF EXECUTIVE OFFICER**

---SD---  
**CHIEF FINANCIAL OFFICER**

---SD---  
**DIRECTOR**

**UBL GOVERNMENT SECURITIES FUND  
INCOME STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 ----- (Rupees in '000) -----	2017
<b>INCOME</b>			
Financial income	17	170,724	640,273
Capital loss on sale of investments - net		(4,031)	(19,037)
Unrealised (loss) / gain on revaluation of investments classified as 'at fair value through profit or loss' - net	6.6	(394)	5,047
Other income		121	-
<b>Total income</b>		<u>166,420</u>	<u>626,283</u>
<b>EXPENSES</b>			
Remuneration of UBL Fund Managers Limited - Management Company	11.1	27,331	107,270
Sindh Sales tax on Management Company's remuneration	11.2	3,553	13,945
Remuneration of Central Depository Company of Pakistan Limited - Trustee	12.1	3,158	9,422
Annual fee of Securities and Exchange Commission of Pakistan	13.1	2,045	7,926
Allocated expenses	19	2,726	10,573
Bank charges		276	308
Auditors' remuneration	18	448	441
Brokerage and settlement expenses		580	2,400
Amortization of preliminary expenses and floatation cost		-	62
Legal and professional charges		152	1,163
Fee and subscription charges		310	315
Other expenses		42	23
<b>Total operating expenses</b>		<u>40,621</u>	<u>153,848</u>
<b>Net income from operating activities</b>		<u>125,799</u>	<u>472,435</u>
Element of loss and capital losses included in prices of units issued less those in units redeemed - net		-	(332,969)
Reversal of provision for Workers' Welfare Fund	14.2	-	19,506
Provision for Sindh Workers' Welfare Fund	14.2	(2,468)	(14,546)
<b>Net income for the year before taxation</b>		<u>123,331</u>	<u>144,426</u>
Taxation	20	-	-
<b>Net income for the year after taxation</b>		<u>123,331</u>	<u>144,426</u>
<b>Allocation of net income for the year</b>			
Income already paid on units redeemed		(62,223)	
<b>Net income for the year available for distribution</b>		<u>61,108</u>	
Relating to capital gains		-	
Excluding capital gains		61,108	
		<u>61,108</u>	
Earnings per unit	21		

The annexed notes from 1 to 34 form an integral part of these financial statements.

**For UBL Fund Managers Limited  
(Management Company)**

---SD---  
**CHIEF EXECUTIVE OFFICER**

---SD---  
**CHIEF FINANCIAL OFFICER**

---SD---  
**DIRECTOR**

**UBL GOVERNMENT SECURITIES FUND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2018</b>	<b>2017</b>
	----- (Rupees in '000) -----	
Net income for the year	123,331	144,426
Other comprehensive income		
Items that may be reclassified subsequently to income statement	-	-
Items that may not be reclassified subsequently to income statement	-	-
Total comprehensive income for the year	<u>123,331</u>	<u>144,426</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

**For UBL Fund Managers Limited  
(Management Company)**

---SD---  
**CHIEF EXECUTIVE OFFICER**

---SD---  
**CHIEF FINANCIAL OFFICER**

---SD---  
**DIRECTOR**

**UBL GOVERNMENT SECURITIES FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018**

	2018 ----- (Rupees in '000) -----	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	123,331	144,426
Adjustments for:		
Financial income	(170,724)	(640,273)
Unrealised loss / (gain) on revaluation of investments classified as 'at fair value through profit or loss' - net	394	(5,047)
Capital loss on sale of investments - net	4,031	19,037
Element of loss and capital losses included in the prices of units issued less those in units redeemed - net	-	332,969
Provision for Sindh Workers' Welfare Fund	2,468	14,546
Reversal of provision for Workers' Welfare Fund	-	(19,506)
Amortization of preliminary expenses and floatation costs	-	62
	<u>(163,831)</u>	<u>(298,212)</u>
<b>Cash used in operations before working capital changes</b>	<u>(40,500)</u>	<u>(153,786)</u>
<b>Working capital changes</b>		
<b>Decrease / (increase) in assets</b>		
Investments - net	756,133	9,165,338
Term deposit receipts	-	150,000
Prepayments and other receivables	6,902	72,599
Advance tax	(3,614)	-
	<u>759,421</u>	<u>9,387,937</u>
<b>(Decrease) / increase in liabilities</b>		
Payable to UBL Fund Managers Limited - Management Company	(2,214)	(21,624)
Payable to Central Depository Company of Pakistan Limited - Trustee	(135)	(863)
Annual fee payable to Securities and Exchange Commission of Pakistan	(5,881)	(1,714)
Accrued expenses and other liabilities	2,118,541	(12,509)
	<u>2,110,311</u>	<u>(36,710)</u>
Profit received on bank balances and investments	174,291	1,077,752
<b>Net cash generated from operating activities</b>	<u>3,003,523</u>	<u>10,275,193</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issuance of units	1,571,191	10,909,306
Payments against redemption of units	(3,156,664)	(21,882,862)
Dividend paid	-	(140,801)
<b>Net cash used in financing activities</b>	<u>(1,585,473)</u>	<u>(11,114,357)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<u>1,418,050</u>	<u>(839,164)</u>
Cash and cash equivalents at the beginning of the year	2,683,359	3,522,523
<b>Cash and cash equivalents at the end of the year</b>	<u><u>4,101,409</u></u>	<u><u>2,683,359</u></u>
<b>CASH AND CASH EQUIVALENTS</b>		
Bank balances	1,645,436	1,141,088
Term deposit receipts	185,000	-
Market Treasury Bills	2,270,973	1,542,271
	<u>4,101,409</u>	<u>2,683,359</u>

The annexed notes from 1 to 34 form an integral part of these financial statements.

**For UBL Fund Managers Limited  
(Management Company)**

---SD---

**CHIEF EXECUTIVE OFFICER**

---SD---

**CHIEF FINANCIAL OFFICER**

---SD---

**DIRECTOR**

**UBL GOVERNMENT SECURITIES FUND  
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	2018		2017	
	Capital value	Undistributed income	Total	Total
Note----- (Rupees in '000) -----				
Net assets at the beginning of the year	3,132,466	206,716	3,339,182	13,976,144
Issuance of 14,557,841 units (2017: 101,603,547 units)				
Capital value of units	1,537,229	-	1,537,229	-
Element of income				
Due to net income earned	33,962	-	33,962	-
<b>Total proceeds on issuance of units</b>	1,571,191		1,571,191	10,909,306
Redemption of 29,203,433 units (2017: 202,481,208 units)				
Capital value of units	(3,083,724)	-	(3,083,724)	-
Element of income				
Due to net income earned	(10,717)	(62,223)	(72,940)	-
<b>Total payments on redemption of units</b>	(3,094,441)	(62,223)	(3,156,664)	(21,882,862)
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	-	-	-	332,969
Total comprehensive income for the year	-	123,331	123,331	144,426
Distribution during the year	-	-	-	(140,801)
<b>Net income for the year less distribution</b>	-	123,331	123,331	3,625
<b>Net assets at the end of the year</b>	<b>1,609,216</b>	<b>267,824</b>	<b>1,877,040</b>	<b>3,339,182</b>
Undistributed income brought forward comprises of:				
Realised gain		201,669	201,669	118,965
Unrealised gain		5,047	5,047	84,126
Total undistributed income brought forward		206,716	206,716	203,091
<b>Income available for distribution:</b>				
Relating to capital gains		-	-	-
Excluding capital gains		61,108	61,108	144,426
Distribution during the year: Nil (2017: Rs. 4.95 per unit declared on June 26, 2017)		-	-	(140,801)
<b>Undistributed income carried forward</b>		<b>267,824</b>	<b>267,824</b>	<b>206,716</b>
<b>Undistributed income carried forward comprises of:</b>				
Realised gain		268,218	268,218	201,669
Unrealised (loss) / gain		(394)	(394)	5,047
<b>Total undistributed income carried forward</b>		<b>267,824</b>	<b>267,824</b>	<b>206,716</b>
			(Rupees)	(Rupees)
Net assets value per unit at the beginning of the year			105.5946	105.4801
Net assets value per unit at the end of the year			110.5634	105.5946

The annexed notes from 1 to 34 form an integral part of these financial statements.

**For UBL Fund Managers Limited  
(Management Company)**

---SD---  
CHIEF EXECUTIVE OFFICER

---SD---  
CHIEF FINANCIAL OFFICER

---SD---  
DIRECTOR

**UBL GOVERNMENT SECURITIES FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

- 1.1 UBL Government Securities Fund (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) as an open-ended mutual fund. It was constituted under the Trust Deed, dated May 19, 2011 between UBL Fund Managers Limited (a wholly owned subsidiary company of United Bank Limited) as the Management Company, a company incorporated under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed has also been approved by the Securities and Exchange Commission of Pakistan (SECP). The Fund commenced its operations from July 7, 2011. The registered office of the Management Company is situated at the 4th Floor, STSM Building, Beaumont Road, Civil Lines, Karachi, Pakistan.
- 1.2 The Management Company of the Fund is registered with the SECP as a Non-Banking Finance Company under the NBFC Rules.
- 1.3 The Fund is an income scheme and units of the Fund are listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering them to the Fund at the option of the unit holder. The Fund is categorised as an open-ended income scheme in accordance with Circular No. 7 of 2009 issued by the SECP.
- 1.4 The objective of the Fund is to generate a competitive return with minimum risk, by investing primarily in Government Securities. The weighted average time to maturity of the Fund's investment shall not exceed 4 years and this shall also apply to Government Securities. This is intended to reduce risk while providing competitive returns and maintaining liquidity.
- 1.5 Title to the assets of the Fund are held in the name of the CDC as the Trustee of the Fund.
- 1.6 JCR-VIS Credit Rating Company has assigned an asset manager quality rating of 'AM1' (stable outlook) to the Management Company as at December 29, 2017 and a stability rating of "A+(f)" to the Fund as at December 29, 2017.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan.

The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed. Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

## **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except investments that are stated at fair values. These financial statements have been prepared by following accrual basis of accounting except for cash flows information.

## **2.3 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees, which is the Fund's functional and presentation currency.

## **2.4 Use of estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying 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 the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

## **Classification and valuation of investments**

For details please refer notes 4.2 and 23 to these financial statements.

## **Impairment of investment**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. This objective evidence of impairment of fixed income securities is determined in accordance with provisioning criteria for non performing exposures as per the requirements of Circular No. 33 of 2012 dated October 24, 2012.

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

For details please refer note 4.12 to these financial statements.

## **Provision for taxation**

For details please refer notes 4.9 and 20 to these financial statements.

## **Workers' Welfare Fund**

For details please refer note 14.2 to these financial statements.

## **Other assets**

Judgement is involved in assessing the realisability of other assets balances.

### **3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS**

#### **3.1 Amendments that are effective in current year and are relevant to the Fund**

The Fund has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

	<b>Effective date (annual periods beginning on or after)</b>
IAS 7 Statement of Cash Flows - Amendments resulting from the disclosure initiative	January 01, 2017

**Effective date  
(annual periods  
beginning on or  
after)**

IAS 12	Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses	January 01, 2017
--------	--	------------------

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 12	Disclosure of Interests in Other Entities	January 01, 2017
---------	---	------------------

### 3.2 Amendments not yet effective

The following amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

	Conceptual framework for Financial reporting 2018-Original Issue	March 2018
--	--	------------

IFRS 2	Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018
--------	--	------------------

IFRS 4	Insurance Contracts - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2018
--------	---	------------------

IFRS 7	Financial Instruments : Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	Applies when IFRS 9 is applied
--------	--	--------------------------------

IFRS 9	Financial Instruments - Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	January 01, 2018
--------	--	------------------

		<b>Effective date (annual periods beginning on or after)</b>
IFRS 9	Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	January 01, 2018
IFRS 9	Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 19	Employee benefits - Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
IAS 39	Financial Instruments: Recognition and Measurements- Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	Applies when IFRS 9 is applied
IAS 40	Investment Property - Amendments to clarify transfers or property to, or from, investment property	January 01, 2018

The Annual Improvements to IFRSs that are effective from the dates mentioned below against respective standards:

	<b>Effective date (annual periods beginning on or after)</b>
Annual Improvements to IFRSs (2014 – 2016) Cycle:	
IFRS 1 First-time Adoption of International Financial Reporting Standards	January 01, 2018
IAS 28 Investments in Associates and Joint Ventures	January 01, 2018
Annual Improvements to IFRSs (2015 – 2017) Cycle:	
IFRS 3 Business Combinations	January 01, 2019
IFRS 11 Joint Arrangements	January 01, 2019
IAS 12 Income Taxes	January 01, 2019
IAS 23 Borrowing Costs	January 01, 2019

### **3.3 Standards or interpretations not yet effective**

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned below against the respective standard:

IFRS 9 Financial Instruments	July 01, 2018
IFRS 15 Revenue from Contracts with Customers	July 01, 2018
IFRS 16 Leases	January 1, 2019

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1 First Time Adoption of International Financial Reporting
IFRS 14 Regulatory Deferral Accounts
IFRS 17 Insurance Contracts

The effects of IFRS 15 - Revenues from Contracts with Customers and IFRS 9 - Financial Instruments are still being assessed, as these new standards may have a significant effect on the Fund's future financial statements.

The Fund expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Fund's financial statements in the period of initial application.

## **4 SIGNIFICANT ACCOUNTING POLICIES**

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

### **4.1 Cash and cash equivalents**

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

### **4.2 Financial assets**

#### **4.2.1 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 classification of its financial assets at initial recognition and re-evaluates this classification on regular basis.

Investments are categorised as follows:

#### **a) Loans and receivables**

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

#### **b) Financial assets at fair value through profit or loss**

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

#### **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. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

#### **4.2.2 Regular way contracts**

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

#### **4.2.3 Initial recognition and measurement**

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

#### **4.2.4 Subsequent measurement**

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

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

##### **Basis of valuation of Government securities**

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

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

Net gains and losses arising from changes in the fair value of available for sale financial assets are recognised in unit holders' fund through other comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised in units holders' fund is shown in the income statement.

##### **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 on these instruments are also recognised in the income statement when the financial assets carried at amortised cost are derecognised or impaired.

#### **4.2.5 Impairment**

The Fund assesses at each reporting date whether there is objective evidence that the financial assets or a group of financial assets are 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 assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

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

For certain other financial assets, a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against those 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.

#### **4.2.6 Derecognition**

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

#### **4.3 Financial liabilities**

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

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

#### **4.4 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.

#### **4.5 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.

#### **4.6 Provisions**

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

#### **4.7 Collaterals**

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

#### **4.8 Securities under repurchase / resale agreements**

Transactions of purchase under resale (reverse-repo) of marketable and Government securities, are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repos) are not recognised in the statement of assets and liabilities. Amounts paid under these agreements are included in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement on a time proportionate basis.

Transactions of sale under repurchase (repo) of marketable and Government securities are entered into at contracted rates for specified periods of time. Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of assets and liabilities and are measured in accordance with accounting policies for investment securities. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the life of the repo agreement on a time proportionate basis.

#### **4.9 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 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 the 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.

#### **4.10 Proposed distributions**

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

#### **4.11 Issuance and redemption of units**

Units are allocated at the offer price prevalent on the day on which funds for purchase of units are realised. The offer price represents the net asset value per unit at the end of the preceding day. Issue of units is also recorded on realisation of funds.

Units redeemed are recorded at the redemption price, applicable to units for which the Fund receives redemption applications during business hours of that day. The redemption price represents the net asset value per unit at the end of the preceding day. Redemption of units is recorded on acceptance of application for redemption.

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

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund.

However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, since there are practical impediments attached to retrospective application of change in accounting policy and retrospective restatement, therefore, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017. Further, MUFAP has clarified that the amendment is applicable for accounting period beginning on July 01, 2017. Accordingly, corresponding figures have not been restated. The „Distribution Statement“ for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations vide the aforementioned SRO issued by the SECP.

Had the element of loss been recognised as per the previous accounting policy, the income of the Fund would have been lower by Rs 38.978 million. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these financial statements.

#### **4.13 Net assets value per unit**

The Net Assets 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 issue at the year end.

#### 4.14 Revenue recognition

- Gains / (losses) arising on sale of investments is accounted for in the year in which it arises.
- Unrealised (loss) / gain on revaluation of investments classified as financial assets at fair value through profit or loss is included in the income statement in the year in which it arises.
- Unrealised (loss) / gain on revaluation of investments classified as „available-for-sale“ is included in the unit holders' fund through other comprehensive income in the year in which it arises.
- Income on reverse repurchase lending arrangements, certificates of investment, placements, Government securities and investments in debt securities is recognised at rate of return implicit in the instrument / arrangement on a time proportionate basis.
- Profit on bank balances and term deposits is recorded on accrual basis.

#### 4.15 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rates are recognised in the income statement.

#### 4.16 Transactions with related parties / connected persons

Transactions with related parties / connected persons are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

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

	Note	2018 ----- (Rupees in '000) -----	2017
<b>5 BANK BALANCES</b>			
Cash at bank			
In savings accounts	5.1	<u>1,645,436</u>	<u>1,141,088</u>

- 5.1 Profit rates on these savings accounts range from 3.75% to 7.4% per annum (June 30, 2017: 3.75% to 6.6% per annum). This includes an amount held by a related party (United Bank Limited) amounting to Rs. 2.459 million (June 30, 2017: Rs. 35.075 million) on which return is earned at 4% (June 30, 2017: 3.75%) per annum.

5.2 As per clause 4.2 of Investment Policy mentioned in the offering document of the Fund, Cash at bank (excluding TDR) and other near cash instruments like T-bills with maturity not exceeding 90 days should not exceed 30% of the net assets of the Fund. However, such percentage was 208.6% as on June 30, 2018. Subsequent to the year end, the Fund has introduced seventh supplement to its Offering Document in which the requirement to maintain cash at bank balance (excluding TDR) and other near cash instruments with maturity not exceeding 90 days shall be calculated on monthly average basis at the end of each month and any breach in the same shall be regularized within one month of the breach.

**2018**                      **2017**  
**Note**                      **----- (Rupees in '000) -----**

## 6 INVESTMENTS

### Government securities designated at fair value through profit or loss

Pakistan Investment Bonds	6.1 & 6.2	-	122,650
Market Treasury Bills	6.1 & 6.3	2,270,973	1,542,271
GOP Ijarah Sukuk	6.1	6,380	644,288
		<u>2,277,353</u>	<u>2,309,209</u>

### 6.1 Government Securities designated at fair value through profit or loss

Name of security	Note	At the beginning	Acquired during	Sold/ matured	At the end of the	Market value as at	Market value as	Percentage of investment
		of the year	the year	during year	year	June 30, 2018	at June 30, 2017	
		No. of holdings			(Rupees in '000)			
<b>Pakistan Investment Bonds</b>								
PIB-3 Years	6.2 & 6.4	-	1,500	1,500	-	-	-	0.00%
PIB-5 Years	6.2 & 6.4	-	11,020	11,020	-	-	-	0.00%
PIB- 10 Years	6.2 & 6.4	1,000	4,000	5,000	-	-	122,650	0.00%
<b>Market Treasury Bills</b>								
T-bill 3 months	6.3 & 6.4	15,600	261,830	254,650	22,780	2,270,973	1,542,271	99.72%
T-bill 6 months	6.3 & 6.4	-	4,700	4,700	-	-	-	0.00%
T-bill 1 year	6.3 & 6.4	-	-	-	-	-	-	0.00%
<b>GOP Ijarah Sukuk</b>								
3 Year	6.5	6,400	-	6,335	65	6,380	644,288	0.28%
		<u>23,000</u>	<u>283,050</u>	<u>283,205</u>	<u>22,845</u>	<u>2,277,353</u>	<u>2,309,209</u>	<u>100.00%</u>

6.2 As at June 30, 2018, face value of investment in Pakistan Investment Bonds (PIBs) was Nil (June 30, 2017: Rs. 100 million).

6.3 As at June 30, 2018, Market Treasury Bills (T-bills) had a face value of Rs. 2,278 million (June 30, 2017: Rs. 1,560 million) carrying purchase yield ranging from 6.26% to 6.55% per annum.

- 6.4 These T-bills have nominal value of Rs.100,000 each.
- 6.5 As at June 30, 2018 GOP Ijarah Sukuk had a face value of Rs. 6.5 million carrying profit at the rate of 5.24%.
- 6.6 Unrealised (loss) / gain on revaluation of investments classified as 'at fair value through profit or loss' - net

	Note	2018 ----- (Rupees in '000) -----	2017
Market value of investments		2,277,353	2,309,209
Less: Cost / amortized cost of investments		<u>(2,277,747)</u>	<u>(2,304,162)</u>
		<u>(394)</u>	<u>5,047</u>

## 7 TERM DEPOSIT RECEIPTS

Opening balance		-	150,000
Acquired during the year		470,000	150,000
Matured during the year		<u>(285,000)</u>	<u>(300,000)</u>
Closing balance	7.1	<u>185,000</u>	<u>-</u>

- 7.1 This term deposit receipt carries interest at the rate of 7.35% per annum and will mature on July 20, 2018.

## 8 MARK UP / INTEREST RECEIVABLE

Markup / interest receivable on:			
Savings accounts		4,731	3,193
Term deposit receipts		410	-
Pakistan Investment Bonds		-	5,425
GOP Ijarah Sukuk		<u>1</u>	<u>91</u>
		<u>5,142</u>	<u>8,709</u>

## 9 PREPAYMENTS AND OTHER RECEIVABLES

Prepaid credit rating fees		64	64
Receivable against issuance of units		2,027	11,120
Receivable against sale of investments		-	54
Other receivable		<u>2,245</u>	<u>-</u>
		<u>4,336</u>	<u>11,238</u>

## 10 ADVANCE TAX

The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001. The Federal Board of Revenue through a circular “C.No.1 (43) DG (WHT)/ 2008-Vol.II- 66417-R” dated May 12, 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). During the year, prior to receiving tax exemption certificate(s) from CIR various withholding agents have deducted advance tax under section 151 of ITO 2001. The management is confident that the same shall be refunded after filing Income Tax Return for Tax Year 2018.

	Note	2018 ----- (Rupees in '000) -----	2017
<b>11 PAYABLE TO UBL FUND MANAGERS LIMITED - MANAGEMENT COMPANY</b>			
Remuneration payable (including Sindh Sales tax)	12.1 & 12.2	1,822	3,648
Conversion charges payable		145	136
Allocated expenses payable	19	328	688
Sales load payable		165	219
Other payable		17	-
		<u>2,477</u>	<u>4,691</u>

11.1 As per NBFC Regulations, the Management Company is entitled to remuneration of an amount not exceeding 1.5% of average annual net assets of the Fund. The Management Company has charged remuneration at the rate of 10% of the gross earnings of the Fund calculated on a daily basis with a floor and cap of 1% and 1.25% on average daily net assets respectively.

11.2 Sindh Sales Tax has been levied at 13% on the management fee charged during the year.

## 12 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

Trustee fee payable	13.1	<u>206</u>	<u>341</u>
---------------------	------	------------	------------

12.1 The Trustee is entitled to a monthly remuneration for the services rendered to the Fund under the provisions of the Trust Deed and Offering Document as per the tariff structure specified therein, based on the daily net asset value of the Fund. The remuneration is paid to the Trustee monthly in arrears.

As per the Trust Deed and Offering Document, the tariff structure applicable to the Fund in respect of the Trustee fee during the year ended June 30, 2018 is as follows:

Up to Rs. 1,000 million	0.15% p.a. of NAV
Rs. 1,000 million to Rs. 10,000 million	Rs. 1.5 million plus 0.075% p.a. of NAV exceeding Rs. 1,000 million
Exceeding Rs. 10,000 million	Rs. 8.25 million plus 0.06% p.a. of NAV exceeding Rs. 10,000 million

- 12.2 The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% on the Trustee fee through the Sindh Sales Tax on Services Act, 2011.

	Note	2018 ----- (Rupees in '000) -----	2017
<b>13 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee payable	14.1	<u>2,045</u>	<u>7,926</u>
13.1 Under the provisions of the NBFC Regulations, a collective investment scheme classified as income scheme is required to pay as annual fee to the SECP, an amount equal to 0.075% of the average annual net assets of the Fund.			
<b>14 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Payable against purchase of investments		2,163,787	-
Provision for indirect duties and taxes	14.1	52,558	52,558
Provision for Sindh Workers' Welfare Fund	14.2	17,014	14,546
Payable against redemption of units		5,530	-
Zakat deducted at source payable		796	1,900
Capital gains tax payable		467	25,045
Auditors' remuneration payable		290	281
Brokerage expense payable		167	2,568
Sales load payable to UBL		1	131
Payable against legal expenses & professional fees		11	-
Withholding tax payable		-	22,510
Other payables		-	69
Sindh sales tax payable		-	4
		<u>2,240,621</u>	<u>119,612</u>

14.1 As per the requirements of the Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company was applied with effect from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law. The matter was collectively taken up by the Management Company jointly with other Asset Management Companies and Trustees of respective Collective Investment Schemes (CISs), through a Constitutional Petition filed in the Honorable Sindh High Court (SHC) during September 2013. In this respect, the SHC had issued a stay order against the recovery of FED due to which the Fund has not made any payments for FED upto June 30, 2016.

On June 30, 2016, the Honorable Sindh High Court of Pakistan had passed a Judgment that after 18th amendment in the Constitution of Pakistan, the Provinces alone have the legislative power to levy a tax on rendering or providing services, therefore, chargeability and collection of FED after July 01, 2011 is ultra vires to the Constitution of Pakistan. On September 23, 2016, the Federal Board of Revenue (FBR) filed an appeal in the Supreme Court of Pakistan (SCP) against above judgement, which is pending adjudication. Management Company, as a matter of abundant caution, has maintained full provision for FED aggregating to Rs.52.558 million until the matter is resolved. Had the provision not been made, the net asset value per unit of the Fund as at June 30, 2018 would have been higher by Rs. 2.846 per unit (June 30, 2017: Rs. 1.667) per unit.

Through Finance Act, 2017, FED on services rendered by Non-Banking Financial Institutions (NBFIs) including Asset Management Companies, which are already subject to provincial sales tax, has been withdrawn. Therefore, provision for FED has not been recorded in these financial statements.

## **14.2 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 which it was construed that all Collective Investment Schemes / Mutual Funds (CISs) whose income exceeded Rs. 500,000 in a tax year were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever was higher.

The amendments introduced in the WWF Ordinance were challenged in various High Courts of Pakistan. The Honorable Lahore High Court (LHC) and the Honorable Sindh High Court (SHC) arrived at different conclusions in respect of the validity of the amendments made through the Finance Act in relation to the WWF. Both the decisions of the LHC and the SHC were challenged in the Honorable Supreme Court of Pakistan (SCP).

During the year, the Honorable SCP passed a judgment on November 10, 2016, declaring the insertion of amendments introduced through Finance Act, 2008 pertaining to WWF as unlawful for the reason that the WWF is not in the nature of tax and therefore, could not be introduced through money bill under the Constitution. Subsequently, the Federal Board of Revenue (FBR) has filed a review petition in the Honorable SCP against the said judgment, which is pending adjudication.

Further, as a consequence of the 18th amendment to the Constitution, levy for the WWF was also introduced by the Government of Sindh through the Sindh Workers Welfare Fund (SWWF) Act 2014. SWWF Act 2014, enacted on May 21, 2015, requires every Industrial Establishment located in the province of Sindh and having total income of Rs. 500,000 or more in any year of account commencing on or after the date of closing of account on or after December 31, 2013, to pay two percent of so much of its total income declared to SWWF. The said Act includes any concern engaged in the Banking or Financial Institution in the definition of “Industrial Undertaking” but does not define Financial Institution. The Management Company, based on an opinion obtained by the Mutual Funds Association of Pakistan (MUFAP), believes that Mutual Funds are not liable to pay SWWF under the said law, for the reason that the Mutual Funds are not financial institutions and rather an investment vehicle. However, the Sindh Revenue Board has not accepted the said position of MUFAP and as a result, MUFAP has taken up this matter with the Sindh Finance Ministry for resolution.

In view of the above developments regarding the applicability of WWF and SWWF on Mutual Funds, the MUFAP obtained a legal opinion on these matters and based on such legal advice, has recommended to all its members on January 12, 2017 the following:

- i) The provision against the WWF held by the Mutual Funds till June 30, 2015 should be reversed on January 12, 2017; and
- ii) Provision against SWWF, on prudent basis, should be made from the date of enactment of the SWWF Act, 2014 (i.e. May 21, 2015) with effect from January 12, 2017.

The above decisions were communicated to SECP and the Pakistan Stock Exchange Limited on January 12, 2017. In response to the aforementioned letter SECP vide its letter dated February 1, 2017 advised MUFAP that the adjustments relating to the above should be made prospectively and adequate disclosure shall be made in the financial statements of Mutual Funds. Accordingly, the Fund has recorded these adjustments in its books of account on January 12, 2017.

Had the provision against SWWF not been made, the net assets value per unit would have been higher by Re. 1.002 per unit.

## 15 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2018.

	<b>2018</b>	<b>2017</b>
	----- <b>(Number of units)</b> -----	
<b>16 NUMBER OF UNITS IN ISSUE</b>		
Total units in issue at the beginning of the year	31,622,643	132,500,304
Add: Units issued	14,557,840	101,603,547
Less: Units redeemed	<u>(29,203,433)</u>	<u>(202,481,208)</u>
Total units in issue at the end of the year	<u><u>16,977,050</u></u>	<u><u>31,622,643</u></u>

## 17 FINANCIAL INCOME

Markup / interest income on:		
Bank balances	36,807	72,144
Term deposit receipts	5,079	8,166
Pakistan Investment Bonds	1,686	197,718
Market Treasury Bills	119,301	328,610
GOP Ijarah Sukuks	7,851	33,635
	<u>170,724</u>	<u>640,273</u>

## 18 AUDITORS' REMUNERATION

Annual audit fee	179	187
Fee for review of half yearly financial statements	96	100
Fee for review of compliance with the requirements of the Code of Corporate Governance	48	46
Fee for other certifications / services	41	48
Out of pocket expense and sales tax	84	60
	<u>448</u>	<u>441</u>

## 19 ALLOCATED EXPENSES

As per regulation 60(3)(s) of NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the scheme, maximum up to 0.1% of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged 0.1% of the average annual net assets being the lower.

## **20 TAXATION**

The Fund's income is exempt from Income Tax as per clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. 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 Management Company intends to distribute by way of cash dividend of at least 90% of the Fund's net accounting income to its unit holders, accordingly, no provision for taxation has been recognized in these financial statements.

## **21 EARNINGS PER UNIT**

Earnings per unit has not been disclosed as in the opinion of the Management Company, determination of the cumulative weighted average number of outstanding units is not practicable.

## **22 TOTAL EXPENSE RATIO**

As per Directive 23 of 2016 dated July 20, 2016 issued by SECP, the Total Expense Ratio of the Fund is 1.58% as on June 30, 2018 and this includes 0.31% representing Government levy, Sindh Workers Welfare Fund and SECP fee.

## **23 FINANCIAL INSTRUMENTS BY CATEGORY**

As at June 30, 2018, the financial assets carried on the statement of assets and liabilities are categorised either as 'loans and receivables' or 'at fair value through profit or loss'. The financial liabilities carried on the statement of assets and liabilities are categorised as other financial liabilities i.e. liabilities other than 'at fair value through profit or loss'.

Particulars	As at June 30, 2018		
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Total
Rupees in '000			
<b>Financial assets</b>			
Bank balances	1,645,436	-	1,645,436
Investments	-	2,277,353	2,277,353
Term deposit receipts	185,000	-	185,000
Other receivables	4,272	-	4,272
Mark up / interest receivable	5,142	-	5,142
	<u>1,839,850</u>	<u>2,277,353</u>	<u>4,117,203</u>

Particulars	As at June 30, 2018		
	Financial liabilities 'at fair value through profit or loss'	Other financial liabilities	Total
Rupees in '000			
<b>Financial liabilities</b>			
Payable to UBL Fund Managers Limited - Management Company	-	2,267	2,267
Payable to Central Depository Company of Pakistan Limited - Trustee	-	182	182
Accrued expenses and other liabilities	-	2,169,786	2,169,786
	<u>-</u>	<u>2,172,235</u>	<u>2,172,235</u>

Particulars	As at June 30, 2017		
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Total
Rupees in '000			
<b>Financial assets</b>			
Bank balances	1,141,088	-	1,141,088
Investments	-	2,309,209	2,309,209
Term deposit receipts	-	-	-
Other receivables	11,174	-	11,174
Mark up / interest receivable	8,709	-	8,709
	<u>1,160,971</u>	<u>2,309,209</u>	<u>3,470,180</u>

Particulars	As at June 30, 2017		
	Financial liabilities 'at fair value through profit or loss'	Other financial liabilities	Total
Rupees in '000			
<b>Financial liabilities</b>			
Payable to UBL Fund Managers Limited - Management Company	-	3,127	3,127
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	341	341
Accrued expenses and other liabilities	-	3,051	3,051
	<u>-</u>	<u>6,519</u>	<u>6,519</u>

**24 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF THE COMMISSION CHARGE**

**June 30, 2018  
(Percentage)**

1	Bright Capital (Private) Limited	34.36%
2	BIPL Securities Limited	8.34%
3	Continental Exchange (Private) Limited	7.53%
4	Invest One Markets Limited	7.45%
5	Currency Market Associates (Private) Limited	7.07%
6	JS Global Capital Limited	7.06%
7	Paramount Capital (Private) Limited	4.60%
8	Next Capital Limited	4.38%
9	Vector Capital (Private) Limited	4.11%
10	Invest Capital Markets Limited	4.02%
		<b>88.92%</b>

**June 30, 2017  
(Percentage)**

1	Invest Capital Markets Limited	17.60%
2	JS Global Capital Limited	15.11%
3	Vector Capital (Private) Limited	11.47%
4	Invest One Markets Limited	7.94%
5	C&M Management (Private) Limited	7.58%
6	Paramount Capital (Private) Limited	7.21%
7	Bright Capital (Private) Limited	6.14%
8	EFG Hermes Pakistan Limited	5.96%
9	Elixir Securities Pakistan (Private) Limited	5.92%
10	BIPL Securities Limited	5.84%
		<b>90.8%</b>

**25 BRIEF PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER**

Details of the members of the Investment Committee of the Fund are as follows:

S. No.	Name	Designation	Experience in years	Qualification
1	Yasir Qadri	Chief Executive Officer	22.1	MBA
2	Syed Suleman Akhtar	Chief Investment Officer	16.85	MBA, CFA
3	Farhan Bashir	Head of Research	11.6	MBA
4	Usama Bin Razi	Fund Manager	14.57	MBA
5	Hadi Hassan Muki	Acting Head of Risk & Compliance *	18	B.Com

\* Head of Risk - non voting observer

Usama Bin Razi is the Fund Manager of the Fund. He is also the Fund Manager of UBL Liquidity Plus Fund, UBL Growth and Income Fund, UBL Asset Allocation Fund, UBL Capital Protected Fund III, UBL Retirement Savings Fund, Al-Ameen Islamic Aggressive Income Fund and Al-Ameen Islamic Asset Allocation Fund.

## 26 PATTERN OF UNIT HOLDING

Category	June 30, 2018		
	Number of unit holders	Number of units held	Percentage of units held
Associated Company and Key Executives	1	963	0.01%
Individuals	2,798	13,313,171	78.42%
Others	13	1,749,730	10.31%
Public limited companies	1	0.32	0.00%
Retirement funds	17	1,913,186	11.27%
	2,830	16,977,050	100.00%

Category	June 30, 2017		
	Number of unit holders	Number of units held	Percentage of units held
Individuals	3,036	20,245,395	64.02%
Associated Companies and Directors	2	2,459,814	7.78%
Retirement Funds	22	2,582,580	8.17%
Public Limited Companies	13	5,368,237	16.98%
Others	10	966,617	3.06%
	3,083	31,622,643	100.00%

## 27 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Connected persons / related parties comprise of United Bank Limited (Holding Company of Management Company), UBL Fund Managers Limited (Management Company), Al-Ameen Islamic Financial Services (Private) Limited (Subsidiary of the Management Company), entities under common management or directorships, Central Depository Company of Pakistan Limited (Trustee) and the Directors and Officers of Management Company.

Remuneration to the Management Company and the Trustee is determined in accordance with the provisions of NBFC Regulations and the Trust Deed respectively. Other transactions with the related parties / connected persons have been carried out at agreed / commercial terms.

Details of transaction with the related parties and balances with them at the year end are as follows:

	Management Company	Associated Companies	Trustee	Funds under Common Management	Directors and Key Executives	Other Connected persons / related parties
(Rupees in '000)						
<b>Transactions during the year ended June 30, 2018</b>						
Profit on savings accounts	-	509	-	-	-	-
Bank charges	-	115	-	-	-	-
Units issued	-	-	-	-	7	460,795
Units redeemed	265,447	-	-	-	8	42,108
Sales load paid	943	580	-	-	-	-
Purchase of securities	-	246,600	-	2,884,958	-	-
Sale of securities	-	-	-	99,884	-	-
Remuneration (including Sindh sales tax)	30,884	-	3,158	-	-	-
Allocated expenses	2,726	-	-	-	-	-
Listing fee	-	-	-	-	-	25
<b>Transactions during the year ended June 30, 2017</b>						
Profit on savings accounts	-	8,875	-	-	-	-
Bank charges	-	55	-	-	-	-
Units issued	28,818	119,714	-	-	8,793	17,053
Units redeemed	-	3,048,380	-	-	23,618	-
Sales load paid	3,908	-	-	-	-	-
Conversion charges paid	64	-	-	-	-	-
Dividend paid	11,757	-	-	-	5	19,009
Purchase of securities	-	1,378,962	-	4,943,883	-	-
Sale of securities	-	-	-	911,772	-	-
Remuneration (including Sindh sales tax)	121,215	-	9,422	-	-	-
Allocated expenses	10,573	-	-	-	-	-
<b>Balances held as at June 30, 2018</b>						
Units held (in Units '000)	-	-	-	-	1	3,997
Units held (in Rupees '000)	-	-	-	-	106	441,872
Bank balances *	-	2,459	-	-	-	-
Remuneration payable	1,822	-	206	-	-	-
Sales load payable	165	1	-	-	-	-
Conversion charges payable	145	-	-	-	-	-
Allocated expenses payable	328	-	-	-	-	-
Other payables	17	-	-	-	-	-
Profit receivable	-	18	-	-	-	-
<b>Balances held as at June 30, 2017</b>						
Units held (in Units '000)	2,459	-	-	-	1	3,990
Units held (in Rupees '000)	259,641	-	-	-	102	421,276
Bank balances *	-	35,075	-	-	-	-
Remuneration payable	3,648	-	341	-	-	-
Sales load payable	219	131	-	-	-	-
Conversion charges payable	136	-	-	-	-	-
Allocated expenses payable	688	-	-	-	-	-

\* These carry profit ranging from 3.75% to 7.4% per annum (2017: 3.75% to 6.6% per annum) .

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

During the year, seven meetings of the Board of Directors of the Management Company were held. The details of the attendance are as under:

Particulars	August 23, 2017	September 25, 2017	October 27, 2017	December 06, 2017	February 16, 2018	April 26, 2018	May 02, 2018	Total meetings attended
<b>Name of Directors:</b>								
Tariq Kirmani **	✓	✓	N/A	N/A	N/A	N/A	N/A	2
Azhar Hamid *	N/A	N/A	✓	✓	✓	✓	✓	5
Yasir Qadri	✓	✓	✓	✓	✓	✓	✓	7
Naz Khan *	N/A	N/A	✓	✓	✓	✓	✓	5
Shabbir Hussain Hashmi **	✓	✓	N/A	N/A	N/A	N/A	N/A	2
Sharjeel Shahid *	N/A	N/A	✓	✓	x	✓	x	3
Zia Ijaz	✓	✓	✓	✓	x	✓	x	5
Syed Furukh Zaeem	✓	✓	✓	✓	✓	✓	✓	7
Mirza Muhammad Sadeed Hassan Barlas **	✓	✓	✓	✓	x	✓	✓	6
<b>Name of Key Executives</b>								
Fawaz Taj Siddiqui ****	✓	✓	✓	✓	✓	N/A	N/A	5
Umair Ahmed	✓	✓	✓	✓	✓	✓	✓	7
S.M. Aly Osman ****	N/A	N/A	N/A	N/A	N/A	✓	✓	2

\* Elected at EOGM held on September 29, 2017

\*\* Independent Director's have completed three consecutive term

\*\*\* Mr. Zulfiqar Alavi resigned on August 07, 2017.

\*\*\*\* Mr. Fawaz Taj Siddiqui resigned and appointment of Mr. S.M. Aly Osman effective from April 2, 2018 as Company Secretary

## 29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's objective in managing risks is the creation and protection of Unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the Fund's constitutive documents and the regulations and the directives issued by the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

### 29.1 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 the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee and the regulations laid down by the SECP.

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

### **29.1.1 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 does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

### **29.1.2 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2018, the Fund is exposed to such risk on its balances held with banks and Government securities. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

#### **a) Sensitivity analysis for variable rate instruments**

The Fund is exposed to cash flow interest rate risk for balances in certain savings accounts and term deposit receipts, the interest rates on which range between 3.75% to 7.40% per annum and 7.35% per annum respectively.

In case of 100 basis points increase / decrease in interest rates on June 30, 2018, with all other variables held constant, the net income for the year and the net assets would have been higher / lower by Rs. 18.30 million (2017: Rs. 11.41 million).

#### **b) Sensitivity analysis for fixed rate instruments**

Fixed rate instruments held as at June 30, 2018 include Market Treasury Bills and Ijarah Sukuks. The Fund's income from these investments is substantially independent of changes in market interest rates, except for changes if any as a result of fluctuation in respective fair values.

In case of 100 basis points increase in rates announced by the Financial Market Association on June 30, 2018, with all other variables held constant, the net income for the year and the net assets would be lower by Rs. 22.77 million (2017: Rs. 23.92 million). In case of 100 basis points decrease in rates announced by the Financial Market Association on June 30, 2018, with all other variables held constant, the net income for the year and the net assets would be higher by Rs. 22.77 million (2017: Rs. 23.92 million).

The composition of the aforementioned Fund's investment portfolio and rates announced by the Financial Market Association are expected to change over time. Therefore, the sensitivity analysis is not necessarily indicative of the effect on the Fund's net assets due to future movements in interest rates.

Yield / interest rate sensitivity position for 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.

Particulars	June 30, 2018					
	Effective yield / interest rate	Total	Exposed to interest rate risk			Not exposed to interest rate risk
			Upto three months	More than three months and upto one year	More than one year	
	%		(Rupees in '000)			
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	3.75 - 7.4	1,645,436	1,645,436	-	-	-
Investments	6.63-6.75	2,277,353	2,270,973	-	6,380	-
Term deposit receipts	7.35	185,000	185,000	-	-	-
Mark-up / interest receivable		5,142	-	-	-	5,142
Other receivables		4,272	-	-	-	4,272
<b>Sub total</b>		<b>4,117,203</b>	<b>4,101,409</b>	<b>-</b>	<b>6,380</b>	<b>9,414</b>
<b>Financial liabilities</b>						
Payable to UBL Fund Managers Limited - Management Company		2,267	-	-	-	2,267
Payable to Central Depository Company of Pakistan Limited - Trustee		182	-	-	-	182
Accrued expenses and other liabilities		2,169,786	-	-	-	2,169,786
<b>Sub total</b>		<b>2,172,235</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,172,235</b>
<b>On-balance sheet gap (a)</b>		<b>1,944,968</b>	<b>4,101,409</b>	<b>-</b>	<b>6,380</b>	<b>(2,162,821)</b>
<b>Off-balance sheet financial instrument</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest rate sensitivity gap (a) + (b)</b>		<b>1,944,968</b>	<b>4,101,409</b>	<b>-</b>	<b>6,380</b>	<b>(2,162,821)</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>-</b>	<b>4,101,409</b>	<b>-</b>	<b>6,380</b>	<b>-</b>

Particulars	June 30, 2017					
	Effective yield / interest rate	Total	Exposed to interest rate risk			Not exposed to interest rate risk
			Upto three months	More than three months and upto one year	More than one year	
	%		(Rupees in '000)			
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	4.0-6.7	1,141,088	1,141,088	-	-	-
Investments	6.08-6.35	2,309,209	1,542,271	-	766,938	-
Mark-up / interest receivable		8,709	-	-	-	8,709
Other receivables		11,174	-	-	-	11,174
<b>Sub total</b>		<b>3,470,180</b>	<b>2,683,359</b>	<b>-</b>	<b>766,938</b>	<b>19,883</b>
<b>Financial liabilities</b>						
Payable to UBL Fund Managers Limited - Management Company		4,691	-	-	-	4,691
Payable to Central Depository Company of Pakistan Limited - Trustee		341	-	-	-	341
Accrued expenses and other liabilities		3,051	-	-	-	3,051
<b>Sub total</b>		<b>8,083</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,083</b>
<b>On-balance sheet gap (a)</b>		<b>3,462,097</b>	<b>2,683,359</b>	<b>-</b>	<b>766,938</b>	<b>11,800</b>
<b>Off-balance sheet financial instrument</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest rate sensitivity gap (a) + (b)</b>		<b>3,462,097</b>	<b>2,683,359</b>	<b>-</b>	<b>766,938</b>	<b>11,800</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>-</b>	<b>2,683,359</b>	<b>-</b>	<b>766,938</b>	<b>-</b>

### 29.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Fund is not exposed to the risk as its constitutive documents prohibit it from investing in equity securities.

## 29.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to non-payment of redemptions request on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by the SECP.

### Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed of.

The Fund can borrow, with the prior approval of the Trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings were made during the year.

In order to manage the Fund's overall liquidity, the Fund also has the option to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. Further the Fund also has the ability to suspend redemptions of units with the approval of Board of Directors of the Management Company in extraordinary circumstances. An interval of six working days between the receipt of a redemption request and issuance of against it to the holder provides a cushion in the repayment of on-demand redemption of units. However, during the year no such option was exercised or considered necessary.

The following table 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.

Particulars	June 30, 2018			Total
	Upto three months	More than three months and upto one year	Over one year	
	Rupees in '000			
<b>Financial liabilities</b>				
Payable to UBL Fund Managers Limited - Management Company	2,267	-	-	2,267
Payable to Central Depository Company of Pakistan Limited - Trustee	182	-	-	182
Accrued expenses and other liabilities	2,169,786	-	-	2,169,786
<b>Total liabilities</b>	<b>2,172,235</b>	<b>-</b>	<b>-</b>	<b>2,172,235</b>

Particulars	June 30, 2017			Total
	Upto three months	More than three months and upto one year	Over one year	
Rupees in '000				
<b>Financial liabilities</b>				
Payable to UBL Fund Managers Limited - Management Company	4,691	-	-	4,691
Payable to Central Depository Company of Pakistan Limited - Trustee	341	-	-	341
Accrued expenses and other liabilities	3,051	-	-	3,051
<b>Total liabilities</b>	<b>8,083</b>	<b>-</b>	<b>-</b>	<b>8,083</b>

### 29.3 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation. The Fund's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements.

#### Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules, the NBFC regulations and guidelines given by the SECP from time to time.

The maximum exposure to credit risk before any credit enhancement as at June 30, 2018 is the carrying amount of the financial assets. None of these assets are 'impaired' nor 'past due but not impaired'. Investment in Government securities, however, are not exposed to credit risk as they are guaranteed by the Government of Pakistan.

29.3.1 The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2018:

#### Balances with banks by rating category

Name of the bank	Rating agency	Balances held by the Fund as at June 30, 2018	Latest available published rating as at July 16, 2018
------------------	---------------	---	---

Rupees in '000

Allied Bank Limited	PACRA	250	AAA
Bank Alfalah Limited	PACRA	3,015	AA+
Habib Metro Bank Limited	PACRA	35	AA+
United Bank Limited	JCR-VIS	2,459	AAA
Habib Bank Ltd- Islamic Banking	JCR-VIS	4	AAA
Faysal Bank Limited	PACRA	129	AA
Askari Bank Limited	PACRA	6	AA+
Meezan Bank Limited	JCR-VIS	6	AA+

Name of the bank	Rating agency	Balances held by the Fund as at June 30, 2018	Latest available published rating as at July 16, 2018
Rupees in '000			
Faysal Bank Limited	JCR-VIS	114	AA
NIB Bank Limited	PACRA	556	AA
JS Bank Limited	PACRA	364,633	AA-
MCB Islamic Bank Limited	PACRA	873	A
Habib Bank Limited	JCR-VIS	1,036,817	AAA
Sindh Bank Limited	JCR-VIS	54	AA
Samba Bank Limited	JCR-VIS	236,079	AA
National Bank of Pakistan	PACRA	338	AAA
Zarai Taraqati Bank Limited	PACRA	68	AAA
		1,645,436	

29.3.2 The analysis below summarizes the credit quality of the Fund's credit exposure:

Rating by rating category	2018 ----- (Percentage) -----	2017
A	6	-
AAA	35	25
AA+	24	25
AA-	6	-
AA	29	44
A+	-	6
	100	100

#### Concentration on credit risk

Concentration of risk arises when a number of financial instruments or contracts are entered into the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Fund's major bank balances are held with two Banks. The management believes that these banks are reputed institutions.

## 30 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders.

The Fund's objective when managing the unit holders' fund is to safeguard the Fund's ability to continue as a going concern in order to provide returns for the benefits of the unit holders to maintain a strong base of assets to support the development of the investment activities of the Fund and to meet unexpected losses or opportunities. As required under the NBFC Regulations, every open end scheme shall maintain minimum fund size (i.e. net assets of the Fund) of Rs. 100 million at all times during the life of scheme. In order to comply with the requirement and to maintain or adjust the Unit Holders' Fund, the Fund's policy is to perform the following:

- Monitors the level of daily issuance and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to unit holders;
- Redeem and issue units in accordance with the constitutive documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and issuance; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer critically track the movement of „Assets under Management“. The Board of Directors is updated regarding key performance indicators e.g. yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current year.

## **31 FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

As per the requirements of the IFRS 7 (Financial Instruments: Disclosures) and IFRS 13 (Fair Value Measurement), the Fund shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: 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); and

Level 3: Inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs)

	June 30, 2018			June 30, 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	-----Rs in '000-----			-----Rs in '000-----		
<b>Government securities - designated at fair value through profit or loss</b>						
Pakistan Investment Bonds	-	-	-	-	122,650	-
Market Treasury Bills	-	2,270,973	-	-	1,542,271	-
Ijarah Sukuk	-	6,380	-	-	644,288	-
	-	2,277,353	-	-	2,309,209	-

During the year ended June 30, 2018, there were no transfers between level 1 and level 2 fair value measurements and no transfers into and out of level 3 fair value measurements.

## 32 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company on July 2, 2018 approved a final distribution of Rs. 4.9688 per unit on the face value of Rs. 100 each (i.e. 4.97%) amounting to Rs. 84.356 million. The financial statements of the Fund for the year ended June 30, 2018 do not include the effect of this distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2019.

## 33 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by Board of Directors of the Management Company on 28-August-2018.

**34 GENERAL**

These figures has been rounded off to the nearest thousand rupees unless otherwise stated.

**For UBL Fund Managers Limited  
(Management Company)**

---SD---  
**CHIEF EXECUTIVE OFFICER**

---SD---  
**CHIEF FINANCIAL OFFICER**

---SD---  
**DIRECTOR**

# UGIF

## UBL Growth and Income Fund

### INVESTMENT OBJECTIVE

UGIF is an open-end Aggressive Fixed Income Fund, investing in medium to long-term fixed income instruments as well as short-tenor money market instruments and seeks to generate superior, long-term, risk-adjusted returns while preserving capital over the long-term.

<b>Management Company</b>	UBL Fund Managers Limited
<b>Trustee</b>	Central Depository Company of Pakistan Limited 99-B, Block-B, S.M.C.H.S., Main Shahra-e-Faisal, Karachi. Tel: (9221) 111-111-500
<b>Distribution Company</b>	United Bank Limited (for detail of others, please visit our website: <a href="http://www.ublfunds.com.pk">www.ublfunds.com.pk</a> )
<b>Auditors</b>	Ernst & Young Ford Rhodes Sidat Hyder & Company,, Chartered Accountants
<b>Bankers</b>	Allied Bank Limited Bank Alfalah Limited Faysal Bank Limited Habib Bank Limited JS Bank Limited Khushhali Bank Ltd. MCB Bank Limited National Bank of Pakistan Samba Bank Limited Silk Bank Limited Sindh Bank Limited Summit Bank Limited Telenor Microfinance Bank Limited The Bank of Punjab United Bank Limited Zarai Taraqati Bank Limited
<b>Management Co.Rating</b>	AM1 (JCR-VIS)
<b>Fund Rating</b>	A(f) (JCR-VIS)

## Fund Manager's Report – UBL Growth and Income Fund (UGIF)

**i) Description of the Collective Investment Scheme category and type**

Aggressive Fixed Income / Open-end

**ii) Statement of Collective Investment Scheme's investment objective**

UGIF is an open-end Aggressive Fixed Income Fund, investing in medium to long-term fixed income instruments as well as short-tenor money market instruments and seeks to generate superior, long-term, risk-adjusted returns while preserving capital over the long-term.

**iii) Explanation as to whether the Collective Investment Scheme achieved its stated objective**

The Collective Investment Scheme has a long-term investment objective. Significant efforts were made during the year for the achievement of the long-term objective.

**iv) Statement of benchmark(s) relevant to the Collective Investment Scheme**

Average of 1 year KIBOR rates.

**v) Comparison of the Collective Investment Scheme's performance during the period compared with the said benchmarks**

Monthly Yield	Jul'17	Aug'17	Sep'17	Oct'17	Nov'17	Dec'17	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18	FYTD
<b>UGIF</b>	5.34%	1.00%	5.88%	3.17%	3.64%	2.74%	5.85%	3.77%	5.91%	11.11%	9.95%	4.58%	5.21%
<b>Benchmark</b>	6.21%	6.21%	6.22%	6.22%	6.22%	6.24%	6.27%	6.49%	6.61%	6.66%	6.78%	7.16%	6.44%

**vi) Description of the strategies and policies employed during the period under review in relation to the Collective Investment Scheme's performance**

The fund has posted a return of 5.21% p.a. during FY18. At the end of FY18, the Fund Manager maintained majority exposure in Cash (60%) and Term Finance Certificates/ Sukuks (38%). The weighted average time to maturity was 1.93 years at the end of period while the net assets of the fund stood at PKR 1,302mn

**vii) Disclosure of the Collective Investment Scheme's asset allocation as at the date of the report and particulars of significant changes in asset allocation since the last report (if applicable)**

Asset Allocation (% of NAV)	Jun-17	Jun-18
Term Finance Certificates / Sukuks	14%	38%
Commercial Paper	3%	0%
Placements with NBFCs	0%	0%
Placements with DFIs	0%	0%

Placements with Banks	4%	0%
Cash	46%	60%
T-Bills	0%	0%
PIBs	0%	0%
GoP Ijarah Sukuk	4%	0%
Others	15%	2%
Leverage	Nil	0%
Spread Transaction	8%	0%
MTS Exposure	6%	0%

**viii) Analysis of the Collective Investment Scheme's performance**

FY'18 Return:	5.21%
Standard Deviation (12m trailing):	0.86%
Sharpe Ratio (12m trailing):	(1.08)

**ix) Changes in total NAV and NAV per unit since the last review period or since commencement (in case of newly established Collective Investment Schemes)**

Net Asset Value			NAV per unit		
30-Jun-18	30-Jun-17	Change	30-Jun-18	30-Jun-17	Change
Rupees (000)		%	Rupees		%
1,301,602	5,707,271	-77.19	89.3150	84.8927	5.21

**x) Disclosure on the markets that the Collective investment Scheme has invested in including - review of the market(s) invested in and performance during the period**

**Debt Market Review – FY18**

The International Crude Oil prices exhibited an upward trend for the fiscal year. The prices increased from USD 45-per barrel increasing as much as ~70% closing at a new high of USD ~80 per barrel. Increasing oil prices, higher commodity prices (with exception of sugar) along with lagged impact of PKR devaluation (+16%) aided in increasing inflation rate to 4.4% for 4QFY18. Core measures of inflation witnessed an upward trajectory where NFNE which is somewhat sticky in nature increased to 7.1% by end of FY18. Taking cues from this trend we expect SBP to continue its current monetary tightening policy.

In twelve PIB auctions for FY18 conducted during the year, the government raised PKR~102bn (PKR ~894bn in FY17) against target of PKR 330bn. Consequently, outstanding amount for the PIBs in the market increased to PKR 29.47trn. Participation in the auctions was largely skewed towards three and five year paper in line with interest rate hikes. Cut off yields in June auction trimmed to 7.5%, 8.5% and 8.7% for three, five and ten year PIB instruments respectively. In July'18 PIB Auction the government accepted PKR ~6.9bn.

The yield curve based on government securities of various maturities has shifted upwards in line with the ongoing increasing discounts rates. Yield on 3M, 6M and 12M T-Bills increased by 79bps, 90bps and 116bps, respectively. Similarly, yield on 3-year, 5-year and 10-year bonds increased 180bps, 171bps and 86bps, respectively. The spread between annualized yields of 1-year T-bills (7.20% p.a.) and 10-year PIBs (9.03% p.a.) stood at 1.83% as of 30 June 2018.

- i) **Disclosure on distribution (if any), comprising:-**  
 - particulars of income distribution or other forms of distribution made and proposed during the period; and  
 - statement of effects on the NAV before and after distribution is made

Final distribution for the year ended June 30, 2018 was made subsequent to year end, on July 02, 2018. Below are the details of such distribution

Distribution			Per unit		
Declared on	Bonus	Cash	Per Unit	Cum NAV	Ex NAV
Rupees (000)		----- Rupees -----			
July 02, 2018	-	64,450	4.4223	89.3150	84.8927

- ii) **Description and explanation of any significant changes in the state of affairs of the Collective Investment Scheme during the period and up till the date of the manager’s report, not otherwise disclosed in the financial statements**

There were no significant changes in the state of affairs during the year under review.

- iii) **Breakdown of unit holdings by size**

Range of Units	Number of Investors
	UGIF
0.0001 - 9,999.9999	1,283
10,000.0000 - 49,999.9999	87
50,000.0000 - 99,999.9999	10
100,000.0000 - 499,999.9999	15
500,000.0000 & Above	7
<b>Total</b>	<b>1,402</b>

**iv) Disclosure on unit split (if any), comprising:-**

There were no unit splits during the period.

**v) Disclosure of circumstances that materially affect any interests of unit holders**

Investment are subject to credit and market risk.

**vi) Disclosure if the Asset Management Company or its delegate, if any, receives any soft commission (i.e. goods and services) from its broker(s) or dealer(s) by virtue of transactions conducted by the Collective Investment Scheme.**

No soft commissions are received by the AMC from its brokers or dealers by virtue of transactions conducted by the Collective Investment Scheme.

## **PERFORMANCE TABLE**

### UBL Growth and Income Fund

	2018	2017	2016
<b>NET ASSETS AS AT 30 JUNE - Rupees in '000</b>	<b>1,301,602</b>	<b>5,707,271</b>	<b>1,735,198</b>
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - Rupees</b>			
Income units - Offer *	90.8334	86.3359	86.4833
- Redemption	89.3150	84.8927	84.8042
Growth units - Offer	90.8334	84.8927	84.8042
- Redemption **	89.3150	84.8927	84.8042
<b>RETURN OF THE FUND - %</b>			
Total Return of the Fund	5.21	6.77	12.09
Capital Growth (per unit)	5.21	1.32	7.52
Date of Income Distribution	-	19-Jun-17	24-Jun-16
Income Distribution	-	5.65	6.00
<b>AVERAGE ANNUAL RETURN - %</b>			
One Year	5.21	6.77	12.09
Second Year	5.99	9.43	12.01
Third Year	8.02	10.26	14.12
Fourth Year	9.00	12.28	13.27
Fifth Year	10.87	11.97	8.16
Sixth Year	10.84	7.93	5.07

### **OFFER / REPURCHASE DURING THE YEAR- Rupees**

Highest price per unit - Income units - Offer *	90.8334	92.4672	92.4672
Highest price per unit - Income units - Redemption *	89.3150	91.9841	90.6719
Highest price per unit - Growth units - Offer *	90.8334	91.9841	90.6719
Highest price per unit - Growth units - Redemption *	89.3150	91.9841	90.6719
Lowest price per unit - Income units - Offer *	86.3042	89.8843	82.3219
Lowest price per unit - Income units - Redemption *	84.8616	89.4147	80.7236
Lowest price per unit - Growth units - Offer *	86.3042	89.4147	80.7236
Lowest price per unit - Growth units - Redemption *	84.8616	89.4147	80.7236

\* Front-end load @1.5% is applicable

\*\* Back-end load as per applicable step-down structure

### **PORTFOLIO COMPOSITION - %**

Percentage of Net Assets as at 30 June

### **PORTFOLIO COMPOSITION BY CATEGORY - %**

Bank Balances	60.00	46.00	49.00
Placements & Term Deposit Receipts	0.00	4.00	0.00
TFCs, Sukuks, Government securities, Commercial papers	38.00	35.00	51.00
others	2.00	15.00	

### **PORTFOLIO COMPOSITION BY MARKET - %**

Debt market	100	100	100
-------------	-----	-----	-----

Note:

- The Launch date of Fund is 02 March 2006.

### **DISCLAIMER**

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

**Head Office:**

CDC House, 99-B, Block 'B',  
S.M.C.H.S., Main Shahr-e-Faisal,  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com



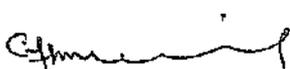
**TRUSTEE REPORT TO THE UNIT HOLDERS**

**UBL GROWTH & INCOME FUND**

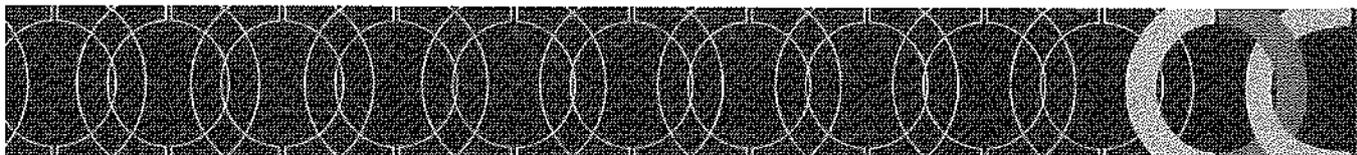
**Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We Central Depository Company of Pakistan Limited, being the Trustee of UBL Growth & Income Fund (the Fund) are of the opinion that UBL Fund Managers Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 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.

  
**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 13, 2018





**STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 BY UBL FUND MANAGERS LIMITED**

**NAME OF FUND: UBL GROWTH AND INCOME FUND**

**YEAR ENDING: JUNE 30, 2018**

The Securities and Exchange Commission of Pakistan (SECP) through its letter dated April 18, 2018 to Mutual Funds Association of Pakistan (MUFAP) has exempted the open-end collective investment schemes from the requirements of the Code of Corporate Governance. However, the Board of Directors of UBL Fund Managers Limited (the Management Company) of UBL Growth and Income Fund (the Fund), for the purpose of establishing a framework of good governance whereby a Fund is managed by best practice of Corporate governance, has voluntarily opted to comply with the relevant provisions of the Listed Companies (Code of Corporate Governance) Regulations 2017 (The Code).

The Management Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following:
  - a. Male: Six Directors;
  - b. Female: One Director.
2. The composition of the Board is as follows:

Category	Name
Independent Directors	Mr. Azhar Hamid
	Ms. Naz Khan
Executive Directors	Mr. Yasir Qadri
Non - Executive Directors	Mirza Muhammad Sadeed Hassan Barlas
	Mr. Sharjeel Shahid
	Mr. Zia Ijaz
	Syed Furrukh Zaeem

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company.
4. 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.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained. The Management Company has placed the Whistle Blowing Policy, Proxy Policy and the Principles of the Code of Conduct (Statement of Ethics and Business Practice) on its website.
6. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
7. The Board has a formal and effective mechanism in place for an annual evaluation of the Board's own performance.

**UBL FUND MANAGERS LIMITED**

+92 21 111 825 262

Info@ublfunds.com

4<sup>th</sup> Floor, STSM Building, Beaumont Road, Civil Lines, Karachi.

www.ublfunds.com



8. The Chairman of the Board is an Independent director. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board as empowered by the relevant provisions of the Act and these Regulations.
9. 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. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
10. Following directors and executive have acquired the prescribed Director Training Program (DTP) certification:

**Directors**

- a. Mirza Muhammad Sadeed Hassan Barlas
- b. Mr. Yasir Qadri
- c. Mr. Zia Ijaz
- d. Ms. Naz Khan
- e. Syed Furrukh Zaeem

**Executive**

- f. S.M. Aly Osman

11. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
12. CFO and CEO duly endorsed the financial statements before approval of the Board.
13. The Board has formed committees comprising of members given below. The Board Audit Committee and the Board Human Resource & Compensation Committee are chaired by separate Independent directors:

a. Board Audit Committee

- i. Ms. Naz Khan (Chair);
- ii. Mirza Muhammad Sadeed Hassan Barlas;
- iii. Mr. Sharjeel Shahid;
- iv. Mr. Zia Ijaz.

b. Board Human Resource & Compensation Committee

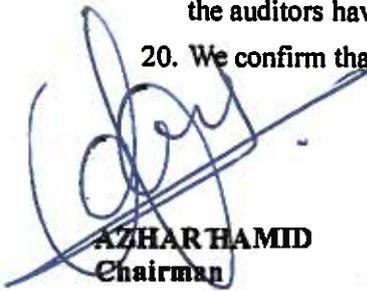
- i. Mr. Azhar Hamid (Chairman);
- ii. Mr. Yasir Qadri;
- iii. Mr. Zia Ijaz;
- iv. Ms. Naz Khan;
- v. Syed Furrukh Zaeem.

c. Board Risk & Compliance Committee

- i. Mirza Muhammad Sadeed Hassan Barlas (Chairman);
- ii. Mr. Azhar Hamid;
- iii. Mr. Sharjeel Shahid;
- iv. Mr. Yasir Qadri;
- v. Syed Furrukh Zaeem.



14. The Terms of Reference of the aforesaid Committees have been formed, documented and advised to the Committee for compliance.
15. The frequency of meetings of the Committee were as per following:
  - a. Board Audit Committee : Quarterly Meeting
  - b. Board Human Resource & Compensation Committee: Quarterly Meeting
  - c. Board Risk & Compliance Committee: Quarterly Meeting
16. The Board has set up an independent and effective internal audit function and the audit personnel are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company.
17. 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) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
18. The Board Audit Committee recommends to the Board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that any other significant requirements of the Regulations have been complied with.

  
**AZHAR HAMID**  
Chairman

Karachi.  
Dated: August 28, 2018

## To the unitholders of UBL Growth and Income Fund

### Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

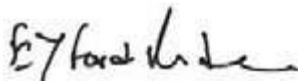
We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors (the Board) of UBL Fund Managers Limited, the Management Company of **UBL Growth and Income Fund** (the Fund) for the year ended **30 June 2018** in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of the Management Company of the Fund. Our responsibility is to review whether the Statement of Compliance reflects the status of the Management Company's compliance with the provisions of the Regulations in respect of the Fund and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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's 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 Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval, the Fund's related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Management Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Funds for the year ended 30 June 2018.



**Chartered Accountants**

**Place:** Karachi

**Date:** 28 August 2018

## INDEPENDENT AUDITORS' REPORT

To the Unit holders of UBL GROWTH AND INCOME FUND

Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of UBL Growth and Income Fund (the Fund), which comprise the statement of assets and liabilities as at 30 June 2018, and income statement, statement of comprehensive income, statement of movement in unit holders' fund and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matter	How our audit addressed the key audit matter
<b>1. Amendment to the NBFC Regulations, 2008</b>	
As disclosed in note 4.1 to the accompanying financial statements of the Fund for the year ended 30 June 2018, the Securities and Exchange Commission of Pakistan through its SRO no. 756(I)/2017 dated 03 August 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations).	We assessed the appropriateness of the recognition, measurement and presentation of "element of income / loss" in accordance with the amended provisions of the NBFC Regulations. We also considered the guidelines issued by MUFAP in respect of the accounting for element of income / loss as per the revised Regulations and assessed its implementation by the Fund.

546

Key audit matter	How our audit addressed the key audit matter
<p>These amendments are considered significant to our audit because application of the said amendments resulted in change in accounting policy relating to presentation "element of income / loss" in the financial statements and certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' (the Statements).</p>	<p>We evaluated the adequacy of disclosures regarding the change in accounting policy with respect to element of income / loss in accordance with the requirements of the relevant financial reporting standards and the guidance issued by MUFAP in relation thereto.</p>
<p><b>2. Existence and valuation of debt securities</b></p>	
<p>As disclosed in note 9 to the accompanying financial statements of the Fund for the year ended 30 June 2018, the investments held by the Fund comprised of debt instruments which represent 38% of the total assets of the Fund as at the year end.</p> <p>In view of the significance of these debt instruments in relation to the total assets and the NAV of the Fund, we have consider the existence and valuation of such debt instruments as a key audit matter.</p>	<p>We performed a combination of audit procedures focusing on the existence and valuation of debt instruments. Our key procedure included the following:</p> <ul style="list-style-type: none"> <li>- We tested controls over acquisition, disposals and periodic valuation of debt instruments portfolio.</li> <li>- We performed substantive audit procedures on year-end balance of portfolio including review custodian's statement, and related reconciliations, re-performance of debt instruments valuations on the basis of prices provided by the Mutual Fund Association of Pakistan (MUFAP).</li> <li>- We considered credit impairment provisions in respect of debt securities which have been classified and reported under default category by MUFAP at the valuation date and assessed the adequacy of the impairment provision against such securities with reference to the requirements laid down by the Securities and Exchange Commission of Pakistan's circular No. 33 of 2012.</li> <li>- We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) in relation to the concentration of debt instruments and exposure limits prescribed in such Regulations and the adequacy of disclosures as may be applicable in situations of non-compliance.</li> <li>- We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the debt instruments portfolio in accordance with the requirements of the Regulations and whether the Fund's disclosures in relation to the valuation of debt instruments are compliant with the relevant accounting requirements.</li> </ul>

## Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Board of Directors for the Financial Statements

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.

EY

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Other matter**

The financial statements of the Fund for the year ended 30 June 2017, were audited by another auditor who expressed an unmodified opinion on those financial statements on 23 August 2017.

The engagement partner on the audit resulting in this independent auditor's report is Shaikh Ahmed Salman.



**Chartered Accountants**

**Date: 28 August 2018**

**Karachi**

**UBL GROWTH AND INCOME FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT JUNE 30, 2018**

	Note	June 30, 2018 ----- (Rupees in '000) -----	June 30, 2017
<b>ASSETS</b>			
Bank balances	8	811,972	2,891,184
Investments	9	506,522	2,129,705
Advance tax	10	3,399	2,984
Mark-up receivable	11	14,827	26,822
Deposits and other receivables	12	9,972	263,147
Receivable against settlement of spread transactions		-	98,942
Receivable against margin trading system (MTS)		-	358,681
<b>Total assets</b>		<b>1,346,692</b>	<b>5,771,465</b>
<b>LIABILITIES</b>			
Payable to the Management Company	13	2,861	8,381
Payable to the Trustee	14	196	484
Annual fee payable to the Securities and Exchange Commission of Pakistan (SECP)	15	2,418	3,187
Accrued and other liabilities	17	39,615	52,142
<b>Total liabilities</b>		<b>45,090</b>	<b>64,194</b>
<b>NET ASSETS</b>		<b>1,301,602</b>	<b>5,707,271</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>1,301,602</b>	<b>5,707,271</b>
<b>Contingencies and commitments</b>	18		
		----- (Number of units) -----	
<b>NUMBER OF UNITS IN ISSUE</b>		<b>14,573,165</b>	<b>67,229,227</b>
		----- (Rupees) -----	
<b>NET ASSETS VALUE PER UNIT</b>	5.8	<b>89.3150</b>	<b>84.8927</b>

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

For UBL Fund Managers Limited  
(Management Company)

--SD--  
\_\_\_\_\_  
Chief Executive Officer

--SD--  
\_\_\_\_\_  
Director

--SD--  
\_\_\_\_\_  
Chief Financial Officer

**UBL GROWTH AND INCOME FUND**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Note	June 30, 2018 ----- (Rupees in '000) -----	June 30, 2017
<b>INCOME</b>			
Financial income	19	208,194	255,024
Unrealised (loss) / gain on revaluation of investments classified as 'designated at fair value through profit or loss' - net	9.3	(143)	14,166
Loss on maturity / sale of investments classified as 'designated at fair value through profit or loss' - net		(4,353)	(14,558)
Gain from spread transactions - net		8,258	26,486
Loss on maturity / sale on investments classified as 'available-for-sale' - net		(13,874)	(29,025)
Other income		3,405	2,248
<b>Total income</b>		<b>201,487</b>	<b>254,341</b>
Reversal of provision against debt securities - net	9.4.1	1,463	61,624
Reversal of provision against placements - net	9.6	10,756	9,722
Reversal of provision against other receivables	12.1	6,857	-
<b>EXPENSES</b>			
Remuneration of the Management Company	13.1	48,354	63,738
Sales tax on management fee	13.2	6,286	8,286
Allocated expenses by the Management Company	13.3	3,224	4,249
Selling and marketing expenses	13.4	472	-
Remuneration of the Trustee	14.1	3,582	4,434
Sales tax on remuneration of the Trustee	14.2	466	576
Annual fee to SECP	15	2,418	3,187
Brokerage and settlement charges		4,015	8,945
Auditors' remuneration	20	548	559
Legal and professional charges		652	1,488
Bank charges and other expenses		555	478
<b>Total expenses</b>		<b>70,572</b>	<b>95,940</b>
		<b>149,991</b>	<b>229,747</b>
Net element of loss and capital losses included in prices of units issued less those in units redeemed		-	(107,082)
Reversal of provision for Workers' Welfare Fund (WWF)	17.2	-	19,151
Provision for Sindh Workers' Welfare Fund (SWWF)	17.2	(2,943)	(7,101)
		(2,943)	12,050
<b>Net income for the year before taxation</b>		<b>147,048</b>	<b>134,715</b>
Taxation	21	-	-
<b>Net income for the year after taxation</b>		<b>147,048</b>	<b>134,715</b>
<i>Allocation of net income for the year:</i>			
Net income for the year after taxation		147,048	-
Income already paid on units redeemed		(104,456)	-
		<b>42,592</b>	-
<i>Accounting income available for distribution:</i>			
- Relating to capital gains		-	-
- Excluding capital gains		42,592	-
		<b>42,592</b>	-

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

**For UBL Fund Managers Limited**  
**(Management Company)**

--SD--  
\_\_\_\_\_  
**Chief Executive Officer**

--SD--  
\_\_\_\_\_  
**Director**

--SD--  
\_\_\_\_\_  
**Chief Financial Officer**

**UBL GROWTH AND INCOME FUND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2018**

	June 30, 2018	June 30, 2017
	----- (Rupees in '000) -----	
<b>Net income for the year after taxation</b>	<b>147,048</b>	134,715
<b>Other comprehensive income for the year:</b>		
<b>To be reclassified to income statement in subsequent periods:</b>		
Net movement on disposal of investments classified as 'available-for-sale' reclassified to income statement	(6,254)	1,961
<b>Total comprehensive income for the year</b>	<b><u>140,794</u></b>	<b><u>136,676</u></b>

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

For UBL Fund Managers Limited  
(Management Company)

--SD--  
\_\_\_\_\_  
Chief Executive Officer

--SD--  
\_\_\_\_\_  
Director

--SD--  
\_\_\_\_\_  
Chief Financial Officer

**UBL GROWTH AND INCOME FUND**  
**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	June 30, 2018			June 30, 2017	
	Capital value	Undistributed income	Unrealised (diminution) / appreciation on re-measurement of investments classified as 'available-for-sale' - net	Total	Total
	(Rupees in '000)				
<b>Net assets at beginning of the year</b>	6,184,368	(477,097)	-	5,707,271	1,735,198
Amount received on issuance of 25,462,034 (2017: 144,460,348) units					
Capital value	2,161,541	-	-	2,161,541	-
Element of income during the year;					
- Relating to other comprehensive income	(413)	-	-	(413)	-
- Relating to net loss for the year after taxation	41,704	-	-	41,704	-
	2,202,832	-	-	2,202,832	12,537,712
Amount paid on redemption of 78,118,097 (2017: 97,692,344) units					
Capital value	(6,631,656)	-	-	(6,631,656)	-
Element of income during the year;					
- Relating to other comprehensive income	6,789	-	-	6,789	-
- Relating to net loss for the year after taxation	(19,972)	(104,456)	-	(124,428)	-
	(6,644,839)	(104,456)	-	(6,749,295)	(8,678,672)
Net element of loss and capital losses included in prices of units issued less those in units redeemed	-	-	-	-	107,082
Total comprehensive income / (loss) for the year	-	147,048	(6,254)	140,794	136,676
Distribution during the year	-	-	-	-	(130,725)
Net income / (loss) for the year less distribution	-	147,048	(6,254)	140,794	5,951
<b>Net assets at end of the year</b>	<b>1,742,361</b>	<b>(434,505)</b>	<b>(6,254)</b>	<b>1,301,602</b>	<b>5,707,271</b>
<b>Undistributed income brought forward:</b>					
- Realised	-	(491,263)	-	(491,263)	-
- Unrealised	-	14,166	-	14,166	-
	-	(477,097)	-	(477,097)	-
<b>Accounting income available for distribution:</b>					
- Relating to capital gains	-	-	-	-	-
- Excluding capital gains	-	42,592	-	42,592	-
	-	42,592	-	42,592	-
Net income for the year after taxation	-	-	-	-	-
Distribution during the year	-	-	-	-	-
<b>Undistributed income carried forward</b>	<b>-</b>	<b>(434,505)</b>	<b>-</b>	<b>(434,505)</b>	<b>-</b>
<b>Undistributed income carried forward</b>					
- Realised	-	(434,505)	-	(434,505)	-
- Unrealised	-	-	-	-	-
	-	(434,505)	-	(434,505)	-
	----- (Rupees) -----				
<b>Net assets value per unit at beginning of the year</b>				<b>84.8927</b>	<b>84.8042</b>
<b>Net assets value per unit at end of the year</b>				<b>89.3150</b>	<b>84.8927</b>

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

For UBL Fund Managers Limited  
(Management Company)

--SD--  
Chief Executive Officer

--SD--  
Director

--SD--  
Chief Financial Officer

**UBL GROWTH AND INCOME FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	June 30, 2018	June 30, 2017
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	147,048	134,715
<b>Adjustments for:</b>		
Financial income	(208,194)	(255,024)
Unrealised loss / (gain) on revaluation of investments classified as 'designated at fair value through profit or loss' - net	143	(14,166)
Loss on maturity / sale of investments classified as 'designated at fair value through profit or loss' - net	4,353	14,558
Gain from spread transactions - net	(8,258)	(26,486)
Loss on maturity / sale on investments classified as 'available-for-sale'	13,874	29,025
Reversal of provision against debt securities - net	(1,463)	(61,624)
Reversal of provision against placements - net	(10,756)	(9,722)
Reversal of provision against other receivables	(6,857)	-
Net element of loss and capital losses included in prices of units issued less those in units redeemed	-	107,082
Reversal of provision for Workers' Welfare Fund (WWF)	-	(19,151)
Provision for Sindh Workers' Welfare Fund (SWWF)	2,943	7,101
	(214,215)	(228,407)
<b>Decrease / (increase) in assets</b>		
Investments	1,359,036	(1,291,651)
Advance tax	(415)	(468)
Receivable against settlement of spread transactions	98,942	(98,942)
Receivable against margin trading system (MTS)	358,681	-
Advance, deposits and other receivables	260,032	(245,473)
	2,076,276	(1,636,534)
<b>(Decrease) / increase in liabilities</b>		
Payable to the Management Company	(5,520)	4,478
Payable to the Trustee	(288)	272
Annual fee payable to the SECP	(769)	1,771
Accrued and other liabilities	(15,470)	12,261
	(22,047)	18,782
Finance income received	220,189	247,033
<b>Net cash generated from / (used in) operating activities</b>	<b>2,207,251</b>	<b>(1,464,411)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net receipt from issuance of units	2,202,832	12,537,712
Cash dividend paid to unit holders	-	(130,725)
Net payment against redemption of units	(6,749,295)	(8,678,672)
<b>Net cash (used in) / generated from financing activities</b>	<b>(4,546,463)</b>	<b>3,728,315</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(2,339,212)</b>	<b>2,263,904</b>
Cash and cash equivalents at beginning of the year	3,151,184	887,280
<b>Cash and cash equivalents at end of the year</b>	<b>811,972</b>	<b>3,151,184</b>
<b>Cash and cash equivalents</b>		
Bank balances	811,972	2,891,184
Term deposit receipts (TDR)	-	260,000
	<b>811,972</b>	<b>3,151,184</b>

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

For UBL Fund Managers Limited  
(Management Company)

--SD--  
\_\_\_\_\_  
Chief Executive Officer

--SD--  
\_\_\_\_\_  
Director

--SD--  
\_\_\_\_\_  
Chief Financial Officer

**UBL GROWTH AND INCOME FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

- 1.1** UBL Growth and Income Fund (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations) and was approved as an open-end mutual fund by the Securities and Exchange Commission of Pakistan (SECP). It was constituted under the Trust Deed, dated 21 December 2004 between UBL Fund Managers Limited (a wholly owned subsidiary company of United Bank Limited) as the Management Company, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The registered office of the Management Company is situated at 4th Floor, STSM Building, Beaumont road, Civil lines, Karachi.
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through certificate of registration issued by SECP.
- 1.3** The Fund is an aggressive fixed income scheme and units of the Fund are listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units of the fund can be transferred to / from other funds managed by the Management Company and can also be redeemed by surrendering to the fund.
- 1.4** As per the offering document, the Fund shall invest in a diversified portfolio of Government securities, investment grade term finance certificates (TFCs), rated corporate debts, certificates of investments (COIs), marginal trading system (MTS), spread transactions (including spread on equity transactions) and other money market instruments.
- 1.5** JCR - VIS Credit Rating Company has upgraded management quality rating from AM2++ (stable outlook) to AM1 to the management company as at December 29, 2017.
- 1.6** Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.

**2. STATEMENT OF COMPLIANCE**

- 2.1** These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. Such standards comprise of:
- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);
  - Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984;
  - The NBFC rules, the Non-Banking Finance Companies, Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

### 3. BASIS OF PREPARATION

- 3.1 These financial statements have been prepared under the historical cost convention except for investments which are accounted for as stated in note 5.1 below.
- 3.2 These financial statements are presented in Pakistani Rupee which is the Fund's functional and presentation currency.

### 4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

The Securities and Exchange Commission of Pakistan (SECP) through its SRO 756(I)/2017 dated August 03, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the Regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. MUFAP, in consultation with the SECP, has specified the methodology of determination of income paid on units redeemed during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. Furthermore, the revised Regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised Regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 01, 2017 as required by SECP vide its S.R.O. No. 756(I) / 2017 dated August 03, 2017. Accordingly, corresponding figures have not been restated. The „Distribution Statement“ for the comparative year has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs.76.35 million. However, the change in accounting policy does not have any impact on the 'cash flow statement', the 'net assets attributable to the unit holders' and 'net assets value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund, which have been incorporated in these statements.

## 4.2 New / Revised Standards, Interpretations and Amendments

The Fund has adopted the following accounting standards and the amendments and interpretation of IFRSs which became effective for the current year:

IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)

IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements.

## 5. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial years except as described in note 4.

### 5.1 Financial assets

#### 5.1.1 Classification

The management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The Fund classifies its financial assets in the following

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

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

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.

#### b) Financial assets classified as '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 loans and receivables or financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for the liquidity or change in price.

#### c) Loans and receivables

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

#### 5.1.2 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.

All regular way purchases and sales of investments are recognised on the trade date i.e. the date the Fund commits to purchase / sell the investments except for margin trading system (MTS) which is recorded on the date of settlement. Regular way purchases and sales of investments are those, the contract for which requires delivery of assets within the time frame generally established by regulation or market convention.

### 5.1.3 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These 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 associated with these financial assets are charged to the Income Statement.

### 5.1.4 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows :

#### **Financial assets classified as 'at fair value through profit or loss' and 'available-for-sale'**

##### **a) Basis of valuation of debt securities**

Investment in debt securities is valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP via Circular 1 of 2009, Circular 33 of 2012 and Circular 35 of 2012. The Circulars also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

##### **b) Basis of valuation of Government securities**

The Government securities not listed on a stock exchange and traded in the interbank market are valued at the average rates quoted on a widely used electronic quotation system (PKRV and PKISRV rates) which are based on the remaining tenor of the securities.

##### **c) Basis of valuation of equity securities**

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange (PSX). 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 taken to other comprehensive income until these are derecognised. At this time, the cumulative gain or loss previously recognised in the other comprehensive income is transferred to income before taxation.

### 5.1.5 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. If such an 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 removed from the equity to the income statement.

For financial assets classified as 'loans and receivable', 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 amount of the provision is measured as the difference between the asset's carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

Provision against non-performing debt securities is made in accordance with the provisioning criteria for non-performing debt securities specified by the SECP. As allowed by the SECP, the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circulars, in accordance with the provisioning policy duly approved by the Board of Directors of the Management Company.

## **5.2 Financial liabilities**

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

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

## **5.3 Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount 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 to realize the assets and settle the liabilities simultaneously.

## **5.4 Unitholders' fund**

Unitholders' 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.

## **5.5 Securities under repurchase / resale agreement**

Transactions of sale under repurchase (repo), of marketable and government securities are entered into at contracted rates for specified periods of time. Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the Statement of Assets and Liabilities and are measured in accordance with accounting policies for investment securities. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the life of the repo agreement.

Transactions of purchase under resale (reverse repo), of marketable and Government securities are entered into at contracted rates for specified periods of time. Securities purchased with a simultaneous commitment to resale at a specified future date (reverse repos) are not recognised in the statement of assets and liabilities.

## **5.6 Issuance and redemption of units**

Units issued are recorded at the offer price, prevalent on the day on which the applications for purchase of units are received (however units are issued on the receipt of cash / realisation of cheques). The offer price represents the net asset value per unit as of the close of the business day plus the allowable front-end sales load. The front-end sales load is payable to the Management Company as processing fee. Issue of units is recorded on acceptance of application for sale.

Units redeemed are recorded at the redemption price, applicable to units for which the Fund receives redemption applications 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. Redemption of units is recorded on acceptance of application for redemption.

## **5.7 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 reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

## **5.8 Net assets 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 outstanding at the year end.

## **5.9 Taxation**

The Fund is exempt from taxation under clause 99 of Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income excluding realized and unrealized capital gains for the year is distributed amongst the Fund's unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

## **5.10 Revenue recognition**

- Capital gains / (losses) arising on redemption and sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Dividend income is recognised when the right to receive the dividend is established.
- Unrealized gains / (losses) arising on revaluation of investments classified as 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Unrealised gains / (losses) arising on the revaluation of the derivative financial instruments to their fair values are taken to the Income Statement currently.
- Income on debt and government securities is recognised on time proportion basis using the effective yield except for the securities which are classified as Non-Performing Asset under Circular No. 33 of 2012 issued by SECP for which the profits are recorded on cash basis.
- Mark-up on saving accounts and term deposits is recognised on accrual basis.

## **5.11 Expenses**

All expenses including Management fee, Trustee fee and Securities and Exchange Commission of Pakistan (SECP) fee are recognised in the Income Statement on accrual basis.

## **5.12 Cash and cash equivalents**

Cash and cash equivalents are carried in the Statement of Assets and Liabilities at cost. These comprise of deposits with banks and highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short term cash commitments rather than for investments for other purposes.

## **5.13 Dividend distribution and appropriations**

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

## **5.14 Other assets**

Other assets are stated at cost less impairment losses, if any.

## **6. ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in notes 5.1.

## 7. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

<b>Standard or Interpretation</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 2 – Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	January 01, 2018
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	January 01, 2018
IFRS 9 – Financial Instruments	July 01, 2018
IFRS 9 – Prepayment Features with Negative Compensation - (Amendments)	January 01, 2019
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 15 – Revenue from Contracts with Customers	July 01, 2018
IFRS 16 – Leases	January 01, 2019
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	January 01, 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments)	January 01, 2019
IAS 40 Investment Property: Transfers of Investment Property (Amendments)	January 01, 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 01, 2018
IFRIC 23 Uncertainty over Income Tax Treatments	January 01, 2019

The above standards and amendments are not expected to have any material impact on the Fund's financial statements in the period of initial application. However, the Fund is currently evaluating the requirements of IFRS-9 and potential impact on the financial statements of the Fund.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. The Fund expects that such improvements to the standards will not have any impact on the Fund's financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

<b>Standards</b>	<b>IASB Effective date (annual periods beginning on or after)</b>
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 17 - Insurance Contracts	January 01, 2021

	<b>Note</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
<b>8. BALANCES WITH BANKS</b>		----- (Rupees in '000) -----	
In current accounts		<b>50</b>	50
In deposit accounts	8.1	<b>811,922</b>	2,891,134
	8.2	<b>811,972</b>	2,891,184

**8.1** These carry mark-up at rates ranging between 4.00% to 7.50% per annum (2017: 3.75% to 7.25%) per annum.

**8.2** These include balances of Rs.2.56 (2017: Rs.16.34) million held with United Bank Limited and Rs.384.15 (2017: Rs.152.87) million held with Khushhali Bank Limited (related parties).

## 9. INVESTMENTS

### Investments by Category

#### Designated at fair value through profit or loss

Government securities	9.1	-	251,675
Equity securities - listed	9.2	-	472,250
Debt securities - quoted	9.3	<b>85,715</b>	233,511
Debt securities - unquoted	9.3	<b>420,807</b>	671,364
		<b>506,522</b>	1,628,800

#### Available-for-sale

Equity securities - listed		-	45,658
Debt securities - quoted	9.4	-	-
Debt securities - unquoted	9.4	-	-
Commercial paper	9.5	-	195,247
		-	240,905

#### Loans and receivables

Placements and term deposit receipts		-	309,430
Less: Provision for impairment		-	(49,430)
	9.6	-	260,000
		<b>506,522</b>	2,129,705

9.1 Government securities - 'at fair value through profit or loss - held-for-trading'

Name of investee company	Note	Number of units				Balance as at June 30, 2018			Market value as a % of net assets	Market value as a % of total investments
		As at July 01, 2017	Purchased during the year	Sold during the year	Matured during the year	As at June 30, 2018	Carrying Value	Market value		
							----- (Rupees in '000) -----			----- % -----
Pakistan investment bonds - 10 years		-	1,500	1,500	-	-	-	-	-	-
Pakistan investment bonds - 3 years		-	1,500	1,500	-	-	-	-	-	-
Market treasury bills - 6 months		-	500	500	-	-	-	-	-	-
Market treasury bills - 3 months		-	32,560	21,970	10,590	-	-	-	-	-
Ijarah Sukuk		2,500	-	2,500	-	-	-	-	-	-
<b>Total as at June 30, 2018</b>						-	-	-	-	-
<b>Total as at June 30, 2017</b>						250,000	251,675	1,675		

9.2 Listed equity securities - 'designated at fair value through profit or loss'

Name of Investee Company	Number of shares					Balance as at June 30, 2018			Market value as a % of net assets	Market value as a % of total investments	Par value as percentage of total paid up capital of the investee company
	As at July 01, 2017	Purchased during the year	Bonus / right	Sold during the year	As at June 30, 2018	Carryin value	Market value	Unrealised loss			
----- (Rupees in '000) ----- % -----											
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise											
<b>Oil and gas exploration companies</b>											
Oil and Gas Development Company	445,000	71,000	-	516,000	-	-	-	-	0.00%	0.00%	0.00%
Pakistan Petroleum Limited	-	2,000	-	2,000	-	-	-	-	0.00%	0.00%	0.00%
									<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Oil and gas marketing companies</b>											
Pakistan State Oil Company Limited	238,500	350,000	-	588,500	-	-	-	-	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Fertilizer</b>											
Engro Fertilizers Limited	42,000	119,000	-	161,000	-	-	-	-	0.00%	0.00%	0.00%
Engro Corporation Limited	3,500	60,000	-	63,500	-	-	-	-	0.00%	0.00%	0.00%
Fauji Fertilizer Bin Qasim Limited	23,500	124,000	-	147,500	-	-	-	-	0.00%	0.00%	0.00%
Fauji Fertilizer Company Limited	332,000	22,000	-	354,000	-	-	-	-	0.00%	0.00%	0.00%
Fatima Fertilizer Company Limited	-	2,500	-	2,500	-	-	-	-	0.00%	0.00%	0.00%
									<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Technology and communication</b>											
Pakistan Telecommunication Limited "A"	-	152,500	-	152,500	-	-	-	-	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Power generation and distribution</b>											
K-Electric Limited*	1,383,000	2,726,500	-	4,109,500	-	-	-	-	0.00%	0.00%	0.00%
The Hub Power Company Limited	16,000	24,500	-	40,500	-	-	-	-	0.00%	0.00%	0.00%
Kot Addu Power Company Limited	4,000	3,500	-	7,500	-	-	-	-	0.00%	0.00%	0.00%
									<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Commercial banks</b>											
Askari Bank Limited	111,500	168,500	-	280,000	-	-	-	-	0.00%	0.00%	0.00%
Bank Alfalah Limited	35,000	40,500	-	75,500	-	-	-	-	0.00%	0.00%	0.00%
The Bank of Punjab Limited	1,137,000	9,824,000	-	10,961,000	-	-	-	-	0.00%	0.00%	0.00%
Faysal Bank Limited	36,500	10,500	-	47,000	-	-	-	-	0.00%	0.00%	0.00%
Habib Bank Limited	-	500	-	500	-	-	-	-	0.00%	0.00%	0.00%
National Bank of Pakistan	48,000	36,000	-	84,000	-	-	-	-	0.00%	0.00%	0.00%
									<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>

Name of Investee Company	Number of shares					Balance as at June 30, 2018			Market value as a % of net assets	Market value as a % of total investments	Par value as percentage of total paid up capital of the investee company
	As at July 01, 2017	Purchased during the year	Bonus / right	Sold during the year	As at June 30, 2018	Carryin value	Market value	Unrealised loss			
----- (Rupees in '000) ----- % -----											
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise											
<b>Cement</b>											
D.G. Khan Cement Company Limited	126,500	57,000	-	183,500	-	-	-	-	0.00%	0.00%	0.00%
Fauji Cement Company Limited	192,500	189,000	-	381,500	-	-	-	-	0.00%	0.00%	0.00%
Maple Leaf Cement Factory Limited	80,500	90,500	-	171,000	-	-	-	-	0.00%	0.00%	0.00%
Power Cement Limited	31,000	140,000	-	171,000	-	-	-	-	0.00%	0.00%	0.00%
					-	-	-	-	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Food and personal care products</b>											
Engro Foods Limited	107,000	172,000	-	279,000	-	-	-	-	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Cable and electrical goods</b>											
Pak Elektron Limited	719,000	1,275,000	-	1,994,000	-	-	-	-	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Refinery</b>											
Attock Refinery Limited	209,000	265,500	-	474,500	-	-	-	-	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Engineering</b>											
International Steels Limited	80,000	465,000	-	545,000	-	-	-	-	0.00%	0.00%	0.00%
Amreli Steels Limited	-	2,000	-	2,000	-	-	-	-	0.00%	0.00%	0.00%
Crescent Steel and Allied Products	-	1,000	-	1,000	-	-	-	-	0.00%	0.00%	0.00%
					-	-	-	-	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Textile Composite</b>											
Nishat (Chunian) Limited	112,500	101,500	-	214,000	-	-	-	-	0.00%	0.00%	0.00%
Nishat Mills Limited	115,500	102,500	-	218,000	-	-	-	-	0.00%	0.00%	0.00%
Gul Ahmed Textile Mills Ltd	-	4,000	-	4,000	-	-	-	-	0.00%	0.00%	0.00%
					-	-	-	-	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Insurance</b>											
Adamjee Insurance Company Limited	-	2,000	-	2,000	-	-	-	-	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Total as at June 30, 2018</b>						-	-	-			
Total as at June 30, 2017						472,090	470,160	(1,930)			

\* These have a face value of Rs.3.5 per share.

**9.3 Debt securities - Term Finance Certificates (TFCs) and Sukuks - 'Designated at fair value through profit or loss'**  
(face value of Rs.5,000 each unless otherwise stated)

Particulars	Number of certificates					Balance as at June 30, 2018			Market value as a % of net assets	Market value as a % of total investments
	As at July 01, 2017	Purchased during the year	Matured during the year	Sold during the year	As at June 30, 2018	Carrying value	Market value	Unrealised (loss) / gain		
----- (Rupees in '000) -----									----- % -----	
<b>Quoted</b>										
<b>Personal goods</b>										
Azgard Nine Limited - TFC (September 20, 2005)	1,000	-	-	-	1,000	1,366				
Less: Provision for impairment (see note 9.3.1)						(1,366)				
						-	-	-	0.00%	0.00%
<b>Commercial banks</b>										
MCB Bank Limited - TFC (June 20, 2014)	21,300	-	-	10,000	11,300	57,176	56,504	(672)	4.34%	11.16%
Bank Alfalah Limited - TFC (February 20, 2013)	10,100	-	-	10,100	-	-	-	-	0.00%	0.00%
Soneri Bank Limited - TFC (July 08, 2015)	13,000	-	-	11,000	2,000	10,279	10,173	(106)	0.78%	2.01%
Dawood Hercules Corporation Limited - Sukuk (November 16, 2017)*	-	890	-	700	190	19,000	19,038	38	1.46%	3.76%
						<b>86,456</b>	<b>85,715</b>	<b>(741)</b>	<b>6.59%</b>	<b>16.92%</b>
<b>Chemical</b>										
Engro Corporation Limited - TFC (July 10, 2014)	890	-	-	890	-	-	-	-	0.00%	0.00%
<b>Electricity</b>										
K-Electric Limited - TFC (August 13, 2012)	500	-	-	500	-	-	-	-	0.00%	0.00%
<b>Total debt securities - quoted as at June 30, 2018</b>						<b>86,456</b>	<b>85,715</b>	<b>(741)</b>		
Total debt securities - quoted as at June 30, 2017						<b>228,890</b>	<b>233,511</b>	<b>4,621</b>		
<b>Unquoted</b>										
<b>Personal goods</b>										
Azgard Nine Limited - PPTFC (December 04, 2007)	7,000	-	-	-	7,000	10,579				
Less: Provision for impairment (see note 9.3.1)						(10,579)				
						-	-	-	0.00%	0.00%
<b>Household goods</b>										
New Allied Electronics Industries Limited - TFC (May 15, 2007)	18,000	-	-	-	18,000	18,094				
Less: Provision for impairment (see note 9.3.1)						(18,094)				
						-	-	-	0.00%	0.00%
New Allied Electronics Industries Limited - Sukuk (December 03, 2007)	10,000	-	-	-	10,000	35,000				
Less: Provision for impairment (see note 9.3.1)						(35,000)				
						-	-	-	0.00%	0.00%
<b>Commercial banks</b>										
Bank AL Habib Limited - TFC (March 17, 2016)	37,200	-	-	37,200	-	-	-	-	0.00%	0.00%
JS Bank Limited - TFC (December 14, 2016)	48,000	-	-	39,000	9,000	45,303	45,305	2	3.48%	8.94%
JS Bank Limited - TFC (December 29, 2017)*	-	1,000	-	-	1,000	99,980	99,980	-	7.68%	19.74%
Standard Chartered Bank Limited - TFC (June 29, 2012)	8,300	-	-	8,300	-	-	-	-	0.00%	0.00%
Habib Bank Limited - TFC (February 19, 2016)*	500	2,822	-	2,750	572	57,300	56,440	(860)	4.34%	11.14%
						<b>202,583</b>	<b>201,725</b>	<b>(858)</b>	<b>15.50%</b>	<b>39.83%</b>

Particulars	Number of certificates					Balance as at June 30, 2018			Market value as a % of net assets	Market value as a % of total investments
	As at July 01, 2017	Purchased during the year	Matured during the year	Sold during the year	As at June 30, 2018	Carrying value	Market value	Unrealised (loss) / gain		
----- (Rupees in '000) ----- % -----										
<b>Fertilizer</b>										
Engro Fertilizers Limited - Sukuk (July 09, 2014)	3,600	-	-	-	3,600	9,765	9,545	(220)	0.73%	1.88%
<b>Investment bank</b>										
Jahangir Siddiqui & Co. Ltd. (July 18, 2017)	-	30,000	-	-	30,000	150,000	151,789	1,789	11.66%	29.97%
<b>Chemical</b>										
Ghani Gases Limited - Sukuk (February 02, 2017)*	500	-	-	407	93	7,436	7,436	(0)	0.57%	1.47%
<b>Electricity</b>										
WAPDA - TFC (September 27, 2013)	20,000	-	-	-	20,000	50,425	50,312	(113)	3.87%	9.93%
<b>Financial services</b>										
Security Leasing Corporation Limited - Sukuk II (September 19, 2007)	5,000	-	-	-	5,000	5,577				
Less: Provision for impairment (see note 9.3.1)						(5,577)				
						-	-	-	0.00%	0.00%
<b>Cable and electrical goods</b>										
TPL Trakker Limited - Sukuk (April 13, 2016) **	20	-	-	20	-	-	-	-	0.00%	0.00%
<b>Total debt securities - quoted as at June 30, 2018</b>						<b>420,210</b>	<b>420,807</b>	<b>597</b>		
Total debt securities - quoted as at June 30, 2017						663,674	671,364	7,690		
<b>Total as at June 30, 2018</b>						<b>506,665</b>	<b>506,522</b>	<b>(143)</b>		
Total as at June 30, 2017						892,564	904,875	12,311		

\* The nominal value of these TFCs and Sukuks is Rs.100,000 each.

\*\* The nominal value of this Sukuk is Rs.1,000,000 each.

9.3.1 Due to continuous default on repayment of coupon by the issuer, the Fund has classified said investment as non-performing debt securities. The Fund has suspended further accrual of mark-up there against.

9.3.2 Significant terms and conditions of term finance certificates outstanding at the year end are as follows:

Name of security	Number of certificates	Interest rate per annum	Maturity
MCB Bank Limited	11,300	6M KIBOR + 1.15%	June 19, 2022
Soneri Bank Limited	2,000	6M KIBOR + 1.35%	July 08, 2023
Dawood Hercules Corporation Limited	190	3M KIBOR + 1.00%	November 16, 2022
JS Bank Limited	9,000	6M KIBOR + 1.40%	December 16, 2023
JS Bank Limited	1,000	6M KIBOR + 1.40%	N/A
Habib Bank Limited	572	6M KIBOR + 0.50%	February 19, 2026
Engro Fertilizers Limited	3,600	6M KIBOR + 1.75%	June 19, 2019
Jahangir Siddiqui & Co. Ltd.	30,000	6M KIBOR + 1.40%	June 18, 2022
Ghani Gases Limited	93	3M KIBOR + 1.00%	February 02, 2023
WAPDA	20,000	6M KIBOR + 1.00%	September 27, 2021

**9.4 Debt securities - Term Finance Certificates (TFCs) and Sukuks - 'Available-for-sale'**  
(face value of Rs.5,000 each unless otherwise stated)

Particulars	Note	Number of certificates				Balance as at June 30, 2018			Market value as a % of net assets	Market value as a % of total investments
		As at July 01, 2017	Purchased during the year	Sold / matured during the year	As at June 30, 2018	Carrying value	Market value	Appreciation (diminution)		
						----- (Rupees in '000) -----			----- % -----	
<b>Quoted</b>										
<b>Personal goods</b>										
Azgard Nine Limited - TFC (September 20, 2005)		21,150	-	-	21,150	21,702				
Less: Provision for impairment	9.3.1					(21,702)				
						-	-	-	0.00%	0.00%
Azgard Nine Limited - TFC (May 17, 2010)		10,000	-	-	10,000	27,863				
Less: Provision for impairment	9.3.1					(27,863)				
						-	-	-	0.00%	0.00%
<b>Financial services</b>										
Trust Investment Bank Limited - TFC (July 04, 2008)		23,877	-	-	23,877	44,499				
Less: Provision for impairment	9.3.1					(44,499)				
						-	-	-	0.00%	0.00%
<b>Total debt securities - quoted as at June 30, 2018</b>						-	-	-	<b>0.00%</b>	<b>0.00%</b>
Total debt securities - quoted as at June 30, 2017						-	-	-		
<b>Unquoted</b>										
<b>Household goods</b>										
New Allied Electronics Industries (Private) Limited - TFC (May 15, 2007)		13,000	-	-	13,000	13,068				
Less: Provision for impairment	9.3.1					(13,068)				
						-	-	-	0.00%	0.00%
<b>Chemical</b>										
Agritech Limited - PPTFC (January 14, 2008)		147,000	-	-	147,000	558,988				
Less: Provision for impairment	9.3.1					(558,988)				
						-	-	-	0.00%	0.00%
Agritech Limited - PPTFC (November 30, 2007)		58,000	-	-	58,000	254,223				
Less: Provision for impairment	9.3.1					(254,223)				
						-	-	-	0.00%	0.00%
Agritech Limited - Sukuk (August 06, 2008)		3,800	-	-	3,800	14,453				
Less: Provision for impairment	9.3.1					(14,453)				
						-	-	-	0.00%	0.00%

Particulars	Note	Number of certificates				Balance as at June 30, 2018			Market value as a % of net assets	Market value as a % of total
		As at July 01, 2017	Purchased during the year	Sold / matured / settled during the year	As at June 30, 2018	Carrying value	Market value	Appreciation (diminution)		
						----- (Rupees in '000) -----			----- % -----	
<b>Personal goods</b>										
Azgard Nine Limited - PPTFC (December 04, 2007)		33,000	-	-	33,000	49,870				
Less: Provision for impairment	9.3.1					(49,870)				
<b>Financial services</b>										
Security Leasing Corporation Limited - Sukuk II (September 19, 2007)		15,000	-	-	15,000	16,451				
Less: Provision for impairment	9.3.1					(16,451)				
Security Leasing Corporation Limited - PPTFC (March 28, 2006)	9.4.1	19,000	-	19,000	-	-	-	-	0.00%	0.00%
<b>Total debt securities - unquoted as at June 30, 2018</b>						<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>	<b>0.00%</b>
Total debt securities - unquoted as at June 30, 2017						-	-	-		

9.4.1 During the year, the Fund has received Rs.1.46 million as full and final settlement against the said term finance certificate.

#### 9.5 Commercial paper

	Note	30 June 2018	30 June 2017
--- (Rupees in '000) ---			
JS Global Capital Limited		-	97,289
Pak Electron Limited		-	97,958
		<b>-</b>	<b>195,247</b>

#### 9.6 Placements and term deposit receipts

Pre-IPO placement	9.6.1	77,778	83,611
Term deposit receipts		-	260,000
Other placement	9.6.2	-	49,430
		<b>77,778</b>	<b>393,041</b>
Less: Provision for impairment		<b>(77,778)</b>	<b>(133,041)</b>
		<b>-</b>	<b>260,000</b>

9.6.1 This represents Pre-IPO disbursement to Cement Company (the Company) made on January 14, 2008. As per the requirement of the Trust Deed, the IPO was to take place within 270 days of the initial disbursement, however, the Company has not yet arranged the IPO. Accordingly, the Management Company decided to suspend mark-up on this placement from October 29, 2008 and has recorded full provision against the said placement (including principal and interest) in accordance with circular no. 33 of 2012 issued by the SECP.

During the year, the Company has paid Rs.5.83 million against the said disbursement. Accordingly, the Management Company has reversed the provision for impairment with the amount received.

9.6.2 During the year, the Fund has received Rs.4.92 million as full and final settlement against the said placement with a Leasing Company.

9.7 Preference shares - 'Available-for-sale'

Name of security	Note	Number of shares				Balance as at June 30, 2018		Market value as a % of net assets	Market value as a % of total investments
		As at July 01, 2017	Purchased during the year	Sold / converted during the period	As at June 30, 2018	Carrying value	Market value		
--- (Rupees in '000) ---									
<b>Personal goods</b>									
Azgard Nine Limited	9.7.1	200,000	-	-	200,000	-	-	0.00%	0.00%

9.7.1 These represent cumulative, non-voting, convertible and redeemable preference shares having a face value of Rs.10 each and carrying profit at the rate of 8.95% per annum. These were due for redemption on September 30, 2009 but due to default by the Company, the Fund has made full provision of Rs.11.25 million against the amount outstanding.

9.8 Details of non-compliant investments

Name of non-compliant investment	Type of investment	Note	Value of investment before provision	Provision held / net impairment made	Value of investment after provision	Value as a % of net assets	Limit
			----- (Rupees in '000) -----			----- % -----	

9.8.1 Regulation 55 (5) of the NBFC Regulations issued by the SECP requires details of investments not compliant with the investment criteria specified for the category assigned to open-end collective investment schemes to be disclosed in the financial statements of the Fund. Details of such non compliant investment is as follows:

JS Bank Limited	Term finance	9.3	145,285	-	145,285	11.16%	10.00%
Jahangi Siddiqui & Co. Ltd.	certificates	9.3	151,789	-	151,789	11.66%	10.00%

9.8.2 Circular No. 16 dated 07 July 2010 issued by the SECP requires details of investments not compliant with the investment criteria specified for the category assigned to open-end collective investment schemes or the investment requirements of the constitutive documents of the Fund to be disclosed in the annual accounts of the Fund. The table below gives the details of such non compliant investments.

Azgard Nine Limited	Preference share	9.7	850	(850)	-	0.00%	10.00%
---------------------	------------------	-----	-----	-------	---	-------	--------

Name of non-compliant investment	Type of investment	Exposure type	% of issue	Limit
Trust Investment Bank Limited (July 04, 2008)		Per issue	20.00%	10.00%
AgriTech Limited (November 30, 2007)	Term finance	Per issue	19.00%	10.00%
New Allied Electronics Industries (Private) Limited (May 15, 2007)	certificates	Per issue	17.00%	10.00%
AgriTech Limited (January 14, 2008)		Per issue	11.00%	10.00%
Security Leasing Corporation Limited (September 19, 2007)	Sukuk	Per issue	13.00%	10.00%

## 10. ADVANCE TAX

The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001. The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II-66417-R" dated May 12, 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). Prior to receiving tax exemption certificate(s) from CIR various withholding agents have deducted advance tax under section 150, 150A and 151 of ITO 2001. The management is confident that the same shall be refunded after filing Income Tax Return for Tax Year 2018.

11. MARK-UP RECEIVABLE	Note	June 30, 2018	June 30, 2017
----- (Rupees in '000) -----			
Mark-up receivable on:			
- Government of Pakistan ijara sukuk		-	36
- Term finance certificates and sukuks		8,862	12,682
- Deposit accounts	11.1	5,965	10,381
- Margin trading system (MTS)		-	2,018
- Term deposit receipt (TDR)		-	1,705
		<u>14,827</u>	<u>26,822</u>

11.1 This includes receivable of Rs.0.11 (2017: Rs.0.25) million on balances maintained with United Bank Limited and Rs.2.36 (2017: Rs.0.88) million on balances maintained with Khushhali Bank Limited (related parties).

## 12. DEPOSITS AND OTHER RECEIVABLES

Property - held for sale	12.1	-	12,000
Exposure deposit with National Clearing Company Pakistan Limited (NCCPL) against MTS		6,615	186,658
Security deposit with NCCPL		3,000	74,500
Other receivables		357	1,989
		<u>9,972</u>	<u>275,147</u>
Less: Provision for impairment		-	(12,000)
		<u>9,972</u>	<u>263,147</u>

12.1 This represented property acquired in a partial settlement of a placement with a leasing company under the settlement agreement dated July 12, 2012. The Securities and Exchange Commission of Pakistan vide its letter no. SCD/AMCW/MF/JD-VS/UGIF/324/2011 has provided 'no objection' for this settlement transaction. The Fund was required to dispose of the property within one year of the acquisition which has been further extended till June 30, 2018 by SECP vide its letter no. SCD/AMCW/UBLFML/96/2017 dated October 10, 2017. During the year, the said property has been disposed off to a third party at a net price of Rs.6.86 million.

## 13. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable	13.1	1,823	6,457
Sales tax on management fee	13.2	237	839
Allocated expenses payable	13.3	239	902
Selling and marketing expenses payable	13.4	472	-
Sales load payable		19	-
Other payables		71	183
		<u>2,861</u>	<u>8,381</u>

13.1 The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the amended NBFC Regulations dated November 25, 2015, of an amount not exceeding 2 percent of the average daily net assets of the Fund. The Management Company has charged remuneration at the rate of 1.5% (2017: 1.5%) of average annual net assets of the Funds. The remuneration is paid to the Management Company on a monthly basis in arrears.

13.2 Sales tax at the rate of 13% (2017: 13%) on gross value of management fee is applied under the provisions of Sindh Sales Tax on Services Act, 2011.

13.3 As per regulation 60(3)(s) of amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the scheme, maximum up to 0.1% of the average annual net assets or the actual cost, whichever is lower. Accordingly, the Management Company has charged 0.1% of the average annual net assets with effect from November 25, 2015, being lower.

13.4 Securities and Exchange Commission of Pakistan vide Circular No. 40 of 2016 dated December 30, 2016, has allowed Asset Management Companies to charge Selling and Marketing expenses to its CIS's at a maximum cap of 0.4% per annum of net assets of the Fund or actual expenses whichever is lower. Accordingly, the Management Company has charged 0.4% on daily net assets of the Fund, being the lower amount.

#### 14. PAYABLE TO THE TRUSTEE

Remuneration payable	14.1	173	428
Sales tax on remuneration payable	14.1	23	56
		<u>196</u>	<u>484</u>

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

As per the Trust Deed and Offering Document, the tariff structure applicable to the Fund in respect of trustee fee for the year ended June 30, 2018 is as follows:

Net assets value	Tariff per annum
Up to Rs.1,000 million	Rs.0.6 million or 0.17% p.a. of net assets of the Fund, whichever is higher
Rs.1,000 million to Rs.5,000 million	Rs.1.7 million plus 0.085% p.a. of net assets of the Fund, on amount exceeding exceeding Rs.1,000 million
On amount exceeding Rs.5,000 million	Rs.5.1 million plus 0.07% p.a. of net assets of the Fund, on amount exceeding exceeding Rs.5,000 million

14.2 Sales tax at the rate of 13% (2017: 13%) on the remuneration of the Trustee is applied under the provisions of Sindh Sales Tax on Services Act, 2011.

#### 15. ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

This represents annual fee payable to SECP in accordance with the NBFC Regulations whereby the Fund is required to pay to SECP an amount equal to 0.095% (2017: 0.095%) of the average daily net assets of the Fund.

#### 16. TOTAL EXPENSE RATIO

Total Expense Ratio of the Fund is 2.28% as on June 30, 2018 (2017: 2.43%) and this includes 0.38% (2017: 0.45%) representing Government Levy, Sindh Worker's Welfare Fund and SECP Fee. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulation 60 (5) for a collective investment scheme categorised as an aggressive fixed income scheme.

		30 June 2018	30 June 2017
	Note	----- (Rupees in '000) -----	
17. ACCRUED AND OTHER LIABILITIES			
Provision for indirect duties and taxes	17.1	24,359	24,359
Auditors' remuneration		356	356
Brokerage payable		514	783
Withholding tax deducted at source payable		640	3,415
Capital gains tax payable		764	15,225
Provision for Sindh Workers' Welfare Fund (SWWF)	17.2	10,043	7,101
Legal and professional charges payable		83	72
Custodian fee payable		83	83
Transaction charges payable to NCCPL		38	-
Other payables		2,735	748
		<u>39,615</u>	<u>52,142</u>

##### 17.1 Provision for indirect duties and taxes (Federal Excise Duty on remuneration to the Management Company)

The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund were already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company was of the view that further levy of FED was not justified.

On September 4, 2013, a Constitutional Petition was filed in the Honourable Sindh High Court (SHC) jointly by various Asset Management Companies, together with their representatives of Collective Investment Schemes through their trustees, challenging the levy of FED.

During the previous year, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from July 01, 2016, FED on services provided or rendered by Non-Banking Financial Institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 01, 2016. However, as a matter of abundant caution, the provision for FED made prior to this period has been maintained by the Fund which at June 30, 2018 aggregates to Rs.24.36 (2017: Rs.24.360) million. Had the provision for FED not been recorded in the financial statements of the Fund, the net assets value of the Fund as at June 30, 2018 would have been higher by Rs.1.67 (2017: Re.0.36) per unit.

## 17.2 Provision for Sindh Workers' Welfare Fund (SWWF)

As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act (SWWF Act), 2014 had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs.0.5 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies (including the Management Company of the Fund) whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF which is currently pending. However, as a matter of abundant caution, MUFAP has recommended to all its members to record a provision for SWWF from the date of enactment of SWWF Act, 2014 (i.e. starting from May 21, 2015).

The provision for SWWF is now being made on a daily basis. Had the provision for SWWF not been recorded in the financial statements of the Fund, the net assets value of the Fund as at June 30, 2018 would have been higher by Re.0.69 (2017: Re.0.11) per unit.

	30 June 2018	30 June 2017
Note	----- (Rupees in '000) -----	
<b>18. CONTINGENCIES AND COMMITMENTS</b>		
<b>18.1 CONTINGENCIES</b>		
There were no contingencies as at June 30, 2018 and June 30, 2017.		
<b>18.2 COMMITMENTS</b>		
Future stock contracts	-	475,375
<b>19. FINANCIAL INCOME</b>		
Mark-up on:		
- Bank balances	111,862	100,549
- Term deposit receipts	12,736	5,769
- Government securities	8,809	86,846
- Commercial papers	4,753	4,516
- Term finance certificates	64,686	52,098
- Margin trading system (MTS)	5,272	5,245
	<b>208,118</b>	255,024
Dividend income	76	-
	<b>208,194</b>	255,024
<b>20. AUDITORS' REMUNERATION</b>		
Annual audit fee	200	200
Half yearly review fee	115	115
Other certifications and services	130	130
	<b>445</b>	445
Sales tax	36	36
Out of pocket expenses	67	78
20.1	<b>548</b>	559

20.1 The figures presented for June 30, 2017, represents remuneration of predecessor auditors.

## 21. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. 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 Management Company intends to distribute cash dividend of at least 90% of the Fund's net accounting income available for distribution to its unit holders, accordingly, no provision for taxation has been recognized in these financial statements.

## 22. TRANSACTIONS AND BALANCES OUTSTANDING WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties comprise of United Bank Limited (Holding Company of the Management Company), UBL Fund Managers Limited (Management Company), Al-Ameen Financial Services (Private) Limited, being entity under the common management or directorship, Central Depository Company of Pakistan Limited as trustee of the Fund, the directors key management personnel and other associated undertakings and connected persons. Connected persons also include any person beneficially owing directly or indirectly 10% or more of the units in the issue / net assets of the Fund.

Transactions with connected persons essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, other charges, sale and purchase of investments and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of the NBFC Rules, NBFC Regulations and constitutive documents of the Fund respectively.

Details of transactions and balances at year end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	Management company	Associated companies	Trustee	Funds under common management	Directors and key executives	Other connected persons / related parties**
(Rupees in '000)						
June 30, 2018						
<b>Transactions during the year</b>						
Mark-up on bank accounts	-	366	-	-	-	-
Bank charges	-	29	-	-	-	-
Units issued (units in '000)	50,000	-	-	-	1	649,519
Units redeemed (units in '000)	264,853	485,830	-	-	6,383	1,117,917
Sale of securities	-	-	-	226,916	-	-
Remuneration *	54,640	-	4,048	-	-	-
Allocated expenses by the Management Company	3,224	-	-	-	-	-
Selling and marketing expenses	472	-	-	-	-	-
Listing fee	-	-	-	-	-	25

June 30, 2017						
<b>Transactions during the year</b>						
Mark-up on bank accounts	-	18,817	-	-	-	60
Bank charges	-	29	-	-	-	-
Units issued (units in '000)	328,000	1,267,631	-	-	27,499	1,201,200
Units redeemed (units in '000)	121,258	981,756	-	-	21,123	565,397
Cash dividend	-	73,921	-	-	289	4,797
Purchase of securities	-	794,882	-	1,340,642	-	-
Sale of securities	-	258,681	-	845,461	-	-
Remuneration *	72,024	-	5,010	-	-	-
Allocated expenses by the Management Company	4,249	-	-	-	-	-
Listing fee	-	-	-	-	-	50

	Management company	Associated companies	Trustee	Funds under common management	Directors and key executives	Other connected persons / related parties**
(Rupees in '000)						
June 30, 2018						
<b>Balances held</b>						
Units held (units in '000)	-	-	-	-	1,261	5,921
Units held (Rupees in '000)	-	-	-	-	112,630	528,868
Bank balances	-	386,702	-	-	-	-
Mark-up receivable	-	2,472	-	-	-	-
Security deposit	-	-	100	-	-	-
Remuneration payable*	2,060	-	196	-	-	-
Sales load and other payables	89	2	-	-	-	-
Allocated expenses payable	239	-	-	-	-	-
Selling and marketing expenses payable	472	-	-	-	-	-

June 30, 2017						
<b>Balances held</b>						
Units held (units in '000)	2,475	13,215	-	-	76	7,597
Units held (Rupees in '000)	210,131	1,121,850	-	-	6,427	644,936
Bank balances	-	152,868	-	-	-	-
Mark-up receivable	-	1,123	-	-	-	-
Security deposit	-	-	100	-	-	-
Remuneration payable*	7,296	-	484	-	-	-
Sales load and other payables	183	-	-	-	-	-
Allocated expenses payable	902	-	-	-	-	-

\* Remuneration for the year is inclusive of sales tax.

\*\* These include unit holders beneficially owing 10% or more of the units in the issue / net assets of the Fund.

## 23. FINANCIAL RISK MANAGEMENT

**23.1** The Fund's objective in managing risks is the creation and protection of Unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, credit risk and liquidity risk arising from the financial instruments it holds.

### 23.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and other prices.

#### (i) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial instruments and future cash flows. The interest rate environment is monitored on a regular basis and the portfolio mix of fixed and floating rate securities is altered. The Fund's investment in fixed interest rate securities expose it to fair value interest rate risk and investments in variable interest rate securities expose the Fund to cash flow interest rate risk.

##### a) Sensitivity analysis of variable rate instruments

As at June 30, 2018, the Fund holds variable rate term finance certificates and sukus which are classified as 'designated at fair value through profit or loss' and bank balances, exposing the Fund to interest rate risk. In case of 100 basis points increase / decrease in interest rates at year end, the net assets attributable to unit holders of the Fund and net income for the year would be higher / lower by Rs.13.18 (2017: Rs.3.80) million.

##### b) Sensitivity analysis of fixed rate instruments

As at June 30, 2018, the Fund does not hold any fixed rate instruments and is not exposed to fair value interest rate risk.

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date. The composition of the fund investment may change over time. Accordingly, the sensitivity analysis prepared as at June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

	June 30, 2018					Total
	Exposed to interest rate risk					
Interest rate (%)	Up to three months	More than three months and up to one year	More than one year	Not exposed to interest rate risk		
	----- (Rupees in '000) -----					
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	4.00 to 7.50	811,922	-	-	50	811,972
Investments classified as 'Designated at fair value through profit or loss'		-	-	506,522	-	506,522
Mark-up receivable		-	-	-	14,827	14,827
Deposits and other receivables		-	-	-	9,972	9,972
		<u>811,922</u>	<u>-</u>	<u>506,522</u>	<u>24,849</u>	<u>1,343,293</u>
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	2,861	2,861
Payable to the Trustee		-	-	-	196	196
Accrued and other liabilities		-	-	-	3,773	3,773
		<u>-</u>	<u>-</u>	<u>-</u>	<u>6,830</u>	<u>6,830</u>
<b>On-balance sheet gap</b>		<u>811,922</u>	<u>-</u>	<u>506,522</u>	<u>18,019</u>	<u>1,336,463</u>

June 30, 2017

**On-balance sheet financial instruments**

**Financial assets**

Bank balances	3.75 - 7.25	2,891,134	-	-	50	2,891,184
Investments classified as:						
- 'designated at fair value through profit or loss'		-	-	1,869,705	-	1,869,705
- 'loans and receivables'		260,000	-	-	-	260,000
Mark-up receivable		-	-	-	26,822	26,822
Receivable against settlement of spread transactions		-	-	-	98,942	98,942
Receivable against margin trading system (MTS)		-	-	-	358,681	358,681
Deposit and other receivables		-	-	-	263,147	263,147
		<u>3,151,134</u>	<u>-</u>	<u>1,869,705</u>	<u>747,642</u>	<u>5,768,481</u>

**Financial liabilities**

Payable to the Management Company	-	-	-	-	8,381	8,381
Payable to the Trustee	-	-	-	-	484	484
Accrued and other liabilities	-	-	-	-	2,006	2,006
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,871</u>	<u>10,871</u>

**On-balance sheet gap**

	<u>3,151,134</u>	<u>-</u>	<u>1,869,705</u>	<u>736,771</u>	<u>5,757,610</u>
--	------------------	----------	------------------	----------------	------------------

There is no off-balance sheet financial instrument that exists as at year ended June 30, 2018 and June 30, 2017.

**(ii) Foreign currency risk**

Foreign 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 does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

**23.3 Liquidity risk**

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the unit holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive documents.

In order to manage the Fund's overall liquidity, the Fund has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such request 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 significant redemption during the period. Further, the Fund also has the ability to suspend redemption of units with approval of Board of Directors of the Management Company in extraordinary circumstances.

The table below summaries the maturity profile of the Fund's financial liabilities. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date.

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
	----- (Rupees in '000) -----				
<b>June 30, 2018</b>					
<b>Financial liabilities</b>					
Payable to the Management Company	2,861	-	-	-	2,861
Payable to the Trustee	196	-	-	-	196
Accrued and other liabilities	3,443	330	-	-	3,773
<b>Total liabilities</b>	<u>6,500</u>	<u>330</u>	<u>-</u>	<u>-</u>	<u>6,830</u>
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
	----- (Rupees in '000) -----				
<b>June 30, 2017</b>					
<b>Financial liabilities</b>					
Payable to the Management Company	8,381	-	-	-	8,381
Payable to the Trustee	484	-	-	-	484
Accrued and other liabilities	1,676	330	-	-	2,006
<b>Total liabilities</b>	<u>10,541</u>	<u>330</u>	<u>-</u>	<u>-</u>	<u>10,871</u>

## 23.4 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation. The Fund's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements. The table below analyses the Fund's maximum exposure to credit risk:

	June 30, 2018	June 30, 2017
	--- (Rupees in '000) ---	
Bank balances	811,972	2,891,184
Term finance certificates and sukus	506,522	904,875

All deposits with Banks, CDC and NCCPL are highly rated and risk of default is considered minimal.

The analysis below summarizes the credit quality of the Fund's portfolio in total as on June 30, 2018 and June 30, 2017:

### Bank balances by rating category

AAA	0.50%	15.79%
AA- to AA+	8.61%	75.14%
A- to A+	90.88%	5.53%
Others	0.01%	3.54%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### Term finance certificates by rating category

AAA	21.09%	14.36%
AA- to AA+	46.75%	16.62%
A- to A+	12.42%	57.89%
Others	19.74%	11.12%
	<b>100%</b>	<b>100%</b>

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

## 23.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risk arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risk identified;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

## 23.6 Unit holders' fund risk management

The Fund's capital is represented by redeemable units. The Fund is required by the NBFC Regulations, to maintain a minimum fund size of Rs.100 million, to be maintained all the time during the life of the scheme. The units issued by the Fund provides an investor with the right to require redemption for cash at a value proportionate to the unit holder's share in the Fund's net assets at the redemption date.

The Fund's objective in managing the unit holders' fund is to ensure a stable base to maximise returns to all investors and to manage liquidity risk arising from redemption. In accordance with the risk management policies, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments.

## 24. FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). Adoption of IFRS 13, has no effect on these financial statements.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

**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).

The table below analyse financial instruments measured at the end of the reporting half year by the level in the fair value hierarchy into which the fair value measurement is categorised:

		June 30, 2018				June 30, 2017			
		Carrying amount			Fair value				
Note	Designated fair value through profit or loss	Available-for-sale	Loans and receivables / Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
----- (Rupees in '000) -----									
<b>Financial assets measured at fair value</b>									
	Term finance certificates and sukuks	24.1	506,522	-	-	506,522	-	506,522	
<b>Financial assets not measured at fair value</b>									
	Bank balances	24.2	-	-	811,972	811,972			
	Mark-up receivable		-	-	14,827	14,827			
	Deposits and other receivables		-	-	9,972	9,972			
			-	-	836,771	836,771			
<b>Financial liabilities not measured at fair value</b>									
	Payable to the Management Company	24.2	-	-	2,861	2,861			
	Payable to the Trustee		-	-	196	196			
	Accrued and other liabilities		-	-	3,773	3,773			
			-	-	6,830	6,830			
<b>Financial assets measured at fair value</b>									
	Equity securities		472,250	45,658	-	517,908	515,818	-	
	Debt securities		904,875	-	-	904,875	-	904,875	
	Government securities		251,675	-	-	251,675	-	251,675	
	Commercial paper		-	195,247	-	195,247	-	195,247	
			1,628,800	240,905	-	1,869,705	515,818	1,351,797	
<b>Financial assets not measured at fair value</b>									
	Bank balances		-	-	2,891,184	2,891,184			
	Term deposit receipts (TDR)		-	-	260,000	260,000			
	Mark-up receivable		-	-	26,822	26,822			
	Deposits and other receivables		-	-	263,147	263,147			
	Receivable against settlement of spread transactions		-	-	98,942	98,942			
	Receivable against margin trading system (MTS)		-	-	358,681	358,681			
			-	-	3,898,776	3,898,776			
<b>Financial liabilities not measured at fair value</b>									
	Payable to the Management Company		-	-	8,381	8,381			
	Payable to the Trustee		-	-	484	484			
	Accrued and other liabilities		-	-	2,006	2,006			
			-	-	10,871	10,871			

During the year ended June 30, 2018, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

### 24.1 Valuation techniques used in determination of fair values within level 2:

Investments in term finance certificates and sukuks, issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital, are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.

**24.2** The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are a reasonable approximation of fair value.

## 25. CORRESPONDING FIGURES

Certain prior year's figures have been re-arranged / re-classified, wherever necessary, to facilitate comparison in the presentation in the current year. However, there are no material re-arrangements / re-classifications to report.

## 26. SUPPLEMENTARY NON-FINANCIAL INFORMATION

The information regarding unit holding pattern, top ten brokers, members of the Investment Committee, fund manager, meetings of the Board of Directors of the Management Company and rating of the Fund and the Management Company has been disclosed in Annexure I to the financial statements.

## 26. GENERAL

**26.1** Figures have been rounded off to the nearest thousand rupee.

**26.2** Earnings per unit has not been disclosed as in the opinion of the Management Company, determination of the cumulative weighted average number of outstanding units is not practicable.

## 27. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company on July 02, 2018 approved a final distribution of Rs.4.4223 per unit on the face value of Rs.100 each (i.e. 5.21%) amounting to Rs.64.45 million. The financial statements of the Fund for the year ended June 30, 2018 do not include the effect of this distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2019.

## 28. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on August 28, 2018 by the Board of Directors of the Management Company.

For UBL Fund Managers Limited  
(Management Company)

--SD--  
\_\_\_\_\_  
Chief Executive Officer

--SD--  
\_\_\_\_\_  
Director

--SD--  
\_\_\_\_\_  
Chief Financial Officer

**SUPPLEMENTARY NON-FINANCIAL INFORMATION  
AS REQUIRED UNDER RULES 6(D), (F), (G), (H), (I) AND (J)  
OF THE 5TH SCHEDULE TO THE NON BANKING FINANCE COMPANIES  
AND NOTIFIED ENTITIES REGULATIONS, 2008**

(i) **PATTERN OF UNIT HOLDING**

Category	Number of unit holders	Number of units held	% of total
Individuals	1353	6,919,285	47.48
Insurance Companies	3	15,302	0.10
Others	21	3,493,581	23.97
Public Limited Companies	6	2,283,169	15.67
Retirement Funds	19	1,861,828	12.78
	<b>1,402</b>	<b>14,573,165</b>	<b>100</b>

(ii) **TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID**

Name	%
Adam Securities (Private) Limited	30.78%
Multiline Securities (Private) Limited	23.15%
Aba Ali Habib Securities	10.83%
BIPL Securities Limited (Formerly: KASB Securities Limited)	10.24%
Pearl Securities Limited	8.72%
JS Global Capital Limited	6.47%
Next Capital Limited	4.24%
Bright Capital (Private) Limited	2.09%
Continental Exchange (Private) Limited	1.00%
Intermarket Securities	0.83%

(iii) **THE MEMBERS OF THE INVESTMENT COMMITTEE**

S.no	Name	Designation	Experience in years	Qualification
1	Yasir Qadri	Chief Executive Officer	22.10	MBA
2	Syed Suleman Akhtar	Chief Investment Officer	16.85	MBA, CFA
3	Farhan Bashir Khan	Head of Research	11.60	MBA
4	Hadi Hassan Muki	Acting Head of Risk & Compliance *	18.02	Bcom
5	Asim Wahab Khan	Head of Investment Strategy & Equity	12.56	MBA, CFA
6	Usama Bin Razi	Head of Fixed Income/Fund Manager	14.57	MBA

\* Head of Risk - non voting observer

**OTHER FUNDS MANAGED BY THE FUND MANAGER**

UBL Liquidity Plus Fund  
 UBL Government Securities Fund  
 UBL Asset Allocation Fund  
 UBL Capital Protected Fund III  
 UBL Retirement Savings Fund  
 Al Ameen Islamic Aggressive Income Fund  
 Al Ameen Islamic Asset Allocation Fund

(iv) ATTENDANCE AT THE MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

During the year, seven meetings of the Board of Directors of the Management Company were held. The details of the attendance are as under:

	August 23, 2017	September 25, 2017	October 27, 2017	December 06, 2017	February 16, 2018	April 26, 2018	May 02, 2018	Total meetings attended
<b>Directors:</b>								
Tariq Kirmani **	✓	✓	N/A	N/A	N/A	N/A	N/A	2
Azhar hamid *	N/A	N/A	✓	✓	✓	✓	✓	5
Yasir Qadri	✓	✓	✓	✓	✓	✓	✓	7
Naz Khan *	N/A	N/A	✓	✓	✓	✓	✓	5
Shabbir Hussain Hashmi **	✓	✓	N/A	N/A	N/A	N/A	N/A	2
Sharjeel Shahid *	N/A	N/A	✓	✓	x	✓	x	3
Zia Ijaz	✓	✓	✓	✓	x	✓	x	5
Syed Furrukh Zaeem	✓	✓	✓	✓	✓	✓	✓	7
Mirza Muhammad Sadeed Hassan Barlas	✓	✓	✓	✓	x	✓	✓	6
Fawaz Taj Siddiqui ****	✓	✓	✓	✓	✓	N/A	N/A	5
Umair Ahmed	✓	✓	✓	✓	✓	✓	✓	7
S.M. Aly Osman ****	N/A	N/A	N/A	N/A	N/A	✓	✓	2

\* Elected at EOGM held on September 29, 2017

\*\* Independent Director's have completed three consecutive term

\*\*\* Mr. Zulfiqar Alavi resigned on August 07, 2017.

\*\*\*\* Mr. Fawaz Taj Siddiqui resigned and appointment of Mr. S.M. Aly Osman effective from April 2, 2018 as Company Secretary

(v) RATING OF THE FUND AND THE MANAGEMENT COMPANY

JCR - VIS has assigned a "AM1" asset manager rating to the Management Company dated December 29, 2017.

# USF

## UBL Stock Advantage Fund

### INVESTMENT OBJECTIVE

USF is an open-end Equity Fund, investing primarily in equities listed on the KSE. The Fund seeks to maximize total returns and outperform its benchmark by investing in a combination of securities offering long term capital gains and dividend yield potential.

<b>Management Company</b>	UBL Fund Managers Limited
<b>Trustee</b>	Central Depository Company of Pakistan Limited 99-B, Block-B, S.M.C.H.S., Main Shahra-e-Faisal, Karachi. Tel: (9221) 111-111-500
<b>Distribution Company</b>	United Bank Limited  (for detail of others, please visit our website: <a href="http://www.ublfunds.com.pk">www.ublfunds.com.pk</a> )
<b>Auditors</b>	Deloitte- M. Yousuf Adil Saleem & Co.
<b>Bankers</b>	United Bank Limited Bank Alfalah Limited Habib Bank Limited MCB Bank Limited Samba Bank Limited Silk Bank Limited Sindh Bank Limited The Bank of Punjab National Bank of Pakistan
<b>Management Co. Rating</b>	AM 1 (JCR-VIS)

## Fund Manager's Report – UBL Stock Advantage Fund (USF)

- i) **Description of the Collective Investment Scheme category and type**  
Equity / Open-end
- ii) **Statement of Collective Investment Scheme's investment objective**  
USF is an open-end Equity Fund, investing primarily in equities listed on the KSE. The Fund seeks to maximize total returns and outperform its benchmark by investing in a combination of securities offering long term capital gains and dividend yield potential.
- iii) **Explanation as to whether the Collective Investment Scheme achieved its stated objective**  
The Collective Investment Scheme achieved its stated objective.
- iv) **Statement of benchmark(s) relevant to the Collective Investment Scheme**  
KSE-100 Index
- v) **Comparison of the Collective Investment Scheme's performance during the period compared with the said benchmarks**

Monthly Yield	Jul'17	Aug'17	Sep'17	Oct'17	Nov'17	Dec'17	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18	FYTD
<b>USF</b>	-1.40%	-9.07%	0.88%	-5.19%	0.57%	1.13%	7.57%	-1.80%	5.54%	-0.53%	-5.01%	-2.16%	-10.13%
<b>Benchmark</b>	-1.19%	-10.44%	2.92%	-6.58%	0.99%	1.15%	8.84%	-1.84%	5.37%	-0.16%	-5.81%	-2.18%	-10.00%

### Description of the strategies and policies employed during the period under review in relation to the Collective Investment Scheme's performance

During the period under review, the Fund generated a negative return of 10.13%. Majority exposure of the equity-portfolio was concentrated in Commercial Banks (25%), Oil & Gas Exploration Companies (18%) and Fertilizer (11%) sectors at the end of FY18.

- vi) **Disclosure of the Collective Investment Scheme's asset allocation as at the date of the report and particulars of significant changes in asset allocation since the last report (if applicable)**

Asset Allocation (% of Total Assets)	Jun-17	Jun-18
Equities	87%	90%
Cash	13%	8%
Others	0%	1%
International Investments	0%	0%
Leverage	Nil	Nil

vii) **Analysis of the Collective Investment Scheme's performance**

FY'18 Return:	-10.13%
Standard Deviation (12m trailing):	16.40%
Sharpe Ratio (12m trailing):	(0.99)

viii) **Changes in total NAV and NAV per unit since the last review period or since commencement (in case of newly established Collective Investment Schemes)**

Net Asset Value			NAV per unit		
01-Jul-17	30-Jun-18	Change	01-Jul-17	30-Jun-18	Change
Rupees (000)		%	Rupees		%
7,871,923	6,891,411	(12.46)	76.23	68.51	(10.13)

ix) **Disclosure on the markets that the Collective investment Scheme has invested in including review of the market(s) invested in and performance during the period**

**Stock Market Review – FY18**

In the aftermath of distressing events in FY18, the KSE-100 index posted a cumulative loss of 10% after a prolonged period of 8-years. Market's decline was largely driven by a series of tensed political events, burgeoning concerns on macro-economic front along with continued sell-off by foreign investors (USD289mn). With growing uncertainties, market participants remained cautious, keeping average market-traded volumes depressed (84mn).

The benchmark index commenced the year with high hopes but soon suffered foreign outflows post MSCI inclusion. A series of setbacks augmented uncertainties during 1HFY18, keeping the equity market in a jittery position and pushing the index to a low of 37,919 points. The primary highlights among these were disqualification of sitting PM followed by barring of Finance Minister to run office; leaving little room to focus on economy. This was followed by a 21-day protest by TLP against the government pushing the regime into isolation. Without any proper economic manager in place, the country stood open to increasing hazards on the macroeconomic fronts.

With political tensions, concerns on external account started to unearth as support from low oil prices started to fade away. In the 3QFY18, some positive triggers like appointment of Finance Minister, smooth senate elections, announcement of tax amnesty scheme along with introduction of essential policy action prompted interest by market participants, leading to inflow of USD 31mn.

However, the concerns on macroeconomic front remained strong, requiring further use of policy actions. The full year FY18 current account deficit augmented to ~USD18bn (+43%YoY) further weighing down investor sentiment. Moreover, fiscal deficit came in much higher at ~7%. Mushrooming twin-deficit financing requirements weakened foreign reserves position. SBP's reserves were down to ~USD10bn at end of FY18, further deteriorating investor confidence.

On the international front, US Fed continued on its monetary tightening policy by 25bps to 2% during FY18. We expect this stance to continue in CY18. International oil prices mounted to a 4-year high of USD80/bbl amid better co-operation between member OPEC and Non-OPEC countries. Overall, commodity prices also rallied upwards with growing demands from importing countries. Escalation of ongoing trade-war is expected to push oil prices downhill. This will be favorable for a high energy importing country like Pakistan. Moreover, a stable government will also resume work on the multi-billion CPEC project.

Going forward, remedial measures taken by central bank combined with entry into the IMF program will enable corrective measures and stabilize economy over medium term. Moreover, subsiding political tensions, steep discount (~24% from its peak) along with a high earnings-yield offering (~12%) is expected to strengthen investor sentiment and bring investor's interest back in the local equity market.

x) **Disclosure on distribution (if any), comprising:-**

During the year no distribution has been made.

xi) **Description and explanation of any significant changes in the state of affairs of the Collective Investment Scheme during the period and up till the date of the manager's report, not otherwise disclosed in the financial statements.**

There were no significant changes in the state of affairs of Collective Investment Scheme during the period that has not been disclosed in the financial statements.

xii) **Breakdown of unit holdings by size**

Range of Units	Number of Investors
	USF
0.0001 - 9,999.9999	4205
10,000.0000 - 49,999.9999	354
50,000.0000 - 99,999.9999	70
100,000.0000 - 499,999.9999	83
500,000.0000 & Above	34
<b>Total</b>	<b>4746</b>

xiii) **Disclosure on unit split (if any), comprising:-**

There were no unit splits during the period.

xiv) **Disclosures of circumstances that materially affect any interests of unit holders**

Investments are subject to market risk.

- xv) **Disclosure if the Asset Management Company or its delegate, if any, receives any soft commission (i.e. goods and services) from its broker(s) or dealer(s) by virtue of transactions conducted by the Collective Investment Scheme.**

No soft commissions are received by the AMC from its brokers or dealers by virtue of transactions conducted by the Collective Investment Scheme.

## **PERFORMANCE TABLE**

### UBL Stock Advantage Fund

	2018	2017	2016
<b>NET ASSETS AS AT 30 JUNE - Rupees in '000</b>	<b>6,891,411</b>	7,871,923	3,672,235
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - Rupees *</b>			
Class A units - Offer	<b>70.45</b>	78.39	64.86
- Redemption	<b>68.51</b>	76.23	62.78
<b>RETURN OF THE FUND - %</b>			
Total Return of the Fund	<b>(10.13)</b>	30.15	14.01
Capital Growth (per unit)	<b>(10.13)</b>	21.39	10.49
Date of Income Distribution	-	23-Jun-17	27-Jun-16
Income Distribution	-	5.50	2.00
<b>AVERAGE ANNUAL RETURN - %</b>			
One Year	<b>(10.13)</b>	30.15	14.01
Second Year	<b>10.01</b>	22.08	18.03
Third Year	<b>11.34</b>	22.07	22.51
Since inception	<b>23.88</b>	21.09	19.95

### **OFFER / REPURCHASE DURING THE YEAR- Rupees \***

Highest price per unit - Class A units - Offer	<b>79.08</b>	94.05	69.06
Highest price per unit - Class A units - Redemption	<b>76.90</b>	91.46	66.85
Lowest price per unit - Class A units - Offer	<b>64.45</b>	64.55	56.77
Lowest price per unit - Class A units - Redemption	<b>62.68</b>	62.77	54.95

\* Front-end load @ 2.5% is applicable

### **PORTFOLIO COMPOSITION - %**

Percentage of Net Assets as at 30 June

### **PORTFOLIO COMPOSITION BY CATEGORY - %**

Bank Balances	<b>8.00</b>	13.00	10.00
Others	<b>2.00</b>	-	1.00
Equity securities	<b>90.00</b>	87.00	89.00

### **PORTFOLIO COMPOSITION BY MARKET - %**

Equity market	<b>100.00</b>	100.00	100.00
---------------	---------------	--------	--------

Note:

- The Launch date of Fund is 04 August 2006.

## **DISCLAIMER**

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

**Head Office:**

CDC House, 99-B, Block 'B',  
S.M.C.H.S., Main Shahra-e-Faisal,  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)



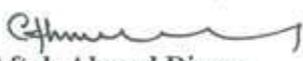
**TRUSTEE REPORT TO THE UNIT HOLDERS**

**UBL STOCK ADVANTAGE FUND**

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

We Central Depository Company of Pakistan Limited, being the Trustee of UBL Stock Advantage Fund (the Fund) are of the opinion that UBL Fund Managers Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 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.

  
**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 13, 2018



**STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 BY UBL FUND MANAGERS LIMITED**

**NAME OF FUND: UBL STOCK ADVANTAGE FUND**

**YEAR ENDING: JUNE 30, 2018**

The Securities and Exchange Commission of Pakistan (SECP) through its letter dated April 18, 2018 to Mutual Funds Association of Pakistan (MUFAP) has exempted the open-end collective investment schemes from the requirements of the Code of Corporate Governance. However, the Board of Directors of UBL Fund Managers Limited (the Management Company) of UBL Stock Advantage Fund (the Fund), for the purpose of establishing a framework of good governance whereby a Fund is managed by best practice of Corporate governance, has voluntarily opted to comply with the relevant provisions of the Listed Companies (Code of Corporate Governance) Regulations 2017 (The Code).

The Management Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following:
  - a. Male: Six Directors;
  - b. Female: One Director.
2. The composition of the Board is as follows:

Category	Name
Independent Directors	Mr. Azhar Hamid
	Ms. Naz Khan
Executive Directors	Mr. Yasir Qadri
Non - Executive Directors	Mirza Muhammad Sadeed Hassan Barlas
	Mr. Sharjeel Shahid
	Mr. Zia Ijaz
	Syed Furrukh Zaeem

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company.
4. 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.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained. The Management Company has placed the Whistle Blowing Policy, Proxy Policy and the Principles of the Code of Conduct (Statement of Ethics and Business Practice) on its website.
6. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
7. The Board has a formal and effective mechanism in place for an annual evaluation of the Board's own performance.



8. The Chairman of the Board is an Independent director. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board as empowered by the relevant provisions of the Act and these Regulations.
9. 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. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
10. Following directors and executive have acquired the prescribed Director Training Program (DTP) certification:

**Directors**

- a. Mirza Muhammad Sadeed Hassan Barlas
- b. Mr. Yasir Qadri
- c. Mr. Zia Ijaz
- d. Ms. Naz Khan
- e. Syed Furrukh Zaeem

**Executive**

- f. S.M. Aly Osman

11. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
12. CFO and CEO duly endorsed the financial statements before approval of the Board.
13. The Board has formed committees comprising of members given below. The Board Audit Committee and the Board Human Resource & Compensation Committee are chaired by separate Independent directors:
  - a. Board Audit Committee
    - i. Ms. Naz Khan (Chair);
    - ii. Mirza Muhammad Sadeed Hassan Barlas;
    - iii. Mr. Sharjeel Shahid;
    - iv. Mr. Zia Ijaz.
  - b. Board Human Resource & Compensation Committee
    - i. Mr. Azhar Hamid (Chairman);
    - ii. Mr. Yasir Qadri;
    - iii. Mr. Zia Ijaz;
    - iv. Ms. Naz Khan;
    - v. Syed Furrukh Zaeem.
  - c. Board Risk & Compliance Committee
    - i. Mirza Muhammad Sadeed Hassan Barlas (Chairman);
    - ii. Mr. Azhar Hamid;
    - iii. Mr. Sharjeel Shahid;
    - iv. Mr. Yasir Qadri;
    - v. Syed Furrukh Zaeem.



14. The Terms of Reference of the aforesaid Committees have been formed, documented and advised to the Committee for compliance.
15. The frequency of meetings of the Committee were as per following:
  - a. Board Audit Committee : Quarterly Meeting
  - b. Board Human Resource & Compensation Committee: Quarterly Meeting
  - c. Board Risk & Compliance Committee: Quarterly Meeting
16. The Board has set up an independent and effective internal audit function and the audit personnel are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company.
17. 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) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
18. The Board Audit Committee recommends to the Board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that any other significant requirements of the Regulations have been complied with.

**AZHAR HAMED**  
Chairman

Karachi.  
Dated: August 28, 2018

## TO THE UNITHOLDERS' OF UBL STOCK ADVANTAGE FUND

### Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

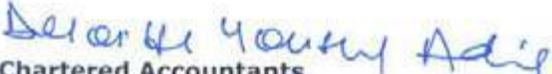
We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors (the Board) of UBL Fund Managers Limited (the Management Company) for **UBL Stock Advantage Fund** (the Fund) for the year ended **June 30, 2018** in accordance with the requirements of Regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of the Management Company of the Fund. Our responsibility is to review whether the Statement of Compliance reflects the status of the Management Company's compliance with the provisions of the Regulations in respect of the Fund and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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's 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 Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval, the Fund's related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Management Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Fund for the year ended June 30, 2018.

  
**Chartered Accountants**

**Date:** September 17, 2018  
**Place:** Karachi

## INDEPENDENT AUDITOR'S REPORT

### To The Unit Holders of UBL Stock Advantage Fund

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of **UBL Stock Advantage Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the related income statement, statement of comprehensive income, statement of movement in unit holders' fund and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, cash flows and transactions for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

S. No.	Key audit matters	How the matters were addressed in our audit
1.	<p><b>Valuation and existence of investments</b></p> <p>As disclosed in note 5 to the financial statements, investments amounted to Rs. 6,413.217 million as at June 30, 2018.</p> <p>The total investment amount is the most significant account balance on the statement of assets and liabilities. This is a main driver of the Fund's performance and thus risk exists on this balance. The Fund invests principally in listed equity securities and there is a risk that appropriate quoted prices may not be used to determine fair value.</p>	<p>In auditing the valuation and existence of investments, we assessed the processes and key controls relating to existence and valuation. In addition, (1) we performed valuation testing on sample of investments held as at June 30, 2018 by verifying the prices quoted on the Pakistan Stock Exchange Limited, and (2) we performed existence testing of sample of investments held as at June 30, 2018 by independently matching the securities held by the Fund as per internal records with the securities appearing in the Central Depository Company (CDC) account and investigated any reconciling items</p>

S. No.	Key audit matters	How the matters were addressed in our audit
	<p>In addition, there is a risk that the Fund may have included investments in its financial statements which are not in the ownership of the Fund and thereby increasing the uncertainty in respect of existence of investments recorded as at year end,</p> <p>The disclosure regarding the investments are included in notes 3.2 and 5 to the financial statements.</p>	
2.	<p><b>Impairment of available for sale investments</b></p> <p>The Fund invests a significant portion of its funds in financial instruments that comprise available for sale investments in equity securities. As at June 30, 2018, investments in equity securities classified as available for sale amounted to Rs. 3,491.550 million. These investments are measured at fair value with the corresponding fair value changes recognized in other comprehensive income. The valuation is performed by the Management Company using the quoted market prices at the stock exchange.</p> <p>The Management Company performs an impairment review of its available for sale investments annually and records impairment charge when there has been a significant or prolonged decline in the fair value of investments below their cost. In determining 'significant' or 'prolonged', Management Company evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.</p> <p>There is a risk that Management Company may not calculate the impairment charge accurately as high degree of judgement is involved in determining 'significant' or 'prolonged' decline.</p> <p>The Fund's disclosures related to financial investments are included in notes 3.2 and 5.</p>	<p>In auditing the impairment of available for sale investments, we assessed the processes and key controls relating to valuation of available for sale investments. In addition, we performed valuation testing on a sample of investments held as at June 30, 2018, reviewed the Fund's impairment policy, and assessed the adequacy of impairment charge on available for sale investments at year-end.</p>

S. No.	Key audit matters	How the matters were addressed in our audit
3.	<p><b><i>Change in accounting policy as a result of amendments in Non-Banking Finance Companies and Notified Entities Regulation, 2008</i></b></p> <p>As disclosed in note 3.11, to the financial statements, on August 03, 2017, the Securities and Exchange Commission of Pakistan (SECP) issued SRO no. 756(1)/2017 whereby certain amendments were made in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations). Such amendments introduced definition of Element of Income, and required certain additional disclosures in the income statement and statement of movement in unit holders' fund together with removal of requirement to present distribution statement separately.</p> <p>The abovementioned amendments require significant changes in the calculation, accounting, presentation and disclosure of the 'Element of Income' in the financial statements, which have been applied as a change in accounting policy prospectively in accordance with the clarification issued by the SECP. Considering the significance of the above factors, we have treated these changes as Key Audit Matter.</p>	<p>In auditing the impact of change in accounting policy, we enquired from management about the resulting changes in the financial statements, processes and controls. Subsequently, We also assessed the processes and controls implemented by management to address this change.</p> <p>In addition, we checked adequacy of presentation and disclosure requirements including element of income in the financial statements as per the requirements of Schedule V of the NBFC Regulations.</p>

### Information Other than the Financial Statements and Auditor's Report Thereon

Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management Company and Board of Directors for the Financial Statements

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

In preparing the financial statements, Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of Directors of the Management Company are responsible for overseeing the Fund's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management Company.
- Conclude on the appropriateness of Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

In our opinion, the accompanying financial statements have been prepared, in all material respects, 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.

The engagement partner on the audit resulting in this independent auditor's report is Nadeem Yousuf Adil.

  
Chartered Accountants

**Date:** September 17, 2018

**Place:** Karachi

**UBL STOCK ADVANTAGE FUND  
STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2018**

	Note	2018 ------(Rupees in '000)-----	2017
<b>ASSETS</b>			
Bank balances	4	581,965	1,025,087
Investments - net	5	6,413,217	6,994,684
Dividend and profit receivable	6	15,156	15,250
Security deposits and other receivables	7	9,552	10,578
Advance tax	8	2,894	2,799
<b>Total assets</b>		<b>7,022,784</b>	<b>8,048,398</b>
<b>LIABILITIES</b>			
Payable to UBL Fund Managers Limited - Management Company	9	22,147	27,435
Payable to Central Depository Company of Pakistan Limited - Trustee	11	761	830
Payable to Securities and Exchange Commission of Pakistan	12	6,565	6,176
Payable against purchase of investments		1,903	3,943
Accrued expenses and other liabilities	13	99,997	138,091
<b>Total liabilities</b>		<b>131,373</b>	<b>176,475</b>
<b>Net Assets</b>		<b>6,891,411</b>	<b>7,871,923</b>
<b>Unit Holders' Fund</b> (as per statement attached)		<b>6,891,411</b>	<b>7,871,923</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	28	------(Number of units)-----	
<b>Number of Units in Issue</b>	14	<b>100,596,734</b>	<b>103,258,930</b>
		----- (Rupees) -----	
<b>Net Asset Value Per Unit</b>		<b>68.51</b>	<b>76.23</b>
<b>Face Value Per Unit</b>		<b>100</b>	<b>100</b>

The annexed notes 1 to 31 form an integral part of these financial statements.

**FOR UBL FUND MANAGERS LIMITED**  
(Management Company)

SD  
\_\_\_\_\_  
Chief Executive Officer

SD  
\_\_\_\_\_  
Chief Financial Officer

SD  
\_\_\_\_\_  
Director

**UBL STOCK ADVANTAGE FUND  
INCOME STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 ------(Rupees in '000)-----	2017
<b>INCOME</b>			
Profit on:			
- bank deposits		49,821	27,510
- government securities		18	-
(Loss) / gain on sale of investments - net		(485,069)	982,841
Dividend income		295,419	229,480
Unrealised (loss) / gain on re-measurement of investments classified as financial assets at fair value through profit or loss - net	5.1 & 5.2	(411,101)	480,654
		(550,912)	1,720,485
Impairment loss on equity securities classified as available for sale	5.3.2	(59,448)	-
<b>Total (loss) / income</b>		<b>(610,360)</b>	<b>1,720,485</b>
<b>EXPENSES</b>			
Remuneration of UBL Fund Managers Limited - Management Company	9.1	138,212	130,018
Sindh Sales Tax on remuneration of the Management Company	9.2	17,968	16,902
Allocated expenses	9.3	6,911	6,501
Allocated selling and marketing expenses	10	27,642	9,049
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	11.1	8,939	8,476
Annual fee - Securities and Exchange Commission of Pakistan	12.1	6,565	6,176
Auditor's remuneration	15	465	464
Brokerage and settlement charges		9,173	49,550
Listing fee		25	55
Printing expenses		21	22
Legal and professional charges		317	484
Bank charges		210	150
Other expenses		5	9
<b>Total expenses</b>		<b>216,453</b>	<b>227,856</b>
<b>Net operating (loss) / income for the year</b>		<b>(826,813)</b>	<b>1,492,629</b>
Element of income and capital gains included in prices of units issued less those in units redeemed - net	3.11	-	330,195
Reversal of provision for Workers' Welfare Fund	13.2	-	35,341
Provision for Sindh Workers' Welfare Fund	13.2	-	(49,389)
<b>Net (loss) / income for the year before taxation</b>		<b>(826,813)</b>	<b>1,808,776</b>
Taxation	16	-	-
<b>Net (loss) / income for the year after taxation</b>		<b>(826,813)</b>	<b>1,808,776</b>
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		-	-
Income already paid on units redeemed		-	-
<b>Accounting income available for distribution</b>		<b>-</b>	<b>-</b>
- Relating to capital gains		-	-
- Excluding capital gains		-	-
<b>Earnings per unit</b>	17	<b>-</b>	<b>-</b>

The annexed notes 1 to 31 form an integral part of these financial statements.

**FOR UBL FUND MANAGERS LIMITED**  
(Management Company)

SD  
**Chief Executive Officer**

SD  
**Chief Financial Officer**

SD  
**Director**

**UBL STOCK ADVANTAGE FUND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 ------(Rupees in '000)-----	2017
Net (loss) / income for the year after taxation		(826,813)	1,808,776
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to income statement</b>	2.4		
Unrealised loss on re-measurement of investments classified as available for sale - net		(88,290)	-
Reclassification to income statement of gain on sale of investments classified as 'available for sale - net'		3,189	-
Reclassification to income statement of impairment loss on equity securities classified as 'available for sale'	5.3.2	59,448	-
	5.3.1	(25,653)	-
<b>Items that will not be reclassified subsequently to income statement</b>		-	-
<b>Total comprehensive income for the year</b>		<b>(852,466)</b>	<b>1,808,776</b>

The annexed notes 1 to 31 form an integral part of these financial statements.

**FOR UBL FUND MANAGERS LIMITED**  
(Management Company)

SD  
\_\_\_\_\_  
Chief Executive Officer

SD  
\_\_\_\_\_  
Chief Financial Officer

SD  
\_\_\_\_\_  
Director

**UBL STOCK ADVANTAGE FUND  
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	2018			2017	
	Capital value	Undistributed income	Unrealised (loss) / gain on re-measurement of investments classified as 'available for sale' - net	Total	Total
------(Rupees in '000)-----					
<b>Net assets at beginning of the year</b>	5,734,370	2,137,553	-	7,871,923	3,672,235
Amount received on Issue of 88,035,149 units (2017: 145,648,435 units)					
- capital value	6,710,919	-	-	6,710,919	-
- element of income / (loss)					
- relating to other comprehensive income for the year	61,336	-	-	61,336	-
- relating to net loss for the year after taxation	(493,160)	-	-	(493,160)	-
<b>Total amount received on issuance of units</b>	<b>6,279,095</b>	<b>-</b>	<b>-</b>	<b>6,279,095</b>	<b>11,061,269</b>
Amount paid on redemption of 90,697,345 units (2017: 100,880,775 units)					
- capital value	(6,913,859)	-	-	(6,913,859)	-
- element of (loss) / income					
- relating to other comprehensive income for the year	(51,164)	-	-	(51,164)	-
- relating to net loss for the year after taxation	557,882	-	-	557,882	-
<b>Total amount paid on redemption of units</b>	<b>(6,407,141)</b>	<b>-</b>	<b>-</b>	<b>(6,407,141)</b>	<b>(7,920,561)</b>
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed transferred to income statement - net	-	-	-	-	(330,195)
Total comprehensive income for the year	-	(826,813)	(25,653)	(852,466)	1,808,776
Cash distribution of Rs. Nil per unit (2017: Rs. 5.5 per unit declared on June 23, 2017)	-	-	-	-	(419,601)
<b>Net (loss) / income for the year less distribution</b>	<b>-</b>	<b>(826,813)</b>	<b>(25,653)</b>	<b>(852,466)</b>	<b>1,389,175</b>
<b>Net assets at end of the year</b>	<b>5,606,324</b>	<b>1,310,740</b>	<b>(25,653)</b>	<b>6,891,411</b>	<b>7,871,923</b>
Refund / adjustment on units as element of income	-	-	-	-	-
<b>Undistributed income brought forward comprising of:</b>					
- Realised	-	1,656,899	-	1,656,899	424,178
- Unrealised	-	480,654	-	480,654	324,200
	-	2,137,553	-	2,137,553	748,378
<b>Accounting income available for distribution:</b>					
- Relating to capital gains	-	-	-	-	-
- Excluding capital gains	-	-	-	-	-
	-	-	-	-	-
Net (loss) / income for the year after taxation	-	(826,813)	(25,653)	(852,466)	1,808,776
Cash distribution of Rs. Nil per unit (2017: Rs. 5.5 per unit declared on June 23, 2017)	-	-	-	-	(419,601)
<b>Undistributed income carried forward - net</b>	<b>-</b>	<b>1,310,740</b>	<b>(25,653)</b>	<b>1,285,087</b>	<b>2,137,553</b>
<b>Undistributed income carried forward comprising of:</b>					
- Realised	-	1,721,841	-	1,721,841	1,656,899
- Unrealised	-	(411,101)	(25,653)	(436,754)	480,654
	-	1,310,740	(25,653)	1,285,087	2,137,553
----- Rupees -----					
<b>Net assets value per unit at beginning of the year</b>				76.23	62.78
<b>Net assets value per unit at end of the year</b>				68.51	76.23

The annexed notes 1 to 31 form an integral part of these financial statements.

**FOR UBL FUND MANAGERS LIMITED**  
(Management Company)

SD  
Chief Executive Officer

SD  
Chief Financial Officer

SD  
Director

**UBL STOCK ADVANTAGE FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018**

2018                      2017  
------(Rupees in '000)-----

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net (loss) / income for the year before taxation	(826,813)	1,808,776
<b>Adjustments for non-cash charges and other items:</b>		
Profit on:		
- bank deposits	(49,821)	(27,510)
- government securities	(18)	-
Loss / (gain) on sale of investments - net	485,069	(982,841)
Dividend income	(295,419)	(229,480)
Impairment loss on equity securities classified as available for sale	59,448	-
Provision for Sindh Worker's Welfare Fund	-	49,389
Reversal of provision for Workers' Welfare Fund	-	(35,341)
Unrealised loss / (gain) on re-measurement of investments classified as financial assets at fair value through profit or loss - net	411,101	(480,654)
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed - net	-	(330,195)
	<b>610,360</b>	<b>(227,856)</b>
<b>(Increase) / decrease in assets</b>		
Investments	(399,804)	(1,990,142)
Security deposits and other receivables	-	1,425
	<b>(399,804)</b>	<b>(1,988,717)</b>
<b>Increase / (decrease) in liabilities</b>		
Payable to UBL Fund Managers Limited - Management Company	(5,288)	17,093
Payable to Central Depository Company of Pakistan Limited - Trustee	(69)	387
Payable to Securities and Exchange Commission of Pakistan	389	2,628
Payable against purchase of investments	(2,040)	(188,113)
Accrued expenses and other liabilities	(38,094)	29,342
	<b>(45,102)</b>	<b>(138,663)</b>
	<b>(661,359)</b>	<b>(2,355,236)</b>
Profit on bank deposits received	49,823	25,862
Dividend received	295,529	222,191
Tax (paid) / refunded	(95)	218
<b>Net cash used in operating activities</b>	<b>(316,102)</b>	<b>(2,106,965)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issuance of units	6,280,121	11,054,291
Payments against redemption of units	(6,407,141)	(7,920,561)
Dividend paid to unit holders	-	(419,601)
<b>Net cash (used in) / generated from financing activities</b>	<b>(127,020)</b>	<b>2,714,129</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(443,122)</b>	<b>607,164</b>
Cash and cash equivalents at the beginning of the year	1,025,087	417,923
<b>Cash and cash equivalents at the end of the year</b>	<b>581,965</b>	<b>1,025,087</b>

The annexed notes 1 to 31 form an integral part of these financial statements.

**FOR UBL FUND MANAGERS LIMITED**  
(Management Company)

SD  
-----  
Chief Executive Officer

SD  
-----  
Chief Financial Officer

SD  
-----  
Director

**UBL STOCK ADVANTAGE FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

UBL Stock Advantage Fund (the Fund) was established under the Trust Deed executed between UBL Fund Managers Limited (the Management Company - a wholly owned subsidiary company of United Bank Limited) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on June 5, 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 27, 2006 in accordance with the requirements of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The Fund commenced its operations from August 04, 2006.

The Management Company of the Fund is registered with the SECP as a Non-Banking Finance Company under the NBFC Rules, 2003. The registered office of the Management Company is situated at 4th Floor, STSM Building, Beaumont Road, Civil Lines, Karachi, Pakistan.

The Fund is an open ended mutual fund categorised as Equity Fund and is listed on the Pakistan Stock Exchange Limited. The units of the Fund are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holders.

The investment objective of the Fund is to provide investors long-term capital appreciation by investing primarily in a mix of equities that offer capital gains and dividend yield potential. The Fund mainly makes investments in a diversified portfolio of shares of listed companies and treasury bills not exceeding 90 days maturity.

JCR - VIS Credit Rating Company has assigned management quality rating of AM1 to the Management Company on December 29, 2017.

Title to the assets of the Fund are held in the name of the Central Depository Company of Pakistan Limited as the Trustee of the Fund.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

**2.2 Amendments to IFRS that are effective for the year ended June 30, 2018**

The following amendments are effective for the year ended June 30, 2018. These standards, interpretations and the amendments are either not relevant to the Fund's operations or do not have significant impact on the Fund's financial statements other than certain additional disclosures.

	<b>Effective from accounting period beginning on or after:</b>
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative.	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses.	January 01, 2017

## 2.3 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments (except IFRS 9 'Financial Instruments') are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	<b>Effective from accounting periods beginning on or after:</b>
IFRS 15 'Revenue from contracts with customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
IFRS 16 'Leases' - This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions.	January 01, 2019
IFRS 9 'Financial Instruments'.	July 01, 2018
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after January 01, 2018
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in associates and joint ventures.	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement.	January 01, 2019
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property.	January 01, 2018
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019
Certain annual improvements have also been made to a number of IFRSs which are also not expected to have material impact on financial reporting of the Fund.	

## 2.4 IFRS 9 'Financial Instruments' Impact Assessment

IFRS 9 'Financial Instruments' was issued on July 24, 2014. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018.

### 2.4.1 Key requirements of IFRS 9 are as follows;

#### Classification and measurement of financial assets

- All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value.
- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.

- Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at fair value through other comprehensive income "FVTOCI".
- All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.
- In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

#### **Classification and measurement of financial liabilities**

With regards to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires as follows:

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

#### **Impairment of financial assets**

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of above provision requirements in relation to debt securities for mutual funds.

#### **Impact assessment**

Based on the analysis of Fund's financial assets and liabilities as at June 30, 2018 and also considering facts and circumstances that exists at that date, the Management Company has assessed the impact of IFRS 9 on the financial statements as follows:

- Listed equity securities classified as financial assets at fair value through profit or loss - held for trading qualify for designation as measured at fair value through profit or loss upon application of IFRS 9 with value changes continue to recognised in profit or loss.
- Listed equity securities classified as financial assets at 'available-for-sale' are to be measured at fair value through profit or loss upon application of IFRS 9 with value changes to be recognised in profit or loss instead of other comprehensive income. The change in fair value attributed to these financial assets amounting to Rs. 25.653 million during the current year would be recognised in income statement under IFRS 9.

**2.4.2** Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

#### **2.5 Critical accounting estimates and judgments**

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

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

- (i) classification and valuation of financial assets (notes 3.2 and 5); and
- (ii) impairment of financial assets (note 3.2.5 and 5.3.2)

## **2.6 Accounting convention**

These financial statements have been prepared under the historical cost convention except that certain financial assets have been carried at fair value.

## **2.7 Functional and presentation currency**

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

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these financial statements are set out below and have been consistently applied to all the years presented unless otherwise stated.

### **3.1 Cash and cash equivalents**

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

### **3.2 Financial assets**

#### **3.2.1 Classification**

The classification of financial assets depends on the purpose for which the financial assets were acquired. The Management Company determines the classification of Fund's financial assets at the time of initial recognition and re-evaluates this classification on regular basis.

Financial assets are classified as follows:

#### **a) Loans and receivables**

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

#### **b) Financial assets at fair value through profit or loss**

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

#### **c) Available for sale**

These are 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. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

#### **3.2.2 Regular way contracts**

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

#### **3.2.3 Initial recognition and measurement**

All financial assets are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the acquisition, except in case of "financial assets at fair value through profit or loss", in which case the transaction costs are charged off to the income statement.

#### **3.2.4 Subsequent measurement**

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

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

- **Basis of valuation of equity securities**

Equity securities are 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.

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 from changes in the fair value of available for sale financial assets are taken to the statement of comprehensive income until these are derecognised or impaired. At the time of impairment and derecognition, the cumulative gain or loss previously recognised in the statement of comprehensive income is shown in the income statement.

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

**3.2.5 Impairment**

The Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

In case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of an equity security below its cost is considered as objective evidence of impairment. In case of available for sale securities, the cumulative loss previously recognised in the statement of comprehensive income is removed therefrom and recognised in the income statement. However, the decrease in impairment loss on equity securities is not reversed through income statement.

For certain other financial assets, a provision for impairment is established when there is 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 SECP.

**3.2.6 Derecognition**

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

**3.3 Financial liabilities**

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

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

**3.4 Offsetting of financial 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.

**3.5 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. Derivatives with positive fair values (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities in the statement of assets and liabilities.

### **3.6 Provisions**

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

### **3.7 Collaterals**

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

### **3.8 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 amongst the unit holders (excluding distribution made by issuance of bonus units).

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

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 in cash at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

### **3.9 Distributions**

Dividend distribution to the Unit Holders is recognized in the period in which these are approved.

### **3.10 Issuance and redemption of units**

Units issued are allocated at the offer price, prevalent on the day on which the applications for purchase of units are received, however, units are issued on the receipt of cash / realisation of cheques. The offer price represents the net asset value per unit as at the close of the business day plus the allowable front-end sales load and provision of any duties and charges, if applicable. The sales load is payable to the Management Company.

Units redeemed are recorded at the redemption price, applicable to units for which the Fund receives redemption applications during the business hours of that day. The redemption price represents the net asset value per unit as at the close of the business day less any back-end load and an amount that the management company may consider to be an appropriate provision of duties and charges. Redemption of units is recorded on acceptance of application for redemption.

### **3.11 Element of income / (loss) included in prices of units issued less those in units redeemed**

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund.

#### **Change in accounting policy - Element of income / (loss)**

Up to 30 June 2017, the element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the accounting period was recognized in income statement and to the extent that it is represented by unrealised appreciation / (diminution) arising during the year on available for sale securities was included in distribution statement.

Securities & Exchange Commission of Pakistan (SECP) through its SRO 756(I)/2017 dated 03 August 2017 has made certain amendments in NBFCs and Notified Entities Regulations, 2008. The SRO changed the definition of accounting income in regulation (63) sub-regulation (I) which excludes the element of income from "accounting income". As per SRO, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. It also specifies that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.

The said SRO also deleted 'Distribution Statement' and requires additional disclosures with respect to "Income Statement" and "Statement of Movement in Unit Holders' Fund" and recording of element of income / loss included in price of unit issued or redeemed directly in Statement of movements in reserves or unit holders' fund instead of income statement. Further, SRO requires an additional disclosure should be stated below income statement for allocation of net income for the year comprising of (a) Income already paid on units redeemed; and (b) accounting income available for distribution.

Mutual Funds Association of Pakistan (MUFAP) with the consultation of SECP has clarified that income already paid on redemption of units (element of income paid out) is determined on following basis:

- Income already paid on redemption of units (element of income) made during the year shall be on gross basis instead of element of income / loss on net basis.
- In situations where funds have remained profitable for part of the year and ended up in net profit, the income already paid on redemption of units (element of income) has been calculated from the date at which the fund was last breakeven.
- Income already paid on redemption of units (element of income) shall be calculated on FIFO method on redemption of units for identifying units redeemed with units issued.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from 01 July 2017 as clarified by SECP vide its email dated 7 February 2018. Accordingly, corresponding figures have not been restated. Further the basis of estimation of income already paid on redemption has been established in line with the guidelines provided by MUFAP as stated above and accordingly the same has been disclosed in the additional disclosure. Since the Fund has incurred net loss during the year, therefore, element of income paid on redemption is „Nil“. Had the change in accounting policy applied retrospectively, the income / loss of the Fund for the year ended June 30, 2017 would have been lower by Rs. 330.195 million.

Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs. 74.894 million. However, the change in accounting policy does not have any impact on the 'statement of cash flows' , the 'net assets attributable to the units holders' and 'net assets value per unit' as shown in the statement of 'assets and liabilities' and 'statement of movement of unit holders' fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income statement' and Statement of Movement in Unit Holders' Fund, which have been incorporated in these statements.

### 3.12 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 issue at year end.

### 3.13 Revenue recognition

- Dividend income on equity securities is recognised in the income statement when the right to receive dividend is established.
- Realised capital gains / losses arising on sale of investments are included in the income statement on the date at which the sale transaction takes place.
- Income on bank balances and term deposits is recognised on time proportionate basis.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the year in which they arise.

	Note	2018 ------(Rupees in '000)-----	2017 -----
<b>4. BANK BALANCES</b>			
<b>In local currency</b>			
- Profit and loss sharing accounts	4.1	<b>581,871</b>	1,013,831
- Current account		<b>94</b>	11,256
		<b>581,965</b>	1,025,087

4.1 These carry mark-up at rates ranging between 3.75% to 7.4% (2017: 3.75% to 6.60%) per annum.

2018      2017  
Note -----(Rupees in '000)-----

## 5. INVESTMENTS - NET

At fair value through profit or loss - Held for trading

- equity securities
- letter of rights

Available-for-sale - equity securities

	5.1	<b>2,909,511</b>	6,994,684
	5.2	<b>12,156</b>	-
	5.3	<b>3,491,550</b>	-
		<b>6,413,217</b>	<b>6,994,684</b>

### 5.1 Equity securities - At fair value through profit or loss - Held for trading

(Ordinary Shares of Rs. 10 each unless indicated otherwise)

Name of Security	As at July 1, 2017	Purchased / bonus received during the year	Sold during the year	As at June 30, 2018	Total carrying value as at June 30, 2018	Total market value as at June 30, 2018	Unrealised gain/(loss) as at June 30, 2018	Market value as a percentage of net assets (%)	Market value as a percentage of total value of Investment (%)	Investment as a percentage of paid-up capital of investee company (%)
Note	Number of shares			Rupees '000			Percentage			
<b>TEXTILE COMPOSITE</b>										
Gul Ahmed Textile Mills Limited	1,208,935	-	1,208,935	-	-	-	-	-	-	-
Kohinoor Textile Mills Limited	5.1.2 4,275	-	-	4,275	449	235	(214)	0.00	0.00	0.00
Nishat (Chunian) Limited	2,076,500	325,500	2,402,000	-	-	-	-	-	-	-
Nishat Mills Limited	2,191,900	-	1,225,000	966,900	153,428	136,256	(17,172)	1.98	2.13	0.28
					153,877	136,491	(17,386)	1.98	2.13	
<b>TECHNOLOGY &amp; COMMUNICATION</b>										
System Limited	1,076,500	-	150,000	926,500	70,266	93,780	23,514	1.36	1.46	0.83
					70,266	93,780	23,514	1.36	1.46	
<b>OIL &amp; GAS MARKETING COMPANIES</b>										
Sui Northern Gas Pipelines Limited	1,031,500	-	965,200	66,300	9,873	6,645	(3,228)	0.10	0.10	0.01
Pakistan State Oil Company Limited	5.1.2 617,700	115,240	506,000	226,940	73,711	72,237	(1,474)	1.05	1.13	0.07
Attock Petroleum Limited	181,150	-	100,850	80,300	50,302	47,376	(2,926)	0.69	0.74	0.10
					133,886	126,258	(7,628)	1.84	1.97	
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>										
Oil and Gas Development Company Limited	1,415,200	195,000	527,300	1,082,900	153,377	168,521	15,144	2.45	2.63	0.03
Mari Petroleum Company Limited	216,990	1,200	7,480	210,710	331,855	317,367	(14,488)	4.61	4.95	0.19
Pakistan Oilfields Limited	114,900	18,500	129,000	4,400	2,009	2,956	947	0.04	0.05	0.00
Pakistan Petroleum Limited	1,388,500	-	652,000	736,500	109,105	158,274	49,169	2.30	2.47	0.04
					596,346	647,118	50,772	9.40	10.09	
<b>PAPER &amp; BOARD</b>										
Packages Limited	245,550	-	245,550	-	-	-	-	-	-	-
Century Paper and Board Mills Limited	825,500	49,700	-	875,200	85,248	55,575	(29,673)	0.81	0.87	0.60
Cherat Packaging Limited.	545	-	-	545	130	78	(52)	0.00	0.00	0.00
					85,378	55,653	(29,725)	0.80	0.87	
<b>FERTILIZER</b>										
Engro Corporation Limited	1,089,600	49,400	370,200	768,800	249,769	241,296	(8,473)	3.50	3.76	0.15
Fauji Fertilizer Company Limited	700	-	-	700	58	69	11	0.00	0.00	0.00
Engro Fertilizers Limited	5.1.1 4,506,500	100,000	2,655,000	1,951,500	107,694	146,187	38,493	2.12	2.28	0.15
					357,521	387,552	30,031	5.62	6.04	
<b>CABLE &amp; ELECTRICAL GOODS</b>										
Pak Elektron Limited	1,238,500	-	1,238,500	-	-	-	-	-	-	-
					-	-	-	-	-	
<b>CEMENT</b>										
Cherat Cement Company Limited	1,060,600	-	553,500	507,100	90,659	49,305	(41,354)	0.72	0.77	0.29
D.G. Khan Cement Company Limited	881,700	50,000	920,300	11,400	2,388	1,305	(1,083)	0.02	0.02	0.00
Fauji Cement Company Limited	704,500	-	704,500	-	-	-	-	-	-	-
Lucky Cement Limited	5.1.1 390,800	65,000	179,700	276,100	224,780	140,239	(84,541)	2.03	2.19	0.09
Pioneer Cement Limited	243,900	-	236,200	7,700	1,001	361	(640)	0.01	0.01	0.00
Kohat Cement Limited	-	826,900	-	826,900	169,043	101,767	(67,276)	1.48	1.59	0.54
					487,871	292,977	(194,894)	4.26	4.58	
<b>POWER GENERATION &amp; DISTRIBUTION</b>										
Hub Power Company Limited	5.1.1 2,410,200	200,000	715,900	1,894,300	221,684	174,579	(47,105)	2.53	2.72	0.16
					221,684	174,579	(47,105)	2.53	2.72	
<b>INSURANCE</b>										
Adamjee Insurance Company Limited	1,702,500	115,000	1,817,500	-	-	-	-	-	-	-
					-	-	-	-	-	
<b>Carried forward</b>					<b>2,106,829</b>	<b>1,914,408</b>	<b>(192,421)</b>			

Name of Security	As at July 1, 2017	Purchased / bonus received during the year	Sold during the year	As at June 30, 2018	Total carrying value as at June 30, 2018	Total market value as at June 30, 2018	Unrealised gain/ (loss) as at June 30, 2018	Market value as a percentage of net assets (%)	Market value as a percentage of total value of investment (%)	Investment as a percentage of paid-up capital of investee company (%)
	Note	Number of shares			Rupees '000			Percentage		
<b>Brought forward</b>					<b>2,106,829</b>	<b>1,914,408</b>	<b>(192,421)</b>			
<b>PHARMACEUTICALS</b>										
The Searle Company Limited	5.1.2	254,623	29,005	237,400	46,228	17,723	15,694	(2,029)	0.23	0.25
						17,723	15,694	(2,029)	0.23	0.25
<b>FOOD &amp; PERSONAL CARE PRODUCTS</b>										
Al Shaheer Corporation Limited	5.1.2	1,892,225	-	-	1,892,225	75,897	51,563	(24,334)	0.75	0.80
						75,897	51,563	(24,334)	0.75	0.80
<b>COMMERCIAL BANKS</b>										
Allied Bank Limited		1,859,400	-	100,000	1,759,400	157,677	181,482	23,805	2.63	2.83
Habib Bank Limited		982,500	327,500	955,400	354,600	91,025	59,020	(32,005)	0.86	0.92
MCB Bank Limited		1,396,600	75,000	1,470,700	900	189	178	(11)	0.00	0.00
Bank Al-Falah Limited		2,469,000	696,000	1,240,000	1,925,000	77,608	100,658	23,050	1.46	1.57
Faisal Bank Limited	5.1.2	4,691,000	1,221,400	2,715,000	3,197,400	62,788	83,132	20,344	1.21	1.30
United Bank Limited		1,319,300	591,800	1,361,100	550,000	122,972	92,939	(30,033)	1.35	1.45
						512,259	517,409	5,150	7.51	8.07
<b>AUTOMOBILE PARTS &amp; ACCESSORIES</b>										
Agriautos Industries Limited (face value Rs. 5 per share)		76,600	-	76,600	-	-	-	-	-	-
Thal Limited (face value Rs. 5 per share)		458,000	-	188,700	269,300	163,204	128,599	(34,605)	1.87	2.01
						163,204	128,599	(34,605)	1.87	2.01
<b>AUTOMOBILE ASSEMBLER</b>										
Indus Motor Company Limited		42,820	-	42,820	-	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited		184,050	20,200	-	204,250	172,794	64,623	(108,171)	0.94	1.01
Millat Tractors Limited		48,650	-	32,640	16,010	22,005	19,021	(2,984)	0.28	0.30
Pak Suzuki Motor Company Limited		244,450	-	240,050	4,400	3,434	1,731	(1,703)	0.03	0.03
						198,233	85,375	(112,858)	1.25	1.34
<b>ENGINEERING</b>										
Amreli Steels Ltd.		16,500	-	-	16,500	2,029	1,164	(865)	0.02	0.02
International Steels Limited		597,500	60,000	269,000	388,500	49,637	39,510	(10,127)	0.57	0.62
Mughal Iron and Steel Industries Limited		914,500	-	912,000	2,500	202	154	(48)	0.00	0.00
Aisha Steel Limited		2,103,900	-	2,103,900	-	-	-	-	-	-
International Industries Limited		264,600	22,300	286,800	100	37	23	(14)	-	0.00
Ittefaq Iron Industries		-	566,000	100,000	466,000	14,113	6,515	(7,598)	0.10	0.10
						66,018	47,366	(18,652)	0.69	0.74
<b>CHEMICAL</b>										
Engro Polymer and Chemicals Limited		3,364,000	395,500	1,889,500	1,870,000	67,634	58,643	(8,991)	0.85	0.91
I.C.I Pakistan Limited		179,750	-	66,900	112,850	123,520	90,451	(33,069)	1.31	1.41
						191,154	149,094	(42,060)	2.16	2.32
<b>INV. BANKS / INV. COS. / SECURITIES COS.</b>										
Pakistan Stock Exchange		3,206,875	-	3,206,732	143	4	3	(1)	0.00	0.00
						4	3	(1)	0.00	0.00
<b>Total-June 30, 2018</b>					<b>3,331,321</b>	<b>2,909,511</b>	<b>(421,810)</b>			
Total-June 30, 2017					6,514,030	6,994,684	480,654			

**5.1.1** The above equity securities include 1,654,000 shares (2017: 1,654,000 shares) pledged with National Clearing Company of Pakistan Limited having a market value (in aggregate) amounting to Rs. 139.031 million (2017: Rs. 122.509 million) for guaranteeing settlement of the Fund's trades in accordance with Circular No.11 dated October 23, 2007 issued by the SECP.

**5.1.2** The Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5 percent is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the company declaring bonus shares which shall be considered as final discharge of tax liability on such income. The Management Company of the Fund jointly with other asset management companies and Mutual Funds Association of Pakistan, has filed a petition in Honorable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the mutual funds based on the premise of exemptions available to mutual funds under clause 99 of Part I and clause 47B of Part IV of Second Schedule to the Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the final outcome of the case. An investee company of the Fund, in pursuance of the aforesaid amendment, withheld shares equivalent to 5% of bonus entitlement of the Fund having fair market value of Rs. 16.6 million (2017: Rs. 17.6 million) at year end. Such shares have not been deposited by the investee company in CDC account of Income Tax department. The Fund has included in its investments the withheld shares and recorded them at fair market value at year end. However, through Finance Act, 2018, the tax on bonus shares is withdrawn.

## 5.2 Letter of rights - At fair value through profit or loss - Held for trading

Name of Security	As at July 1, 2017	Entitlements during the year	Exercised during the year	As at June 30, 2018	Total carrying value as at June 30, 2018	Total market value as at June 30, 2018	Unrealised gain/ (loss) as at June 30, 2018	Market value as a percentage of net assets (%)	Market value as a percentage of total value of Investment (%)	Investment as a percentage of paid-up capital of investee company (%)
Note	Number of rights				Rupees '000			Percentage		
<b>CHEMICAL</b>										
Engro Polymer and Chemicals Limited	-	1,840,751	462,500	1,378,251	1,447	12,156	10,709	0.18	0.19	0.59
<b>PAPER &amp; BOARD</b>										
Cherat Packaging Limited	-	73	73	-	-	-	-	-	-	-
<b>Total-June 30, 2018</b>					<b>1,447</b>	<b>12,156</b>	<b>10,709</b>			
Total-June 30, 2017					-	-	-			

## 5.3 Equity securities - Available-for-sale

### (Ordinary Shares of Rs. 10 each unless indicated otherwise)

Name of Security	As at July 1, 2017	Purchased / bonus received during the year	Sold during the year	As at June 30, 2018	Total Cost as at June 30, 2018	Total market value as at June 30, 2018	Unrealised gain/ (loss) as at June 30, 2018	Market value as a percentage of net assets (%)	Market value as a percentage of total value of Investment (%)	Investment as a percentage of paid-up capital of investee company (%)
Note	Number of shares				Rupees '000			Percentage		
<b>TEXTILE COMPOSITE</b>										
Gul Ahmed Textile Mills Limited	-	1,988,000	-	1,988,000	86,406	85,345	(1,061)	1.24	1.33	0.56
Nishat Mills Limited	-	127,500	42,100	85,400	11,969	12,035	66	0.17	0.19	0.02
					<b>98,375</b>	<b>97,380</b>	<b>(995)</b>	<b>1.41</b>	<b>1.52</b>	
<b>TECHNOLOGY &amp; COMMUNICATION</b>										
System Limited	-	283,500	-	283,500	23,288	28,696	5,408	0.42	0.45	0.25
					<b>23,288</b>	<b>28,696</b>	<b>5,408</b>	<b>0.42</b>	<b>0.45</b>	
<b>OIL &amp; GAS MARKETING COMPANIES</b>										
Sui Northern Gas Pipelines Limited	-	279,000	175,000	104,000	10,327	10,423	96	0.15	0.16	0.02
Sui Southern Gas Company Limited	-	1,001,500	1,001,500	-	-	-	-	-	-	-
Pakistan State Oil Company Limited	-	289,500	4,900	284,600	84,589	90,591	6,002	1.31	1.41	0.09
					<b>94,916</b>	<b>101,014</b>	<b>6,098</b>	<b>1.46</b>	<b>1.57</b>	
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>										
Oil and Gas Development Company Limited	-	1,312,300	11,000	1,301,300	214,586	202,508	(12,078)	2.94	3.16	0.03
Mari Petroleum Company Limited	-	30,680	1,020	29,660	44,566	44,673	107	0.65	0.70	0.03
Pakistan Oilfields Limited	-	566,350	247,200	319,150	179,068	214,402	35,334	3.11	3.34	0.14
Pakistan Petroleum Limited	-	742,300	9,200	733,100	146,256	157,543	11,287	2.29	2.46	0.04
					<b>584,476</b>	<b>619,126</b>	<b>34,650</b>	<b>9.00</b>	<b>9.66</b>	
<b>PAPER &amp; BOARD</b>										
Century Paper and Board Mills Limited	-	38,500	-	38,500	2,460	2,445	(15)	0.04	0.04	0.03
Cherat Packaging Limited.	-	73	-	73	9	10	1	0.00	0.00	0.00
					<b>2,469</b>	<b>2,455</b>	<b>(14)</b>	<b>0.04</b>	<b>0.04</b>	
<b>FERTILIZER</b>										
Engro Corporation Limited	-	629,700	31,400	598,300	178,878	187,782	8,904	2.72	2.93	0.11
Engro Fertilizers Limited	5.1.1	775,000	411,500	363,500	23,827	27,230	3,403	0.40	0.42	0.03
Fauji Fertilizer Company Limited	-	953,500	-	953,500	95,031	94,292	(739)	1.37	1.47	0.08
Fauji Fertilizer Bin Qasim Limited	-	2,273,000	-	2,273,000	96,653	87,738	(8,915)	1.27	1.37	0.24
					<b>394,389</b>	<b>397,042</b>	<b>2,653</b>	<b>5.76</b>	<b>6.19</b>	
<b>CEMENT</b>										
Attock Cement Pakistan Limited	-	275,000	70,400	204,600	41,328	27,515	(13,813)	0.40	0.43	0.18
Cherat Cement Company Limited	-	497,600	50,000	447,600	54,239	43,520	(10,719)	0.63	0.68	0.25
D.G. Khan Cement Company Limited	-	448,600	5,000	443,600	60,467	50,788	(9,679)	0.74	0.79	0.10
Fauji Cement Company Limited	-	75,000	70,000	5,000	155	114	(41)	0.00	0.00	0.00
Lucky Cement Limited	5.1.1	48,350	7,000	41,350	23,675	21,003	(2,672)	0.30	0.33	0.01
Pioneer Cement Limited	-	304,500	170,000	134,500	8,172	6,303	(1,869)	0.09	0.10	0.06
Kohat Cement Limited	-	791,700	-	791,700	114,781	97,435	(17,346)	1.41	1.52	0.51
					<b>302,817</b>	<b>246,678</b>	<b>(56,139)</b>	<b>3.57</b>	<b>3.85</b>	
<b>POWER GENERATION &amp; DISTRIBUTION</b>										
Hub Power Company Limited	5.1.1	1,933,000	50,000	1,883,000	180,717	173,537	(7,180)	2.52	2.71	0.16
K-Electric Limited (face value Rs. 3.5 per share)	-	13,416,000	1,092,000	12,324,000	78,062	70,000	(8,062)	1.02	1.09	0.05
Lalpir Power Limited	-	1,463,000	-	1,463,000	30,584	28,104	(2,480)	0.41	0.44	0.39
Pakgen Power Limited	-	1,751,000	-	1,751,000	35,802	33,759	(2,043)	0.49	0.53	0.47
Saif Power Limited	-	1,279,000	-	1,279,000	33,973	33,881	(92)	0.49	0.53	0.33
					<b>359,138</b>	<b>339,281</b>	<b>(19,857)</b>	<b>4.93</b>	<b>5.30</b>	
<b>INSURANCE</b>										
Adamjee Insurance Company Limited	-	3,276,000	-	3,276,000	183,568	159,639	(23,929)	2.32	2.49	0.94
					<b>183,568</b>	<b>159,639</b>	<b>(23,929)</b>	<b>2.32</b>	<b>2.49</b>	
<b>FOOD &amp; PERSONAL CARE PRODUCTS</b>										
Al Shaheer Corporation Limited	-	217,000	-	217,000	5,772	5,913	141	0.09	0.09	0.15
					<b>5,772</b>	<b>5,913</b>	<b>141</b>	<b>0.09</b>	<b>0.09</b>	
<b>COMMERCIAL BANKS</b>										
Allied Bank Limited	-	1,886,000	-	1,886,000	180,497	194,541	14,044	2.62	3.03	0.17
Habib Bank Limited	-	2,336,000	-	2,336,000	427,060	388,804	(38,256)	5.64	6.06	0.16
MCB Bank Limited	-	292,000	-	292,000	58,061	57,749	(312)	0.84	0.90	0.03
Bank Al-Falah Limited	-	5,513,500	168,000	5,345,500	234,087	279,516	45,429	4.06	4.36	0.33
Faisal Bank Limited	-	2,518,050	92,500	2,425,550	52,191	63,064	10,873	0.92	0.98	0.16
United Bank Limited	-	1,830,300	37,000	1,793,300	336,760	303,032	(33,728)	4.40	4.73	0.15
					<b>1,288,656</b>	<b>1,286,706</b>	<b>(1,950)</b>	<b>18.68</b>	<b>20.06</b>	
<b>AUTOMOBILE PARTS &amp; ACCESSORIES</b>										
Thal Limited (face value Rs. 5 per share)	-	29,500	-	29,500	14,926	14,087	(839)	0.20	0.22	0.04
					<b>14,926</b>	<b>14,087</b>	<b>(839)</b>	<b>0.20</b>	<b>0.22</b>	
<b>AUTOMOBILE ASSEMBLER</b>										
Honda Atlas Cars (Pakistan) Limited	-	53,300	-	53,300	26,535	16,864	(9,671)	0.24	0.26	0.04
Millat Tractors Limited	-	11,620	6,500	5,120	6,602	6,083	(519)	0.09	0.09	0.01
					<b>33,137</b>	<b>22,947</b>	<b>(10,190)</b>	<b>0.33</b>	<b>0.35</b>	
<b>ENGINEERING</b>										
Amreli Steels Ltd.	-	1,026,100	200,000	826,100	77,349	58,281	(19,068)	0.85	0.91	0.28
International Steels Limited	-	692,600	43,000	649,600	63,224	66,064	2,840	0.96	1.03	0.15
Aisha Steel Limited	-	2,600,000	2,328,100	271,900	5,596	4,288	(1,308)	0.06	0.07	0.03
Ittefaq Iron Industries	-	600,000	385,000	215,000	5,964	3,006	(2,958)	0.04	0.05	0.16
					<b>152,133</b>	<b>131,639</b>	<b>(20,494)</b>	<b>1.91</b>	<b>2.06</b>	
<b>CHEMICAL</b>										
Engro Polymer and Chemicals Limited	-	1,250,000	110,000	1,140,000	35,478	35,750	271	0.52	0.56	0.17
Lotte Chemical Pakistan Limited	-	240,500	-	240,500	2,796	2,876	80	0.04	0.04	0.02
I.C.I Pakistan Limited	-	400	-	400	317	321	4	0.00	0.00	0.00
					<b>38,591</b>	<b>38,947</b>	<b>355</b>	<b>0.56</b>	<b>0.61</b>	
<b>Total-June 30, 2018</b>					<b>3,576,651</b>	<b>3,491,550</b>	<b>(85,101)</b>			
Total-June 30, 2017					-	-	-			
Accumulated impairment						<b>59,448</b>				

		2018	2017
	Note	------(Rupees in '000)-----	
<b>5.3.1</b>	<b>Net unrealised gain / (loss) on re-measurement of investments classified as available for sale</b>		
Market value of investments	5.3	3,491,550	-
Less: cost of investments	5.3	(3,576,651)	-
Unrealised loss on re-measurement of investments classified as available for sale - net		(85,101)	-
Impairment loss on equity securities classified as available for sale	5.3.2	59,448	-
		<b>(25,653)</b>	-

**5.3.2 Movement in provision of impairment loss on equity securities classified as available for sale**

Opening balance		-	-
Add: charge for the year		59,448	-
Less: reversal of provision due to recovery		-	-
Closing balance		<b>59,448</b>	-

**6. DIVIDEND AND PROFIT RECEIVABLE**

Dividend receivable		12,231	12,341
Profit receivable on profit and loss sharing accounts		2,925	2,909
		<b>15,156</b>	15,250

**7. SECURITY DEPOSITS AND OTHER RECEIVABLES**

Security deposits with:

- National Clearing Company of Pakistan Limited		3,500	3,500
- Central Depository Company of Pakistan Limited		100	100
Receivable against unit issuance		5,952	6,978
		<b>9,552</b>	10,578

**8. ADVANCE TAX**

The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001. The Federal Board of Revenue (FBR), through a circular "C.No.1 (43) DG (WHT) / 2008-Vol.II- 66417-R" dated May 12, 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). During the financial year ended June 30, 2016, prior to receiving tax exemption certificate(s) from CIR various withholding agents had deducted advance tax under section 150, 150A and 151 of ITO 2001. The Management Company has filed refund application and is confident that the same shall be refunded.

		2018	2017
	Note	------(Rupees in '000)-----	
<b>9. PAYABLE TO UBL FUND MANAGERS LIMITED - MANAGEMENT COMPANY</b>			
Management fee (including Sindh sales tax there against)	9.1 & 9.2	13,367	14,736
Sales load and conversion charges		311	2,267
Allocated expenses	9.3	1,204	1,383
Selling and marketing expense	10.	7,248	9,049
Other payable		17	-
		<b>22,147</b>	27,435

**9.1** As per the amended NBFC Regulations dated November 25, 2015 the Management Company is entitled to remuneration of an amount not exceeding 2% of average daily net assets of the Fund. The Management Company has charged remuneration at the rate of 2% (2017: 2%) of average annual net assets of the Fund.

- 9.2 The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% (2017: 13%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.
- 9.3 As per regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the scheme, maximum up to 0.1% of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged 0.1% of the average annual net assets, being the lower amount to the Fund.

#### 10. ALLOCATED SELLING AND MARKETING EXPENSE

SECP vide Circular No. 40 of 2016 dated December 30, 2016 prescribed certain conditions on Asset Management Companies (AMCs) for charging of selling and marketing expenses to certain collective investment schemes managed by them. Pursuant to the circular, the AMCs are allowed to charge selling and marketing expenses for an initial period of three years (from January 01, 2017 till December 31, 2019) at a maximum cap of 0.4% per annum of net assets of the Fund or actual expenses, whichever is lower. Accordingly, the Management Company has charged 0.4% of daily net assets of the Fund, being the lower amount.

	Note	2018 ------(Rupees in '000)-----	2017
<b>11. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Trustee fee	11.1	<u>761</u>	<u>830</u>

- 11.1 The Trustee is entitled to a monthly remuneration for the services rendered to the Fund under the provisions of the Trust Deed and Offering Document as per the tariff structure specified therein, based on the daily net asset value of the Fund. The remuneration is paid to the Trustee monthly, in arrears.

As per the Trust Deed and Offering Document, the tariff structure applicable to the Fund in respect of the trustee fee for the year ended June 30, 2018 is as follows:

Net Assets	Tariff per annum
Upto Rs 1,000 million	Rs 0.7 million or 0.20% p.a. of NAV, whichever is higher
On an amount exceeding Rs 1,000 million	Rs 2.0 million plus 0.10% p.a of NAV

	Note	2018 ------(Rupees in '000)-----	2017
<b>12. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	12.1	<u>6,565</u>	<u>6,176</u>

- 12.1 Under the provisions of the NBFC Regulations, a collective investment scheme classified as equity scheme is required to pay annual fee to the SECP equivalent to 0.095% of the average annual net assets of the Fund.

	Note	2018 ------(Rupees in '000)-----	2017
<b>13. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditor's remuneration		326	315
Tax deduction at source		-	27,176
Zakat deducted at source		2,479	2,933
Brokerage and settlement charges		2,353	4,480
Capital gain tax		146	5,804
Provision for indirect duties and taxes	13.1	45,195	45,195
Provision for Sindh Workers' Welfare Fund	13.2	49,389	49,389
Others		109	2,799
		<u>99,997</u>	<u>138,091</u>

**13.1** As per the requirements of the Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company was applied with effect from 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 results in double taxation, which does not appear to be the spirit of the law. The matter was collectively taken up by the Management Company jointly with other Asset Management Companies and Trustees of respective Collective Investment Schemes (CISs), through a Constitutional Petition filed in the Honorable Sindh High Court (SHC) during September 2013. In this respect, the SHC had issued a stay order against the recovery of FED due to which the Fund has not made any payments for FED.

On 30 June 2016, the Honorable Sindh High Court of Pakistan had passed a Judgment that after 18th amendment in the Constitution of Pakistan, the Provinces alone have the legislative power to levy a tax on rendering or providing services, therefore, chargeability and collection of FED after 01 July 2011 is ultra vires to the Constitution of Pakistan. On 23 September 2016, the Federal Board of Revenue (FBR) filed an appeal in the Supreme Court of Pakistan (SCP) against above judgement, which is pending adjudication. Management Company, as a matter of abundant caution, has maintained full provision for FED aggregating to Rs. 34.896 million until the matter is resolved. Had the provision not been made, the net asset value per unit of the Fund as at 30 June 2018 would have been higher by Rs. 0.35 (June 30, 2017: Rs. 0.34) per unit.

Through Finance Act, 2016, FED on services rendered by Non-Banking Financial Institutions (NBFIs) including Asset Management Companies, which are already subject to provincial sales tax, has been withdrawn. Therefore, no provision for FED has not been recorded since 01 July, 2017.

**13.2 Sindh Workers' Welfare Fund (SWWF) and Workers' Welfare Fund (WWF)**

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) as a result of which it was construed that all Collective Investment Schemes / Mutual Funds (CISs) whose income exceeded Rs. 500,000 in a tax year were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever was higher.

The amendments introduced in the WWF Ordinance were challenged in various High Courts of Pakistan and ultimately in the Supreme Court of Pakistan. On 10 November 2016, the SCP passed a judgment declaring the insertion of amendments introduced through Finance Act, 2008 pertaining to WWF as unlawful for the reason that the WWF is not in the nature of tax and therefore, could not be introduced through money bill under the Constitution. Subsequently, the Federal Board of Revenue (FBR) has filed a review petition in the SCP against the said judgment, which is pending adjudication.

Further, as a consequence of the 18th amendment to the Constitution, levy for the WWF was also introduced by the Government of Sindh through the Sindh Workers Welfare Fund (SWWF) Act 2014. SWWF Act 2014, enacted on 21 May 2015, requires every Industrial Establishment located in the province of Sindh and having total income of Rs. 500,000 or more in any year of account commencing on or after the date of closing of account on or after 31 December 2013, to pay two percent of so much of its total income declared to SWWF. The said Act includes any concern engaged in the Banking or Financial Institution in the definition of "Industrial Undertaking" but does not define Financial Institution. The Management Company, based on an opinion obtained by the Mutual Funds Association of Pakistan (MUFAP), believes that Mutual Funds are not liable to pay Sindh WWF under the said law, for the reason that the Mutual Funds are not financial institutions and rather an investment vehicle. However, the Sindh Revenue Board has not accepted the said position of MUFAP and as a result, MUFAP has taken up this matter with the Sindh Finance Ministry for resolution.

In view of the above developments regarding the applicability of Federal and Sindh WWF on Mutual Funds, the MUFAP obtained a legal opinion on these matters during financial year ended June 30, 2017. Based on such legal advice (which also stated that even if a review petition is filed by any party, such petition can only be based on very limited grounds and the chances of any major change in the SCP judgement are very limited), MUFAP has recommended to all its members to reverse the Federal WWF and start recording of Sindh WWF. Consequently, the Fund has recorded of provision of Rs. Nil (June 2017: Rs. 49.389 million) for the year and Rs. 49.389 million (June 2017: Rs. 49.389 million) in aggregate in respect of SWWF.

Had the provision not been made, it would have resulted in an increase in the net assets value per unit by Rs. 0.49 per unit (June 30, 2017: Rs. 0.48 per unit).

14. NUMBER OF UNITS IN ISSUE	2018	2017
	-----Number of units-----	
Total units in issue at the beginning of the year	103,258,930	58,491,270
Units issued	88,035,149	145,648,435
Units redeemed	(90,697,345)	(100,880,775)
Total units in issue at the end of the year	<u>100,596,734</u>	<u>103,258,930</u>

**14.1** The par value of each unit is Rs. 100. The Management Company has set a minimum investment of Rs. 500.

**14.2** All units carry equal rights and are entitled to dividend and share in the net asset value of the Fund.

2018                      2017  
----- (Rupees in '000) -----

**15. AUDITOR'S REMUNERATION**

Annual audit fee	228	220
Half yearly review	114	110
Review of compliance with the requirements of the Code of Corporate Governance	40	39
Other certifications	34	33
Out of pocket expenses	49	62
	465	464
	465	464

**16. TAXATION**

According to Regulation 63 of Non-Banking Finance Companies and Notified Entities Regulations, 2008, Management Company is required to distribute, by way of dividend, more than 90 percent of accounting income received or derived from sources other than capital gains (both realised and unrealised) during the year. Since the Fund has incurred net loss during the year ended June 30, 2018, no provision for taxation has been made in these financial statements as the management believes that the Fund will qualify for exemption under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

**17. EARNINGS PER UNIT**

Earnings per unit has not been disclosed as in the opinion of the Management Company, the determination of the cumulative weighted average number of outstanding units is not practicable.

**18. TOTAL EXPENSE RATIO**

As per Directive 23 of 2016 dated July 20, 2016 issued by the SECP, the Total Expense Ratio of the Fund is 3.13% (2017: 4.27%) as on June 30, 2018 and this includes 0.37% (2017: 1.13%) representing government levy and SECP fee.

**19. FINANCIAL INSTRUMENTS BY CATEGORY**

The financial assets and liabilities carried on the statement of assets and liabilities are categorised as follows:

Particulars	----- As at June 30, 2018 -----			
	Loans and receivables	Financial assets at fair value through profit or loss	Available for sale	Total

----- (Rupees in '000) -----

**Financial assets**

Bank balances	581,965	-	-	581,965
Investments	-	2,921,667	3,491,550	6,413,217
Dividend and profit receivable	15,156	-	-	15,156
Security deposits and other receivables	9,552	-	-	9,552
	606,673	2,921,667	3,491,550	7,019,890
	606,673	2,921,667	3,491,550	7,019,890

Particulars	As at June 30, 2018		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total

------(Rupees in '000)-----

**Financial liabilities**

Payable to UBL Fund Managers Limited - Management Company	-	22,147	22,147
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	761	761
Payable against purchase of investments	-	1,903	1,903
Accrued expenses and other liabilities	-	2,788	2,788
Net assets attributable to redeemable units	-	6,891,411	6,891,411
	-	6,919,010	6,919,010

Particulars	As at June 30, 2017			
	Loans and receivables	Financial assets at fair value through profit or loss	Available for sale	Total

------(Rupees in '000)-----

**Financial assets**

Bank balances	1,025,087	-	-	1,025,087
Investments	-	6,994,684	-	6,994,684
Dividend and profit receivable	15,250	-	-	15,250
Security deposits and other receivables	10,578	-	-	10,578
	1,050,915	6,994,684	-	8,045,599

Particulars	As at June 30, 2017		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total

------(Rupees in '000)-----

**Financial liabilities**

Payable to UBL Fund Managers Limited - Management Company	-	27,435	27,435
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	830	830
Payable against purchase of investments	-	3,943	3,943
Accrued expenses and other liabilities	-	7,594	7,594
Net assets attributable to redeemable units	-	7,871,923	7,871,923
	-	7,911,725	7,911,725

## 20. FINANCIAL RISK MANAGEMENT

The Fund's overall risk management programme seeks to maximise the returns derived for the level of risks to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

Monitoring and controlling risks are primarily set up to be performed based on the limits established by the internal controls set on different activities of the Fund by the Board of Directors. These controls and limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. In addition, the Fund monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks type and activities.

The Fund primarily invests in a portfolio of equity securities of listed companies. The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

### 20.1 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 the regulations laid down by the SECP.

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

#### **20.1.1 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 currency exchange rates.

At present, the Fund has no exposure to currency risk as there are no financial assets or financial liabilities denominated in foreign currencies.

#### **20.1.2 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

##### **a) Cash flow interest rate risk**

The Fund's interest rate risk arises from the balances in savings accounts. For the year, income would have increased / (decreased) by Rs. 5.819 million (2017: Rs.10.129 million), had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

##### **b) Fair value interest rate risk**

Since the Fund currently does not have any fixed rate instruments that are impacted by market interest rates, therefore, it is not exposed to fair value interest rate risk.

#### **20.1.3 Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.

The Fund's equity securities are primarily exposed to equity price risk because of investments held and classified by the Fund on the statement of assets and liabilities as „financial assets 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 Fund's constitutive documents. The Fund's constitutive documents / NBFC Regulations also limit investment in individual equity securities to not more than 15% of its net assets, or 15% of the issued capital of the investee company and the sector exposure limit to 35% of net assets.

In case of 5% increase / decrease in the fair value of the Fund's equity securities and letter of rights at fair value through profit or loss on June 30, 2018, net income for the year would increase / decrease by Rs. 146.083 million (2017: Rs. 349.734 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.

In case of 5% increase / decrease in the fair value of the Fund's equity securities classified as available for sale on June 30, 2018, net assets of the Fund would increase / decrease by Rs. 174.578 million (2017: Rs. Nil) as a result of gains / losses on equity securities classified as available for sale.

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 PSX 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 KMI index, is expected to change over the time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of PSX 100 Index.

#### **20.2 Credit risk**

Credit risk represents the risk of a loss if the counterparties fail to perform as contracted. The Fund's credit risk mainly arises from deposits with banks and financial institutions and credit exposure arising as a result of dividend receivable (if any) on equity securities.

## Management of credit risk

For banks and financial institutions, the Fund keeps deposits with reputed financial institutions with reasonably high credit ratings. Credit risk on account of dividend receivable is minimal due to the statutory protection. All transactions in listed securities are settled / paid for upon delivery using the system of National Clearing Company of Pakistan Limited. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

The maximum exposure to credit risk before considering any collateral as at June 30, 2018 is the carrying amount of the financial assets. None of these assets are 'impaired' nor 'past due but not impaired'.

- 20.2.1** The analysis below summarises the credit quality of the balances in deposit accounts with Banks with which the Fund has kept such balances as at June 30, 2018:

### Bank balances by rating category

Name of bank	Balances held by the Fund as at June 30, 2018	Latest available published rating as at June 30, 2018	Rating agency
(Rupees in '000)			
Samba Bank Limited	406,996	AA	JCR-VIS
MCB Bank Limited	104,819	AAA	PACRA
United Bank Limited	51,670	AAA	JCR-VIS
Bank Alfalah Limited	15,453	AA+	JCR-VIS
Sindh Bank Limited	1,589	AA	JCR-VIS
National Bank of Pakistan	1,094	AAA	JCR-VIS
The Bank of Punjab	123	AA+	PACRA
Silkbank Limited	91	A-	JCR-VIS
Habib Bank Limited	16	AAA	JCR-VIS
Allied Bank Limited	10	AAA	PACRA
Soneri Bank Limited	10	AA-	PACRA
	581,871		

### Concentration on credit risk

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Fund mainly deals in equity securities which are primarily subject to price risk. The Fund's portfolio of other financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

## 20.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset or such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to the daily settlement of equity securities and to daily cash redemption requests on a regular basis. Units are redeemable at the holders' option based on the Fund's net asset value per unit, at the time of redemption, calculated in accordance with the Fund's constitutive document and guidelines laid down by the SECP.

### Management of liquidity risk

The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Fund's reputation. The Fund's policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily realised.

In order to manage the Fund's overall liquidity, the Fund also has the option to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue.

Further, the Fund also has the ability to suspend redemptions of units with the approval of the Board of Directors of the Management Company in extraordinary circumstances. The Fund can also borrow, with prior approval of the Trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total net assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings were made during the year.

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

Particulars	----- June 30, 2018 -----			
	Upto three months	More than three months and up to one year	More than one year	Total
	----- (Rupees in '000) -----			
Payable to UBL Fund Managers Limited - Management Company	22,147	-	-	22,147
Payable to the Central Depository Company of Pakistan Limited - Trustee	761	-	-	761
Payable against purchase of investments	1,903	-	-	1,903
Accrued expenses and other liabilities	2,788	-	-	2,788
Net assets attributable to redeemable units	6,891,411	-	-	6,891,411
	<b>6,919,010</b>	<b>-</b>	<b>-</b>	<b>6,919,010</b>

Particulars	----- June 30, 2017 -----			
	Upto three months	More than three months and up to one year	More than one year	Total
	----- (Rupees in '000) -----			
Liabilities				
Payable to UBL Fund Managers Limited - Management Company	27,435	-	-	27,435
Payable to the Central Depository Company of Pakistan Limited - Trustee	830	-	-	830
Payable against purchase of investments	3,943	-	-	3,943
Accrued expenses and other liabilities	7,594	-	-	7,594
Net assets attributable to redeemable units	7,871,923	-	-	7,871,923
	<b>7,911,725</b>	<b>-</b>	<b>-</b>	<b>7,911,725</b>

## 21. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. These unit holders of the Fund 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 Fund's objective when managing unit holders' fund is to safeguard the Fund's ability to continue as a going concern in order to provide returns for the benefits of the unit holders to maintain a strong base of assets to support the development of the investment activities of the Fund and to meet unexpected losses or opportunities. As required under the NBFC Regulations, every open end scheme shall maintain minimum fund size (i.e. net assets of the Fund) of Rs. 100 million at all times during the life of scheme. In order to comply with the requirement and to maintain or adjust the Unit Holders' Fund, the Fund's policy is to perform the following:

- Monitor the level of daily issuance and redemptions relative to the liquid assets and adjust the amount of distributions the Fund pays to the unit holders;
- Redeem and issue units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of „Assets under Management“. The Board of Directors is updated regarding key performance indicators, e.g., yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current year.

## 22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date. Consequently, differences can arise between carrying value 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.

Fair value of investments classified as 'at fair value through profit or loss' which are tradable in an open market is based on the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from the carrying value as the items are short-term in nature.

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- 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 2); and
- Fair value measurements using Inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

The table below provides information on financial assets or liabilities carried at fair values, by valuation methods.

----- As at June 30, 2018 -----				
ASSETS	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
Investment in securities - financial assets at fair value through profit or loss - held for trading				
- Equity securities	2,909,511	-	-	2,909,511
- Letter of rights	12,156	-	-	12,156
Available for sale				
- Equity securities	3,491,550	-	-	3,491,550
	<b>6,413,217</b>	<b>-</b>	<b>-</b>	<b>6,413,217</b>
----- As at June 30, 2017 -----				
ASSETS	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
Investment in securities - financial assets at fair value through profit or loss - held for trading				
- Equity securities	6,994,684	-	-	6,994,684
- Letter of rights	-	-	-	-
	<b>6,994,684</b>	<b>-</b>	<b>-</b>	<b>6,994,684</b>

There were no transfers between various levels of fair value hierarchy during the year.

## 23. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF THE COMMISSION CHARGED

	<b>June 30, 2018</b>
	<b>(Percentage)</b>
1 Next Capital Limited	7.73
2 TAURUS Securities Limited	7.23
3 Al-Falah Securities (Private) Limited	5.99
4 Inter Market Securities Limited	5.53
5 Topline Securities (Private) Limited	5.44
6 Arif Habib Limited	4.95
7 Elixir Securities Pakistan (Private) Limited	4.75
8 Insight Securities (Private) Limited	4.46
9 Optimus Capital Management (Private) Limited	4.16
10 IGI Securities Limited	4.15
	<b>June 30, 2017</b>
	<b>(Percentage)</b>
1 JS Global Capital Limited	8.88
2 Habib Metropolitan Financial Services	7.17
3 Optimus Capital Management (Private) Limited	6.98
4 Next Capital Limited	6.25
5 Insight Securities (Private) Limited	5.95
6 EFG Hermes Pakistan Limited	5.54
7 Topline Securities (Private) Limited	5.48
8 DJM Securities (Private) Limited	5.42
9 Inter Market Securities Limited	5.29
10 Fortune Securities Limited	5.29

## 24. BRIEF PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

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

S. No.	Name	Designation	Experience in years	Qualification
1	Yasir Qadri	Chief Executive Officer	22	MBA
2	Syed Suleman Akhtar	Chief Investment Officer	17	MBA, CFA
3	Farhan Bashir Khan	Head of Research	12	MBA
4	Hadi Hassan Muki	Acting Head of Risk & Compliance*	18	B. com
4	Asim Wahab Khan	Head of Investment Strategy & Equity	13	MBA, CFA
5	Mubashir Anis	Fund Manager**	6	BSC, CFA

\* Head of Risk - non voting observer

\*\* Mubashir Anis is also the Fund Manager of UBL Dedicated Equity Fund and UBL Financial Sector Fund.

## 25. PATTERN OF UNIT HOLDING

Category	-----June 30, 2018-----		
	Number of unit holders	Number of units held	Percentage of units held
Individuals	4,620	26,429,699	26.27
Associated companies and directors	7	288,946	0.29
Insurance companies	13	17,808,253	17.70
Banks, NBFCs & DFIs	2	3,731,614	3.71
Retirement Funds	65	37,132,817	36.91
Public limited companies	9	2,378,634	2.36
Others	30	12,826,771	12.75
	<b>4,746</b>	<b>100,596,734</b>	<b>100.00</b>

Category	-----June 30, 2017-----		
	Number of unit holders	Number of units held	Percentage of units held
Individuals	4,378	28,183,774	27.29
Associated companies and directors	10	6,540,083	6.33
Insurance companies	6	17,013,044	16.48
Banks & DFIs	1	6,081,862	5.89
Retirement Funds	46	33,780,815	32.71
Public limited companies	10	8,129,133	7.87
Others	14	3,530,219	3.42
	<b>4,465</b>	<b>103,258,930</b>	<b>100.00</b>

## 26. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties comprise of United Bank Limited (Holding Company of the Management Company), UBL Fund Managers Limited (Management Company), Al-Ameen Islamic Financial Services (Private) Limited (Subsidiary of the Management Company), entities under common management or directorships, Central Depository Company of Pakistan Limited (Trustee) and the Directors and Officers of the Management Company.

26.1 Transactions with connected persons are in the normal course of business, at agreed /contracted rates.

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

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

## 26.4

Details of transactions with related parties / connected persons and balances held with them including transactions and balances involving related parties at the year end are as follows:

Particulars	Management Company	Associated Companies and others*	Trustee	Funds under Common Management	Directors and Key Executives**	Other connected persons***
----- Year ended June 30, 2018 -----						
----- (Units in '000) -----						
Units issued	12,739	83	-	-	521	-
Units redeemed	12,169	14	-	-	660	2
----- (Rupees in '000) -----						
Profit on savings accounts	-	4,545	-	-	-	-
Bank charges	-	64	-	-	-	-
Units issued	915,646	6,100	-	-	36,136	-
Units redeemed	887,488	985	-	-	46,338	111
Purchase of equity securities	-	460,458	-	-	-	-
Sale of equity securities	-	354,496	-	-	-	-
Dividend received	-	21,616	-	-	-	-
Remuneration (including sales tax)	156,180	-	8,939	-	-	-
Allocated expenses	6,911	-	-	-	-	-
Selling and marketing expenses	27,642	-	-	-	-	-
CDS expense	-	-	565	-	-	-
Listing fee	-	25	-	-	-	-
----- As at June 30, 2018 -----						
----- (Units in '000) -----						
Units held	3,732	69	-	-	220	7,633
----- (Rupees in '000) -----						
Units held	256	5	-	-	15	523
Bank balances	-	51,764	-	-	-	-
Deposits	-	-	100	-	-	-
Investments	-	395,974	-	-	-	-
Profit receivable	-	472	-	-	-	-
Remuneration Payable	13,367	-	761	-	-	-
Sales load and conversion charges payable	311	3	-	-	-	-
Allocated expenses	1,204	-	-	-	-	-
Selling and marketing expenses	7,248	-	-	-	-	-
Other payable	17	-	-	-	-	-

Particulars	Management Company	Associated Companies and others*	Trustee	Funds under Common Management	Directors and Key Executives**	Other connected persons***
----- Year ended June 30, 2017 -----						
----- (Units in '000) -----						
Units issued	778	8,100	-	-	418	9,637
Units redeemed	-	9,445	-	-	122	7,259
----- (Rupees in '000) -----						
Profit on savings accounts	-	5,583	-	-	-	-
Bank charges	-	88	-	-	-	-
Units issued	64,317	590,862	-	-	31,843	-
Units redeemed	-	739,590	-	-	8,629	-
Purchase of equity securities	-	804,383	-	-	-	-
Sale of equity securities	-	31,467	-	-	-	-
Dividend received	-	14,389	-	-	-	-
Dividend paid to unit holders	16,362	8,393	-	-	1,820	48,589
Remuneration (including sales tax)	146,920	-	8,476	-	-	-
Allocated expenses	6,501	-	-	-	-	-
Selling and marketing expenses	9,049	-	-	-	-	-
CDS expense	-	-	1,145	-	-	-
----- As at June 30, 2017 -----						
----- (Units in '000) -----						
Units held	3,162	3,012	-	-	367	-
----- (Rupees in '000) -----						
Units held	241,355	229,906	-	-	28,013	-
Bank balances	-	145,798	-	-	-	-
Deposits	-	-	100	-	-	-
Investments	-	310,722	-	-	-	-
Remuneration Payable	14,736	-	830	-	-	-
Profit receivable	-	786	-	-	-	-
Sales load and conversion charges payable	2,268	296	-	-	-	-
Allocated expenses	1,383	-	-	-	-	-
Selling and marketing expenses	9,049	-	-	-	-	-

\* This represents parent (including the related subsidiaries of the parent) of the Management Company, associated companies / undertakings of the Management Company.

\*\* These include transactions and balance in relation to those directors and key executives that existed as at year end. However, it does not include the transactions and balances whereby director and key executive has resigned from the management company during the year.

\*\*\* This represents the person having 10% or more holding in each period.

26.5 Units pertaining to parties that were related at the beginning of the year but ceased to be so related during any part of the current year are not reflected as part of the closing balance of the current year. The same are accounted for through the movement presented above.

27. **ATTENDANCE AT THE MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

During the year, seven meetings of the Board of Directors of the Management Company were held. The details of the attendance are as under:

	August 23, 2017	September 25, 2017	October 27, 2017	December 06, 2017	February 16, 2018	April 26, 2018	May 02, 2018	Total meetings attended
--	-----------------	--------------------	------------------	-------------------	-------------------	----------------	--------------	-------------------------

**Directors:**

Tariq Kirmani **	✓	✓	N/A	N/A	N/A	N/A	N/A	2
Azhar hamid *	N/A	N/A	✓	✓	✓	✓	✓	5
Yasir Qadri	✓	✓	✓	✓	✓	✓	✓	7
Naz Khan *	N/A	N/A	✓	✓	✓	✓	✓	5
Shabbir Hussain Hashmi **	✓	✓	N/A	N/A	N/A	N/A	N/A	2
Sharjeel Shahid *	N/A	N/A	✓	✓	x	✓	x	3
Zia Ijaz	✓	✓	✓	✓	x	✓	x	5
Syed Furrugh Zaeem	✓	✓	✓	✓	✓	✓	✓	7
Mirza Muhammad Sadeed Hassan Barlas **	✓	✓	✓	✓	x	✓	✓	6
Zulfiqar Alavi ***	N/A	0						

**Key Executives:**

Fawaz Taj Siddiqui ****	✓	✓	✓	✓	✓	N/A	N/A	5
Umair Ahmed	✓	✓	✓	✓	✓	✓	✓	7
S.M. Aly Osman ****	N/A	N/A	N/A	N/A	N/A	✓	✓	2

\* Elected at EOGM held on September 29, 2018.

\*\* Independent Director's have completed three consecutive term.

\*\*\* Mr. Zulfiqar Alavi resigned on August 07, 2017.

\*\*\*\* Mr. Fawaz Taj Siddiqui resigned and appointment of Mr. S.M. Aly Osman effective from April 2, 2018 as Company Secretary.

28. **CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments outstanding as at June 30, 2018 and as at June 30, 2017.

29. **COMMITTED CREDIT LINES**

The Securities and Exchange Commission of Pakistan vide Direction No. 2 of 2017 dated January 13, 2017, has directed all Asset Management Companies (AMC) to arrange committed credit lines from banks / DFIs for the equity funds and fund of funds equivalent to 10% of its net assets and to review it at least on quarterly basis against net assets of the funds. Accordingly, the Fund has obtained committed credit lines of PKR 725 million which represents 9.21% of net asset of the Fund as at June 30, 2017 at a rate of 3 months KIBOR plus 0.45% Management of AMC intends to obtain additional credit line to meet the shortfall. However, SECP through vide Direction No. 37 of 2017 dated December 29, 2017 has withdrawn the requirement for asset management to arrange aforesaid committed credit lines.

30. **GENERAL**

Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

31. **DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on Aug 28, 2018 by the Board of Directors of the Management Company.

**FOR UBL FUND MANAGERS LIMITED**  
(Management Company)

SD  
Chief Executive Officer

SD  
Chief Financial Officer

SD  
Director

## **UBL Stock Advantage Fund**

### **KOHC**

<b>Holding</b>	<b>Resolution</b>	<b>For</b>	<b>Against</b>	<b>Abstain*</b>
<b>964,900</b>	<i>Annual General Meeting of M/s Kohat Cement Company Limited was held on October 23, 2017, below resolutions were passed.</i> <i>1. Approve Audited Accounts of the Company for the year ended June 30, 2017.</i> <i>2. Approve payment of cash dividend for the year ended June 30, 2017.</i> <i>3. Appoint Auditors of the company and fix their remuneration for the year ending June 30, 2017.</i> <i>4. Ratify and approve transactions carried out with Related Parties during financial year ended June 30, 2017.</i> <i>5. Authorize the Chief Executive of the Company for approval of transactions with related parties during financial year ended June 30, 2017.</i> <i>6. Approval of appointments of related parties to respective offices of profit in the Company.</i> <i>7. Alteration in the Articles of Association of the Company for purpose of e-voting.</i>	✓		

**The proxy voting policy of the Collective Investment Scheme is available on the website of the Asset Management Company and detailed information regarding actual proxies voted by the Asset Management Company in respect of the Collective Investment Scheme is also available without charge, upon request, to all unit holders.**

**Moreover, other than above no meeting were attended and no proxies were also given.**

### **SNGP**

<b>Holding</b>	<b>Resolution</b>	<b>For</b>	<b>Against</b>	<b>Abstain*</b>
<b>1,253,000</b>	<i>Extraordinary General Meeting of M/s Sui Northern Gas Pipelines Limited was held on June 21, 2017, below resolutions were passed.</i> <i>1. Confirm minutes of 52nd Annual General Meeting held on January 26, 2017.</i> <i>2. Election of thirteen Directors of the Company.</i> <i>3. Transact any ordinary business with permission of the Chairman.</i>	✓		

**The proxy voting policy of the Collective Investment Scheme is available on the website of the Asset Management Company and detailed information regarding actual proxies voted by the Asset Management Company in respect of the Collective Investment Scheme is also available without charge, upon request, to all unit holders.**

**Moreover, other than above no meeting were attended and no proxies were also given.**

## **AICL**

<b><i>Holding</i></b>	<b><i>Resolution</i></b>	<b><i>For</i></b>	<b><i>Against</i></b>	<b><i>Abstain*</i></b>
<b>3,226,000</b>	<b><i>Annual General Meeting of M/s Adamjee Insurance Company Limited was held on April 23, 2018, below resolutions were passed.</i></b> <b><i>1. Approve Audited Unconsolidated and Consolidated Financial Statements of the Company for the year ended December 31, 2017.</i></b> <b><i>2. Approve payment of cash dividend for the year ended June 30, 2017.</i></b> <b><i>3. Appoint Auditors of the company and fix their remuneration.</i></b>	✓		

***The proxy voting policy of the Collective Investment Scheme is available on the website of the Asset Management Company and detailed information regarding actual proxies voted by the Asset Management Company in respect of the Collective Investment Scheme is also available without charge, upon request, to all unit holders.***

***Moreover, other than above no meeting were attended and no proxies were also given.***

## **HUBCO**

<b><i>Holding</i></b>	<b><i>Resolution</i></b>	<b><i>For</i></b>	<b><i>Against</i></b>	<b><i>Abstain*</i></b>
<b>4,930,389</b>	<b><i>Annual General Meeting of M/s The Hub Power Company Limited to be held on October 05, 2018, below are the meeting agendas.</i></b> <b><i>1. Approve Audited Financial Statements of the Company for the year ended June 30, 2018.</i></b> <b><i>2. Approve payment of cash dividend for the year ended June 30, 2018.</i></b> <b><i>3. Appoint Auditors of the company and fix their remuneration.</i></b> <b><i>4. Election of nine Directors for a period of three years.</i></b> <b><i>5. Consider and Approve, if though appropriate, Issuance of Letter of Support (LOS) Guarantee to Private Power &amp; Infrastructure Board (PPIB) for Thar Energy Limited (TEL).</i></b> <b><i>6. Transact any other business with permission of Chairman.</i></b>	✓		

***The proxy voting policy of the Collective Investment Scheme is available on the website of the Asset Management Company and detailed information regarding actual proxies voted by the Asset Management Company in respect of the Collective Investment Scheme is also available without charge, upon request, to all unit holders.***

***Moreover, other than above no meeting were attended and no proxies were also given.***

## **AICL**

<i>Holding</i>	<i>Resolution</i>	<i>For</i>	<i>Against</i>	<i>Abstain*</i>
2,347,500	<i>Extra Ordinary General Meeting of M/s Adamjee Insurance Company Limited was held on March 26, 2018, below resolutions were passed.</i> <i>1. Approved investment in Hyundai Nishat Motor (Pvt) Limited as per conditions disclosed to member.</i> <i>2. Approval of continuing Stand by Letter(s) of Credit (SBLC) to provide sponsors support Hyundai Nishat Motor (Pvt) Limited.</i> <i>3. Resolved for recovering full amount paid to HNMPL with mark up.</i> <i>4. Resolved further for the resolution to be valid for a period of four years.</i>	✓		

**The proxy voting policy of the Collective Investment Scheme is available on the website of the Asset Management Company and detailed information regarding actual proxies voted by the Asset Management Company in respect of the Collective Investment Scheme is also available without charge, upon request, to all unit holders.**

**Moreover, other than above no meeting were attended and no proxies were also given.**

## **PPL**

<i>Holding</i>	<i>Resolution</i>	<i>For</i>	<i>Against</i>	<i>Abstain*</i>
1,363,500	<i>Extra Ordinary General Meeting of M/s Pakistan Petroleum Limited was held on September 16, 2017, below resolutions were passed.</i> <i>1. Confirm minutes of 65th Annual General Meeting held on February 28, 2017.</i> <i>2. Election of ten Directors of the Company for a period of three years.</i> <i>3. Transact other business with permission of the Chairman.</i>	✓		

**The proxy voting policy of the Collective Investment Scheme is available on the website of the Asset Management Company and detailed information regarding actual proxies voted by the Asset Management Company in respect of the Collective Investment Scheme is also available without charge, upon request, to all unit holders.**

**Moreover, other than above no meeting were attended and no proxies were also given.**

**BAFL**

<i>Holding</i>	<i>Resolution</i>	<i>For</i>	<i>Against</i>	<i>Abstain*</i>
5,139,500	<p><i>Extra Ordinary General Meeting of M/s Bank Alfalah Limited was held on May 27, 2018, below resolutions were passed.</i></p> <p><i>1. Confirm minutes of 26th Annual General Meeting held on March 28, 2018.</i></p> <p><i>2. Election of nine Directors of the Company for a period of three years.</i></p> <p><i>3. Transact any other business with permission of the Chairman.</i></p>	✓		

***The proxy voting policy of the Collective Investment Scheme is available on the website of the Asset Management Company and detailed information regarding actual proxies voted by the Asset Management Company in respect of the Collective Investment Scheme is also available without charge, upon request, to all unit holders.***

***Moreover, other than above no meeting were attended and no proxies were also given.***

**HBL**

<i>Holding</i>	<i>Resolution</i>	<i>For</i>	<i>Against</i>	<i>Abstain*</i>
1,180,200	<p><i>Extra Ordinary General Meeting of M/s Habib Bank Limited was held on March 19, 2018, below resolutions were passed.</i></p> <p><i>1. Election of seven Directors of the Bank for a period of three years.</i></p> <p><i>2. Approve fee and expenses payable to Non-Directors and Chairman of the Bank.</i></p> <p><i>3. Transact any other business with permission of the Chairman.</i></p>	✓		

***The proxy voting policy of the Collective Investment Scheme is available on the website of the Asset Management Company and detailed information regarding actual proxies voted by the Asset Management Company in respect of the Collective Investment Scheme is also available without charge, upon request, to all unit holders.***

***Moreover, other than above no meeting were attended and no proxies were also given.***

**AFL**

<i>Holding</i>	<i>Resolution</i>	<i>For</i>	<i>Against</i>	<i>Abstain*</i>
95,200	<p><i>Extra Ordinary General Meeting of M/s Attock Petroleum Limited was held on March 01, 2018, below resolutions were passed.</i></p> <p><i>1. Election of seven Directors of the Bank for a period of three years.</i></p>	✓		

**The proxy voting policy of the Collective Investment Scheme is available on the website of the Asset Management Company and detailed information regarding actual proxies voted by the Asset Management Company in respect of the Collective Investment Scheme is also available without charge, upon request, to all unit holders.**

**Moreover, other than above no meeting were attended and no proxies were also given.**

### **ENGRO**

<i>Holding</i>	<i>Resolution</i>	<i>For</i>	<i>Against</i>	<i>Abstain*</i>
467,300	<p><i>Annual General Meeting of M/s Engro Corporation Limited was held on April 24, 2018, below resolutions were passed.</i></p> <p><i>1. Approve Audited Accounts of the Company for the year ended December 31, 2017.</i></p> <p><i>2. Approve payment of cash dividend for the year ended December 31, 2017.</i></p> <p><i>3. Appoint Auditors of the company and fix their remuneration.</i></p> <p><i>4. Election of nine Directors of the Company.</i></p> <p><i>5. Accorded to lend/provide short term facilities to associated companies.</i></p> <p><i>6. Alteration in the Articles of Association of the Company.</i></p>	✓		

**The proxy voting policy of the Collective Investment Scheme is available on the website of the Asset Management Company and detailed information regarding actual proxies voted by the Asset Management Company in respect of the Collective Investment Scheme is also available without charge, upon request, to all unit holders.**

**Moreover, other than above no meeting were attended and no proxies were also given.**

### **THALL**

<i>Holding</i>	<i>Resolution</i>	<i>For</i>	<i>Against</i>	<i>Abstain*</i>
29,500	<p><i>Extra-Ordinary General Meeting of M/s Thal Limited was held on March 22, 2018, below resolutions were passed.</i></p> <p><i>1. Approved to invest and arrange a Standby Letter of Credit in favor of lenders of ThalNova as required by sponsor support agreement.</i></p> <p><i>2. Approved to contribute towards payments required to be made to foreign currency lenders of ThalNova and assign company's rights in respect of any investment made in ThalNova by way of loan.</i></p> <p><i>3. Approved that for investments approval be accorded by the Board with jointly signed by the CEO and a director.</i></p>	✓		

**The proxy voting policy of the Collective Investment Scheme is available on the website of the Asset Management Company and detailed information regarding actual proxies voted by the Asset Management Company in respect of the Collective Investment Scheme is also available without charge, upon request, to all unit holders.**

**Moreover, other than above no meeting were attended and no proxies were also given.**

# UIOF

## UBL Income Opportunity Fund

### INVESTMENT OBJECTIVE

The Objective of UBL Income Opportunity Fund is to provide a competitive rate of return to its investors by investing in quality TFCs / Sukuk, Government Securities, Bank Deposits, and short and long term debt instruments.

<b>Management Company</b>	UBL Fund Managers Limited
<b>Trustee</b>	Central Depository Company of Pakistan Limited 99-B, Block-B, S.M.C.H.S., Main Shakra-e-Faisal, Karachi. Tel: (9221) 111-111-500
<b>Distribution Company</b>	United Bank Limited (for detail of others, please visit our website: <a href="http://www.ublfunds.com.pk">www.ublfunds.com.pk</a> )
<b>Auditors</b>	Ernst & Young Ford Rhodes Sidat Hyder & Co.
<b>Bankers</b>	United Bank Limited Bank Alfalah Limited Faysal Bank Limited Tameer MicroFinance Bank Allied Bank Limited Khushhali Bank Ltd. MCB Bank Limited JS Bank Limited Samba Bank Limited Habib Bank Limited Sindh Bank Limited Zarai Taraqati Bank Limited National bank of Pakistan Limited
<b>Management Co.Rating</b>	AM1 (JCR-VIS)
<b>Fund Rating</b>	A- (f) (JCR-VIS)

## Fund Manager's Report – UBL Income Opportunity Fund (UIOF)

- i) **Description of the Collective Investment Scheme category and type**  
Income / Open-end
- ii) **Statement of Collective Investment Scheme's investment objective**  
The Objective of UBL Income Opportunity Fund is to provide a competitive rate of return to its investors by investing in quality TFCs / Sukuk, Government Securities, Bank Deposits, and short and long term debt instruments.
- iii) **Explanation as to whether the Collective Investment Scheme achieved its stated objective**  
The Fund achieved its stated objective.
- iv) **Statement of benchmark(s) relevant to the Collective Investment Scheme**  
Average of 6M KIBOR rates.
- v) **Comparison of the Collective Investment Scheme's performance during the period compared with the said benchmarks**

Monthly Yield	Jul'17	Aug'17	Sep'17	Oct'17	Nov'17	Dec'17	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18	FYTD
UIOF	4.76%	1.91%	2.07%	3.36%	3.23%	2.88%	6.15%	4.93%	5.75%	6.12%	5.07%	5.71%	4.31%
Benchmark	6.02%	6.03%	6.03%	6.04%	6.05%	6.08%	6.10%	6.31%	6.38%	6.38%	6.45%	6.85%	6.23%

- vi) **Description of the strategies and policies employed during the period under review in relation to the Collective Investment Scheme's performance**  
The Fund posted a return of 4.31% p.a. during FY18. At the end of FY18, the weighted average maturity of the fund was 0.30 year and the Fund's Asset Size was PKR 557mn.
- vii) **Disclosure of the Collective Investment Scheme's asset allocation as at the date of the report and particulars of significant changes in asset allocation since the last report (if applicable)**

Asset Allocation (% of Total Assets)	Jun-17	Jun-18
Term Finance Certificates / Sukuks	17%	4%
Placements with Banks	0%	0%
Placements with NBFCs	0%	0%
PIBs	0%	0%
GoP Ijarah Sukuk	0%	0%
T-Bills	0%	0%
Cash	80%	57%
Others	3%	5%
MTS Exposure	0%	34%

viii) **Analysis of the Collective Investment Scheme's performance**

FY'18 Return:	4.31%
Standard Deviation (12m trailing):	0.24%
Sharpe Ratio (12m trailing):	(7.61)

ix) **Changes in total NAV and NAV per unit since the last review period or since commencement (in case of newly established Collective Investment Schemes)**

Net Asset Value			NAV per unit		
30-Jun-18	30-Jun-17	Change	30-Jun-18	30-Jun-17	Change
Rupees (000)		%	Rupees		%
557,268	177,366	214.19	114.7192	109.9753	4.31

x) **Disclosure on the markets that the Collective investment Scheme has invested in including - review of the market(s) invested in and performance during the period**

**Debt Market Review – FY18**

The International Crude Oil prices exhibited an upward trend for the fiscal year. The prices increased from USD 45-per barrel increasing as much as ~70% closing at a new high of USD ~80 per barrel. Increasing oil prices, higher commodity prices (with exception of sugar) along with lagged impact of PKR devaluation (+16%) aided in increasing inflation rate to 4.4% for 4QFY18. Core measures of inflation witnessed an upward trajectory where NFNE which is somewhat sticky in nature increased to 7.1% by end of FY18. Taking cues from this trend we expect SBP to continue its current monetary tightening policy.

In twelve PIB auctions for FY18 conducted during the year, the government raised PKR~102bn (PKR ~894bn in FY17) against target of PKR 330bn. Consequently, outstanding amount for the PIBs in the market increased to PKR 29.47trn. Participation in the auctions was largely skewed towards three and five year paper in line with interest rate hikes. Cut off yields in June auction trimmed to 7.5%, 8.5% and 8.7% for three, five and ten year PIB instruments respectively. In July'18 PIB Auction the government accepted PKR ~6.9bn.

The yield curve based on government securities of various maturities has shifted upwards in line with the ongoing increasing discounts rates. Yield on 3M, 6M and 12M T-Bills increased by 79bps, 90bps and 116bps, respectively. Similarly, yield on 3-year, 5-year and 10-year bonds increased 180bps, 171bps and 86bps, respectively. The spread between annualized yields of 1-year T-bills (7.20% p.a.) and 10-year PIBs (9.03% p.a.) stood at 1.83% as of 30 June 2018.

- xi) **Disclosure on distribution (if any), comprising:-**  
 - Particulars of income distribution or other forms of distribution made and proposed during the period; and  
 - statement of effects on the NAV before and after distribution is made

Final distribution for the year ended June 30, 2018 was made subsequent to year end, on July 02, 2018. Below are the details of such distribution

Distribution			Per unit		
<i>Declared on</i>	<i>Bonus</i>	<i>Cash</i>	<i>Per Unit</i>	<i>Cum NAV</i>	<i>Ex NAV</i>
	<i>Rupees (000)</i>		<i>----- Rupees -----</i>		
July 02, 2018	-	23,040	4.7439	114.7192	109.9753

- xii) **Description and explanation of any significant changes in the state of affairs of the Collective Investment Scheme during the period and up till the date of the manager's report, not otherwise disclosed in the financial statements**

There were no significant changes in the state of affairs during the year under review.

- xiii) **Breakdown of unit holdings by size**

Range of Units	Number of Investors
	UIOF
0.0001 - 9,999.9999	231
10,000.0000 - 49,999.9999	20
50,000.0000 - 99,999.9999	2
100,000.0000 - 499,999.9999	7
500,000.0000 & Above	1
<b>Total</b>	<b>261</b>

- xiv) **Disclosure on unit split (if any), comprising:-**

There were no unit splits during the period.

- xv) **Disclosures of circumstances that materially affect any interests of unit holders**

Investment are subject to market risk.

- xvi) **Disclosure if the Asset Management Company or its delegate, if any, receives any soft commission (i.e. goods and services) from its broker(s) or dealer(s) by virtue of transactions conducted by the Collective Investment Scheme.**

No soft commissions are received by the AMC from its brokers or dealers by virtue of transactions conducted by the Collective Investment Scheme.

## **PERFORMANCE TABLE**

### UBL Income Opportunity Fund

	2018	2017	2016
<b>NET ASSETS AS AT 30 JUNE - Rupees in '000</b>	<b>557,268</b>	177,366	166,195
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - Rupees</b>			
Class A units - Offer *	<b>116.6694</b>	111.8449	111.9627
- Redemption	<b>114.7192</b>	109.9753	109.7889
<b>RETURN OF THE FUND - %</b>			
Total Return of the Fund	<b>4.31</b>	4.73	7.69
Capital Growth (per unit)	<b>4.31</b>	0.18	1.23
Date of Income Distribution	-	19-Jun-17	27-Jun-16
Income Distribution	-	5.00	7.00
Date of Income Distribution	-	-	-
Income Distribution	-	-	-
Date of Income Distribution	-	-	-
Income Distribution	-	-	-
Date of Income Distribution	-	-	-
Income Distribution	-	-	-
<b>AVERAGE ANNUAL RETURN - %</b>			
One Year	<b>4.31</b>	4.73	7.69
Second Year	<b>4.52</b>	6.21	9.28
Third Year	<b>5.58</b>	7.76	8.51
<b>OFFER / REPURCHASE DURING THE YEAR- Rupees</b>			
Highest price per unit - Class A units - Offer	<b>116.6694</b>	116.7975	118.9375
Highest price per unit - Class A units - Redemption	<b>114.7192</b>	114.8451	116.6283
Lowest price per unit - Class A units - Offer	<b>111.8768</b>	111.5322	110.5957
Lowest price per unit - Class A units - Redemption	<b>110.0067</b>	109.6678	108.4484
* Front-end load @ 1.5% is applicable			
<b>PORTFOLIO COMPOSITION - %</b>			
Percentage of Net Assets as at 30 June			
<b>PORTFOLIO COMPOSITION BY CATEGORY - %</b>			
Bank balances	<b>57</b>	80.00	54.00
TFC'S & Government Securities	<b>4</b>	17.00	46.00
others	<b>39</b>	3.00	
<b>PORTFOLIO COMPOSITION BY MARKET - %</b>			
Debt Market	<b>100.00</b>	100.00	100.00

Note:

- The Launch date of Fund is 29 March 2013.

## **DISCLAIMER**

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

**Head Office:**

CDC House, 99-B, Block 'B',  
S.M.C.H.S., Main Shakra-e-Faisal,  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**UBL INCOME OPPORTUNITY FUND**

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

We Central Depository Company of Pakistan Limited, being the Trustee of UBL Income Opportunity Fund (the Fund) are of the opinion that UBL Fund Managers Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 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

**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 19, 2018



**STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 BY UBL FUND MANAGERS LIMITED**

**NAME OF FUND: UBL INCOME OPPORTUNITY FUND**

**YEAR ENDING: JUNE 30, 2018**

The Securities and Exchange Commission of Pakistan (SECP) through its letter dated April 18, 2018 to Mutual Funds Association of Pakistan (MUFAP) has exempted the open-end collective investment schemes from the requirements of the Code of Corporate Governance. However, the Board of Directors of UBL Fund Managers Limited (the Management Company) of UBL Income Opportunity Fund (the Fund), for the purpose of establishing a framework of good governance whereby a Fund is managed by best practice of Corporate governance, has voluntarily opted to comply with the relevant provisions of the Listed Companies (Code of Corporate Governance) Regulations 2017 (The Code).

The Management Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following:
  - a. Male: Six Directors;
  - b. Female: One Director.
2. The composition of the Board is as follows:

Category	Name
Independent Directors	Mr. Azhar Hamid
	Ms. Naz Khan
Executive Directors	Mr. Yasir Qadri
Non - Executive Directors	Mirza Muhammad Sadeed Hassan Barlas
	Mr. Sharjeel Shahid
	Mr. Zia Ijaz
	Syed Furrugh Zaem

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company.
4. 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.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained. The Management Company has placed the Whistle Blowing Policy, Proxy Policy and the Principles of the Code of Conduct (Statement of Ethics and Business Practice) on its website.
6. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
7. The Board has a formal and effective mechanism in place for an annual evaluation of the Board's own performance.

8. The Chairman of the Board is an Independent director. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board as empowered by the relevant provisions of the Act and these Regulations.
9. 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. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
10. Following directors and executive have acquired the prescribed Director Training Program (DTP) certification:

**Directors**

- a. Mirza Muhammad Sadeed Hassan Barlas
- b. Mr. Yasir Qadri
- c. Mr. Zia Ijaz
- d. Ms. Naz Khan
- e. Syed Furrukh Zaeem

**Executive**

- f. S.M. Aly Osman

11. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
12. CFO and CEO duly endorsed the financial statements before approval of the Board.
13. The Board has formed committees comprising of members given below. The Board Audit Committee and the Board Human Resource & Compensation Committee are chaired by separate Independent directors:
  - a. Board Audit Committee
    - i. Ms. Naz Khan (Chair);
    - ii. Mirza Muhammad Sadeed Hassan Barlas;
    - iii. Mr. Sharjeel Shahid;
    - iv. Mr. Zia Ijaz.
  - b. Board Human Resource & Compensation Committee
    - i. Mr. Azhar Hamid (Chairman);
    - ii. Mr. Yasir Qadri;
    - iii. Mr. Zia Ijaz;
    - iv. Ms. Naz Khan;
    - v. Syed Furrukh Zaeem.
  - c. Board Risk & Compliance Committee
    - i. Mirza Muhammad Sadeed Hassan Barlas (Chairman);
    - ii. Mr. Azhar Hamid;
    - iii. Mr. Sharjeel Shahid;
    - iv. Mr. Yasir Qadri;
    - v. Syed Furrukh Zaeem.



14. The Terms of Reference of the aforesaid Committees have been formed, documented and advised to the Committee for compliance.
15. The frequency of meetings of the Committee were as per following:
  - a. Board Audit Committee : Quarterly Meeting
  - b. Board Human Resource & Compensation Committee: Quarterly Meeting
  - c. Board Risk & Compliance Committee: Quarterly Meeting
16. The Board has set up an independent and effective internal audit function and the audit personnel are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company.
17. 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) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
18. The Board Audit Committee recommends to the Board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that any other significant requirements of the Regulations have been complied with.

  
**AZHAR HAMID**  
Chairman

Karachi.  
Dated: August 28, 2018

## To the unitholders of UBL Income Opportunity Fund

### Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors (the Board) of UBL Fund Managers Limited, the Management Company of **UBL Income Opportunity Fund** (the Fund) for the year ended **30 June 2018** in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of the Management Company of the Fund. Our responsibility is to review whether the Statement of Compliance reflects the status of the Management Company's compliance with the provisions of the Regulations in respect of the Fund and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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's 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 Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval, the Fund's related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Management Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Funds for the year ended 30 June 2018.



**Chartered Accountants**

**Place:** Karachi

**Date:** 28 August 2018

## INDEPENDENT AUDITORS' REPORT

To the Unit holders of UBL INCOME OPPORTUNITY FUND

Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of **UBL Income Opportunity Fund (the Fund)**, which comprise the statement of assets and liabilities as at **30 June 2018**, and income statement, statement of comprehensive income, statement of movement in unit holders' fund and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matter	How our audit addressed the key audit matter
<b>1. Amendment to the NBFC Regulations, 2008</b>	
As disclosed in note 4.1 to the accompanying financial statements of the Fund for the year ended 30 June 2018, the Securities and Exchange Commission of Pakistan through its SRO no. 756(I)/2017 dated 03 August 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations).	We assessed the appropriateness of the recognition, measurement and presentation of "element of income / loss" in accordance with the amended provisions of the NBFC Regulations. We also considered the guidelines issued by MUFAP in respect of the accounting for element of income / loss as per the revised Regulations and assessed its implementation by the Fund.

*Signature*

Key audit matter	How our audit addressed the key audit matter
<p>These amendments are considered significant to our audit because application of the said amendments resulted in change in accounting policy relating to presentation "element of income / loss" in the financial statements and certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' (the Statements).</p>	<p>We evaluated the adequacy of disclosures regarding the change in accounting policy with respect to element of income / loss in accordance with the requirements of the relevant financial reporting standards and the guidance issued by MUFAP in relation thereto.</p>

### Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Board of Directors for the Financial Statements

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

*SM*

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Other matter**

The financial statements of the Fund for the year ended 30 June 2017, were audited by another auditor who expressed an unmodified opinion on those financial statements on 23 August 2017.

The engagement partner on the audit resulting in this independent auditor's report is Shaikh Ahmed Salman.



**Chartered Accountants**

**Date:** 28 August 2018

**Karachi**

**UBL INCOME OPPORTUNITY FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT JUNE 30, 2018**

	Note	June 30, 2018 ----- (Rupees in '000) -----	June 30, 2017
<b>ASSETS</b>			
Bank balances	8	326,966	144,616
Investments	9	21,908	31,197
Mark-up receivable	10	3,280	1,402
Advance tax	11	224	225
Deposits, prepayments and other receivables	12	25,163	4,008
Preliminary expenses and floatation costs	13	-	190
Receivable against margin trading system (MTS)		192,347	-
<b>Total assets</b>		<b>569,888</b>	<b>181,638</b>
 <b>LIABILITIES</b>			
Payable to the Management Company	14	434	281
Payable to the Trustee	15	94	31
Annual fee payable to the Securities and Exchange Commission of Pakistan (SECP)	16	249	167
Accrued and other liabilities	18	11,843	3,793
<b>Total liabilities</b>		<b>12,620</b>	<b>4,272</b>
 <b>NET ASSETS</b>		<b>557,268</b>	<b>177,366</b>
 <b>Unit holders' fund (as per statement attached)</b>		<b>557,268</b>	<b>177,366</b>
 <b>Contingencies and commitments</b>	19		
		----- (Number of units) -----	
 <b>NUMBER OF UNITS IN ISSUE</b>		<b>4,857,673</b>	<b>1,612,776</b>
		----- (Rupees) -----	
 <b>NET ASSETS VALUE PER UNIT</b>	5.9	<b>114.7192</b>	<b>109.9753</b>

The annexed notes from 1 to 30 form an integral part of these financial statements.

For UBL Fund Managers Limited  
(Management Company)

\_\_\_\_\_  
SD  
Chief Executive Officer

\_\_\_\_\_  
SD  
Director

\_\_\_\_\_  
SD  
Chief Financial Officer

**UBL INCOME OPPORTUNITY FUND**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Note	June 30, 2018 ----- (Rupees in '000) -----	June 30, 2017
<b>INCOME</b>			
Financial income	20	23,155	14,908
Unrealised (loss) / gain on revaluation of investments classified as 'designated at fair value through profit or loss' - net	9.1	(259)	442
Gain / (loss) on redemption / sale of investments classified as 'designated at fair value through profit or loss' - net		95	(471)
Other income		61	646
<b>Total income</b>		<b>23,052</b>	<b>15,525</b>
<b>EXPENSES</b>			
Remuneration of the Management Company	14.1	2,804	3,349
Sales tax on management fee	14.2	365	435
Remuneration of the Trustee	15.1	565	380
Sales tax on remuneration of the Trustee	15.2	73	49
Annual fee to SECP	16	249	167
Amortization of preliminary expenses and floatation costs	13	190	257
Brokerage expenses		63	56
Custody and settlement charges		1,381	389
Listing fee		28	44
Auditors' remuneration	21	323	323
Legal and professional charges		152	74
Bank charges and other expenses		246	190
<b>Total expenses</b>		<b>6,439</b>	<b>5,713</b>
<b>Net income for the year from operating activities</b>		<b>16,613</b>	<b>9,812</b>
Element of loss and capital losses included in the prices of units sold less those in units redeemed - net		-	(3,142)
Reversal of provision for Workers' Welfare Fund (WWF)	18.1	-	635
Provision for Sindh Workers' Welfare Fund (SWWF)	18.1	(326)	(365)
		(326)	270
<b>Net income for the year before taxation</b>		<b>16,287</b>	<b>6,940</b>
Taxation	22	-	-
<b>Net income for the year after taxation</b>		<b>16,287</b>	<b>6,940</b>
<i>Allocation of net income for the year:</i>			
Net income for the year after taxation		16,287	6,940
Income already paid on units redeemed		(8,784)	-
		<b>7,503</b>	<b>6,940</b>
<i>Accounting income available for distribution:</i>			
- Relating to capital gains		-	-
- Excluding capital gains		7,503	-
		<b>7,503</b>	-

The annexed notes from 1 to 30 form an integral part of these financial statements.

**For UBL Fund Managers Limited**  
**(Management Company)**

SD  
 \_\_\_\_\_  
 Chief Executive Officer

SD  
 \_\_\_\_\_  
 Director

SD  
 \_\_\_\_\_  
 Chief Financial Officer

**UBL INCOME OPPORTUNITY FUND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2018**

	June 30, 2018	June 30, 2017
	----- (Rupees in '000) -----	
Net income for the year after taxation	16,287	6,940
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<u><u>16,287</u></u>	<u><u>6,940</u></u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

For UBL Fund Managers Limited  
(Management Company)

SD  
\_\_\_\_\_  
Chief Executive Officer

SD  
\_\_\_\_\_  
Director

SD  
\_\_\_\_\_  
Chief Financial Officer

**UBL INCOME OPPORTUNITY FUND**  
**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	June 30, 2018		June 30, 2017	
	Capital value	Undistributed income / (loss)	Total	Total
	----- (Rupees in '000) -----			
<b>Net assets at beginning of the year</b>	167,032	10,334	177,366	166,195
Amount received on issuance of 10,695,093 units (2017: 2,926,023 units)				
Capital value	1,176,198	-	1,176,198	-
Element of income during the year;				
- Relating to other comprehensive income	-	-	-	-
- Relating to net loss for the year after taxation	33,544	-	33,544	-
	1,209,742	-	1,209,742	325,492
Redemption of 7,450,196 (2017: 2,827,019) units				
Capital value	(819,339)	-	(819,339)	-
Element of income during the year;				
- Relating to net loss for the year after taxation	(18,004)	(8,784)	(26,788)	-
	(837,343)	(8,784)	(846,127)	317,766
Element of loss and capital losses in prices of units issued less those in units redeemed	-	-	-	3,142
Total comprehensive income for the year	-	16,287	16,287	6,940
Distribution during the year	-	-	-	(6,637)
Net income for the year less distribution	-	16,287	16,287	303
<b>Net assets at end of the period</b>	<b>539,431</b>	<b>17,837</b>	<b>557,268</b>	<b>177,366</b>
<b>Undistributed income brought forward:</b>				
- Realised	-	9,892	9,892	-
- Unrealised	-	442	442	-
	-	10,334	10,334	-
<b>Accounting income available for distribution:</b>				
- Relating to capital gains	-	16,287	16,287	-
- Excluding capital gains	-	(8,784)	(8,784)	-
	-	7,503	7,503	-
Net income for the year after taxation	-	-	-	-
Distribution during the year	-	-	-	-
<b>Undistributed income carried forward</b>	<b>-</b>	<b>17,837</b>	<b>17,837</b>	<b>-</b>
<b>Undistributed income carried forward</b>				
- Realised	-	17,837	17,837	-
- Unrealised	-	-	-	-
	-	17,837	17,837	-
			----- (Rupees) -----	
<b>Net assets value per unit at beginning of the year</b>			<b>109.9753</b>	109.7889
<b>Net assets value per unit at end of the year</b>			<b>114.7192</b>	109.9753

The annexed notes from 1 to 30 form an integral part of these financial statements.

For UBL Fund Managers Limited  
(Management Company)

SD

Chief Executive Officer

SD

Director

SD

Chief Financial Officer

**UBL INCOME OPPORTUNITY FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	June 30, 2018	June 30, 2017
Note	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	16,287	6,940
<b>Adjustments for:</b>		
Financial income	(23,155)	(14,908)
(Gain) / loss on redemption / sale of investments classified as 'designated at fair value through profit or loss' - net	(95)	471
Unrealised loss / (gain) on revaluation of investments classified as 'designated at fair value through profit or loss' - net	259	(442)
Amortization of preliminary expenses and floatation costs	190	257
Element of loss and capital losses included in the prices of units sold less those in units redeemed - net	-	3,142
Reversal of provision for Workers' Welfare Fund (WWF)	-	(635)
Provision for Sindh Workers' Welfare Fund (SWWF)	326	365
	(22,475)	(11,750)
	(6,188)	(4,810)
<b>(Increase) / decrease in assets</b>		
Investments	9,125	41,703
Receivable against margin trading system (MTS)	(192,347)	-
Advance tax	1	(18)
Deposits, prepayments and other receivables	(21,155)	(526)
	(204,376)	41,159
<b>Increase in liabilities</b>		
Payable to the Management Company	153	47
Payable to the Trustee	63	6
Annual fee payable to the SECP	82	54
Accrued and other liabilities	7,724	111
	8,022	218
Financial income received	21,277	15,448
<b>Net cash flows (used in) / generated from operating activities</b>	(181,265)	52,015
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net receipt from issuance of units	1,209,742	325,492
Net payment against redemption of units	(846,127)	(317,766)
Cash distribution to unit holders	-	(6,637)
<b>Net cash generated from financing activities</b>	363,615	1,089
<b>Net increase in cash and cash equivalents during the year</b>	182,350	53,104
Cash and cash equivalents at beginning of the year	144,616	91,512
<b>Cash and cash equivalents at end of the year</b>	326,966	144,616
<b>Cash and cash equivalents</b>		
Bank balances	326,966	144,616

The annexed notes from 1 to 30 form an integral part of these financial statements.

For UBL Fund Managers Limited  
(Management Company)

SD  
\_\_\_\_\_  
Chief Executive Officer

SD  
\_\_\_\_\_  
Director

SD  
\_\_\_\_\_  
Chief Financial Officer

**UBL INCOME OPPORTUNITY FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

- 1.1 UBL Income Opportunity Fund (the Fund) was established under a Trust Deed executed between UBL Funds Managers Limited, (wholly owned subsidiary company of United Bank Limited) as its Management Company and Central Depository Company of Pakistan Limited, as its Trustee. The Trust Deed was executed on January 01, 2013 and the Fund was authorized by the Securities and Exchange Commission of Pakistan (SECP) on February 13, 2013 in accordance with 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). The registered office of the Management Company is situated at the 4th Floor STSM Building, Beaumont Road, Civil Lines Karachi.
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through certificate of registration issued by SECP.
- 1.3 The Fund is an open-ended mutual fund listed on Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holders. The Fund commenced its operations from March 29, 2013.
- 1.4 The objective is to provide a competitive rate of return to its investors by investing in quality term finance certificates / sukus issued by the financial institutions, Government securities, bank deposits and short-term and long-term debt instruments. Under circular 07 dated March 06, 2009 issued by the SECP, the Fund has been categorized by the Management Company as an Income Scheme.
- 1.5 JCR - VIS Credit Rating Company has upgraded management quality rating from AM2++ (stable outlook) to AM1 to the management company on December 29, 2017.
- 1.6 Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.

**2. STATEMENT OF COMPLIANCE**

- 2.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. Such standards comprise of:
- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);
  - Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984;
  - The NBFC rules, the Non-Banking Finance Companies, Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

**3. BASIS OF PREPARATION**

- 3.1 These financial statements have been prepared under the historical cost convention except for investments which are accounted for as stated in note 5.1.
- 3.2 These financial statements are presented in Pakistani Rupee which is the Fund's functional and presentation currency.

**4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

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

The Securities and Exchange Commission of Pakistan (SECP) through its SRO 756(I)/2017 dated August 03, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the Regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. MUFAP, in consultation with the SECP, has specified the methodology of determination of income paid on units redeemed during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. Furthermore, the revised Regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised Regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was 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 was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 01, 2017 as required by SECP vide its S.R.O. No. 756(I) / 2017 dated August 03, 2017. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative year has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs.6.76 million. However, the change in accounting policy does not have any impact on the 'cash flow statement', the 'net assets attributable to the unit holders' and 'net assets value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', which have been incorporated in these statements.

#### **4.2 New / Revised Standards, Interpretations and Amendments**

The Fund has adopted the following accounting standards and the amendments and interpretation of IFRSs which became effective for the current year:

IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)

IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements.

### **5. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial years except as described in note 4.

#### **5.1 Financial assets**

##### **5.1.1 Classification**

The management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The Fund classifies its financial assets in the following categories:

**a) Financial assets classified as 'at fair value through profit or loss'**

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

**b) Financial assets classified as '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 loans and receivables or financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for the liquidity or change in price.

**c) Loans and receivables**

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

##### **5.1.2 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.

##### **5.1.3 Initial recognition and measurement**

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These 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 associated with these financial assets are charged to the Income Statement.

#### 5.1.4 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows :

##### **Financial assets classified as 'at fair value through profit or loss' and 'available-for-sale'**

##### **a) Basis of valuation of debt securities**

Investment in debt securities is valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP via Circular 1 of 2009, Circular 33 of 2012 and Circular 35 of 2012. The Circulars also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

##### **b) Basis of valuation of Government securities**

The Government securities not listed on a stock exchange and traded in the interbank market are valued at the average rates quoted on a widely used electronic quotation system (PKRV and PKISRV rates) which are based on the remaining tenor of the securities.

#### 5.1.5 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. If such an 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 removed from the equity to the income statement.

For financial assets classified as 'loans and receivable', 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 amount of the provision is measured as the difference between the asset's carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

Provision against non-performing debt securities is made in accordance with the provisioning criteria for non-performing debt securities specified by the SECP. As allowed by the SECP, the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circulars, in accordance with the provisioning policy duly approved by the Board of Directors of the Management Company.

#### 5.2 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

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

#### 5.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount 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 to realize the assets and settle the liabilities simultaneously.

#### 5.4 Unitholders' fund

Unitholders' 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.

#### 5.5 Securities under repurchase / resale agreement

Transactions of sale under repurchase (repo), of marketable and government securities are entered into at contracted rates for specified periods of time. Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the Statement of Assets and Liabilities and are measured in accordance with accounting policies for investment securities. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the life of the repo agreement.

Transactions of purchase under resale (reverse repo), of marketable and Government securities are entered into at contracted rates for specified periods of time. Securities purchased with a simultaneous commitment to resale at a specified future date (reverse repos) are not recognised in the statement of assets and liabilities.

#### 5.6 Preliminary expenses and floatation costs

The Fund has recorded all expenses incurred in connection with the incorporation, registration, establishment and authorization of the Fund as preliminary expenses and floatation costs which are to be amortized by the Fund over a period of five years in accordance with the Trust Deed and the NBFC Regulations.

## 5.7 Issuance and redemption of units

Units issued are recorded at the offer price, prevalent on the day on which the applications for purchase of units are received (however units are issued on the receipt of cash / realisation of cheques). The offer price represents the net asset value per unit as of the close of the business day plus the allowable front-end sales load. The front-end sales load is payable to the Management Company as processing fee. Issue of units is recorded on acceptance of application for sale.

Units redeemed are recorded at the redemption price, applicable to units for which the Fund receives redemption applications 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. Redemption of units is recorded on acceptance of application for redemption.

## 5.8 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 reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

## 5.9 Net assets 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 outstanding at the year end.

## 5.10 Taxation

The Fund is exempt from taxation under clause 99 of Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income excluding realized and unrealized capital gains for the year is distributed amongst the Fund's unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

## 5.11 Revenue recognition

- Capital gains / (losses) arising on redemption and sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Dividend income is recognised when the right to receive the dividend is established.
- Unrealized gains / (losses) arising on revaluation of investments classified as 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Income on debt and Government securities is recognised on time proportion basis using the effective interest yield .
- Mark-up on saving accounts and term deposits is recognised on accrual basis.

## 5.12 Expenses

All expenses including Management fee, Trustee fee and Securities and Exchange Commission of Pakistan (SECP) fee are recognised in the Income Statement on accrual basis.

## 5.13 Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Assets and Liabilities at cost. These comprise of deposits with banks and highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short term cash commitments rather than for investments for other purposes.

## 5.14 Dividend distribution and appropriations

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

## 5.15 Other assets

Other assets are stated at cost less impairment losses, if any.

## 6. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in notes 5.1.

## 7. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 2 – Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	January 01, 2018
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	January 01, 2018
IFRS 9 – Financial Instruments	July 01, 2018
IFRS 9 – Prepayment Features with Negative Compensation - (Amendments)	January 01, 2019
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 15 – Revenue from Contracts with Customers	July 01, 2018
IFRS 16 – Leases	January 01, 2019
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	January 01, 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments)	January 01, 2019
IAS 40 Investment Property: Transfers of Investment Property (Amendments)	January 01, 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 01, 2018
IFRIC 23 Uncertainty over Income Tax Treatments	January 01, 2019

The above standards and amendments are not expected to have any material impact on the Fund's financial statements in the period of initial application. However, the Fund is currently evaluating the requirements of IFRS-9 and potential impact on the financial statements of the Fund.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. The Fund expects that such improvements to the standards will not have any impact on the Fund's financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	IASB Effective date (annual periods beginning on or after)
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 17 - Insurance Contracts	January 01, 2021

## 8. BANK BALANCES

Note	June 30, 2018	June 30, 2017
	----- (Rupees in '000) -----	
Saving accounts	8.1	326,966
		144,616

8.1 These carry mark-up at the rates ranging from 3.75% to 7.5% (2017: 3.75% to 7.25%) per annum and include a balance of Rs.3.74 (2017: Rs.1.87) million held with United Bank Limited (a related party).

## 9. INVESTMENTS

### Investments by Category

#### Designated at fair value through profit or loss

Debt securities - Term Finance Certificates

Note June 30, 2018 June 30, 2017  
---- (Rupees in '000) ----

9.1 21,908 31,197

#### 9.1 Debt Securities - Term Finance Certificates - 'Designated at fair value through profit or loss' (face value of Rs.5,000 each unless otherwise stated)

Particulars	Note	Number of certificates			Balance as at June 30, 2018			Market value as a % of net assets	Market value as a % of total investments
		As at July 01, 2017	Purchased during the year	Sold / matured during the year	As at June 30, 2018	Carrying value	Market value		
					----- (Rupees in '000) -----			----- % -----	
<b>Commercial banks</b>									
Standard Chartered Bank Limited - unlisted (Issue date - June 29, 2012)		1,200	1,400	(2,600)	-	-	-	0.00%	0.00%
Bank AL-Habib Limited - unlisted (Issue date - March 17, 2016)	9.1.1	2,000	-	-	2,000	10,147	10,067	(79)	1.81%
Habib Bank Limited - unlisted (Issue date - February 19, 2016)	9.1.1	150	-	(30)	120	12,020	11,841	(180)	2.12%
<b>Total as at June 30, 2018</b>						<u>22,167</u>	<u>21,908</u>	<u>(259)</u>	<u>4%</u>
Total as at June 30, 2017						<u>30,755</u>	<u>31,197</u>	<u>442</u>	

#### 9.1.1 Significant terms and conditions of term finance certificates outstanding at the year end are as follows:

Name of security	Number of certificates	Face / redemption value (Rupees)		Interest rate (Per annum)	Maturity
		Per certificate	Total		
Bank AL-Habib Limited	2,000	4,996	9,992,000	6M KIBOR + 0.75%	March 17, 2026
Habib Bank Limited	120	99,920	11,990,400	6M KIBOR + 0.75%	February 19, 2026

		June 30, 2018	June 30, 2017
	Note	----- (Rupees in '000) -----	
<b>10. MARK-UP RECEIVABLE</b>			
Mark-up on receivable on:			
- Term finance certificates		510	562
- Saving accounts	10.1	1,842	840
- Margin trading system (MTS)		928	-
		<u>3,280</u>	<u>1,402</u>

10.1 This includes receivable of Rs.0.02 (2017: Rs.0.07) million on balances maintained with United Bank Limited (a related party).

#### 11. ADVANCE TAX

The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150 and 151 of ITO 2001. The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II-66417-R" dated May 12, 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). Prior to receiving tax exemption certificate(s) from CIR various withholding agents have deducted advance tax under section 150 and 151 of ITO 2001. The management is confident that the same shall be refunded after filing Income Tax Return for Tax Year 2018.

#### 12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Exposure deposit with National Clearing Company Pakistan Limited (NCCPL) against MTS		20,818	818
Security deposit with:			
- Central Depository Company of Pakistan Limited (CDC)		100	100
- National Clearing Company of Pakistan Limited (NCCPL)		3,000	3,000
Prepayments		145	19
Others		1,100	71
		<u>25,163</u>	<u>4,008</u>

#### 13. PRELIMINARY EXPENSES AND FLOATATION COSTS

Preliminary expenses and floatation costs	13.1	190	447
Amortisation during the year		(190)	(257)
		<u>-</u>	<u>190</u>

13.1 The Fund has recorded all expenses incurred in connection with the incorporation, registration, establishment and authorization of the Fund as preliminary expenses and floatation costs which are to be amortized by the Fund over a period of five years in accordance with the Trust Deed and the NBFC Regulations.

#### 14. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable	14.1	362	243
Sales tax on remuneration payable	14.2	47	32
Sales load and other payables		25	6
		<u>434</u>	<u>281</u>

14.1 The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the amended NBFC Regulations dated November 25, 2015, of an amount not exceeding 2 percent of the average daily net assets of the Fund. The Management Company has charged remuneration at the rate of 1.5% (2017: 1.5%) of average annual net assets of the Funds till June 03, 2018. From June 04, 2018 onwards, the Management has charged remuneration at the rate of 10% of the gross earnings of the Scheme, calculated on a daily basis not exceeding the maximum rate 1.50% of remuneration based on net assets. The Fee is subject to a minimum of 0.25% of the daily net assets of the Scheme. The remuneration is paid to the Management Company on monthly basis in arrears.

14.2 Sales tax at the rate of 13% (2017: 13%) on gross value of management fee is applied under the provisions of Sindh Sales Tax on Services Act, 2011.

#### 15. PAYABLE TO THE TRUSTEE

Remuneration payable	15.1	83	28
Sales tax on remuneration payable	15.2	11	3
		<u>94</u>	<u>31</u>

**15.1** The Trustee is entitled to a remuneration for services rendered to the Fund under the provisions of the Trust Deed and Offering Document as per the tariff specified therein, based on the daily net asset value of the Fund. The remuneration is paid to the Trustee monthly in arrears.

As per the Trust Deed and Offering Document, the tariff structure applicable to the Fund in respect of the trustee fee for the period ended June 30, 2018 is as follows:

Average net asset value	Tariff per annum
Up to Rs.1,000 Million	Rs.0.6 million or 0.17% p.a. of net assets of the Fund, whichever is higher
Rs.1,000 million to Rs.5,000 million	Rs.1.7 million plus 0.085% p.a. of net assets of the Fund, on amount exceeding Rs.1,000 million
On amount exceeding Rs. 5,000 million	Rs.5.1 million plus 0.07% p.a. of net assets of the Fund, on amount exceeding Rs.5,000 million

#### **16. ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)**

This represents annual fee payable to SECP in accordance with the NBFC Regulations whereby the Fund is required to pay to SECP an amount equal to 0.075% (2017: 0.075%) of the average daily net assets of the Fund.

#### **17. TOTAL EXPENSE RATIO**

Total Expense Ratio of the Fund is 2.04% as on June 30, 2018 (2017: 2.46%) and this includes 0.31% (2017: 0.46%) representing Government Levy, Sindh Worker's Welfare Fund and SECP Fee. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulation 60 (5) for a collective investment scheme categorised as an income scheme.

Note	June 30, 2018	June 30, 2017
	----- (Rupees in '000) -----	

#### **18. ACCRUED AND OTHER LIABILITIES**

Provision for indirect duties and taxes	18.1	1,597	1,597
Auditors' remuneration		227	227
Brokerage payable		57	7
Withholding tax deducted at source payable		-	765
Zakat deducted at source payable		406	815
Capital gains tax payable		24	17
Provision for Sindh Workers' Welfare Fund (SWWF)	18.2	691	365
Legal and professional charges payable		11	-
Other payables		8,830	1
		<u>11,843</u>	<u>3,793</u>

##### **18.1 Provision for indirect duties and taxes (Federal Excise Duty on remuneration to the Management Company)**

The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund were already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company was of the view that further levy of FED was not justified.

On September 4, 2013, a Constitutional Petition was filed in the Honourable Sindh High Court (SHC) jointly by various Asset Management Companies, together with their representatives of Collective Investment Schemes through their trustees, challenging the levy of FED.

During the previous year, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from July 1, 2016, FED on services provided or rendered by Non-Banking Financial Institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution, the provision for FED made prior to this period has been maintained by the Fund which at June 30, 2018 aggregates to Rs.1.56 (2017: Rs.1.56) million. Had the provision for FED not been recorded in the financial statements of the Fund, the net assets value of the Fund as at June 30, 2018 would have been higher by Re.0.32 (2017: Re.0.97) per unit.

## 18.2 Provision for Workers' Welfare Fund

As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act (SWWF Act), 2014 had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs.0.5 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies (including the Management Company of the Fund) whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF which is currently pending. However, as a matter of abundant caution, MUFAP has recommended to all its members to record a provision for SWWF from the date of enactment of SWWF Act, 2014 (i.e. starting from May 21, 2015).

The provision for SWWF is now being made on a daily basis. Had the provision for SWWF not been recorded in the financial statements of the Fund, the net assets value of the Fund as at June 30, 2018 would have been higher by Re.0.14 (2017: Re.0.23) per unit.

## 19. CONTINGENCIES AND COMMITMENTS

19.1 There were no contingencies as at June 30, 2018 and June 30, 2017.

## 20. FINANCIAL INCOME

Mark-up on:

- Bank balances	12,815	12,429
- Pakistan investment bonds	384	1,345
- Treasury bills	1,178	-
- Term deposit receipts (TDR)	605	-
- Term finance certificates	1,998	1,134
- Margin trading system (MTS)	6,175	-
	<u>23,155</u>	<u>14,908</u>

## 21. AUDITORS' REMUNERATION

Annual audit fee	110	110
Half yearly review fee	50	50
Other certifications and services	100	100
	260	260
Sales tax	21	21
Out of pocket expenses	42	42
21.1	<u>323</u>	<u>323</u>

21.1 The figures presented for June 30, 2017, represents remuneration of predecessor auditors.

## 22. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. 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 Management Company intends to distribute cash dividend of at least 90% of the Fund's net accounting income available for distribution to its unit holders, accordingly, no provision for taxation has been recognized in these financial statements.

## 23. TRANSACTIONS AND BALANCES OUTSTANDING WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties comprise of United Bank Limited (Holding Company of the Management Company), UBL Fund Managers Limited (Management Company), Al-Ameen Financial Services (Private) Limited, being entity under the common management or directorship, Central Depository Company of Pakistan Limited as trustee of the Fund, the directors key management personnel and other associated undertakings and connected persons. Connected persons also include any person beneficially owing directly or indirectly 10% or more of the units in the issue / net assets of the Fund.

Transactions with connected persons essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, other charges, sale and purchase of investments and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of the NBFC Rules, NBFC Regulations and constitutive documents of the Fund respectively.

Details of transactions and balances at year end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	Management company	Associated companies	Trustee	Funds under common management	Directors and key executives	Other connected persons / related parties**
	(Rupees in '000)					
	June 30, 2018					
<b>Transactions during the year</b>						
Mark-up on bank accounts	-	252	-	-	-	-
Bank charges	-	10	-	-	-	-
Units issued	168,078	-	-	-	25,296	677,916
Units redeemed	168,452	-	-	-	11,005	404,661
Remuneration *	3,169	-	638	-	-	-
Listing fee	-	28	-	-	-	-
	June 30, 2017					
<b>Transactions during the year</b>						
Mark-up on bank accounts	-	4,494	-	-	-	-
Bank charges	-	7	-	-	-	-
Units issued	-	-	-	-	-	4,317
Units redeemed	-	-	-	-	-	-
Cash dividend paid out to unitholders	-	-	-	-	-	4,797
Purchase of securities	-	-	-	-	-	-
Remuneration *	3,784	-	429	-	-	-
	June 30, 2018					
<b>Balances held</b>						
Units held (units in '000)	-	-	-	-	126	2,438
Units held (Rupees in '000)	-	-	-	-	14,512	279,705
Bank balances***	-	3,738	-	-	-	-
Remuneration payable*	409	-	94	-	-	-
Security deposit	-	-	100	-	-	-
Sales load and other payables	25	-	-	-	-	-
Mark-up receivable	-	19	-	-	-	-
	June 30, 2017					
<b>Balances held</b>						
Units held (units in '000)	-	-	-	-	-	999
Units held (Rupees in '000)	-	-	-	-	-	109,865
Bank balances	-	1,870	-	-	-	-
Security deposit	-	-	100	-	-	-
Remuneration payable*	275	-	31	-	-	-
Sales load and other payables	6	-	-	-	-	-
Profit receivable	-	7	-	-	-	-
Other receivables from the Management Company	71	-	-	-	-	-

\* Remuneration for the year is inclusive of sales tax.

\*\* These include unit holders beneficially owing 10% or more of the units in the issue / net assets of the Fund.

\*\*\* These carry mark-up at the rate ranging from 4% to 7.5% per annum.

## 24. FINANCIAL RISK MANAGEMENT

**24.1** The Fund's objective in managing risks is the creation and protection of Unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, credit risk and liquidity risk arising from the financial instruments it holds.

### 24.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and other prices.

#### (i) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial instruments and future cash flows. The interest rate environment is monitored on a regular basis and the portfolio mix of fixed and floating rate securities is altered. The Fund's investment in fixed interest rate securities expose it to fair value interest rate risk and investments in variable interest rate securities expose the Fund to cash flow interest rate risk.

##### a) Sensitivity analysis of variable rate instruments

As at June 30, 2018, the Fund holds variable rate term finance certificates of Bank AL-Habib Limited and Habib Bank Limited which are classified as 'designated at fair value through profit or loss' and bank balances, exposing the Fund to interest rate risk. In case of 100 basis points increase / decrease in KIBOR at year end, the net assets attributable to unit holders of the Fund and net income for the year would be higher / lower by Rs.3.49 million (2017: Rs.1.76 million).

##### b) Sensitivity analysis of fixed rate instruments

As at June 30, 2018, the Fund does not hold any fixed rate instruments and is not exposed to fair value interest rate risk.

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date. The composition of the fund investment may change over time. Accordingly, the sensitivity analysis prepared as at June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

June 30, 2018					
Exposed to interest rate risk					
Interest rate (%)	Up to three months	More than three months and		Not exposed to interest rate risk	Total
		up to one year	More than one year		
----- (Rupees in '000) -----					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	3.75 - 7.50	326,966	-	-	326,966
Investments classified as					
'designated at fair value through profit or loss'	6M KIBOR + 0.50 to 0.75	-	-	21,908	21,908
Mark-up receivable		-	-	3,280	3,280
Deposits and other receivables		-	-	25,018	25,018
Receivable against margin trading system (MTS)		-	-	192,347	192,347
		<u>326,966</u>	<u>-</u>	<u>21,908</u>	<u>220,645</u>
				<u>220,645</u>	<u>569,519</u>
<b>Financial liabilities</b>					
Payable to the Management Company		-	-	387	387
Payable to the Trustee		-	-	83	83
Accrued and other liabilities		-	-	9,104	9,104
		<u>-</u>	<u>-</u>	<u>9,574</u>	<u>9,574</u>
<b>On-balance sheet gap</b>		<u>326,966</u>	<u>-</u>	<u>21,908</u>	<u>211,071</u>
				<u>211,071</u>	<u>559,945</u>

June 30, 2017

Exposed to interest rate risk

	Interest rate (%)	Up to three months	More than three months and up to one year		Not exposed to interest rate risk	Total
			More than one year	(Rupees in '000)		
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	3.75 to 7.25	144,616	-	-	-	144,616
Investments classified as 'designated at fair value through profit or loss'	6M KIBOR + 0.50 to 0.75	-	-	31,197	-	31,197
Mark-up receivable		-	-	-	1,402	1,402
Deposits and other receivables		-	-	-	3,989	3,989
Receivable against margin trading system (MTS)		-	-	-	-	-
		<u>144,616</u>	<u>-</u>	<u>31,197</u>	<u>5,391</u>	<u>181,204</u>
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	249	249
Payable to the Trustee		-	-	-	28	28
Accrued and other liabilities		-	-	-	235	235
		<u>-</u>	<u>-</u>	<u>-</u>	<u>512</u>	<u>512</u>
<b>On-balance sheet gap</b>		<u>144,616</u>	<u>-</u>	<u>31,197</u>	<u>4,878</u>	<u>180,692</u>

There is no off-balance sheet financial instrument that exists as at year ended June 30, 2018 and June 30, 2017.

(ii) Foreign currency risk

Foreign 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 does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

24.3 Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the unit holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive documents.

In order to manage the Fund's overall liquidity, the Fund has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such request 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 significant redemption during the period. Further, the Fund also has the ability to suspend redemption of units with approval of Board of Directors of the Management Company in extraordinary circumstances.

The table below summaries the maturity profile of the Fund's financial liabilities. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date.

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
<b>June 30, 2018</b>					
(Rupees in '000)					
<b>Financial liabilities</b>					
Payable to the Management Company	387	-	-	-	387
Payable to the Trustee	83	-	-	-	83
Accrued and other liabilities	8,830	274	-	-	9,104
<b>Total liabilities</b>	<u>9,300</u>	<u>274</u>	<u>-</u>	<u>-</u>	<u>9,574</u>
<b>June 30, 2017</b>					
(Rupees in '000)					
<b>Financial liabilities</b>					
Payable to the Management Company	249	-	-	-	249
Payable to the Trustee	28	-	-	-	28
Accrued and other liabilities	7	228	-	-	235
<b>Total liabilities</b>	<u>284</u>	<u>228</u>	<u>-</u>	<u>-</u>	<u>512</u>

#### 24.4 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation. The Fund's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements. The table below analyses the Fund's maximum exposure to credit risk:

	June 30, 2018	June 30, 2017
	-- (Rupees in '000) --	
Bank balances	326,966	144,616
Term finance certificates	21,908	31,197

All deposits with banks, CDC and NCCPL are highly rated and risk of default is considered minimal.

The analysis below summarizes the credit quality of the Fund's portfolio in total as on June 30, 2018:

	----- (%) -----	
<b>Bank balances by rating category</b>		
AAA	1.88%	1.90%
AA- to AA+	55.64%	68.30%
A- to A+	42.47%	29.70%
Others	0.00%	0.10%
<b>Total</b>	<b>100%</b>	<b>100%</b>
<b>Term finance certificates by rating category</b>		
AAA	0.00%	67.46%
AA+	45.95%	0.00%
AA	54.05%	32.54%
	<b>100%</b>	<b>100%</b>

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

#### 24.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risk arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risk identified;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

#### 24.6 Unit holders' fund risk management

The Fund's capital is represented by redeemable units. The Fund is required by the NBFC Regulations, to maintain a minimum fund size of Rs.100 million, to be maintained all the time during the life of the scheme. The units issued by the Fund provides an investor with the right to require redemption for cash at a value proportionate to the unit holder's share in the Fund's net assets at the redemption date.

The Fund's objective in managing the unit holders' fund is to ensure a stable base to maximise returns to all investors and to manage liquidity risk arising from redemption. In accordance with the risk management policies, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments.

## 25. FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). Adoption of IFRS 13, has no affect on these financial statements.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

**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 input)

The table below analyse financial instruments measured at the end of the year by the level in the fair value hierarchy into which the fair value measurement is categorised:

		June 30, 2018							
		Carrying amount				Fair value			
Note		Designated at fair value through profit or loss	Available-for-sale	Loans and receivables / Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
					(Rupees in '000)				
<b>Financial assets measured at fair value</b>									
25.1	Term finance certificates	21,908	-	-	21,908	-	21,908	-	21,908
<b>Financial assets not measured at fair value</b>									
25.2	Bank balances	-	-	326,966	326,966				
	Mark-up receivable	-	-	3,280	3,280				
	Deposits and other receivables	-	-	25,018	25,018				
	Receivable against margin trading system (MTS)	-	-	192,347	192,347				
		-	-	547,611	547,611				
<b>Financial liabilities not measured at fair value</b>									
25.2	Payable to the Management Company	-	-	387	387				
	Payable to the Trustee	-	-	83	83				
	Accrued and other liabilities	-	-	9,104	9,104				
		-	-	9,574	9,574				
		June 30, 2017							
		(Rupees in '000)							
<b>Financial assets measured at fair value</b>									
	Term finance certificates	31,197	-	-	31,197	-	31,197	-	31,197
<b>Financial assets not measured at fair value</b>									
	Bank balances	-	-	144,616	144,616				
	Mark-up receivable	-	-	1,402	1,402				
	Deposits and other receivables	-	-	3,989	1,402				
		-	-	150,007	147,420				
<b>Financial liabilities not measured at fair value</b>									
	Payable to the Management Company	-	-	249	249				
	Payable to the Trustee	-	-	28	28				
	Accrued and other liabilities	-	-	235	235				
		-	-	512	512				

During the year ended June 30, 2018, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

### 25.1 Valuation techniques used in determination of fair values within level 2:

Investments in term finance certificates, issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital, are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.

**25.2** The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are a reasonable approximation of fair value.

## 26. CORRESPONDING FIGURES

Certain prior year's figures have been re-arranged / re-classified, wherever necessary, to facilitate comparison in the presentation in the current year. However, there are no material re-arrangements / re-classifications to report.

## 27. SUPPLEMENTARY NON-FINANCIAL INFORMATION

The information regarding unit holding pattern, top ten brokers, members of the Investment Committee, fund manager, meetings of the Board of Directors of the Management Company and rating of the Fund and the Management Company has been disclosed in Annexure I to the financial statements.

## 28. GENERAL

**28.1** Figures have been rounded off to the nearest thousand rupee.

**28.2** Earnings per unit has not been disclosed as in the opinion of the Management Company, determination of the cumulative weighted average number of outstanding units is not practicable.

## 29. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company on July 02, 2018 approved a final distribution of Rs.4.7439 per unit on the face value of Rs.100 each (i.e. 4.31%) amounting to Rs.23.04 million. The financial statements of the Fund for the year ended June 30, 2018 do not include the effect of this distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2019.

## 30. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 28-Aug-18 by the Board of Directors of the Management Company.

**For UBL Fund Managers Limited  
(Management Company)**

SD  
Chief Executive Officer

SD  
Director

SD  
Chief Financial Officer

**SUPPLEMENTARY NON-FINANCIAL INFORMATION  
AS REQUIRED UNDER RULES 6(D), (F), (G), (H), (I) AND (J)  
OF THE 5TH SCHEDULE TO THE NON BANKING FINANCE COMPANIES  
AND NOTIFIED ENTITIES REGULATIONS, 2008**

(i) **PATTERN OF UNIT HOLDING**

Category	Number of unit holders	Number of units held	% of total
Individuals	250	1,503,549	30.95
Associated Company and Key Executives	2	126,496	2.61
Retirement funds	5	679,281	13.98
Others	4	2,548,347	52.46
	<b>261</b>	<b>4,857,673</b>	<b>100</b>

(ii) **TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID**

Name	%
Paramount Capital (Private) Limited	<b>36.15</b>
Continental Exchange (Private) Limited	<b>36.15</b>
Next Capital Limited	<b>18.08</b>
BIPL Securities Limited (Formerly: KASB Securities Limited)	<b>9.03</b>
EFG Hermes Pakistan Limited (Formerly: Invest and Finance Securities Limited)	<b>0.59</b>

(iii) **THE MEMBERS OF THE INVESTMENT COMMITTEE**

S.no	Name	Designation	Experience in years	Qualification
1	Yasir Qadri	Chief Executive Officer	22.10	MBA
2	Syed Suleman Akhtar	Chief Investment Officer	16.85	MBA, CFA
3	Farhan Bashir Khan	Head of Research	11.60	MBA
4	Hadi Hassan Muki	Acting Head of Risk & Compliance *	18	B.Com
5	Asim Wahab Khan	Head of Investment Strategy & Equity	12.56	MBA, CFA
6	Usama Bin Razi	Head of Fixed Income	14.57	MBA
7	Syed Sheeraz Ali	Fund Manager	8.58	BS

\* Head of Risk - non voting observe

**OTHER FUNDS MANAGED BY THE FUND MANAGER**

UBL Money Market Fund  
UBL Financial Planning Fund  
Al-Ameen Islamic Cash Fund

**(iv) ATTENDANCE AT THE MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

During the year, seven meetings of the Board of Directors of the Management Company were held. The details of the attendance are as under:

	August 23, 2017	September 25, 2017	October 27, 2017	December 06, 2017	February 16, 2018	April 26, 2018	May 02, 2018	Total meetings attended
--	--------------------	--------------------------	---------------------	----------------------	----------------------	-------------------	--------------	-------------------------------

**Directors:**

Tariq Kirmani **	✓	✓	N/A	N/A	N/A	N/A	N/A	2
Azhar hamid *	N/A	N/A	✓	✓	✓	✓	✓	5
Yasir Qadri	✓	✓	✓	✓	✓	✓	✓	7
Naz Khan *	N/A	N/A	✓	✓	✓	✓	✓	5
Shabbir Hussain Hashmi **	✓	✓	N/A	N/A	N/A	N/A	N/A	2
Sharjeel Shahid *	N/A	N/A	✓	✓	x	✓	x	3
Zia Ijaz	✓	✓	✓	✓	x	✓	x	5
Syed Furrukh Zaeem	✓	✓	✓	✓	✓	✓	✓	7
Mirza Muhammad Sadeed Hassan Barlas	✓	✓	✓	✓	x	✓	✓	6
Fawaz Taj Siddiqui ****	✓	✓	✓	✓	✓	N/A	N/A	5
Umair Ahmed	✓	✓	✓	✓	✓	✓	✓	7
S.M. Aly Osman ****	N/A	N/A	N/A	N/A	N/A	✓	✓	2

\* Elected at EOGM held on September 29, 2017

\*\* Independent Director's have completed three consecutive term

\*\*\* Mr. Zulfikar Alavi resigned on August 07, 2017.

\*\*\*\* Mr. Fawaz Taj Siddiqui resigned and appointment of Mr. S.M. Aly Osman effective from April 2, 2018 as Company Secretary

**(v) RATING OF THE FUND AND THE MANAGEMENT COMPANY**

JCR - VIS has assigned a "AM1" asset manager rating to the Management Company dated December 29, 2017.

# UAAF

## UBL Asset Allocation Fund

### INVESTMENT OBJECTIVE

The investment objective of the Fund is to earn competitive return by investing in various asset classes/ instruments based on the market outlook.

<b>Management Company</b>	UBL Fund Managers Limited
<b>Trustee</b>	Central Depository Company of Pakistan Limited 99-B, Block-B, S.M.C.H.S., Main Shakra-e-Faisal, Karachi. Tel: (9221) 111-111-500
<b>Distribution Company</b>	United Bank Limited (for detail of others, please visit our website: <a href="http://www.ublfunds.com.pk">www.ublfunds.com.pk</a> )
<b>Auditors</b>	KPMG Taseer Hadi & Co., Chartered Accountants
<b>Bankers</b>	Allied Bank Limited Bank Alfalah Limited Habib Bank Limited JS Bank Limited MCB Bank Limited Samba Bank Limited Sindh Bank Limited Telenor Microfinance Bank Limited Zarai Taraqiati Bank Limited United Bank Limited
<b>Management Co.Rating</b>	AM1 (JCR-VIS)

## Fund Manager's Report – UBL Asset Allocation Fund (UAAF)

- i) **Description of the Collective Investment Scheme category and type**  
Asset Allocation / Open-end
- ii) **Statement of Collective Investment Scheme's investment objective.**  
The investment objective of the Fund is to earn competitive return by investing in various asset classes/instruments based on the market outlook.
- iii) **Explanation as to whether the Collective Investment Scheme achieved its stated objective**  
The Collective Investment Scheme achieved its stated objective.
- iv) **Statement of benchmark(s) relevant to the Collective Investment Scheme**  
Weighted Avg. of (3M PKRV rates + 3M avg. deposit rate of 3 AA rated banks as selected by MUFAP), 6M KIBOR and KSE-100 Index based on actual proportion of the scheme in money market, fixed income and equity securities
- v) **Comparison of the Collective Investment Scheme's performance during the period compared with the said benchmarks**

Monthly Yield	Jul'17	Aug'17	Sep'17	Oct'17	Nov'17	Dec'17	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18	FYTD
<b>UAAF</b>	-0.58%	-3.92%	1.23%	-1.95%	0.66%	0.98%	2.92%	-0.06%	2.37%	0.36%	-1.54%	-0.42%	-0.15%
<b>Benchmark</b>	0.68%	0.68%	0.66%	0.69%	0.66%	0.92%	3.86%	-0.36%	2.28%	0.17%	-2.01%	-0.49%	7.91%

- vi) **Description of the strategies and policies employed during the period under review in relation to the Collective Investment Scheme's performance**  
During the period under review, the Fund generated a negative return of 0.15%. At the end of FY18, the Fund maintained the exposure in local equity market of around 37% during the period while exposure in cash stood at 50%. Majority of the Fund's equity exposure was concentrated in Commercial Banks (8%), Power Generation & Distribution (7%), and Fertilizer (6%). Moreover, the net assets of the fund stood at PKR 2,249 mn.
- vii) **Disclosure of the Collective Investment Scheme's asset allocation as at the date of the report and particulars of significant changes in asset allocation since the last report (if applicable)**

Asset Allocation (% of Total Assets)	Jun-17	Jun-18
Equities	38%	37%
T-bills	0%	0%
PIBs	0%	0%
Term Finance Certificates / Sukuks	0%	7%
Cash	51%	50%
Others	1%	6%
Placements with banks	9%	0%
Spread Transaction	0%	1%

viii) **Analysis of the Collective Investment Scheme's performance**

FY'18 Return:	-0.15%
Standard Deviation (12m trailing):	6.74%
Sharpe Ratio (12m trailing):	(0.93)

ix) **Changes in total NAV and NAV per unit since the last review period or since commencement (in case of newly established Collective Investment Schemes)**

Net Asset Value			NAV per unit		
30-Jun-18	30-Jun-17	Change	30-Jun-18	30-Jun-17	Change
Rupees (000)			Rupees		
		%			%
2,249,249	2,634,920	-14.64	134.5792	134.7753	-0.15

x) **Disclosure on the markets that the Collective investment Scheme has invested in including review of the market(s) invested in and performance during the period**

**Debt Market Review – FY18**

The International Crude Oil prices exhibited an upward trend for the fiscal year. The prices increased from USD 45-per barrel increasing as much as ~70% closing at a new high of USD ~80 per barrel. Increasing oil prices, higher commodity prices (with exception of sugar) along with lagged impact of PKR devaluation (+16%) aided in increasing inflation rate to 4.4% for 4QFY18. Core measures of inflation witnessed an upward trajectory where NFNE which is somewhat sticky in nature increased to 7.1% by end of FY18. Taking cues from this trend we expect SBP to continue its current monetary tightening policy.

In twelve PIB auctions for FY18 conducted during the year, the government raised PKR~102bn (PKR ~894bn in FY17) against target of PKR 330bn. Consequently, outstanding amount for the PIBs in the market increased to PKR 29.47trn. Participation in the auctions was largely skewed towards three and five year paper in line with interest rate hikes. Cut off yields in June auction trimmed to 7.5%, 8.5% and 8.7% for three, five and ten year PIB instruments respectively. In July'18 PIB Auction the government accepted PKR ~6.9bn.

The yield curve based on government securities of various maturities has shifted upwards in line with the ongoing increasing discounts rates. Yield on 3M, 6M and 12M T-Bills increased by 79bps, 90bps and 116bps, respectively. Similarly, yield on 3-year, 5-year and 10-year bonds increased 180bps, 171bps and 86bps, respectively. The spread between annualized yields of 1-year T-bills (7.20% p.a.) and 10-year PIBs (9.03% p.a.) stood at 1.83% as of 30 June 2018.

## **Stock Market Review – FY18**

In the aftermath of distressing events in FY18, the KSE-100 index posted a cumulative loss of 10% after a prolonged period of 8-years. Market's decline was largely driven by a series of tensed political events, burgeoning concerns on macro-economic front along with continued sell-off by foreign investors (USD289mn). With growing uncertainties, market participants remained cautious, keeping average market-traded volumes depressed (84mn).

The benchmark index commenced the year with high hopes but soon suffered foreign outflows post MSCI inclusion. A series of setbacks augmented uncertainties during 1HFY18, keeping the equity market in a jittery position and pushing the index to a low of 37,919 points. The primary highlights among these were disqualification of sitting PM followed by barring of Finance Minister to run office; leaving little room to focus on economy. This was followed by a 21-day protest by TLP against the government pushing the regime into isolation. Without any proper economic manager in place, the country stood open to increasing hazards on the macroeconomic fronts.

With political tensions, concerns on external account started to unearth as support from low oil prices started to fade away. In the 3QFY18, some positive triggers like appointment of Finance Minister, smooth senate elections, announcement of tax amnesty scheme along with introduction of essential policy action prompted interest by market participants, leading to inflow of USD 31mn.

However, the concerns on macroeconomic front remained strong, requiring further use of policy actions. The full year FY18 current account deficit augmented to ~USD18bn (+43%YoY) further weighing down investor sentiment. Moreover, fiscal deficit came in much higher at ~7%. Mushrooming twin-deficit financing requirements weakened foreign reserves position. SBP's reserves were down to ~USD10bn at end of FY18, further deteriorating investor confidence.

On the international front, US Fed continued on its monetary tightening policy by 25bps to 2% during FY18. We expect this stance to continue in CY18. International oil prices mounted to a 4-year high of USD80/bbl amid better co-operation between member OPEC and Non-OPEC countries. Overall, commodity prices also rallied upwards with growing demands from importing countries. Escalation of ongoing trade-war is expected to push oil prices downhill. This will be favorable for a high energy importing country like Pakistan. Moreover, a stable government will also resume work on the multi-billion CPEC project.

Going forward, remedial measures taken by central bank combined with entry into the IMF program will enable corrective measures and stabilize economy over medium term. Moreover, subsiding political tensions, steep discount (~24% from its peak) along with a high earnings-yield offering (~12%) is expected to strengthen investor sentiment and bring investor's interest back in the local equity market.

**xi) Disclosure on distribution (if any), comprising:-**

During the year no distribution has been made.

- xii) **Description and explanation of any significant changes in the state of affairs of the Collective Investment Scheme during the period and up till the date of the manager's report, not otherwise disclosed in the financial statements.**

There were no significant changes in the state of affairs of Collective Investment Scheme during the period that has not been disclosed in the financial statements.

- xiii) **Breakdown of unit holdings by size**

Range of Units	Number of Investors
	UAAF
0.0001 - 9,999.9999	922
10,000.0000 - 49,999.9999	132
50,000.0000 - 99,999.9999	24
100,000.0000 - 499,999.9999	15
500,000.0000 & Above	9
<b>Total</b>	<b>1,102</b>

- xiv) **Disclosure on unit split (if any), comprising:-**

There were no unit splits during the period.

- xv) **Disclosures of circumstances that materially affect any interests of unit holders**

Investments are subject to market risk.

- xvi) **Disclosure if the Asset Management Company or its delegate, if any, receives any soft commission (i.e. goods and services) from its broker(s) or dealer(s) by virtue of transactions conducted by the Collective Investment Scheme.**

No soft commissions are received by the AMC from its brokers or dealers by virtue of transactions conducted by the Collective Investment Scheme.

## **PERFORMANCE TABLE**

### UBL Asset Allocation Fund

	2018	2017	2016
<b>NET ASSETS AS AT 30 JUNE - Rupees in '000</b>	<b>2,249,249</b>	<b>2,634,921</b>	<b>1,826,109</b>
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - Rupees</b>			
Class A units - Offer *	136.87	137.07	126.54
- Redemption	134.58	134.78	124.09
<b>RETURN OF THE FUND - %</b>			
Total Return of the Fund	(0.15)	14.51	12.31
Capital Growth (per unit)	(0.15)	5.78	4.77
Date of Income Distribution	-	19-Jun-17	24-Jun-16
Income Distribution	-	7.34	6.75
<b>AVERAGE ANNUAL RETURN - %</b>			
Since Launch/ One Year	-0.15	14.51	12.31
<b>OFFER / REPURCHASE DURING THE YEAR- Rupees</b>			
Highest price per unit - Class A units - Offer	140.34	150.54	134.53
Highest price per unit - Class A units - Redemption	138.00	148.02	131.92
Lowest price per unit - Class A units - Offer	128.91	126.21	119.28
Lowest price per unit - Class A units - Redemption	126.76	124.10	116.96
* Front-end load @1.5% is applicable			
<b>PORTFOLIO COMPOSITION - %</b>			
Percentage of Net Assets as at 30 June			
<b>PORTFOLIO COMPOSITION BY CATEGORY - %</b>			
Bank balances	50.00	51.00	17.00
Placements with bank	0.00	9.00	50.00
Equity	37.00	38.00	33.00
Others	13.00	2.00	
<b>PORTFOLIO COMPOSITION BY MARKET - %</b>			
Equity	37.00	38.00	33.00
Debt	63.00	62.00	67.00

Note:

- The Launch date of Fund is 19 August 2013.

## **DISCLAIMER**

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

**Head Office:**

CDC House, 99-B, Block 'B',  
S.M.C.H.S., Main Shahra-e-Faisal,  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**UBL ASSET ALLOCATION FUND**

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

We Central Depository Company of Pakistan Limited, being the Trustee of UBL Asset Allocation Fund (the Fund) are of the opinion that UBL Fund Managers Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 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.

A handwritten signature in black ink, appearing to read 'Aftab Ahmed Diwan'.

**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 19, 2018



**STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 BY UBL FUND MANAGERS LIMITED**

**NAME OF FUND: UBL ASSET ALLOCATION FUND**

**YEAR ENDING: JUNE 30, 2018**

The Securities and Exchange Commission of Pakistan (SECP) through its letter dated April 18, 2018 to Mutual Funds Association of Pakistan (MUFAP) has exempted the open-end collective investment schemes from the requirements of the Code of Corporate Governance. However, the Board of Directors of UBL Fund Managers Limited (the Management Company) of UBL Asset Allocation Fund (the Fund), for the purpose of establishing a framework of good governance whereby a Fund is managed by best practice of Corporate governance, has voluntarily opted to comply with the relevant provisions of the Listed Companies (Code of Corporate Governance) Regulations 2017 (The Code).

The Management Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following:
  - a. Male: Six Directors;
  - b. Female: One Director.
2. The composition of the Board is as follows:

Category	Name
Independent Directors	Mr. Azhar Hamid
	Ms. Naz Khan
Executive Directors	Mr. Yasir Qadri
Non - Executive Directors	Mirza Muhammad Sadeed Hassan Barlas
	Mr. Sharjeel Shahid
	Mr. Zia Ijaz
	Syed Furrugh Zaeem

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company.
4. 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.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained. The Management Company has placed the Whistle Blowing Policy, Proxy Policy and the Principles of the Code of Conduct (Statement of Ethics and Business Practice) on its website.
6. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
7. The Board has a formal and effective mechanism in place for an annual evaluation of the Board's own performance.



8. The Chairman of the Board is an Independent director. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board as empowered by the relevant provisions of the Act and these Regulations.
9. 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. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
10. Following directors and executive have acquired the prescribed Director Training Program (DTP) certification:

**Directors**

- a. Mirza Muhammad Sadeed Hassan Barlas
- b. Mr. Yasir Qadri
- c. Mr. Zia Ijaz
- d. Ms. Naz Khan
- e. Syed Furrukh Zaeem

**Executive**

- f. S.M. Aly Osman

11. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
12. CFO and CEO duly endorsed the financial statements before approval of the Board.
13. The Board has formed committees comprising of members given below. The Board Audit Committee and the Board Human Resource & Compensation Committee are chaired by separate Independent directors:

a. Board Audit Committee

- i. Ms. Naz Khan (Chair);
- ii. Mirza Muhammad Sadeed Hassan Barlas;
- iii. Mr. Sharjeel Shahid;
- iv. Mr. Zia Ijaz.

b. Board Human Resource & Compensation Committee

- i. Mr. Azhar Hamid (Chairman);
- ii. Mr. Yasir Qadri;
- iii. Mr. Zia Ijaz;
- iv. Ms. Naz Khan;
- v. Syed Furrukh Zaeem.

c. Board Risk & Compliance Committee

- i. Mirza Muhammad Sadeed Hassan Barlas (Chairman);
- ii. Mr. Azhar Hamid;
- iii. Mr. Sharjeel Shahid;
- iv. Mr. Yasir Qadri;
- v. Syed Furrukh Zaeem.

**UBL FUND MANAGERS LIMITED**

+92 21 111 825 262

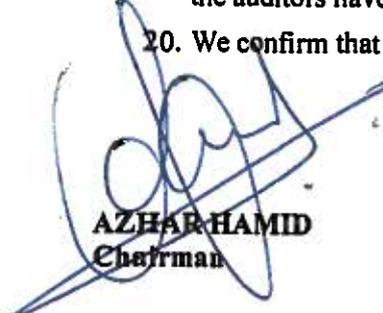
Info@ublfunds.com

4<sup>th</sup> Floor, STSM Building, Beaumont Road, Civil Lines, Karachi.

www.ublfunds.com



14. The Terms of Reference of the aforesaid Committees have been formed, documented and advised to the Committee for compliance.
15. The frequency of meetings of the Committee were as per following:
  - a. Board Audit Committee : Quarterly Meeting
  - b. Board Human Resource & Compensation Committee: Quarterly Meeting
  - c. Board Risk & Compliance Committee: Quarterly Meeting
16. The Board has set up an independent and effective internal audit function and the audit personnel are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company.
17. 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) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
18. The Board Audit Committee recommends to the Board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that any other significant requirements of the Regulations have been complied with.

  
**AZHAR HAMID**  
Chairman

Karachi.  
Dated: August 28, 2018



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2, Beaumont Road  
Karachi 75530 Pakistan  
+92 (21) 35685847, Fax +92 (21) 35685095

**To the Unit Holders of UBL Asset Allocation Fund**

**Review Report on Statement of Compliance contained in Listed Companies  
(Code of Corporate Governance) Regulations, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance Regulations, 2017 ("the Regulations") prepared by the Board of Directors of UBL Fund Managers Limited ("the Management Company") for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review whether the Statement of Compliance reflects the status of the Management Company's compliance with the provisions of the Regulations in respect of the Fund and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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

The Regulations require 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, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Management Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.



KPMG Taseer Hadi & Co.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Funds for the year ended 30 June 2018.

*Gina Taseer Hadi*

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

**Date: 28 August 2018**

**Karachi**



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2, Beaumont Road  
Karachi 75530 Pakistan  
+92 (21) 35685847, Fax +92 (21) 35685095

## **INDEPENDENT AUDITORS' REPORT**

### **To the Unit holders of UBL ASSET ALLOCATION FUND**

#### **Report on the Audit of the Financial Statements**

##### **Opinion**

We have audited the financial statements of UBL Asset Allocation Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2018, income statement, statement of comprehensive income, statement of movement in unit holders' fund, cash flow statement for the year then ended, and notes to the financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

##### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



KPMG Taseer Hadi & Co.

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<p><b>Valuation of Investments</b></p> <p>Refer note 4.1.1 and 6 to the financial statements for accounting policies and details of investments.</p> <p>As at 30 June 2018, the Fund has investments classified as "Available-for-sale" and "Fair value through profit or loss" amounting to Rs. 1,018 million in aggregate representing 45 % of net assets value of the Fund.</p> <p>We identified the valuation of investments including determination of impairment allowance on investments classified as 'Available-for-sale' as a key audit matter because of its significance in relation to the net asset value of the Fund and judgment involved in assessing impairment allowance.</p>	<p>Our audit procedures in respect of valuation of investments including impairment allowance included the following:</p> <ul style="list-style-type: none"><li>• Obtaining an understanding of and testing the design and operating effectiveness of the key controls for the valuation of investments including impairment allowance against investment classified as available for sale;</li><li>• Assessing, on a sample basis, whether investments were valued at fair value based on the last quoted market price and rates quoted by Mutual Fund Association of Pakistan (MUFAP); and</li><li>• Assessing the basis used by the Management to determine impairment against available-for-sale investments.</li></ul>

#### Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other



KPMG Taseer Hadi & Co.

information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



KPMG Taseer Hadi & Co.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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.

The engagement partner responsible for the audit resulting in this independent auditor's report is Mazhar Saleem.

**Date: 28 August 2018**

**Karachi**

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

# UBL Asset Allocation Fund

## Statement of Assets and Liabilities

As at 30 June 2018

	Note	30 June 2018 (Rupees in '000)	30 June 2017
<b>Assets</b>			
Bank balances	5	1,146,417	1,364,025
Term deposit receipt		-	250,000
Investments	6	1,017,674	1,028,541
Fair value of derivative asset	8	1,671	-
Receivable against settlement of spread transactions		37,347	-
Dividend receivable		2,025	1,478
Profits receivable	9	12,313	9,720
Deposits and other receivables	10	58,276	15,946
Advance tax	11	1,113	1,202
Preliminary expenses and floatation costs	12	30	229
<b>Total assets</b>		<b>2,276,866</b>	<b>2,671,141</b>
<b>Liabilities</b>			
Payable to the Management Company	13	5,338	6,825
Payable to Central Depository Company of Pakistan Limited - Trustee	14	302	350
Payable to Securities and Exchange Commission of Pakistan	15	2,196	2,283
Accrued expenses and other payables	16	19,781	26,763
<b>Total liabilities</b>		<b>27,617</b>	<b>36,221</b>
<b>Net assets</b>		<b>2,249,249</b>	<b>2,634,920</b>
<b>Unit holders' fund</b> (as per the statement attached)		<b>2,249,249</b>	<b>2,634,920</b>
<b>Contingency and commitment</b>	24		
		(Number)	
<b>Number of units in issue</b> (face value of units is Rs. 100 each)		<b>16,713,201</b>	<b>19,550,460</b>
		(Rupees)	
<b>Net asset value per unit</b>	4.9	<b>134.5792</b>	<b>134.7753</b>

The annexed notes from 1 to 32 form an integral part of these financial statements.

For UBL Fund Managers Limited  
(Management Company)

--SD--

Chief Executive Officer

--SD--

Chief Financial Officer

--SD--

Director

# UBL Asset Allocation Fund

## Income Statement

For the year ended 30 June 2018

	30 June 2018	30 June 2017
Note	(Rupees in '000)	
<b>Income</b>		
Financial income	17 88,426	97,130
Net capital (loss) / gain on redemption and sale of investments	18 (114,131)	148,506
Dividend income	58,947	34,921
Net unrealised (loss) / gain on revaluation of investments classified as 'designated at fair value through profit or loss'	7 (15,207)	61,623
Other income	255	91
	<b>18,290</b>	<b>342,271</b>
Impairment loss on 'available for sale' equity securities	<b>(10,071)</b>	-
<b>Total income</b>	<b>8,219</b>	<b>342,271</b>
<b>Expenses</b>		
Remuneration of the Management Company	13.1 23,112	24,032
Sindh Sales Tax on the Management Company's remuneration	13.2 3,005	3,124
Allocation of expenses relating to the Fund	13.3 2,311	2,403
Selling and marketing expense	13.4 9,245	3,105
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	14 3,742	3,846
Annual fee of Securities and Exchange Commission of Pakistan	15 2,196	2,283
Auditors' remuneration	19 540	516
Legal and professional charges	155	292
Brokerage expenses	2,046	4,765
Amortisation of preliminary expenses and floatation costs	12 199	198
Bank charges	109	81
Listing fee	27	55
Other expenses	1,228	1,258
<b>Total operating expenses</b>	<b>47,915</b>	<b>45,958</b>
Net element of income and capital gains included in prices of units issued less those in units redeemed	3.4.3 -	49,151
Reversal of provision for Workers' Welfare Fund	-	5,947
Provision for Sindh Workers' Welfare Fund	-	(10,804)
	-	(4,857)
<b>Net (loss) / income for the year before taxation</b>	<b>(39,696)</b>	<b>340,607</b>
Taxation	20 -	-
<b>Net (loss) / income for the year after taxation</b>	<b>(39,696)</b>	<b>340,607</b>
<b>Allocation of net loss for the year after taxation</b>		
- Net loss for the year	(39,696)	
- Income already paid on units redeemed	-	
	<b>(39,696)</b>	
<b>Accounting income available for distribution</b>		
- Relating to capital gains	-	
- Excluding capital gains	-	
	<b>-</b>	

The annexed notes from 1 to 32 form an integral part of these financial statements.

For UBL Fund Managers Limited  
(Management Company)

--SD--  
Chief Executive Officer

--SD--  
Chief Financial Officer

--SD--  
Director

UBL Asset Allocation Fund  
Statement of Comprehensive Income  
For the year ended 30 June 2018

	30 June 2018	30 June 2017
<i>Note</i>	(Rupees in '000)	
<b>Net (loss) / income for the year after taxation</b>	<b>(39,696)</b>	340,607
<b>Other comprehensive income for the year</b>		
<b><i>Items to be reclassified to income statement:</i></b>		
Net unrealised diminution on revaluation of investments classified as 'available-for-sale'	6.4 (8,237)	-
<b>Total comprehensive (loss) / income for the year</b>	<b><u>(47,933)</u></b>	<b><u>340,607</u></b>

The annexed notes from 1 to 32 form an integral part of these financial statements.

**For UBL Fund Managers Limited  
(Management Company)**

--SD--  
\_\_\_\_\_  
Chief Executive Officer

--SD--  
\_\_\_\_\_  
Chief Financial Officer

--SD--  
\_\_\_\_\_  
Director

UBL Asset Allocation Fund  
Statement of Movement in Unit Holders' Fund  
For the year ended 30 June 2018

	2018			2017				
	Capital value	Undistributed income	Unrealised diminution on revaluation of 'available-for-sale' investments	Total	Capital value	Undistributed income	Unrealised diminution on revaluation of 'available-for-sale' investments	Total
	----- (Rupees in '000) -----							
<b>Net assets at beginning of the year</b>	<b>2,164,205</b>	<b>470,715</b>	<b>-</b>	<b>2,634,920</b>	1,564,343	261,766	-	1,826,109
<b>Issuance of 10,499,785 units</b> (30 June 2017: 19,087,318 units)								
- Capital value	1,414,830	-	-	1,414,830				
- Element of loss	(7,368)	-	-	(7,368)				
Total proceeds on issuance of units	1,407,462	-	-	1,407,462	2,368,501	205,188	-	2,573,689
<b>Redemption of 13,337,044 units</b> (30 June 2017: 14,253,140 units)								
- Capital value	(1,797,318)	-	-	(1,797,318)				
- Element of income	52,118	-	-	52,118				
Total payments on redemption of units	(1,745,200)	-	-	(1,745,200)	(1,768,639)	(156,037)	-	(1,924,676)
Net element of income and capital gains included in prices of units issued less those in units redeemed	-	-	-	-	-	(49,151)	-	(49,151)
Total comprehensive (loss) / income for the year	-	(39,696)	(8,237)	(47,933)	-	340,607	-	340,607
Interim distribution for the year ended 30 June 2018: Nil [2017: Rs 7.34 per unit (Date of Distribution: 19 June 2017)]	-	-	-	-	-	(131,658)	-	(131,658)
Net (loss) / income for the year less distribution	-	(39,696)	(8,237)	(47,933)	-	208,949	-	208,949
<b>Net assets at end of the year</b>	<b>1,826,467</b>	<b>431,019</b>	<b>(8,237)</b>	<b>2,249,249</b>	<b>2,164,205</b>	<b>470,715</b>	<b>-</b>	<b>2,634,920</b>
<b>Distribution during the year</b>								
<b>Undistributed income brought forward:</b>								
- Realised income		409,092				166,973		
- Unrealised income		61,623				94,793		
		470,715				261,766		
Net (loss) / income for the year after taxation		(39,696)				340,607		
Interim distribution for the year ended 30 June 2018: Nil [2017: Rs 7.34 per unit (Date of Distribution: 19 June 2017)]		-				(131,658)		
<b>Undistributed income carried forward</b>		<b>431,019</b>				<b>470,715</b>		
<b>Undistributed income carried forward comprises of:</b>								
- Realised income		446,226				409,092		
- Unrealised (loss) / income		(15,207)				61,623		
		431,019				470,715		
					(Rupees)			(Rupees)
<b>Net assets value per unit at beginning of the year</b>				<b>134.7753</b>				<b>124.0900</b>
<b>Net assets value per unit at end of the year</b>				<b>134.5792</b>				<b>134.7753</b>

The annexed notes from 1 to 32 form an integral part of these financial statements.

For UBL Fund Managers Limited  
(Management Company)

--SD--  
Chief Executive Officer

--SD--  
Chief Financial Officer

--SD--  
Director

**UBL Asset Allocation Fund**  
**Cash Flow Statement**  
For the year ended 30 June 2018

	30 June 2018	30 June 2017
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss) / income for the year before taxation	<b>(39,696)</b>	340,607
<b>Adjustments for non-cash and other items:</b>		
Financial income	17 <b>(88,426)</b>	(97,130)
Net capital loss / (gain) on sale of investment	18 <b>114,131</b>	(148,506)
Dividend income	<b>(58,947)</b>	(34,921)
Provision for Sindh Workers' Welfare Fund	-	10,804
Reversal of provision for Workers' Welfare Fund	-	(5,947)
Net unrealised loss / (gain) on revaluation of investments classified as 'designated at fair value through profit or loss'	7 <b>15,207</b>	(61,623)
Impairment loss on 'available for sale' equity securities	<b>10,071</b>	-
Amortisation of preliminary expenses and floatation costs	<b>199</b>	198
Net element of income and capital gains included in prices of units issued less those in units redeemed	-	(49,151)
	<b>(7,765)</b>	(386,276)
<b>Net cash used in operations before working capital changes</b>	<b>(47,461)</b>	(45,669)
<b>Working capital changes</b>		
<i>Decrease / (increase) in assets</i>		
Investments	<b>(136,780)</b>	426,794
Term deposit receipt	<b>250,000</b>	(250,000)
Fair value of derivative asset	<b>(1,671)</b>	-
Receivable against settlement of spread transactions	<b>(37,347)</b>	-
Deposits and other receivables	<b>(54,542)</b>	(7,468)
Advance tax	<b>(90)</b>	(342)
	<b>19,570</b>	168,984
<i>Increase / (decrease) in liabilities</i>		
Payable to the Management Company	<b>(1,488)</b>	3,056
Payable to Central Depository Company of Pakistan - Trustee	<b>(47)</b>	68
Payable to Securities and Exchange Commission of Pakistan	<b>(87)</b>	666
Accrued expenses and other payables	<b>(6,982)</b>	(3,114)
	<b>(8,604)</b>	676
Profits received	<b>86,014</b>	114,031
<b>Net cash flows generated from operating activities</b>	<b>49,519</b>	238,022
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend received	<b>58,400</b>	34,790
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of units	22 <b>1,419,673</b>	2,573,689
Payments on redemption of units	<b>(1,745,200)</b>	(1,924,676)
Cash distribution to unit holders	-	(131,658)
<b>Net cash flows (used in) / generated from financing activities</b>	<b>(325,527)</b>	517,355
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(217,608)</b>	790,167
Cash and cash equivalents at beginning of the year	<b>1,364,025</b>	573,858
<b>Cash and cash equivalents at end of the year</b>	<b>1,146,417</b>	1,364,025
<b>CASH AND CASH EQUIVALENTS</b>		
Bank balances	<b>1,146,417</b>	1,364,025

The annexed notes from 1 to 32 form an integral part of these financial statements.

**For UBL Fund Managers Limited  
(Management Company)**

--SD--  
Chief Executive Officer

--SD--  
Chief Financial Officer

--SD--  
Director

# UBL Asset Allocation Fund

## Notes to the Financial Statements

*For the year ended 30 June 2018*

### 1. LEGAL STATUS AND NATURE OF BUSINESS

UBL Asset Allocation Fund (the Fund) was established under the Non Banking Finance Companies (Establishment & Regulation) Rules, 2003 (the NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations) and was approved as an open end mutual fund by the Securities and Exchange Commission of Pakistan. It was constituted under a Trust Deed, dated 29 May 2013 between UBL Fund Managers Limited (a wholly owned subsidiary company of United Bank Limited) as the Management Company and Central Depository Company of Pakistan Limited ("CDC") as the Trustee.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through certificate of registration issued by SECP. The registered office of the Management Company is situated at 4th Floor STSM Building, Beaumont Road, Civil Lines Karachi,

The Fund is an open end mutual fund and units of the fund are listed on the Pakistan Stock Exchange Limited. The units of the Fund can be transferred to/from other funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The units of the Fund were initially offered to the public (IPO) on 19 August 2013. The Fund commenced its operations from 20 August 2013.

The policy of the Fund is to invest in a diversified portfolio of shares of listed companies, spread transactions and other money market instruments. Under circular 07 dated 6 March 2009 issued by the SECP, the Fund has been categorised by the Management Company as an Asset Allocation Fund.

Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.

### 2. BASIS OF PRESENTATION

#### Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

### **3. BASIS OF PREPARATION**

#### **3.1 Basis of measurement**

These financial statements have been prepared on the basis of historical cost convention, except those financial assets that have been carried at fair values in accordance with the requirements of International Accounting Standard (IAS) 39.

#### **3.2 Functional and presentation currency**

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Fund. All amounts have been rounded off to the nearest thousand, unless otherwise stated.

#### **3.3 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in the application of accounting policies are given below:

##### **a) Judgments**

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in note 4.1.1 - Regarding the classification of investments.

##### **b) Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the year ending 30 June 2018 is included in the following notes:

- Notes 4.1.3 and 4.1.4 - Valuation of investments
- Notes 4.1.5 and 4.1.6 - Impairment of financial instruments and other assets

#### **3.4 New or amendments to existing standard / interpretation and forthcoming requirements**

##### **3.4.1 Standards, amendments or interpretations which became effective during the year**

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2017 but are considered not to be relevant or do not have any significant effect on the the Funds' financial statements and are therefore not stated in these financial statements.

### **3.4.2 Application of Companies Act, 2017**

The Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 23 of 2017 which application has been deferred till 31 December 2017. Therefore, the provision of the Companies Act, 2017 are applicable from 01 January 2018 (refer note 2). However, it does not have any significant impact on the Fund's financial statements.

### **3.4.3 Change in Accounting Policy**

#### **3.4.3.1 Element of income / (loss)**

Up to 30 June 2017, the element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the accounting period is recognized in income statement on net basis and to the extent that it is represented by unrealised appreciation / (diminution) arising during the year on available for sale securities is included in distribution statement on net basis.

Securities & Exchange Commission of Pakistan through its SRO 756(I)/2017 dated 03 August 2017 has made certain amendments in NBFCs and Notified Entities Regulations, 2008. The SRO changed the definition of accounting income in regulation (63) sub-regulation (I) which excludes the element of income from "accounting income". As per SRO, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. It also specifies that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.

The said SRO also deleted 'Distribution Statement' and requires additional disclosures with respect to "Income Statement" (relating to allocation of net income for the year) and "Statement of Movement in Unit Holders' Fund" and recording of element of income / loss included in price of unit issued or redeemed directly in Statement of movements in unit holders' fund instead of income statement. MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from 01 July 2017 as clarified by SECP vide its email dated 7 February 2018. Accordingly, corresponding figures have not been restated. Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been Rs. 5.155 million net off charge for SWWF in respect of element of income and consequently NAV per unit would have been higher by Rs. 2.64.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods

beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Fund's financial statements.

- Transfers of Investment Property (Amendments to IAS 40 „Investment Property“ - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Fund's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 „Investments in Associates and Joint Ventures“] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Fund's financial statements.
- IFRIC 22 „Foreign Currency Transactions and Advance Consideration“ (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 15 „Revenue from contracts with customers“ (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 „Revenue“, IAS 11 „Construction Contracts“ and IFRIC 13 „Customer Loyalty Programmes“. The management is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on the adoption of the standard. However the management considers that the impact would not be significant.
- IFRS 9 „Financial Instruments“ and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Based on the analysis of Fund's financial assets and liabilities as at 30 June 2018 considering facts and circumstances that exists at that date, the Management Company have assessed the impact of IFRS 9 to the Fund's financial statements as follows;

Listed equity securities classified as financial assets 'available-for-sale' are elected by the Fund to be reclassified to fair value through profit or loss category. Accordingly, the change in fair value attributed to these available for sale financial assets amounting to Rs. 8.237 million during the current year would be recognised in income statement under IFRS 9.

- IFRS 16 „Leases“ (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 „Leases“, IFRIC 4 „Determining whether an Arrangement contains a Lease“, SIC-15 „Operating Leases- Incentives“ and SIC-27 „Evaluating the Substance of Transactions Involving the Legal Form of a Lease“. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The amendments are not likely to have an impact on Fund's financial statements.
- Amendment to IAS 28 „Investments in Associates and Joint Ventures“ - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or „LTI“). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 19 „Employee Benefits“- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The amendments are not likely to have an impact on Fund's financial statements
- IFRIC 23 „Uncertainty over Income Tax Treatments“ (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The amendments are not likely to have an impact on Fund's financial statements.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
  - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company's financial statements.

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

The principle accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied except for the change in accounting policy as mentioned in note 3.4.3, to all the periods presented.

##### **4.1 Financial assets**

###### **4.1.1 Classification**

The management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The Fund classifies its financial assets in the following categories:

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

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

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 financial assets**

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

###### **c) Loans and receivables**

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

###### **4.1.2 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.

###### **4.1.3 Initial recognition and measurement**

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These 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 associated with these financial assets are charged to the Income Statement.

###### **4.1.4 Subsequent measurement**

Subsequent to initial recognition, financial assets are valued as follows:

## **'Financial assets at fair value through profit or loss' and 'available-for-sale financial assets'**

### *Basis of valuation of debt securities*

Investment in debt securities is valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP via ` 2012. The Circulars also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

### *Basis of valuation of government securities*

The government securities not listed on a stock exchange and traded in the interbank market are valued at the average rates quoted on a widely used electronic quotation system (PKRV and PKISRV rates) which are based on the remaining tenor of the securities.

### *Basis of valuation of equity securities*

The investment of the Fund in equity securities is valued on the basis of closing 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 taken to other comprehensive income until these are derecognised. At this time, the cumulative gain or loss previously recognised in the other comprehensive income is transferred to income before taxation.

### *Loans and receivables*

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

#### **4.1.5 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. If such an 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 reclassified from the statement of comprehensive income to the income statement.

For financial assets classified as 'loans and receivable', 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 amount of the provision is measured as the difference between the asset's carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

Provision against non-performing debt securities is made in accordance with the provisioning criteria for non-performing debt securities specified by the SECP. As allowed by the SECP, the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circulars, in accordance with the provisioning policy duly approved by the Board of Directors of the Management Company.

#### **4.1.6 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.

#### **4.2 Financial liabilities**

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

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

#### **4.3 Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount 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 to realize the assets and settle the liabilities simultaneously.

#### **4.4 Unitholders' fund**

Unitholders' 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.

#### **4.5 Preliminary expenses and floatation cost**

Preliminary expenses represent expenditure incurred prior to the commencement of operations of the Fund. These costs had been amortised over a period of five years commencing from 7 November 2010. (also refer note 12 to the financial statements.)

#### **4.6 Issuance and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received, by the distributors / Management Company during business hours, as of the close of the previous day on which the applications were received. The offer price represents the net assets value per unit as of the close of previous day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

Units redeemed are recorded at the redemption price, applicable to units as of the close of the previous day. The redemption price represents the net assets value per unit as of the close of the previous day on which the applications were received less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

#### **4.7 Element of income**

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

#### **4.8 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 reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

#### **4.9 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 outstanding at the year end.

#### **4.10 Taxation**

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 among the unit holders. Provided that for the purpose of determining distribution of at least ninety percent of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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 taxation in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

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.

#### **4.11 Revenue recognition**

- Capital gains / (losses) arising on sale and redemption of investments are included in the Income Statement on the date at which the transaction takes place.
- Dividend income is recognised when the right to receive the dividend is established.
- Unrealized gains / (losses) arising on revaluation of investments classified as 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.

- Income on debt and government securities is recognised on time proportion basis using the effective yield.
- Profit on saving accounts and term deposits is recognised taken into account the effective yield.

#### 4.12 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.

#### 4.13 Earnings per unit

Earnings per unit based on cumulative weighted average units for the period has not been disclosed as in the opinion of the Management Company the determination of the same is not practicable.

#### 4.14 Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Assets and Liabilities at cost. These comprise of deposits with banks and highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short term cash commitments rather than for investments for other purposes.

#### 4.15 Distributions

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

#### 4.16 Other assets

Other assets are stated at cost less impairment losses, if any.

	Note	30 June 2018	30 June 2017
<b>5. BANK BALANCES</b>		<b>(Rupees in '000)</b>	
Saving accounts	5.1	<u>1,146,417</u>	<u>1,364,025</u>
5.1	These carry profit rates ranging from 4% to 6.61% (30 June 2017: 4% to 6.6%) per annum. It includes balance with United Bank Limited (Holding Company of the Management Company) of Rs. 5.628 million (30 June 2017: Rs. 14.657 million) carrying profit rate of 4% (30 June 2017: 4%) per annum.		
<b>6. INVESTMENTS</b>	Note	30 June 2018	30 June 2017
		<b>(Rupees in '000)</b>	
<b>Designated at fair value through profit or loss</b>			
- Investment in debt securities	6.1	160,828	6,483
- Quoted equity securities	6.2	338,481	1,022,058
- Quoted equity securities (spread transactions)	6.3	16,990	-
		<u>516,299</u>	<u>1,028,541</u>
<b>Available-for-sale</b>			
- Quoted equity securities	6.4	501,375	-
		<u>1,017,674</u>	<u>1,028,541</u>

6.1 Investment in debt securities - Designated at fair value through profit or loss (Term finance certificates of Rs. 5,000 each)

Name of security	Note	As at 01 July 2017	Purchased during the year	Sold / matured during the year	As at 30 June 2018	Carrying value as at 30 June 2018	Market value as at 30 June 2018	Market value as at 30 June 2017	Percentage of total investments	Percentage of net assets
		----- (Number of certificates) -----				----- (Rupees in '000) -----			----- % -----	
<b>Unquoted</b>										
<b>Power generation and distribution</b>										
Pakistan Water and Power Development Authority (WAPDA)	6.1.1	2,000	-	-	2,000	5,042	5,031	6,483	0.5%	0.22%
<b>Food and energy</b>										
Dawood Hercules Corporation Limited	6.1.1	-	140	100	40	4,000	4,008	-	0.4%	0.18%
<b>Investment and brokerage services</b>										
Jahangir Siddiqui and Company Limited	6.1.1	-	30,000	-	30,000	150,000	151,789	-	14.9%	6.75%
						<b>159,042</b>	<b>160,828</b>	<b>6,483</b>	<b>15.80%</b>	<b>7.15%</b>

6.1.1 Significant terms and conditions of term finance certificates outstanding as at 30 June 2018 are as follows:

Name of security	Remaining principal (Rupees in '000)	Mark-up rate (per annum)	Issue date	Maturity date
Pakistan Water and Power Development Authority (WAPDA)	5,000	6 Months KIBOR +1%	27-Sep-13	27-Sep-21
Dawood Hercules Corporation Limited	4,000	6 Months KIBOR +1%	17-Nov-17	16-Nov-22
Jahangir Siddiqui and Company Limited	150,000	6 Months KIBOR +1.4%	18-Jul-17	18-Jul-22

6.2 Quoted equity securities - Designated at fair value through profit or loss

Name of the investee company	Note	As at 01 July 2017	Purchased during the year	Bonus / right issue during the year	Sold during the year	As at 30 June 2018	Cost / carrying value	Market value	Appreciation / (diminution)	As percentage of total investments	As percentage of net assets	Market value as a percentage of paid-up capital of the investee
		----- (Number of shares) -----					----- (Rupees in '000) -----			----- (%) -----		
<b>Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.</b>												
<b>OIL AND GAS EXPLORATION COMPANIES</b>												
Mari Petroleum Company Limited		45,730	-	-	(45,730)	-	-	-	-	-	-	-
Oil and Gas Development Company Limited		194,200	49,400	-	(26,400)	217,200	30,760	33,801	3,041	3.32%	1.50%	0.08%
Pakistan Petroleum Limited		211,400	1,600	-	(55,500)	157,500	23,347	33,847	10,500	3.33%	1.50%	0.17%
Pakistan Oil Fields Limited		-	9,500	-	(9,500)	-	-	-	-	-	-	-
							<b>54,107</b>	<b>67,648</b>	<b>13,541</b>	<b>6.65%</b>	<b>3.00%</b>	
<b>OIL &amp; GAS MARKETING COMPANIES</b>												
Pakistan State Oil Company Limited	6.2.1	77,600	15,000	17,020	(68,500)	41,120	13,570	13,089	(481)	1.29%	0.58%	0.40%
<b>POWER GENERATION &amp; DISTRIBUTION</b>												
Hub Power Company Limited		270,300	135,000	-	(182,500)	222,800	25,627	20,533	(5,094)	2.02%	0.91%	0.18%
K-Electric Limited		1,300,000	-	-	(1,300,000)	-	-	-	-	-	-	-
							<b>25,627</b>	<b>20,533</b>	<b>(5,094)</b>	<b>2.02%</b>	<b>0.91%</b>	
<b>CHEMICALS</b>												
ICI Pakistan Limited		25,700	-	-	(6,650)	19,050	20,851	15,269	(5,582)	1.50%	0.68%	1.65%
Engro Polymer & Chemicals Limited		788,000	84,000	-	(575,000)	297,000	10,768	9,314	(1,454)	0.92%	0.41%	0.14%
							<b>31,619</b>	<b>24,583</b>	<b>(7,036)</b>	<b>2.42%</b>	<b>1.09%</b>	
<b>FERTILIZER</b>												
Engro Corporation Limited		143,800	44,000	-	(82,400)	105,400	33,564	33,081	(483)	3.25%	1.47%	0.63%
Engro Fertilizers Limited	6.2.2	650,000	120,000	-	(227,000)	543,000	30,152	40,676	10,524	4.00%	1.81%	0.30%
							<b>63,716</b>	<b>73,757</b>	<b>10,041</b>	<b>7.25%</b>	<b>3.28%</b>	
<b>CEMENT</b>												
Attock Cement Pakistan Limited		42,000	-	-	(22,000)	20,000	6,053	2,690	(3,363)	0.26%	0.12%	0.23%
Cherat Cement Company Limited		112,000	50,000	-	(14,000)	148,000	24,499	14,390	(10,109)	1.41%	0.64%	0.81%
Kohat Cement Company Limited		-	79,000	-	-	79,000	16,435	9,723	(6,712)	0.96%	0.43%	0.63%
Pioneer Cement Limited		-	52,400	-	(52,400)	-	-	-	-	-	-	-
D.G Khan Cement Company Limited	6.2.2	174,900	-	-	(160,900)	14,000	2,984	1,603	(1,381)	0.16%	0.07%	0.04%
Lucky Cement Limited		58,200	15,000	-	(73,200)	-	-	-	-	-	-	-
							<b>49,971</b>	<b>28,406</b>	<b>(21,565)</b>	<b>2.79%</b>	<b>1.26%</b>	
<b>AUTOMOBILE PARTS &amp; ACCESSORIES</b>												
Indus Motor Company Limited		7,000	-	-	(7,000)	-	-	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited		31,600	-	-	(31,600)	-	-	-	-	-	-	-
Pak Suzuki Motor Company Limited		31,850	-	-	(31,850)	-	-	-	-	-	-	-
Thal Limited		48,300	-	-	(10,750)	37,550	22,756	17,931	(4,825)	1.76%	0.80%	4.43%
Agriauto Industries Limited		47,600	-	-	(47,600)	-	-	-	-	-	-	-
							<b>22,756</b>	<b>17,931</b>	<b>(4,825)</b>	<b>1.76%</b>	<b>0.80%</b>	
<b>INVESTMENT BANKS/INVESTMENT COMPANIES/ SECURITIES COMPANIES</b>												
Arif Habib Limited		246,500	-	-	(246,500)	-	-	-	-	-	-	-
Pakistan Stock Exchange Limited*		524,833	-	-	(524,000)	833	21	16	(5)	0.00%	0.00%	0.00%
							<b>21</b>	<b>16</b>	<b>(5)</b>	<b>0.00%</b>	<b>0.00%</b>	
<b>COMMERCIAL BANKS</b>												
Habib Bank Limited		101,300	93,000	-	(171,700)	22,600	4,635	3,762	(873)	0.37%	0.17%	0.03%
Allied Bank Limited		495,000	-	-	(57,000)	438,000	39,255	45,179	5,924	4.44%	2.01%	0.39%
Bank Alfalah Limited		150,000	150,000	-	(140,000)	160,000	6,468	8,366	1,898	0.82%	0.37%	0.05%
Faysal Bank Limited	6.2.1	628,500	-	150	(627,500)	1,150	23	30	7	0.00%	0.00%	0.00%
MCB Bank Limited		188,200	-	-	(188,200)	-	-	-	-	-	-	-
United Bank Limited*	6.2.2	183,400	96,300	-	(198,800)	80,900	17,998	13,670	(4,328)	1.34%	0.61%	0.11%
							<b>68,379</b>	<b>71,007</b>	<b>2,628</b>	<b>6.97%</b>	<b>3.16%</b>	
<b>TEXTILE</b>												
Nishat Mills Limited		286,000	-	-	(285,400)	600	95	85	(10)	0.01%	0.00%	0.00%
Gul Ahmed Textile Mills Limited		432,000	400	-	(432,400)	-	-	-	-	-	-	-
Nishat Chunian Limited		270,000	59,500	-	(329,500)	-	-	-	-	-	-	-
							<b>95</b>	<b>85</b>	<b>(10)</b>	<b>0.01%</b>	<b>0.00%</b>	
<b>ENGINEERING</b>												
Amreli Steels Limited		111,500	18,600	-	(130,000)	100	12	7	(5)	0.00%	0.00%	0.00%
Mughal Iron and Steel Industries		123,000	-	-	(123,000)	-	-	-	-	-	-	-
Ittefaq Iron Industries Limited	6.2.1	365,896	152,000	-	(290,000)	227,896	7,153	3,186	(3,967)	0.31%	0.14%	0.24%
Aisha Steel Limited		488,900	-	-	(488,000)	900	18	14	(4)	0.00%	0.00%	0.00%
							<b>7,183</b>	<b>3,207</b>	<b>(3,976)</b>	<b>0.31%</b>	<b>0.14%</b>	
<b>FOOD &amp; PERSONAL CARE PRODUCT</b>												
Al Shaheer Corporation Limited		243,500	-	-	(243,500)	-	-	-	-	-	-	-
<b>GLASS &amp; CERAMICS</b>												
Tariq Glass Industries Limited		218,000	-	-	(90,200)	127,800	14,156	13,694	(462)	1.35%	0.61%	1.86%
<b>CABLE AND ELECTRICAL GOODS</b>												
Pak Elektron Limited		205,000	-	-	(205,000)	-	-	-	-	-	-	-
<b>INSURANCE</b>												
Adamjee Insurance Company Limited		294,500	-	-	(294,500)	-	-	-	-	-	-	-
<b>PHARMACEUTICALS</b>												
The Searl Company Limited	6.2.1	28,435	-	4,187	(26,000)	6,622	2,825	2,248	(577)	0.22%	0.10%	0.12%
Highnoon Laboratories Limited	6.2.1	42,952	-	594	(38,000)	5,546	3,101	2,277	(824)	0.22%	0.10%	0.80%
							<b>5,926</b>	<b>4,525</b>	<b>(1,401)</b>	<b>0.44%</b>	<b>0.20%</b>	
<b>Total equity securities as on 30 June 2018</b>							<b>357,126</b>	<b>338,481</b>	<b>(18,645)</b>	<b>33.26%</b>	<b>15.04%</b>	
Total equity securities as on 30 June 2017							960,489	1,022,058	61,569	98.98%	38.79%	

\* This represents investment held in a related party.

6.2.1 The Finance Act, 2015 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5 percent is to be applied on value of bonus shares determined on the on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the company declaring bonus shares which shall be considered as final discharge of tax liability on such income. However, the management of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan, has filed a petition in Honourable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the mutual funds based on the premise of exemption given to mutual funds under clause 47B and 99 of Second Schedule of Income Tax Ordinance, 2001. The Honourable Sindh High Court has granted stay order till the final outcome of the case. Accordingly, the investee company(s) has withheld the shares equivalent to 5% of bonus announcement and not deposited in CDC account of department of Income Tax. Further, shares against withholding tax held by Searle Company Limited, Pakistan State Oil Company Limited, Faysal Bank Limited, Highnoon Laboratories Limited and Ittefaq Iron Industries Limited have neither been released nor deposited with the Government Treasury. However, the Fund has included the withheld bonus shares in the portfolio on the basis of the aforementioned stay order.

6.2.2 The above equity securities include shares pledged with National Clearing Company of Pakistan Limited having a market value (in aggregate) amounting to Rs 32,067 million (30 June 2017: Rs 33,092 million) for guaranteeing settlement of the Fund's trades in accordance with circular No. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

6.3 Quoted equity securities - Spread transactions

Name of the investee company	As at 01 July 2017	Purchased during year	Bonus / right issue during the year	Sold during the year	As at 30 June 2018	Cost / carrying value	Market value	Appreciation / (diminution)	As percentage of total investments	As percentage of net assets	Market value as a percentage of paid-up capital of the investee
	----- (Number of shares) -----					----- (Rupees in '000) -----			----- (%) -----		
<b>Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.</b>											
<b>ENGINEERING</b>											
Aisha Steel Limited	-	752,000	-	(752,000)	-	-	-	-	-	-	-
International Steels Limited	-	45,000	-	(45,000)	-	-	-	-	-	-	-
<b>REFINERY</b>											
Attock Refinery Limited	-	12,000	-	(12,000)	-	-	-	-	-	-	-
<b>CEMENT</b>											
Cherat Cement Company Limited	-	163,000	-	(163,000)	-	-	-	-	-	-	-
D.G Khan Cement Company Limited	-	324,500	-	(324,500)	-	-	-	-	-	-	-
Fauji Cement Company Limited	-	200,000	-	(200,000)	-	-	-	-	-	-	-
Power Cement Limited	-	2,039,500	-	-	2,039,500	17,009	16,990	(19)	1.67%	0.76%	0.16%
Maple Leaf Cement Factory Limited	-	1,238,500	-	(1,238,500)	-	-	-	-	-	-	-
Pioneer Cement Limited	-	633,500	-	(633,500)	-	-	-	-	-	-	-
Lucky Cement Limited	-	10,000	-	(10,000)	-	-	-	-	-	-	-
						<b>17,009</b>	<b>16,990</b>	<b>(19)</b>	<b>1.67%</b>	<b>0.76%</b>	
<b>FERTILIZER</b>											
Engro Fertilizers Limited	-	250,000	-	(250,000)	-	-	-	-	-	-	-
Engro Corporation Limited	-	1,000	-	(1,000)	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	1,000	-	(1,000)	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	-	336,000	-	(336,000)	-	-	-	-	-	-	-
<b>CHEMICALS</b>											
Lotte Chemical Pakistan Limited	-	31,000	-	(31,000)	-	-	-	-	-	-	-
<b>TEXTILE</b>											
Nishat Chunian Limited	-	3,040,000	-	(3,040,000)	-	-	-	-	-	-	-
Nishat Mills Limited	-	450,000	-	(450,000)	-	-	-	-	-	-	-
<b>OIL AND GAS EXPLORATION COMPANIES</b>											
Oil and Gas Development Company Limited	-	122,500	-	(122,500)	-	-	-	-	-	-	-
Pakistan State Oil Company Limited	-	100,000	-	(100,000)	-	-	-	-	-	-	-
Sui Northern Gas Pipelines	-	300,000	-	(300,000)	-	-	-	-	-	-	-
Sui Southern Gas Company Limited	-	36,000	-	(36,000)	-	-	-	-	-	-	-
<b>CABLE AND ELECTRICAL GOODS</b>											
Pak Elektron Limited	-	1,351,500	-	(1,351,500)	-	-	-	-	-	-	-
<b>COMMERCIAL BANKS</b>											
United Bank Limited	-	32,000	-	(32,000)	-	-	-	-	-	-	-
<b>Total equity securities as on 30 June 2018</b>						<b>17,009</b>	<b>16,990</b>	<b>(19)</b>	<b>1.67%</b>	<b>0.76%</b>	
Total equity securities as on 30 June 2017						-	-	-	-	-	-

6.4 Quoted equity securities - Designated at available-for-sale

Name of the investee company	As at 01 July 2017	Purchased during year	Bonus / right issue during the year	Sold during the year	As at 30 June 2018	Cost / carrying value	Market value	Appreciation / (diminution)	As percentage of total investments	As percentage of net assets	Market value as a percentage of paid-up capital of the investee
	----- (Number of shares) -----					----- (Rupees in '000) -----			----- (%) -----		
<b>Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.</b>											
<b>CEMENT</b>											
Cherat Cement Company Limited	-	118,000	-	-	118,000	11,473	11,473	-	1.13%	0.51%	0.65%
Kohat Cement Company Limited	-	148,900	-	-	148,900	22,106	18,325	(3,781)	1.80%	0.81%	1.19%
Lucky Cement Limited	-	1,500	-	(1,500)	-	-	-	-	-	-	-
D.G. Khan Cement Company Limited	-	32,500	-	(15,000)	17,500	2,004	2,004	-	0.20%	0.09%	0.05%
Pioneer Cement Limited	-	104,000	-	(65,000)	39,000	1,827	1,827	-	0.18%	0.08%	0.08%
Fauji Cement Company Limited	-	15,000	-	-	15,000	343	343	-	0.03%	0.02%	0.00%
						<b>37,753</b>	<b>33,972</b>	<b>(3,781)</b>	<b>3.34%</b>	<b>1.61%</b>	
<b>CHEMICALS</b>											
Engro Polymer & Chemicals Limited	-	200,000	-	-	200,000	5,979	6,272	293	0.62%	0.28%	0.09%
<b>FERTILIZER</b>											
Engro Fertilizers Limited	-	571,500	-	(195,000)	376,500	26,219	28,204	1,985	2.77%	1.25%	0.21%
Engro Corporation Limited	-	97,800	-	(10,000)	87,800	26,747	27,557	810	2.71%	1.23%	0.53%
Fauji Fertilizer Bin Qasim Limited	-	200,000	-	-	200,000	8,820	7,720	(1,100)	0.76%	0.34%	0.08%
Fauji Fertilizer Company Limited	-	87,000	-	-	87,000	8,735	8,603	(132)	0.85%	0.38%	0.04%
						<b>70,521</b>	<b>72,084</b>	<b>1,563</b>	<b>7.09%</b>	<b>3.20%</b>	
<b>ENGINEERING</b>											
Amreli Steels Limited	-	98,000	-	(5,500)	92,500	6,526	6,526	-	0.64%	0.29%	0.22%
Aisha Steel Mills Limited	-	450,000	-	(50,000)	400,000	6,308	6,308	-	0.62%	0.28%	0.08%
						<b>12,834</b>	<b>12,834</b>	<b>-</b>	<b>1.26%</b>	<b>0.57%</b>	
<b>AUTOMOBILE PARTS &amp; ACCESSORIES</b>											
Honda Atlas Cars (Pakistan) Limited	-	2,400	-	(2,400)	-	-	-	-	-	-	-
<b>OIL AND GAS EXPLORATION COMPANIES</b>											
Pak Oil Fields Limited	-	143,600	-	(51,050)	92,550	52,166	62,174	10,008	6.11%	2.76%	2.63%
Pakistan State Oil Company Limited	-	48,200	-	(2,000)	14,221	14,221	14,706	485	1.45%	0.65%	0.45%
Mari Petroleum Company Limited	-	3,980	-	-	3,980	6,245	5,995	(250)	0.59%	0.27%	0.54%
Oil and Gas Development Company Limited	-	27,000	-	-	27,000	4,437	4,201	(236)	0.41%	0.19%	0.01%
Pakistan Petroleum Limited	-	20,000	-	-	20,000	4,027	4,298	271	0.42%	0.19%	0.02%
						<b>81,096</b>	<b>91,374</b>	<b>10,278</b>	<b>8.98%</b>	<b>4.06%</b>	
<b>COMMERCIAL BANKS</b>											
Habib Bank Limited	-	416,700	-	(151,300)	265,400	49,261	44,173	(5,088)	4.34%	1.96%	0.30%
Bank Alfalah Limited	-	535,000	-	-	535,000	24,701	27,975	3,274	2.75%	1.24%	0.17%
Allied Bank Limited	-	208,500	-	-	208,500	19,311	21,507	2,196	2.11%	0.96%	0.19%
MCB Bank Limited	-	130,000	-	(130,000)	-	-	-	-	-	-	-
Faysal Bank Limited	-	120,000	18,000	(138,000)	-	-	-	-	-	-	-
United Bank Limited*	-	221,500	-	(60,000)	161,500	30,294	27,290	(3,004)	2.68%	1.21%	0.22%
						<b>123,567</b>	<b>120,945</b>	<b>(2,622)</b>	<b>11.88%</b>	<b>5.38%</b>	
<b>POWER GENERATION &amp; DISTRIBUTION</b>											
Pakgen Power Limited	-	446,000	-	-	446,000	9,114	8,599	(515)	0.84%	0.38%	0.23%
Lalpir Power Limited	-	563,000	-	-	563,000	11,788	10,815	(973)	1.06%	0.48%	0.28%
Hub Power Company Limited	-	379,000	-	-	379,000	37,024	34,929	(2,095)	3.43%	1.55%	0.30%
Saif Power Limited	-	3,356,500	-	-	3,356,500	96,036	88,914	(7,122)	8.74%	3.95%	2.30%
						<b>153,962</b>	<b>143,257</b>	<b>(10,705)</b>	<b>14.07%</b>	<b>6.37%</b>	
<b>INSURANCE</b>											
Adamjee Insurance Company Limited	-	423,500	-	-	423,500	23,900	20,637	(3,262)	2.03%	0.92%	0.59%
<b>LEATHER &amp; TANNERIES</b>											
Bata (Pakistan) Limited	-	620	-	(620)	-	-	-	-	-	-	-
<b>Total equity securities designated at available-for-sale as on 30 June 2018</b>						<b>509,611</b>	<b>501,375</b>	<b>(8,236)</b>	<b>49.27%</b>	<b>22.29%</b>	
Total equity securities designated at available for sale as on 30 June 2017						-	-	-	-	-	-

\* This represents investment held in a related party.

7. NET UNREALISED GAIN ON REVALUATION OF INVESTMENTS CLASSIFIED AS ' DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS'	Note	30 June 2018	30 June 2017
(Rupees in '000)			
- Term finance certificates		1,786	54
- Quoted equity securities		(18,645)	61,569
- Quoted equity securities (spread transactions)		(19)	-
- Futures		49	-
- Right shares		1,622	-
		<u>(15,207)</u>	<u>61,623</u>
<b>8. FAIR VALUE OF DERIVATIVE ASSET</b>			
Fair value of futures		49	-
Fair value of right shares	8.1	1,622	-
		<u>1,671</u>	<u>-</u>
<b>8.1</b>	Right shares of Engro Polymers and Chemicals Limited were issued in June 2018.		
<b>9. PROFITS RECEIVABLE</b>			
<b>Profits receivable on :</b>			
- Bank balances		7,054	5,537
- Term deposit receipt		-	4,069
- Term finance certificates		5,259	114
		<u>12,313</u>	<u>9,720</u>
<b>10. DEPOSITS AND OTHER RECEIVABLES</b>			
Receivable against issuance of units		300	12,511
Receivable against sale of investments		-	335
Advance against NCCPL exposure margin - spread transaction		54,753	-
Security deposit with National Clearing Company of Pakistan Limited		3,000	3,000
Security deposit with Central Depository Company of Pakistan Limited - Trustee		100	100
Other receivables		123	-
		<u>58,276</u>	<u>15,946</u>
<b>11. ADVANCE TAX</b>			
The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 151 and 233 of ITO 2001. The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/2008-Vol.II- 66417-R" dated 12 May 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). During the year, prior to receiving tax exemption certificate(s) from CIR various withholding agents have deducted advance tax under section 151 of ITO 2001. The management is confident that the same shall be refunded after filing Income Tax Return for Tax year 2018.			
<b>12. PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
Preliminary expenses and floatation costs		229	427
Amortisation during the year		(199)	(198)
		<u>30</u>	<u>229</u>
<b>13. PAYABLE TO THE MANAGEMENT COMPANY</b>	Note	30 June 2018	30 June 2017
(Rupees in '000)			
Management remuneration payable	13.1	1,854	2,273
Sindh Sales Tax on management remuneration	13.2	241	296
Payable against allocated expenses	13.3	376	470
Selling and marketing expenses	13.4	2,266	3,105
Sales load and other payables		601	681
		<u>5,338</u>	<u>6,825</u>
<b>13.1</b>	As per regulation 61 of amended Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), the Management Company of the Fund is entitled to an accrued remuneration equal		

to an amount not exceeding 2% of average annual net assets in case of Asset Allocation Scheme. The Management Company has charged remuneration at the rate of 1 % per annum of the average daily net assets of the Fund. The remuneration is paid to the Management Company on monthly basis in arrears.

- 13.2** Sindh Sales Tax has been charged at 13% (30 June 2017: 13%) on the management fee charged during the year.
- 13.3** As a result of amendments in NBFC Regulations vide statutory notification (SRO No. 1160 / (I) dated 25 November 2015), the Management Company may charge fee and expenses related to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) upto a maximum of 0.1% per annum of the average annual net assets or the actual cost whichever is lower. Accordingly, the management company has charged 0.1% per annum of the average annual net assets, being lower.
- 13.4** Securities and Exchange Commission of Pakistan (SECP) vide a circular No.40 SCD/PRDD/ Circular/361/2016 dated 30 December 2016, allowed the Asset Management Companies to charge selling and marketing expenses to open end equity, asset allocation and index funds, initially for three years (from 1 January 2017 till 31 December 2019). Maximum cap of selling and marketing expenses shall be 0.4% per annum of net assets of fund or actual expenses whichever is lower. Accordingly, the management company has charged 0.4% per annum of the average annual net assets being the lower.

**14. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE**

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed and Offering Document as per the tariff specified therein, based on the daily net asset value of the Fund. The remuneration is paid to the Trustee on monthly basis in arrears. The tariff structure applicable to the Fund in respect of the trustee fee for the year ended 30 June 2018 is as follows:

<b>Net assets:</b>	<b>Tariff per annum</b>
- up to Rs. 1 billion	Higher of Rs. 0.7 million or 0.2% per annum of net asset value
- exceeding Rs. 1 billion	Rs. 2 million plus 0.10% per annum of net asset value

**15. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

The Fund is required to pay SECP an annual fee at the rate of 0.095% of the average daily net assets of the Fund in accordance with regulation 62 of the NBFC Regulations, 2008.

<b>16. ACCRUED EXPENSES AND OTHER PAYABLES</b>	<i>Note</i>	<b>30 June 2018</b>	<b>30 June 2017</b>
<b>(Rupees in '000)</b>			
Provision for Sindh Workers' Welfare Fund	16.1	<b>10,804</b>	10,804
Provision for indirect duties and taxes	16.2	<b>6,977</b>	6,977
Brokerage payable		<b>591</b>	900
Auditors' remuneration payable		<b>341</b>	329
Other payables		<b>1,068</b>	7,753
		<b><u>19,781</u></b>	<b><u>26,763</u></b>

- 16.1** The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) as a result of which it was construed that all Collective Investment Schemes / Mutual Funds (CISs) whose income exceeded Rs. 500,000 in a tax year were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever was higher.

The amendments introduced in the WWF Ordinance were challenged in various High Courts of Pakistan. The Honorable Lahore High Court (LHC) and the Honorable Sindh High Court (SHC) arrived at different conclusions in respect of the validity of the amendments made through the Finance Act in relation to the WWF. Both the decisions of the LHC and the SHC were challenged in the Honorable Supreme Court of Pakistan (SCP). On 10 November 2016 the SCP passed a judgment declaring the insertion of amendments introduced through Finance Act, 2008 pertaining to WWF as unlawful for the reason that the WWF is not in the nature of tax and therefore, could not be introduced through money bill under the Constitution. Subsequently, the Federal Board of Revenue (FBR) has filed a review petition in the SCP against the said judgment, which is pending adjudication.

Further, as a consequence of the 18th amendment to the Constitution, levy for the WWF was also introduced by the Government of Sindh through the Sindh Workers Welfare Fund (SWWF) Act 2014. SWWF Act 2014, enacted on 21 May 2015, requires every Industrial Establishment located in the province of Sindh and having total income of Rs. 500,000 or more in any year of account commencing on or after the date of closing of account on or after 31 December 2013, to pay two percent of so much of its total income declared to SWWF. The said Act includes any concern engaged in the Banking or Financial Institution in the definition of "Industrial Undertaking" but does not define Financial Institution. The Management Company, based on an opinion obtained by the Mutual Funds Association of Pakistan (MUFAP), believes that Mutual Funds are not liable to pay Sindh WWF under the said law, for the reason that the Mutual Funds are not financial institutions and rather an investment vehicle. However, the Sindh Revenue Board has not accepted the said position of MUFAP and as a result, MUFAP has taken up this matter with the Sindh Finance Ministry for resolution.

In view of the above developments regarding the applicability of Federal and Sindh WWF on Mutual Funds, the MUFAP obtained a legal opinion on these matters and based on such legal advice (which also stated that even if a review petition is filed by any party, such petition can only be based on very limited grounds and the chances of any major change in the SCP judgement are very limited, has recommended to all its members on 12 January 2017 the following:

- i) The provision against the Federal WWF held by the Mutual Funds till 30 June 2015 should be reversed on 12 January 2017; and
- ii) Provision against Sindh WWF, on prudent basis, should be made from the date of enactment of the Sindh WWF Act, 2014 (i.e. 21 May 2015) with effect from 12 January 2017.

The above decisions were communicated to SECP and the Pakistan Stock Exchange Limited on 12 January 2017. In response to the aforementioned letter SECP vide its letter dated February 1, 2017 advised MUFAP that the adjustments relating to the above should be made prospectively and adequate disclosure shall be made in the condensed interim financial information of Mutual Funds. Accordingly, the Fund has recorded these adjustments in its books of account on 12 January 2017.

The cumulative net effect of the above two adjustments, had they not been made, would have resulted in an increase in the net assets value per unit by Rs. 0.65 (30 June 2017: Rs. 0.55) per unit.

- 16.2** As per the requirements of the Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company was applied with effect from 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 results in double taxation, which does not appear to be the spirit of the law. The matter was collectively taken up by the Management Company jointly with other Asset Management Companies and Trustees of respective Collective Investment Schemes (CISs), through a Constitutional Petition filed in the Honorable Sindh High Court (SHC) during September 2013. In this respect, the SHC had issued a stay order against the recovery of FED due to which the Fund has not made any payments for FED upto 30 June 2016.

On 30 June 2016, the Honorable Sindh High Court of Pakistan had passed a Judgment that after 18th amendment in the Constitution of Pakistan, the Provinces alone have the legislative power to levy a tax on rendering or providing services, therefore, chargeability and collection of FED after 01 July 2011 is ultra vires to the Constitution of Pakistan. On 23 September 2016, the Federal Board of Revenue (FBR) filed an appeal in the Supreme Court of Pakistan (SCP) against above judgement, which is pending adjudication. Management Company, as a matter of abundant caution, has maintained full provision for FED aggregating to Rs. 6.272 million until the matter is resolved. Had the provision not been made, the net asset value per unit of the Fund as at 30 June 2018 would have been higher by Rs. 0.38 (30 June 2017: Rs. 0.32) per unit.

Through Finance Act, 2016, FED on services rendered by Non-Banking Financial Institutions (NBFIs) including Asset Management Companies, which are already subject to provincial sales tax, has been withdrawn. Therefore, in the current year, provision for FED has not been recorded.

<b>17. FINANCIAL INCOME</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>(Rupees in '000)</b>	
Profits on:		
- Treasury bills	<b>35,771</b>	45,361
- Pakistan Investment Bonds	-	23,901
- Bank balances	<b>40,808</b>	23,124
- Term deposit receipt	<b>180</b>	4,238
- Term Finance Certificates	<b>11,667</b>	506
	<b>88,426</b>	97,130

18. NET CAPITAL (LOSS) / GAIN ON REDEMPTION AND SALE OF INVESTMENTS	30 June 2018	30 June 2017
	(Rupees in '000)	
On:		
- Equity shares	(115,014)	161,903
- Treasury bills	(120)	(94)
- Pakistan Investment Bonds	4	(13,303)
- Term finance certificate	28	-
- Spread transactions	971	-
	<u>(114,131)</u>	<u>148,506</u>

#### 19. AUDITORS' REMUNERATION

Annual audit fee	195	190
Half yearly review fee	140	135
Fee for other certifications and services	145	140
Out of pocket expenses	60	51
	<u>540</u>	<u>516</u>

#### 20. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken in to account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. Since no distributeable income has been earned by the Fund, therefore, no dividend has been distributed.

#### 21. TOTAL EXPENSE RATIO

As per Directive 23 of 2016 dated 20 July 2016 issued by Securities and Exchange Commission of Pakistan, the Total Expense Ratio of the Fund is 2.07% as on 30 June 2018 which includes 0.24% representing Government Levy, Worker's Welfare Fund and SECP fee.

#### 22. RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against sale of units	Payable against redemption of units	Total
	----- (Rupees in '000) -----		
Opening balance as at 1 July 2017	12,511	-	12,511
Receivable against issuance of units	1,407,462	-	1,407,462
Payable against redemption of units	-	1,745,200	1,745,200
	1,407,462	1,745,200	3,152,662
Amount received on issuance of units	(1,419,673)	-	(1,419,673)
Amount paid on redemption of units	-	(1,745,200)	(1,745,200)
	(1,419,673)	(1,745,200)	(3,164,873)
<b>Closing balance as at 30 June 2018</b>	<u><b>300</b></u>	<u><b>-</b></u>	<u><b>300</b></u>

#### 23. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties comprise of United Bank Limited (Holding Company of Management Company), UBL Fund Managers Limited (Management Company), Al - Ameen Islamic Financial Services (Private) Limited (Subsidiary of the Management Company), entities under the common management or directorship, Central Depository Company of Pakistan Limited as trustee and custodian of the Fund, the directors and officers of the Management Company and unit holders holding 10% or more of the Fund's net assets.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Rules, NBFC Regulations and the Trust Deed respectively.

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

Details of transactions with related parties / connected persons and balances with them at the year end are as follows:

	Management company	Associated companies	Trustee	Funds under common management	Directors and key executives	Other connected persons / related parties
----- (Transactions during the year ended 30 June 2018) -----						
----- (Rupees in '000) -----						
Units issued	-	-	-	-	2,035	-
Units redeemed	-	801,196	-	-	400	-
Profit on savings accounts	-	265	-	-	-	-
Bank charges	-	23	-	-	-	-
Purchase of securities	-	312,732	-	-	-	-
Sale of securities	-	68,282	-	499,367	-	-
Dividend income	-	3,215	-	-	-	0.17
Remuneration	23,112	-	3,311	-	-	-
Sales tax on remuneration	3,005	-	431	-	-	-
Allocation of expenses relating to the Fund	2,311	-	-	-	-	-
Listing Fee	-	-	-	-	-	25

----- (Balances held as at 30 June 2018) -----						
Units held (Number of units in '000)	-	-	-	-	56	-
Units held (Amount in '000)	-	-	-	-	7,572	-
Bank balances *	-	5,628	-	-	-	-
Remuneration payable **	2,095	-	-	-	-	-
Sales load and other payable	601	604	-	-	-	-
Selling & Marketing Expense Payable	2,266	-	-	-	-	-
Allocated expenses	376	-	-	-	-	-
Profit receivable	-	22	-	-	-	-
Remuneration payable to Trustee	-	-	302	-	-	-
Investments	-	40,977	-	-	-	-

\* These carry profit rate of 4% per annum.

\*\* This balance is inclusive of Sindh Sales Tax payable

	Management company	Associated companies	Trustee	Funds under common management	Directors and key executives	Other connected persons / related parties
----- (Transactions during the year ended 30 June 2017) -----						
----- (Rupees in '000) -----						
Units issued	-	265,000	-	-	719	-
Units redeemed	56,259	-	-	-	-	-
Profit on savings accounts	-	2,167	-	-	-	-
Bank charges	-	24	-	-	-	-
Purchase of securities	-	61,282	-	-	-	-
Sale of securities	-	70,248	-	-	-	-
Dividend received	-	2,377	-	-	-	-
Dividend paid	-	45,397	-	-	798	-
Remuneration	24,032	-	3,404	-	-	-
Sales tax on remuneration	3,124	-	442	-	-	-
Allocation of expenses relating to the Fund	2,403	-	-	-	-	-
Custodian fee	-	-	-	-	-	-

----- (Balances held as at 30 June 2017) -----						
Units held (Number of units in '000)	-	6,185	-	-	114	-
Units held (Amount in '000)	-	833,585	-	-	15,378	-
Bank balances *	-	14,657	-	-	-	-
Remuneration payable **	2,569	-	-	-	-	-
Sales load and other payable	681	184	-	-	-	-
Selling & Marketing Expense Payable	3,105	-	-	-	-	-
Allocated expenses	470	-	-	-	-	-
Profit receivable	-	59	-	-	-	-
Remuneration payable to Trustee	-	-	350	-	-	-
Investments	-	43,194	-	-	-	-

\* These carry profit rate of 4% per annum.

\*\* This balance is inclusive of Sindh Sales Tax payable

## 24. CONTINGENCY AND COMMITMENT

### 24.1 Contingency

As at 30 June 2018, there is no contingency.

30 June 2018      30 June 2017  
(Rupees in '000)

### 24.2 Commitment

Derivative future stock contracts

17,038      -

24.2.1 This represents investment in future contracts with settlement date of 31 July 2018.

## 25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Fund's accounting policy on fair value measurements of investments is discussed in note 4.1 to these financial statements.

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 price (unadjusted) in an active market for identical assets or liabilities traded.

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 measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

On-balance sheet financial instruments	Carrying amount				Fair value				
	Fair value through profit and loss	Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>30 June 2018</b>	(Rupees in '000)								
<b>Financial assets measured at fair value</b>									
Investments in debt securities	160,828	-	-	-	160,828	-	160,828	-	160,828
Government securities	-	-	-	-	-	-	-	-	-
Quoted equity security	355,471	501,375	-	-	856,846	856,846	-	-	856,846
Derivative asset	1,671	-	-	-	1,671	1,671	-	-	1,671
	<u>517,970</u>	<u>501,375</u>	<u>-</u>	<u>-</u>	<u>1,019,345</u>	<u>858,517</u>	<u>160,828</u>	<u>-</u>	<u>1,019,345</u>
<b>Financial assets not measured at fair value</b>									
25.1 Bank balances	-	-	1,146,417	-	1,146,417	-	-	-	-
Dividend receivable	-	-	2,025	-	2,025	-	-	-	-
Profits receivable	-	-	12,313	-	12,313	-	-	-	-
Deposits and other receivables	-	-	58,276	-	58,276	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1,219,031</u>	<u>-</u>	<u>1,219,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities not measured at fair value</b>									
25.1 Payable to the Management Company	-	-	-	5,338	5,338	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	302	302	-	-	-	-
Payable to Securities and Exchange Commission of Pakistan	-	-	-	2,196	2,196	-	-	-	-
Accrued expenses and other payables	-	-	-	2,001	2,001	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,837</u>	<u>9,837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>On-balance sheet financial instruments</b>	Carrying amount				Fair value				
<b>30 June 2017</b>	Fair value through profit and loss	Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)									
<b>Financial assets measured at fair value</b>									
Investments in debt securities	6,483	-	-	-	6,483	-	6,483	-	6,483
Government securities	-	-	-	-	-	-	-	-	-
Quoted equity security	1,022,058	-	-	-	1,022,058	1,022,058	-	-	1,022,058
	<u>1,028,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,028,541</u>	<u>1,022,058</u>	<u>6,483</u>	<u>-</u>	<u>1,028,541</u>
<b>Financial assets not measured at fair value</b>									
25.1 Bank balances	-	-	1,364,025	-	1,364,025	-	-	-	-
Dividend receivable	-	-	1,478	-	1,478	-	-	-	-
Profits receivable	-	-	9,720	-	9,720	-	-	-	-
Deposits and other receivables	-	-	15,946	-	15,946	-	-	-	-
Receivable against settlement of spread transactions	-	-	37,347	-	37,347	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1,428,516</u>	<u>-</u>	<u>1,428,516</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities not measured at fair value</b>									
25.1 Payable to the Management Company	-	-	-	6,825	6,825	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	350	350	-	-	-	-
Payable to Securities and Exchange Commission of Pakistan	-	-	-	2,283	2,283	-	-	-	-
Accrued expenses and other payables	-	-	-	8,983	8,983	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,441</u>	<u>18,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

25.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

## 26. FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risks is the creation and protection of participants' value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability.

Monitoring and controlling risks is primarily set up to be performed based on limits established by the internal controls set on different activities of the fund by the Board of Directors through specific directives and constitutive documents. These controls and limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. In addition, the Fund monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks type and activities.

The Fund primarily invests in high quality TFC's, government securities, quoted equity securities and short term money market instruments. Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to:

- Credit risk
- Liquidity risk
- Market risk

### 26.1 Credit risk

Credit risk arises from the inability of the issuers of the instruments or the relevant financial institutions to fulfil their obligations resulting in financial loss to the Fund. These credit exposures exist within financing relationships, derivatives and other transactions. There is also a risk of default by participants and of failure of the financial markets / stock exchanges, the depositories, the settlements or the central clearing system etc.

The credit risk of the Fund mainly arises from its investment in debt securities. The Fund is also exposed to counterparty credit risk on cash and cash equivalents, deposits and other receivable balances.

#### *Management of credit risk*

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of NBFC rules and regulations and guidelines given by SECP from time to time.

Credit risk is managed and controlled by the management company of the Fund in the following manner:

- The fund limits its exposure to credit risk by only investing in instruments and bank deposits that have a minimum "AA-" from a credit rating agency duly approved by the SECP.
- Investment transactions are carried out with large number of brokers, whose credit rating is taken into account so as to minimize the risk of default and transactions are settled or paid for only upon deliveries.
- The risk of counter party exposure due to failed trade causing a loss to the Fund is mitigated by a periodic review of trade reports, credit ratings and financial statements on a regular basis.
- Cash is held only with reputable banks (including related party).

### Exposure to credit risk

In summary, compared to the maximum amount included in Statement of Assets and Liabilities, the maximum exposure to credit risk at 30 June 2017 was as follows:

	Note	30 June 2018		30 June 2017	
		Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
----- (Rupees in '000) -----					
Bank balances	5	1,146,417	1,146,417	1,364,025	1,364,025
Investments	6	1,017,674	160,828	1,028,541	6,483
Profits receivable	9	12,313	12,313	9,720	9,720
Deposits and other receivables	10	58,276	58,276	15,946	15,946
		<b>2,234,680</b>	<b>1,377,834</b>	<b>2,418,232</b>	<b>1,396,174</b>

Differences in the balances as per the statement of assets & liabilities and maximum exposures is due to the fact that investments of Rs. 0.856 million relate to investments in quoted equity securities which are not exposed to credit risk.

None of the above financial assets were considered to be past due or impaired as on 30 June 2017.

### Credit ratings and Collaterals

Details of the credit ratings of the investments in sukuk certificates and bank balances are as follows:

Ratings	Bank balances (including profit due)	
	30 June 2018	30 June 2017
	(Percentage)	
AA+	24.00	98.17
AAA	28.00	1.30
A+	48.00	0.53
	<b>100.00</b>	<b>100.00</b>

Ratings	Investments (including profit due)	
	30 June 2018	30 June 2017
	(Percentage)	
AAA	0.49%	0.77%
AA+	14.92%	-
AA	0.39%	-

### Concentration of credit risk

Concentration is the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Details of Fund's concentration of credit risk of financial instruments by industrial distribution are as follows:

	30 June 2018		30 June 2017	
	(Rupees in '000)	(%)	(Rupees in '000)	(%)
Commercial banks	1,153,471	87.41%	1,369,562	99.24%
Power generation and distribution	5,131	0.39%	10,552	0.76%
Food and energy	4,045	0.31%	-	-
Investment and brokerage services	156,911	11.89%	-	-
	<b>1,319,558</b>	<b>100.00%</b>	<b>1,380,114</b>	<b>100.00%</b>

#### *Settlement risk*

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed on sale.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

## **26.2 Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

#### *Management of liquidity risk*

The Fund's policy is to manage this risk by investing in securities that are traded in active market. At all times funds remain invested in at least 10% of investments in cash and cash equivalents. Moreover, the Fund has the ability to borrow from Bank, Financial Institutions or such other companies as specified by the Commission from time to time with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets or such other limit as specified by the Commission of the scheme at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings were made during the year.

In order to manage the Fund's overall liquidity, the Fund also has the option to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. Further the Fund also has the ability to suspend redemptions of units with the approval of Board of Directors of the Management Company in extraordinary circumstances. An interval of six working days between the receipt of a redemption request and issuance of against it to the holder provides a cushion in the repayment of on-demand redemption of units. However, during the year no such option was exercised or considered necessary.

### *Maturity analysis for financial liabilities*

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

<b>Financial liabilities</b>	<b>30 June 2018</b>				<b>Total</b>
	<b>Three months</b>	<b>Six months</b>	<b>One year</b>	<b>More than one year</b>	
	------(Rupees in '000)-----				
Payable to the Management Company	<b>5,338</b>	-	-	-	<b>5,338</b>
Payable to Central Depository Company of Pakistan Limited - Trustee	<b>302</b>	-	-	-	<b>302</b>
Payable to Securities and Exchange Commission of Pakistan	<b>2,196</b>	-	-	-	<b>2,196</b>
Accrued expenses and other payables	<b>2,001</b>	-	-	-	<b>2,001</b>
	<b>9,837</b>	-	-	-	<b>9,837</b>
	-----				
<b>Financial liabilities</b>	<b>30 June 2017</b>				<b>Total</b>
	<b>Three months</b>	<b>Six months</b>	<b>One year</b>	<b>More than one year</b>	
	------(Rupees in '000)-----				
Payable to the Management Company	6,825	-	-	-	6,825
Payable to Central Depository Company of Pakistan Limited - Trustee	350	-	-	-	350
Payable to Securities and Exchange Commission of Pakistan	2,283	-	-	-	2,283
Accrued expenses and other payables	8,983	-	-	-	8,983
	<b>18,441</b>	-	-	-	<b>18,441</b>

Above financial liabilities do not carry any mark-up.

Units of the fund are redeemable on demand at the holder's option. However, unit holders typically retain them from medium to long-term.

### **26.3 Market risk**

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will effect the Fund's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### *Management of market risks*

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. The maximum risk resulting from financial instruments equals their fair values.

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

### 26.3.1 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.

### 26.3.2 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. Currently, the Funds interest rate exposure arises on term finance certificates and bank balances. The Fund holds TFCs & balance in savings accounts that expose the Fund to cash flow interest rate risk. To enhance the earnings potential of the Fund, the Fund invests in variable rate instruments as most of the instruments currently available are indexed to KIBOR. Other risk management procedures are the same as those mentioned in the credit risk management.

As at 30 June 2017, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	<b>30 June 2018</b>	<b>30 June 2017</b>
<b>Variable rate instruments</b>	<b>(Rupees in '000)</b>	
Term Finance Certificate	<u><b>160,828</b></u>	<u>6,483</u>
Bank balance - saving account	<u><b>1,146,417</b></u>	<u>1,364,025</u>

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the year end would have increased / (decreased) the net assets and net income by Rs. 13.072 million (30 June 2017: Rs. 13.705 million) . The analysis assumes that all other variables remain constant.

The composition of the Fund's investment portfolio and KIBOR rates announced are expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2018 is not necessarily indicative of the effect on Funds net assets of future movements in interest rates. The fluctuation in interest rate of 100 basis points is reasonably possible in the current economic environment.

A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date is as follows:

<b>30 June 2018</b>	<b>Mark-up / profit rate (%)</b>	<b>Less than one month</b>	<b>One to three months</b>	<b>Three months to one year</b>	<b>One year and above</b>	<b>Total</b>
		----- (Rupees in '000) -----				
<b>Assets</b>						
Bank balances	4% - 6.6%	<b>1,146,417</b>	-	-	-	<b>1,146,417</b>
Investments	7% to 7.4%	-	-	-	<b>160,828</b>	<b>160,828</b>
<b>Total assets</b>		<u><b>1,146,417</b></u>	<u>-</u>	<u>-</u>	<u><b>160,828</b></u>	<u><b>1,307,245</b></u>

<u>30 June 2017</u>	Mark-up/ profit rate (%)	Less than one month	One to three months	Three months to one year	One year and above	Total
		----- (Rupees in '000) -----				
<i>Assets</i>						
Bank balances	4% - 6.5%	1,364,025	-	-	-	1,364,025
Investments	8.75% to 12%	-	-	-	6,483	6,483
Total assets		<u>1,364,025</u>	<u>-</u>	<u>-</u>	<u>6,483</u>	<u>1,370,508</u>

The investment in quoted equity securities does not give rise to interest rate risk. None of the Fund's liability is subject to interest rate risk.

### 26.3.3 Other price risk

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of change in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market. The Fund is exposed to equity price risk because of the investment held by the Fund in equity securities and classified in the statement of assets and liabilities as financial assets at fair value through profit or loss. To manage its price risk arising from investment in equity securities, the Fund diversified 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 of 25% of net assets.

In case of 5% increase / (decrease) in KSE 100 index on 30 June 2018, net income of the Fund would increase / (decrease) by Rs. 42.842 million and net assets of the Fund would increase / (decrease) by the same amount as a result of gain / (loss) in equity securities at fair value through profit or loss and available for sale. The analysis is based on the increase / (decrease) of equity index by 5% with all other variables held constant and all the Fund's equity instruments have according to the historical correlation with the index. This represents management policy of managing price risk.

### 26.4 Unit holders' fund management (Capital risk)

Capital risk is the risk that the capital of the Fund changes significantly and causes adverse effects on the Fund's existence as going concern. The capital of the Fund is represented by the net assets attributable to unit holders. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund. The Fund is exposed to externally imposed minimum capital maintenance requirement of Rs 100 million.

In order to maintain or adjust the capital structure, the Fund's policy is to perform the following:

- Monitors the level of daily issuance and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to unit holders;
- Redeem and issue units in accordance with the constitutive documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and issuance; and
- The Fund Manager / Investment Committee members and Chief Executive of the Fund critically track the movement of „Assets under Management“. The Board of Directors is updated about the fund yield and movement of NAV and total fund size at the end of each quarter.

**27. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID BY THE FUND**

Name of Broker	Commission 2018 %
Topline Securities (Private) Limited	26.00
Insight Securities (Private) Limited	6.00
Elixir Securities Pakistan Private Limited	6.00
Next Capital Limited	5.00
Adam Securities (Pvt) Ltd.	4.00
Nael Capital Private Limited	4.00
Optimus Capital Management (Private) Limited	3.00
JS Global Capital Limited.	3.00
IGI Finex Securities Limited	3.00
BIPL Securities Limited (Formerly Kasb Sec)	3.00
	<b>63.00</b>

Name of Broker	Commission 2017 %
IGI Finex Securities Limited	6.87
Optimus Capital Management (Private) Limited	6.07
Al Habib Capital Markets (Private) Limited	6.05
Summit Capital (Private) Limited	5.80
Foundation Securities (Private) Limited	5.74
Adam Securities (Private) Limited	5.70
Taurus Securities Limited	5.66
Insight Securities (Private) Limited	5.33
DJM Securities (Private) Limited	5.27
Intermarket Securities Limited	4.64
	<b>57.13</b>

**28. INVESTMENT COMMITTEE**

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

S. No.	Name	Designation	Experience in years	Qualification
1	Yasir Qadri	Chief Executive Officer	22	MBA
2	Syed Suleman Akhtar	Chief Investment Officer	17	MBA, CFA
3	Farhan Bashir Khan	Head of Research	12	MBA
4	Hadi Hassan Muki	Acting Head of Risk & Compliance*	18	B.com
5	Asim Wahab Khan	Head of Investment Strategy & Equity	13	MBA, CFA
6	Usama Bin Razi	Fund Manager**	15	MBA

\* Head of Risk - non voting observer

\*\* Usama Bin Razi is also Fund Manager of UBL Liquidity Plus Fund, UBL Government Securities Fund, UBL Growth and Income Fund, UBL Capital Protected Fund - III, UBL Retirement Savings Fund, Al Ameen Islamic Aggressive Income Fund and Al Ameen Islamic Asset Allocation Fund.

**29. DIRECTORS' MEETING ATTENDANCE**

During the year, seven meetings of the Board of Directors of the Management Company were held. The details of the attendance are as under:

Name of Director	Dates Meetings attended	23 August	25 September	27 October	6 December	16 February	16 April	2 May
		2017	2017	2017	2017	2018	2018	2018
Tariq Kirmani **	2	✓	✓	N/A	N/A	N/A	N/A	N/A
Azhar hamid *	5	N/A	N/A	✓	✓	✓	✓	✓
Yasir Qadri	7	✓	✓	✓	✓	✓	✓	✓
Naz Khan *	5	N/A	N/A	✓	✓	✓	✓	✓
Shabbir Hussain Hashmi **	2	✓	✓	N/A	N/A	N/A	N/A	N/A
Sharjeel Shahid *	3	N/A	N/A	✓	✓	x	✓	x
Zia Ijaz	5	✓	✓	✓	✓	x	✓	x
Syed Furrukh Zaeem	7	✓	✓	✓	✓	✓	✓	✓
Mirza Muhammad Sadeed Hassan Barlas	6	✓	✓	✓	✓	x	✓	✓
Fawaz Taj Siddiqui ****	5	✓	✓	✓	✓	✓	N/A	N/A
Umair Ahmed	7	✓	✓	✓	✓	✓	✓	✓
S.M. Aly Osman ****	2	N/A	N/A	N/A	N/A	N/A	✓	✓

\* Elected at EOGM held on 29 September 2017.

\*\* Independent Director's have completed three consecutive term.

\*\*\* Mr. Zulfiqar Alavi resigned on 07 August 2017.

\*\*\*\* Mr. Fawaz Taj Siddiqui resigned and appointment of Mr. S.M. Aly Osman effective from 02 April 2018 as Company Secretary.

### 30. PATTERN OF UNIT HOLDERS

Category	2018			2017		
	Unit holders	Number of Units held	Percentage	Unit holders	Number of Units held	Percentage
Individuals	1053	8,007,018	47.91%	1,118	9,741,192	49.83%
Associated Companies and Directors	3	56,267	0.34%	4	6,294,831	32.20%
Retirement Funds	29	7,561,833	45.24%	20	2,842,324	14.54%
Public limited companies	1	36,952	0.22%	-	-	0.00%
Others	16	1,051,131	6.29%	11	672,112	3.44%
<b>TOTAL</b>	<b>1,102</b>	<b>16,713,201</b>	<b>100.00%</b>	<b>1,153</b>	<b>19,550,459</b>	<b>100.00%</b>

### 31. CREDIT RATING

The Management Company has been rated as AM1 from AM2++ on 29 December 2017 by JCR - VIS.

### 32. GENERAL

#### 32.1 Date of authorisation for issue

These financials statements were authorized for issue by Board of Directors of the Management Company on August 28, 2018.

For UBL Fund Managers Limited  
(Management Company)

--SD--

Chief Executive Officer

--SD--

Chief Financial Officer

--SD--

Director

## **UBL Asset Allocation Fund**

### **KOHC**

<i> Holding </i>	<i> Resolution </i>	<i> For </i>	<i> Against </i>	<i> Abstain* </i>
<i> 149,000 </i>	<i> Annual General Meeting of M/s Kohat Cement Company Limited was held on October 23, 2017, below resolutions were passed. </i> <i> 1. The Audited Accounts of the Company for the year ended June 30, 2017. </i> <i> 2. Approve payment of cash dividend for the year ended June 30, 2017. </i> <i> 3. Appoint Auditors of the company and fix their remuneration for the year ending June 30, 2017. </i> <i> 4. Ratify and approve transactions carried out with Related Parties during financial year ended June 30, 2017. </i>			
	<i> 5. Authorize the Chief Executive of the Company for approval of transactions with related parties during financial year ended June 30, 2017. </i> <i> 6. Approval of appointments of related parties to respective offices of profit in the Company. </i> <i> 7. Alteration in the Articles of Association of the Company for purpose of e-voting. </i>	✓		

**The proxy voting policy of the Collective Investment Scheme is available on the website of the Asset Management Company and detailed information regarding actual proxies voted by the Asset Management Company in respect of the Collective Investment Scheme is also available without charge, upon request, to all unit holders.**

**Moreover, other than above no meeting were attended and no proxies were also given.**

### **AICL**

<i> Holding </i>	<i> Resolution </i>	<i> For </i>	<i> Against </i>	<i> Abstain* </i>
<i> 423,500 </i>	<i> Annual General Meeting of M/s Adamjee Insurance Company Limited was held on April 23, 2018, below resolutions were passed. </i> <i> 1. Approve Audited Unconsolidated and Consolidated Financial Statements of the Company for the year ended December 31, 2017. </i> <i> 2. Approve payment of cash dividend for the year ended June 30, 2017. </i> <i> 3. Appoint Auditors of the company and fix their remuneration. </i>	✓		

**The proxy voting policy of the Collective Investment Scheme is available on the website of the Asset Management Company and detailed information regarding actual proxies voted by the Asset Management Company in respect of the Collective Investment Scheme is also available without charge, upon request, to all unit holders.**

**Moreover, other than above no meeting were attended and no proxies were also given.**

## HUBC

<i> Holding </i>	<i> Resolution </i>	<i> For </i>	<i> Against </i>	<i> Abstain* </i>
<i> 655,800 </i>	<i> Annual General Meeting of M/s The Hub Power Company Limited to be held on October 05, 2018, below are the meeting agendas. 1. Approve Audited Financial Statements of the Company for the year ended June 30, 2018. 2. Approve payment of cash dividend for the year ended June 30, 2018. 3. Appoint Auditors of the company and fix their remuneration. 4. Election of nine Directors for a period of three years.</i>			
	<i> 5. Consider and Approve, if though appropriate, Issuance of Letter of Support (LOS) Guarantee to Private Power &amp; Infrastructure Board (PPIB) for Thar Energy Limited (TEL). 6. Transact any other business with permission of Chairman.</i>	✓		

**The proxy voting policy of the Collective Investment Scheme is available on the website of the Asset Management Company and detailed information regarding actual proxies voted by the Asset Management Company in respect of the Collective Investment Scheme is also available without charge, upon request, to all unit holders.**

**Moreover, other than above no meeting were attended and no proxies were also given.**

## AICL(EOGM)

<i> Holding </i>	<i> Resolution </i>	<i> For </i>	<i> Against </i>	<i> Abstain* </i>
<i> 412,500 </i>	<i> Extra Ordinary General Meeting of M/s Adamjee Insurance Company Limited was held on March 26, 2018, below resolutions were passed. 1. Approved investment in Hyundai Nishat Motor (Pvt) Limited as per conditions disclosed to member.</i>			
	<i> 2. Approval of continuing Stand by Letter(s) of Credit (SBLC) to provide sponsors support Hyundai Nishat Motor (Pvt) Limited. 3. Resolved for recovering full amount paid to HNMPL with mark up. 4. Resolved further for the resolution to be valid for a period of four years.</i>	✓		

**The proxy voting policy of the Collective Investment Scheme is available on the website of the Asset Management Company and detailed information regarding actual proxies voted by the Asset Management Company in respect of the Collective Investment Scheme is also available without charge, upon request, to all unit holders.**

**Moreover, other than above no meeting were attended and no proxies were also given.**

## BAFL

<i>Holding</i>	<i>Resolution</i>	<i>For</i>	<i>Against</i>	<i>Abstain*</i>
<i>500,000</i>	<i>Extra Ordinary General Meeting of M/s Bank Alfalah Limited was held on May 27, 2018, below resolutions were passed.</i> <i>1. Confirm minutes of 26th Annual General Meeting held on March 28, 2018.</i> <i>2. Election of nine Directors of the Company for a period of three years.</i> <i>3. Transact any other business with permission of the Chairman.</i>	✓		

***The proxy voting policy of the Collective Investment Scheme is available on the website of the Asset Management Company and detailed information regarding actual proxies voted by the Asset Management Company in respect of the Collective Investment Scheme is also available without charge, upon request, to all unit holders.***

***Moreover, other than above no meeting were attended and no proxies were also given.***

## HBL

<i>Holding</i>	<i>Resolution</i>	<i>For</i>	<i>Against</i>	<i>Abstain*</i>
<i>217,700</i>	<i>Extra Ordinary General Meeting of M/s Habib Bank Limited was held on March 19, 2018, below resolutions were passed.</i> <i>1. Election of seven Directors of the Bank for a period of three years.</i> <i>2. Approve fee and expenses payable to Non-Directors and Chairman of the Bank.</i> <i>3. Transact any other business with permission of the Chairman.</i>	✓		

***The proxy voting policy of the Collective Investment Scheme is available on the website of the Asset Management Company and detailed information regarding actual proxies voted by the Asset Management Company in respect of the Collective Investment Scheme is also available without charge, upon request, to all unit holders.***

***Moreover, other than above no meeting were attended and no proxies were also given.***

## ENGRO

<i> Holding </i>	<i> Resolution </i>	<i> For </i>	<i> Against </i>	<i> Abstain* </i>
<i> 94,800 </i>	<i> Annual General Meeting of M/s Engro Corporation Limited was held on April 24, 2018, below resolutions were passed. </i> <i> 1. Approve Audited Accounts of the Company for the year ended December 31, 2017. </i> <i> 2. Approve payment of cash dividend for the year ended December 31, 2017. </i> <i> 3. Appoint Auditors of the company and fix their remuneration. </i> <i> 4. Election of nine Directors of the Company. </i> <i> 5. Accorded to lend/provide short term facilities to associated companies. </i> <i> 6. Alteration in the Articles of Association of the Company. </i>	✓		

***The proxy voting policy of the Collective Investment Scheme is available on the website of the Asset Management Company and detailed information regarding actual proxies voted by the Asset Management Company in respect of the Collective Investment Scheme is also available without charge, upon request, to all unit holders.***

***Moreover, other than above no meeting were attended and no proxies were also given.***

## THALL

<i> Holding </i>	<i> Resolution </i>	<i> For </i>	<i> Against </i>	<i> Abstain* </i>
<i> 37,550 </i>	<i> Extra-Ordinary General Meeting of M/s Thal Limited was held on March 22, 2018, below resolutions were passed. </i> <i> 1. Approved to invest and arrange a Standby Letter of Credit in favor of lenders of ThalNova as required by sponsor support agreement. </i> <i> 2. Approved to contribute towards payments required to be made to foreign currency lenders of ThalNova and assign company's rights in respect of any investment made in ThalNova by way of loan. </i> <i> 3. Approved that for investments approval be accorded by the Board with jointly signed by the CEO and a director. </i>	✓		

***The proxy voting policy of the Collective Investment Scheme is available on the website of the Asset Management Company and detailed information regarding actual proxies voted by the Asset Management Company in respect of the Collective Investment Scheme is also available without charge, upon request, to all unit holders.***

***Moreover, other than above no meeting were attended and no proxies were also given.***

# UCPF-III

## UBL Capital Protected Fund - III

### INVESTMENT OBJECTIVE

The Investment Objective of UBL Capital Protected Fund - III (UCPF-III) is to protect the principal investment of the investors upon maturity by placing a significant portion of the Trust Property as TDR with a minimum AA- rated Bank and remaining in equity market or any other SECP permitted investments to provide investors with better returns.

<b>Management Company</b>	UBL Fund Managers Limited
<b>Trustee</b>	Central Depository Company of Pakistan Limited 99-B, Block-B, S.M.C.H.S., Main Shakra-e-Faisal, Karachi. Tel: (9221) 111-111-500
<b>Distribution Company</b>	United Bank Limited (for detail of others, please visit our website: <a href="http://www.ublfunds.com.pk">www.ublfunds.com.pk</a> )
<b>Auditors</b>	BDO Ebrahim & Co. Chartered Accountants
<b>Bankers</b>	Bank Alfalah Limited National Bank of Pakistan United Bank Limited
<b>Management Co.Rating</b>	AM1 (JCR-VIS)
<b>Fund Rating</b>	MFR-2Star (JCRVIS) - 3 Yr Average

## Fund Manager's Report – UBL Capital Protected Fund - III (UCPF-III)

- i) **Description of the Collective Investment Scheme category and type**  
Capital Protected / Open-end
- ii) **Statement of Collective Investment Scheme's investment objective**  
The investment objective of UBL Capital Protected Fund - III (UCPF-III) is to protect the principal investment of the investors upon maturity by placing a significant portion of the Trust Property as TDR with a minimum AA- rated Bank, and remaining in equity market or any other SECP permitted investments to provide investors with better returns.
- iii) **Explanation as to whether the Collective Investment Scheme achieved its stated objective**  
The Collective Investment Scheme aims to provide capital protection at completion of the duration; the fund achieved its stated.
- iv) **Statement of benchmark(s) relevant to the Collective Investment Scheme**  
Weighted Average Daily Return of KSE-100 Index and Three (3) Months Deposit Rate of a Double A minus (AA-) or above rated Bank based on the Fund's actual Proportion in the Investment Segment and Capital Protection Segment.

- v) **Comparison of the Collective Investment Scheme's performance during the period compared with the said benchmarks**

Monthly Yield	Jul'17	Aug'17	Sep'17	Oct'17	Nov'17	Dec'17	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18	FYTD
UCPF-III	-0.21%	-1.69%	0.44%	-0.57%	0.57%	0.42%	1.34%	-0.27%	0.64%	0.35%	-0.31%	-0.18%	0.49%
Benchmark	0.14%	-1.06%	0.59%	-0.44%	0.39%	0.38%	1.06%	0.08%	0.77%	0.29%	-0.22%	0.14%	2.12%

- vi) **Description of the strategies and policies employed during the period under review in relation to the Collective Investment Scheme's performance**  
The Fund has generated a return of 0.49% during FY18. The net assets of the fund were PKR 413mn at the end of FY18.
- vii) **Disclosure of the Collective Investment Scheme's asset allocation as at the date of the report and particulars of significant changes in asset allocation since the last report (if applicable)**

Asset Allocation (% of Total Assets)	Jun-17	Jun-18
Placements with banks	82%	83%
Equities	14%	8%
T-bills	0%	0%
Spread Transactions	0%	0%
Cash	0%	0%
Others	3%	9%
Leverage	Nil	Nil

viii) **Analysis of the Collective Investment Scheme's performance**

FY'18 Return:	0.49%
Standard Deviation (12m trailing):	2.33%
Sharpe Ratio (12m trailing):	(2.42)

ix) **Changes in total NAV and NAV per unit since the last review period or since commencement (in case of newly established Collective Investment Schemes)**

Net Asset Value			NAV per unit		
30-Jun-18	30-Jun-17	Change	30-Jun-18	30-Jun-17	Change
Rupees (000)		%	Rupees		%
412,821	427,205	-3.37	100.6508	100.1608	0.49

x) **Disclosure on the markets that the Collective investment Scheme has invested in including - review of the market(s) invested in and returns during the period:**

**Debt Market Review – FY18**

The International Crude Oil prices exhibited an upward trend for the fiscal year. The prices increased from USD 45-per barrel increasing as much as ~70% closing at a new high of USD ~80 per barrel. Increasing oil prices, higher commodity prices (with exception of sugar) along with lagged impact of PKR devaluation (+16%) aided in increasing inflation rate to 4.4% for 4QFY18. Core measures of inflation witnessed an upward trajectory where NFNE which is somewhat sticky in nature increased to 7.1% by end of FY18. Taking cues from this trend we expect SBP to continue its current monetary tightening policy.

In twelve PIB auctions for FY18 conducted during the year, the government raised PKR~102bn (PKR ~894bn in FY17) against target of PKR 330bn. Consequently, outstanding amount for the PIBs in the market increased to PKR 29.47trn. Participation in the auctions was largely skewed towards three and five year paper in line with interest rate hikes. Cut off yields in June auction trimmed to 7.5%, 8.5% and 8.7% for three, five and ten year PIB instruments respectively. In July'18 PIB Auction the government accepted PKR ~6.9bn.

The yield curve based on government securities of various maturities has shifted upwards in line with the ongoing increasing discounts rates. Yield on 3M, 6M and 12M T-Bills increased by 79bps, 90bps and 116bps, respectively. Similarly, yield on 3-year, 5-year and 10-year bonds increased 180bps, 171bps and 86bps, respectively. The spread between annualized yields of 1-year T-bills (7.20% p.a.) and 10-year PIBs (9.03% p.a.) stood at 1.83% as of 30 June 2018.

**Stock Market Review for FY18**

In the aftermath of distressing events in FY18, the KSE-100 index posted a cumulative loss of 10% after a prolonged period of 8-years. Market's decline was largely driven by a series of tensed political events, burgeoning concerns on macro-economic front along with continued sell-off by foreign investors (USD289mn). With growing uncertainties, market participants remained cautious, keeping average market-traded volumes depressed (84mn).

The benchmark index commenced the year with high hopes but soon suffered foreign outflows post MSCI inclusion. A series of setbacks augmented uncertainties during 1HFY18, keeping the equity market in a jittery position and pushing the index to a low of 37,919 points. The primary highlights among these were disqualification of sitting PM followed by barring of Finance Minister to run office; leaving little room to focus on economy. This was followed by a 21-day protest by TLP against the government pushing the regime into isolation. Without any proper economic manager in place, the country stood open to increasing hazards on the macroeconomic fronts.

With political tensions, concerns on external account started to unearth as support from low oil prices started to fade away. In the 3QFY18, some positive triggers like appointment of Finance Minister, smooth senate elections, announcement of tax amnesty scheme along with introduction of essential policy action prompted interest by market participants, leading to inflow of USD 31mn.

However, the concerns on macroeconomic front remained strong, requiring further use of policy actions. The full year FY18 current account deficit augmented to ~USD18bn (+43%YoY) further weighing down investor sentiment. Moreover, fiscal deficit came in much higher at ~7%. Mushrooming twin-deficit financing requirements weakened foreign reserves position. SBP's reserves were down to ~USD10bn at end of FY18, further deteriorating investor confidence.

On the international front, US Fed continued on its monetary tightening policy by 25bps to 2% during FY18. We expect this stance to continue in CY18. International oil prices mounted to a 4-year high of USD80/bbl amid better co-operation between member OPEC and Non-OPEC countries. Overall, commodity prices also rallied upwards with growing demands from importing countries. Escalation of ongoing trade-war is expected to push oil prices downhill. This will be favorable for a high energy importing country like Pakistan. Moreover, a stable government will also resume work on the multi-billion CPEC project.

Going forward, remedial measures taken by central bank combined with entry into the IMF program will enable corrective measures and stabilize economy over medium term. Moreover, subsidizing political tensions, steep discount (~24% from its peak) along with a high earnings-yield offering (~12%) is expected to strengthen investor sentiment and bring investor's interest back in the local equity market.

- xi) Disclosure on distribution (if any), comprising:-**
- particulars of income distribution or other forms of distribution made and proposed during the period; and**
  - statement of effects on the NAV before and after distribution is made**

Final distribution for the year ended June 30, 2018 was made subsequent to year end, on July 02, 2018.  
Below are the details of such distribution

Distribution				Per unit	
Declared on	Bonus	Cash	Per Unit	Cum NAV	Ex NAV
Rupees (000)			----- Rupees -----		
July 02, 2018	0	2,010	0.4900	100.6508	100.1608

- xii) **Description and explanation of any significant changes in the state of affairs of the Collective Investment Scheme during the period and up till the date of the manager's report, not otherwise disclosed in the financial statements**

There were no significant changes in the state of affairs during the year under review.

- xiii) **Breakdown of unit holdings by size**

Range of Units	Number of Investors
	UPPF-III
0.0001 - 9,999.9999	31
10,000.0000 - 49,999.9999	24
50,000.0000 - 99,999.9999	7
100,000.0000 - 499,999.9999	4
500,000.0000 & Above	3
<b>Total</b>	<b>69</b>

- xiv) **Disclosure on unit split (if any), comprising:-**

There were no unit splits during the period.

- xv) **Disclosure of circumstances that materially affect any interests of unit holders**

Investment are subject to credit and market risk.

- xvi) **Disclosure if the Asset Management Company or its delegate, if any, receives any soft commission (i.e. goods and services) from its broker(s) or dealer(s) by virtue of transactions conducted by the Collective Investment Scheme.**

No soft commissions are received by the AMC from its brokers or dealers by virtue of transactions conducted by the Collective Investment Scheme.

## **PERFORMANCE TABLE**

### UBL Capital Protected Fund - III

	2018	2017
<b>NET ASSETS AS AT 30 JUNE - Rupees in '000</b>	<b>412,821</b>	<b>427,205</b>
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - Rupees</b>		
Class A units - Offer *	<b>101.7882</b>	<b>101.2926</b>
- Redemption	<b>100.6508</b>	<b>100.1608</b>
<b>RETURN OF THE FUND - %</b>		
Total Return of the Fund	<b>0.49</b>	<b>1.71</b>
Capital Growth (per unit)	<b>0.49</b>	<b>0.16</b>
Date of Income Distribution	-	<b>19-Jun-17</b>
Income Distribution	-	<b>1.55</b>
<b>AVERAGE ANNUAL RETURN - %</b>		
Since Launch/ One Year	<b>0.49</b>	<b>1.71</b>
<b>OFFER / REPURCHASE DURING THE YEAR- Rupees</b>		
Highest price per unit - Class A units - Offer	102.42	104.18
Highest price per unit - Class A units - Redemption	<b>101.27</b>	<b>103.01</b>
Lowest price per unit - Class A units - Offer	98.94	100.56
Lowest price per unit - Class A units - Redemption	<b>97.84</b>	<b>99.44</b>
* Front-end load @ 2% is applicable		
<b>PORTFOLIO COMPOSITION - %</b>		
Percentage of Net Assets as at 30 June		
<b>PORTFOLIO COMPOSITION BY CATEGORY - %</b>		
Placements with banks	<b>83.00</b>	<b>82.00</b>
equities	<b>8.00</b>	<b>14.00</b>
others	<b>9.00</b>	<b>4.00</b>
<b>PORTFOLIO COMPOSITION BY MARKET - %</b>		
Debt Market	<b>92.00</b>	<b>86.00</b>
Equity Market	<b>8.00</b>	<b>14.00</b>

Note:

- The Launch date of Fund is 26 January 2017

## **DISCLAIMER**

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

**Head Office:**  
CDC House, 99-B, Block 'B',  
S.M.C.H.S., Main Shakra-e-Faisal,  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com



## TRUSTEE REPORT TO THE UNIT HOLDERS

### UBL CAPITAL PROTECTED FUND – III

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

We Central Depository Company of Pakistan Limited, being the Trustee of UBL Capital Protected Fund – III (the Fund) are of the opinion that UBL Fund Managers Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 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.

**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 13, 2018





**STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 BY UBL FUND MANAGERS LIMITED**

**NAME OF FUND: UBL CAPITAL PROTECTED FUND – III**

**YEAR ENDING: JUNE 30, 2018**

The Securities and Exchange Commission of Pakistan (SECP) through its letter dated April 18, 2018 to Mutual Funds Association of Pakistan (MUFAP) has exempted the open-end collective investment schemes from the requirements of the Code of Corporate Governance. However, the Board of Directors of UBL Fund Managers Limited (the Management Company) of UBL Capital Protected Fund – III (the Fund), for the purpose of establishing a framework of good governance whereby a Fund is managed by best practice of Corporate governance, has voluntarily opted to comply with the relevant provisions of the Listed Companies (Code of Corporate Governance) Regulations 2017 (The Code).

The Management Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following:
  - a. Male: Six Directors;
  - b. Female: One Director.

2. The composition of the Board is as follows:

Category	Name
Independent Directors	Mr. Azhar Hamid
	Ms. Naz Khan
Executive Directors	Mr. Yasir Qadri
Non - Executive Directors	Mirza Muhammad Sadeed Hassan Barlas
	Mr. Sharjeel Shahid
	Mr. Zia Ijaz
	Syed Furrukh Zaeem

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company.
4. 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.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained. The Management Company has placed the Whistle Blowing Policy, Proxy Policy and the Principles of the Code of Conduct (Statement of Ethics and Business Practice) on its website.
6. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
7. The Board has a formal and effective mechanism in place for an annual evaluation of the Board's own performance.

**UBL FUND MANAGERS LIMITED**

+92 21 111 825 262

info@ublfunds.com

4<sup>th</sup> Floor, STSM Building, Beaumont Road, Civil Lines, Karachi.

www.ublfunds.com



8. The Chairman of the Board is an Independent director. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board as empowered by the relevant provisions of the Act and these Regulations.
9. 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. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
10. Following directors and executive have acquired the prescribed Director Training Program (DTP) certification:

**Directors**

- a. Mirza Muhammad Sadeed Hassan Barlas
- b. Mr. Yasir Qadri
- c. Mr. Zia Ijaz
- d. Ms. Naz Khan
- e. Syed Furrukh Zaeem

**Executive**

- f. S.M. Aly Osman

11. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
12. CFO and CEO duly endorsed the financial statements before approval of the Board.
13. The Board has formed committees comprising of members given below. The Board Audit Committee and the Board Human Resource & Compensation Committee are chaired by separate Independent directors:
  - a. Board Audit Committee
    - i. Ms. Naz Khan (Chair);
    - ii. Mirza Muhammad Sadeed Hassan Barlas;
    - iii. Mr. Sharjeel Shahid;
    - iv. Mr. Zia Ijaz.
  - b. Board Human Resource & Compensation Committee
    - i. Mr. Azhar Hamid (Chairman);
    - ii. Mr. Yasir Qadri;
    - iii. Mr. Zia Ijaz;
    - iv. Ms. Naz Khan;
    - v. Syed Furrukh Zaeem.
  - c. Board Risk & Compliance Committee
    - i. Mirza Muhammad Sadeed Hassan Barlas (Chairman);
    - ii. Mr. Azhar Hamid;
    - iii. Mr. Sharjeel Shahid;
    - iv. Mr. Yasir Qadri;
    - v. Syed Furrukh Zaeem.

**UBL FUND MANAGERS LIMITED**

+92 21 111 825 262

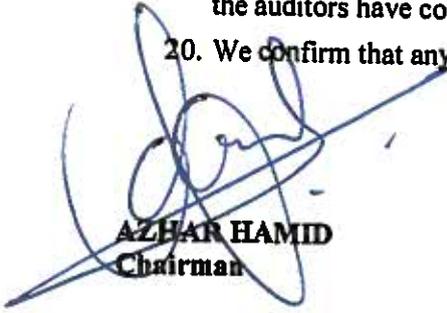
info@ublfunds.com

4<sup>th</sup> Floor, STSM Building, Beaumont Road, Civil Lines, Karachi.

www.ublfunds.com



14. The Terms of Reference of the aforesaid Committees have been formed, documented and advised to the Committee for compliance.
15. The frequency of meetings of the Committee were as per following:
  - a. Board Audit Committee : Quarterly Meeting
  - b. Board Human Resource & Compensation Committee: Quarterly Meeting
  - c. Board Risk & Compliance Committee: Quarterly Meeting
16. The Board has set up an independent and effective internal audit function and the audit personnel are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company.
17. 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) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
18. The Board Audit Committee recommends to the Board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that any other significant requirements of the Regulations have been complied with.

  
**AZHAR HAMID**  
Chairman

Karachi.  
Dated: August 28, 2018

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE UNITHOLDERS OF UBL CAPITAL PROTECTED FUND - III ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 AS ADOPTED BY THE BOARD OF DIRECTORS OF UBL FUND MANAGERS LIMITED**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) as adopted by the Board of Directors (the Board) of UBL Fund Managers Limited, the Management Company of UBL Capital Protected Fund - III (the Fund) for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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's 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 Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Fund's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Fund for the year ended June 30, 2018.

We draw attention to the following paragraph as detailed in the Statement of Compliance:

*"The Securities and Exchange Commission of Pakistan (SECP) through its letter dated April 18, 2018 to Mutual Funds Association of Pakistan (MUFAP) has exempted the open-end collective investment schemes from the requirements of the Code of Corporate Governance. However, the Board of Directors of UBL Fund Managers Limited (the Management Company) of UBL Capital Protected Fund - III (the Fund), for the purpose of establishing a framework of good governance whereby a Fund is managed by best practice of Corporate governance, has voluntarily opted to comply with the relevant provisions of the Listed Companies (Code of Corporate Governance) Regulations 2017 (The Code)."*

Accordingly, our opinion is in relation to Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017 as adopted by the Board of Directors of the Management Company.

KARACHI

DATED: AUGUST 28, 2018



CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of UBL Capital Protected Fund III ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2018, and the income statement, statement of comprehensive income, statement of cash flows and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2018, and its financial performance and its cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S.NO	Key audit matter(s)	How the matter was addressed in our audit
1.	<p><b>Amendment to the NBFC Regulations, 2008</b></p> <p>The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations).</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>We reviewed the processes and controls implemented by the Fund relating to the production and review of system generated reports and manual workings for the purpose of calculations of element of income or loss and bifurcation of amount paid on redemption of units into "capital value" and "income already paid on units redeemed".</li> </ul>

S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>The said notification included a definition and explanation relating to "element of income" and excluded the element of income from the expression "accounting income" as described in Regulation 63 of the Regulations (amount distributable to unit holders) of the NBFC Regulations.</p> <p>Previously, an equalization account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.</p> <p>As per the revised methodology mentioned in the notification referred above, element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unitholders' fund.</p> <p>Furthermore, the amendments also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the said amendments.</p> <p>Due to the significance of impact on financial results of the Fund including substantial changes in disclosures of the Fund's financial statements as a result of above mentioned amendments, we have considered the application of amendments as a key audit matter. (Refer Note 4.12 to the financial statements of the Fund)</p>	<ul style="list-style-type: none"> <li>• We evaluated the accuracy of system generated reports and manual workings produced by the Fund to ensure that the data is consistent with source documents and the said workings are in compliance with all the statutory provisions relating to element of income or loss.</li> <li>• We assessed the appropriateness of the recognition, measurement and presentation of "element of income / loss" in accordance with the amended provisions of the NBFC Regulations. We also considered the guidelines issued by MUFAP in respect of the accounting for element of income / loss as per the revised Regulations and assessed its implementation by the Fund.</li> <li>• We evaluated the adequacy of disclosures regarding the change in accounting policy with respect to element of income / loss along with the adequacy of additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' in accordance with the requirements of the relevant financial reporting standards and the guidance issued by MUFAP in relation thereto.</li> </ul>
2.	<p><b>Existence and valuation of investments</b></p> <p>As disclosed in note 6 to the financial statements of the Fund for the year ended June 30, 2018, the investments held by the Fund comprised of debt instruments which represent 83% of the total assets of the Fund as at the year end.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• We tested controls over acquisition, disposals and periodic valuation of debt instruments and equity investments portfolio and performed substantive audit procedures on year-end balance of investment portfolio including review of custodian's statement, and</li> </ul>

S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>Moreover, the Fund invests a certain portion of its funds in financial instruments that comprises available for sale investments in equity securities. These investments are measured at fair value with the corresponding fair value changes recognized in other comprehensive income. The valuation is performed by the Management Company using the quoted market prices at the stock exchange and an impairment review of such investments is carried out periodically and impairment charge is recorded when there has been a significant or prolonged decline in the fair value of investments below their cost. In determining 'significant' or 'prolonged', the Management Company evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.</p> <p>As these investments represent a significant element of the statement of assets and liabilities, a discrepancy in the valuation or existence of investments could cause the NAV to be materially misstated which would also impact the Fund's reported performance as the valuation of investments is the main driver of movements in the performance of the Fund. Therefore, the existence and valuation of such investments has been identified as a key audit matter.</p>	<p>related reconciliations, re-performance of investment valuations on the basis of quoted market prices at the Pakistan Stock Exchange as at June 30, 2018, review of bank confirmations and subsequent bank statements for verification of maturity proceeds.</p> <ul style="list-style-type: none"> <li>• We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) and constitutive documents in relation to the concentration of debt instruments and exposure limits prescribed in such Regulations and documents and the adequacy of disclosures as may be applicable in situations of non-compliance.</li> <li>• In auditing the impairment of available for sale investments, we assessed the processes and key controls relating to valuation of available for sale investments. In addition, we performed valuation testing on the investments held as at June 30, 2018, reviewed the Fund's impairment policy, and assessed the adequacy of impairment charge on available for sale investments at year-end.</li> <li>• We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the debt instruments portfolio and available for sale investments in accordance with the requirements of the Regulations and the relevant disclosure requirements.</li> </ul>

### Information other than the financial statements and auditor's report thereon

The Management Company is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Management Company and its Board of Directors

The Management Company ("UBL Fund Managers Limited") of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Management Company is responsible for overseeing the Fund's financial reporting process.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Company.
- Conclude on the appropriateness of the Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on other legal and regulatory requirements

Based on our audit, we further report that in our opinion the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

The engagement partner on the audit resulting in this independent auditor's report is Zulfikar Ali Causer.

KARACHI  
DATE 28 AUG 2018

  
 BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS

**UBL CAPITAL PROTECTED FUND III  
STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2018**

	2018	2017
Note	----- (Rupees in '000) -----	----- (Rupees in '000) -----
<b>ASSETS</b>		
Bank balances	5 221	1,692
Term deposit receipts	6 343,883	356,949
Investments	7 33,497	60,038
Mark-up / interest receivable	8 32,023	9,818
Dividend receivable	205	66
Deposits and prepayments	9 2,735	2,820
Advance tax	10 328	276
Preliminary expenses and floatation costs	11 1,178	1,923
<b>TOTAL ASSETS</b>	<u>414,070</u>	<u>433,582</u>
<b>LIABILITIES</b>		
Payable to UBL Fund Managers Limited - Management Company	12 374	5,228
Payable to Central Depository Company of Pakistan Limited - Trustee	13 50	52
Payable to Securities and Exchange Commission of Pakistan	14 315	136
Accrued expenses and other liabilities	15 510	961
<b>TOTAL LIABILITIES</b>	<u>1,249</u>	<u>6,377</u>
<b>NET ASSETS</b>	<u>412,821</u>	<u>427,205</u>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>	<u>412,821</u>	<u>427,205</u>
<b>CONTINGENCIES AND COMMITMENTS</b>		
	16	
	----- (Number of units) -----	
<b>NUMBER OF UNITS IN ISSUE</b>	17 <u>4,101,515</u>	<u>4,265,190</u>
	----- (Rupees) -----	
<b>NET ASSETS VALUE PER UNIT</b>	<u>100.6508</u>	<u>100.1608</u>

The annexed notes from 1 to 35 form an integral part of these financial statements.

**For UBL Fund Managers Limited  
(Management Company)**

--SD--  
CHIEF EXECUTIVE OFFICER

--SD--  
CHIEF FINANCIAL OFFICER

--SD--  
DIRECTOR

**UBL CAPITAL PROTECTED FUND III  
INCOME STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2018**

**For the period from  
January 26, 2017  
to June 30,**

	2018	2017
	----- (Rupees in '000) -----	
<b>INCOME</b>		
Financial income	23,084	10,257
Dividend income	1,380	412
Capital (loss) / gain on sale of investment - net	(6,207)	393
Unrealised loss on revaluation of investments classified as 'at fair value through profit or loss' - net	(7,858)	(755)
Other income	405	1
	10,804	10,308
Impairment on equity shares - available for sale	(2,065)	-
<b>Total income</b>	<u>8,739</u>	<u>10,308</u>
<b>EXPENSES</b>		
Remuneration of UBL Fund Managers Limited - Management Company	3,145	1,362
Sindh Sales tax on Management Company's remuneration	409	177
Remuneration of Central Depository Company of Pakistan Limited - Trustee	616	267
Annual fee of Securities and Exchange Commission of Pakistan	315	136
Allocated expenses	419	182
Bank charges	84	15
Auditors' remuneration	298	162
Brokerage and settlement expenses	419	174
Amortization of preliminary expenses and floatation costs	745	320
Legal and professional charges	152	87
Fees and subscription charges	28	30
Other expenses	106	42
<b>Total operating expenses</b>	<u>6,736</u>	<u>2,954</u>
<b>Net income from operating activities</b>	2,003	7,354
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	-	(1)
Provision for Sindh Workers' Welfare Fund	(40)	(144)
<b>Net income for the year / period before taxation</b>	<u>1,963</u>	<u>7,209</u>
Taxation	-	-
<b>Net income for the year / period after taxation</b>	<u>1,963</u>	<u>7,209</u>
<b>Allocation of net income for the year</b>		
Income already paid on units redeemed	(47)	
<b>Net income for the year available for distribution</b>	<u>1,916</u>	
<b>Net income available for distribution</b>		
Relating to capital gains	-	
Excluding capital gains	<u>1,916</u>	
Earnings per unit	<u>1,916</u>	

The annexed notes from 1 to 35 form an integral part of these financial statements.

(Management Company)  
For UBL Fund Managers Limited

--SD--  
CHIEF EXECUTIVE OFFICER

--SD--  
CHIEF FINANCIAL OFFICER

--SD--  
DIRECTOR

**UBL CAPITAL PROTECTED FUND III  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2018</b>	<b>For the period from January 26, 2017 to June 30, 2017</b>
	----- (Rupees in '000) -----	
Net income for the year / period	1,963	7209
Other comprehensive income		
Items that may be reclassified subsequently to income statement		
Unrealized gain on revaluation of investments classified as 'available for sale' - net	55	-
Total comprehensive income for the year / period	<u>2,018</u>	<u>7,209</u>

The annexed notes from 1 to 35 form an integral part of these financial statements.

**For UBL Fund Managers Limited  
(Management Company)**

--SD--  
**CHIEF EXECUTIVE OFFICER**

--SD--  
**CHIEF FINANCIAL OFFICER**

--SD--  
**DIRECTOR**

**UBL CAPITAL PROTECTED FUND III  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018**

**For the period from  
January 26, 2017  
to June 30,**

**2018  
2017  
----- (Rupees in '000) -----**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income for the year / period before taxation	1,963	7,209
Adjustments for:		
Financial income	(23,084)	(10,257)
Dividend income	(1,380)	(412)
Unrealised loss on revaluation of investments classified as 'at fair value through profit or loss' - net	7,858	755
Capital loss / (gain) on sale of investment - net	6,207	(393)
Element of loss and capital losses included in the prices of units issued less those in units redeemed - net	-	1
Provision for Sindh Workers' Welfare Fund	40	144
Amortization of preliminary expenses and floatation costs	745	(1,923)
Impairment on equity shares - available for sale	2,065	-
	(7,549)	(12,085)
<b>Cash used in operations before working capital changes</b>	<b>(5,586)</b>	<b>(4,876)</b>

**Working capital changes**

**Decrease / (increase) in assets**

Investments - net	10,466	(417,349)
Term deposit receipts	13,066	-
Advance tax	(52)	(276)
Deposits and prepayments	85	(2,820)
	23,565	(420,445)

**(Decrease) / increase in liabilities**

Payable to UBL Fund Managers Limited - Management Company	(4,854)	5,228
Payable to Central Depository Company of Pakistan Limited - Trustee	(2)	52
Annual fee payable to Securities and Exchange Commission of Pakistan	179	136
Accrued expenses and other liabilities	(491)	817
	(5,168)	6,233
Profit received on bank balances and term deposit receipts	879	439
Dividend received	1,241	345
<b>Net cash generated from / (used in) operating activities</b>	<b>14,931</b>	<b>(418,304)</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Receipts from issuance of units	580	430,520
Payment against redemption of units	(16,982)	(4,003)
Dividend paid	-	(6,521)
<b>Net cash (used in) / generated from financing activities</b>	<b>(16,402)</b>	<b>419,996</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(1,471)</b>	<b>1,692</b>
Cash and cash equivalents at the beginning of the year / period	1,692	-
<b>Cash and cash equivalents at the end of the year / period</b>	<b>221</b>	<b>1,692</b>

**CASH AND CASH EQUIVALENTS**

Bank balances	221	1,692
	221	1,692

The annexed notes from 1 to 35 form an integral part of these financial statements.

**For UBL Fund Managers Limited  
(Management Company)**

--SD--  
CHIEF EXECUTIVE OFFICER

--SD--  
CHIEF FINANCIAL OFFICER

--SD--  
DIRECTOR

**UBL CAPITAL PROTECTED FUND III  
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	2018			2017	
	Capital value	Undistributed income	Unrealised (diminution) / appreciation on re-measurement of investments classified as available for sale' - net	Total	Total
Note ----- (Rupees in '000) -----					
Net assets at the beginning of the year / period	426,517	688	-	427,205	-
Issuance of 5,809 units (2017: 4,305,218 units)					
Capital value of units	582	-	-	582	-
Element of loss during the year					
Due to surplus / (deficit) in available for sale securities	-	-	-	-	-
Due to net income earned	(2)	-	-	(2)	-
<b>Total proceeds on issuance of units</b>	<b>580</b>	<b>-</b>	<b>-</b>	<b>580</b>	<b>430,520</b>
Redemption of 169,484 units (2017: 40,028 units)					
Capital value of units	(16,976)	-	-	(16,976)	-
Element of income during the year					
Due to deficit in available for sale securities	6	-	-	6	-
Due to net loss / (income) incurred	35	(47)	-	(12)	-
<b>Total payments on redemption of units</b>	<b>(16,935)</b>	<b>(47)</b>	<b>-</b>	<b>(16,982)</b>	<b>(4,003)</b>
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	-	-	-	-	(1)
Total comprehensive income for the year / period	-	1,963	55	2,018	7,209
Distribution during the year / period	-	-	-	-	(6,521)
<b>Net income for the year / period less distribution</b>		<b>1,963</b>	<b>55</b>	<b>2,018</b>	<b>688</b>
<b>Net assets at the end of the year / period</b>	<b>410,162</b>	<b>2,604</b>	<b>55</b>	<b>412,821</b>	<b>427,205</b>
Undistributed income brought forward comprises of:					
Realised gain		1,443	-	1,443	-
Unrealised gain		(755)	-	(755)	-
Total undistributed income brought forward		688	-	688	-
<b>Income available for distribution:</b>					<b>7,209</b>
Relating to capital gains	-	-	-	-	-
Excluding capital gains	1,916	-	-	-	-
	1,916	-	-	1,916	-
Distribution during the year: Nil (2017: Rs. 1.55 per unit declared on June 19, 2017 )					(6,521)
<b>Undistributed income carried forward</b>		<b>2,604</b>	<b>-</b>	<b>2,604</b>	<b>688</b>
<b>Undistributed income carried forward comprises of:</b>					
Realised gain		10,462	-	10,462	1,443
Unrealised loss		(7,858)	-	(7,858)	(755)
<b>Total undistributed income carried forward</b>		<b>2,604</b>	<b>-</b>	<b>2,604</b>	<b>688</b>
				<b>(Rupees)</b>	<b>(Rupees)</b>
Net assets value per unit at the beginning of the year / period				100.1608	-
Net assets value per unit at the end of the year / period				100.6508	100.1608

The annexed notes from 1 to 35 form an integral part of these financial statements.

**For UBL Fund Managers Limited  
(Management Company)**

--SD--  
CHIEF EXECUTIVE OFFICER

--SD--  
CHIEF FINANCIAL OFFICER

--SD--  
DIRECTOR

**UBL CAPITAL PROTECTED FUND III**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

- 1.1 UBL Capital Protected Fund III (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) as an open-end mutual fund. It was constituted under the Trust Deed, dated October 21, 2016 between UBL Fund Managers Limited (a wholly owned subsidiary company of United Bank Limited) as the Management Company, a company incorporated under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund has been registered as a notified entity on January 26, 2017 by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). The Trust Deed has also been approved by the Securities and Exchange Commission of Pakistan (SECP). The registered office of the Management Company is situated at 4th floor, STSM Building, Beaumont Road, Civil Lines, Karachi.
- 1.2 The Management Company of the Fund is registered with the SECP as a Non-Banking Finance Company under the NBFC Rules.
- 1.3 The Fund is a capital protected scheme and units of the Fund are listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering them to the Fund at the option of the unit holder. The Fund is categorised as an open-ended capital protected scheme in accordance with Circular 7 of 2009 issued by the SECP.
- 1.4 The principal activity of the Fund is to protect the principal investment of investors upon maturity by placing the significant portion of trust property as TDR with a minimum AA- rated bank, and remaining in equity market or any other SECP permitted investments to provide investor with better return.
- 1.5 Title to the assets of the Fund are held in the name of the CDC as the Trustee of the Fund.
- 1.6 JCR-VIS Credit Rating Company has assigned an asset manager quality rating of 'AM1' (stable outlook) to the Management Company as at December 29, 2017.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed. Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed

have been followed.

## **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except investments that are stated at fair values. These financial statements have been prepared by following accrual basis of accounting except for cash flows information.

## **2.3 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees, which is the Fund's functional and presentation currency.

## **2.4 Use of estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying 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 the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

### **Classification and valuation of investments**

For details please refer notes 4.2 and 24 to these financial statements.

### **Impairment of investment**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. This objective evidence of impairment of fixed income securities is determined in accordance with provisioning criteria for non performing exposures as per the requirements of Circular No. 33 of 2012 dated October 24, 2012.

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

For details please refer note 4.12 to these financial statements.

### **Provision for taxation**

For details please refer notes 4.8 and 21 to these financial statements.

### **Sindh Workers' Welfare Fund**

For details please refer note 15.1 to these financial statements.

### **Other assets**

Judgment is involved in assessing the realisability of other assets balances.

### 3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

#### 3.1 Amendments that are effective in current year and are relevant to the Fund

The Fund has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

		<b>Effective date (annual periods beginning on or after)</b>
IAS 7	Statement of Cash Flows - Amendments resulting from the disclosure initiative	January 01, 2017
IAS 12	Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses	January 01, 2017

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 12	Disclosure of Interests in Other Entities	January 01, 2017
---------	---	------------------

#### 3.2 Amendments not yet effective

The following amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

	Conceptual framework for Financial reporting 2018-Original Issue	March 2018
IFRS 2	Share-based Payment-Amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 7	Financial Instruments: Disclosures-Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	Applies when IFRS 9 is applied
IFRS 9	Financial Instruments - Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	January 01, 2018
IFRS 9	Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	January 01, 2018

		<b>Effective date (annual periods beginning on or after)</b>
IFRS 9	Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 19	Employee benefits - Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
IAS 39	Financial Instruments: Recognition and Measurements- Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	Applies when IFRS 9 is applied
IAS 40	Investment Property - Amendments to clarify transfers or property to, or from, investment property	January 01, 2018

The Annual Improvements to IFRSs that are effective from the dates mentioned below against respective standards:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2018
IFRS 28	Investments in Associates and Joint Ventures	January 01, 2018

**Effective date  
(annual periods  
beginning on or  
after)**

Annual Improvements to IFRSs (2015 – 2017) Cycle:

IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

### 3.3 Standards or interpretations not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned below against the respective standard:

IFRS 9	Financial Instruments	July 01, 2018
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRS 16	Leases	January 1, 2019

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting	July 01, 2018
IFRS 14	Regulatory Deferral Accounts	July 01, 2018
IFRS 17	Insurance Contracts	January 1, 2019

The effects of IFRS 15 - Revenues from Contracts with Customers and IFRS 9 - Financial Instruments are still being assessed, as these new standards may have a significant effect on the Fund's future financial statements.

The Fund expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Fund's financial statements in the period of initial application.

## 4 SIGNIFICANT ACCOUNTING POLICIES

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

### 4.1 Cash and cash equivalents

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

### 4.2 Financial assets

#### 4.2.1 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 classification of its financial assets at initial recognition and re-evaluates this classification on regular basis.

Investments are categorised as follows:

#### a) Loans and receivables

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

**b) Financial assets at fair value through profit or loss**

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

**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. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

**4.2.2 Regular way contracts**

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

**4.2.3 Initial recognition and measurement**

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

**4.2.4 Subsequent measurement**

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

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

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

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

**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 on these instruments are also recognised in the income statement when the financial assets carried at amortised cost are derecognised or impaired.

#### **4.2.5 Impairment**

The Fund assesses at each reporting date whether there is objective evidence that the financial assets or a group of financial assets are 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 assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

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

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

For certain other financial assets, a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against those 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.

#### **4.2.6 Derecognition**

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

#### **4.3 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

#### **4.4 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.

#### **4.5 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.

#### **4.6 Provisions**

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

#### **4.7 Collaterals**

Cash collaterals provided by the Fund are identified in the statement of assets and liabilities as margin and are not included as a component of cash and cash equivalents. For collaterals other than cash, if the party to whom the collaterals are provided has a right by contract or custom to sell or re-pledge the collaterals, the Fund classifies that collaterals in the statement of assets and liabilities separately from other assets and identifies the assets as pledged collaterals.

Where the party to whom the collaterals are provided does not have the right to sell or re-pledge, a disclosure of the collaterals provided is made in the notes to the financial statements.

#### **4.8 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 is distributed to the unit holders.

The Fund is also exempt from 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 the 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.

#### **4.9 Preliminary expenses and floatation cost**

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, brokerage paid to the members of the stock exchange and other expenses. These costs are being amortised over a period of three years commencing from the date of plan, in accordance with the Trust Deed of the Fund and NBFC Regulations.

#### **4.10 Proposed distributions**

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

#### **4.11 Issuance and redemption of units**

Units are allocated at the offer price prevalent on the day on which funds for purchase of units are realised. The offer price represents the net asset value per unit at the end of the preceding day. Issue of units is also recorded on realisation of funds.

Units redeemed are recorded at the redemption price, applicable to units for which the Fund receives redemption applications during business hours of that day. The redemption price represents the net asset value per unit at the end of the preceding day. Redemption of units is recorded on acceptance of application for redemption.

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

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, since there are practical impediments attached to retrospective application of change in accounting policy and retrospective restatement, therefore, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017. Further, MUFAP has clarified that the amendment is applicable for accounting period beginning on July 01, 2017. Accordingly, corresponding figures have not been restated. The „Distribution Statement“ for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations vide the aforementioned SRO issued by the SECP.

Had the element of loss been recognised as per the previous accounting policy, the income of the Fund would have lower by Re. 0.008 million. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' which have been incorporated in these financial statements.

#### 4.13 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 issue at the year end.

#### 4.14 Revenue recognition

- Gains / (losses) arising on sale of investments is accounted for in the period in which it arises.
- Unrealised (loss) / gain on revaluation of investments classified as financial assets at fair value through profit or loss is included in the income statement in the period in which it arises.
- Unrealised (loss) / gain on revaluation of investments classified as „available-for-sale“ is included in the statement of comprehensive income in the period in which it arises.
- Profit on bank balances and term deposits is recorded on accrual basis.

#### 4.15 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rates are recognised in the income statement.

#### 4.16 Transactions with related parties / connected persons

Transactions with related parties / connected persons are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

Remuneration to the Management Company and the Trustee is determined in accordance with the provision of NBFC Rules, NBFC Regulations and the Trust Deed respectively.

	Note	2018 ----- (Rupees in '000) -----	2017 -----
<b>5 BANK BALANCES</b>			
Cash at bank			
In savings accounts	5.1	<u>221</u>	<u>1,692</u>

5.1 Profit rates on these savings accounts range between 3.75 % to 5.3% per annum (June 30, 2017: 4% to 5.3%). This includes an amount held by a related party (United Bank Limited) amounting to Rs. 0.014 million.

#### 6 TERM DEPOSIT RECEIPTS

Opening balance		356,949	-
Acquired during the year / period		-	356,949
Disposed during the year / period	6.1	<u>13,066</u>	<u>-</u>
Closing balance	6.2	<u>343,883</u>	<u>356,949</u>

6.1 These Term Deposit Receipts (TDRs) having face value of Rs. 13.066 million carrying interest rate ranging from 3.75% to 5.10% were pre-matured during the year.

6.2 These Term Deposit Receipts (TDRs) carry profit of 6.60% having maturity till January 2020.

## 7 INVESTMENTS

### Investment in equity shares

Held for trading	7.1	29,817	60,038
Available for sale	7.2 & 7.2.1	3,680	-
		<u>33,497</u>	<u>60,038</u>

### 7.1 Held for trading

Name of investee company	Number of shares				Balance as at June 30, 2018		Market value as at June 30, 2017	Appreciation / (diminution) as at June 30, 2018	Market value as a percentage of net assets	Market value as a percentage of total value
	As at July 01, 2017	Purchased / bonus received during the year	Sold during the year	As at June 30, 2018	Carrying value as at June 30, 2018	Market value as at June 30, 2018				
-----Number of shares-----					----- (Rupees in '000) -----					
<b>INSURANCE</b>										
Adamjee Insurance Company Limited	15,000	-	15,000	-	-	-	1,025	-	0.00%	0.00%
	15,000	-	15,000	-	-	-	1,025	-	0.00%	0.00%
<b>CEMENT</b>										
Cherat Cement Company Limited	35,000	-	1,500	33,500	5,989	3,257	6,257	(2,732)	0.76%	10.92%
Lucky Cement Limited	9,100	-	4,100	5,000	4,181	2,540	7,610	(1,641)	0.59%	8.52%
	44,100	-	5,600	38,500	10,170	5,797	13,867	(4,373)	1.36%	19.44%
<b>FERTILIZER</b>										
Engro Fertilizers Limited	25,000	-	-	25,000	1,381	1,873	1,381	492	0.44%	6.28%
	25,000	-	-	25,000	1,381	1,873	1,381	492	0.44%	6.28%
<b>PHARMACEUTICALS</b>										
Highnoon Laboratories Limited	5,264	103	4,400	967	541	397	3,297	(144)	0.09%	1.33%
The Searle Company Limited	3,560	712	3,300	972	415	330	1,823	(85)	0.08%	1.11%
	8,824	815	7,700	1,939	956	727	5,119	(229)	0.17%	2.44%
<b>POWER GENERATION &amp; DISTRIBUTION</b>										
The Hub Power Company Limited	15,000	-	8,600	6,400	752	590	1,761	(162)	0.14%	1.98%
	15,000	-	8,600	6,400	752	590	1,761	(162)	0.14%	1.98%
<b>CHEMICALS</b>										
I. C. I. Pakistan Limited	5,500	-	2,900	2,600	2,847	2,084	6,020	(763)	0.49%	6.99%
	5,500	-	2,900	2,600	2,847	2,084	6,020	(763)	0.49%	6.99%
<b>ENGINEERING</b>										
International Steels Limited	26,500	-	2,600	23,900	3,057	2,431	3,389	(626)	0.57%	8.15%
	26,500	-	2,600	23,900	3,057	2,431	3,389	(626)	0.57%	8.15%
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>										
Mari Petroleum Company Limited	4,500	-	-	4,500	7,090	6,778	7,090	(312)	1.59%	22.73%
	4,500	-	-	4,500	7,090	6,778	7,090	(312)	1.59%	22.73%
<b>TEXTILE COMPOSITE</b>										
Nishat Mills Limited	38,800	-	5,000	33,800	5,363	4,762	6,157	(600)	1.11%	15.97%
	38,800	-	5,000	33,800	5,363	4,762	6,157	(600)	1.11%	15.97%
<b>AUTOMOBILE ASSEMBLER</b>										
Pak Suzuki Motor Company Limited	10,000	-	10,000	-	-	-	7,804	-	0.00%	0.00%
	10,000	-	10,000	-	-	-	7,804	-	0.00%	0.00%
<b>AUTOMOBILE PARTS &amp; ACCESSORIES</b>										
Thal Limited *	10,600	-	600	10,000	6,060	4,775	6,424	(1,285)	1.12%	16.01%
	10,600	-	600	10,000	6,060	4,775	6,424	(1,285)	1.12%	16.01%
<b>Total June 30, 2017</b>	<b>203,824</b>	<b>815</b>	<b>58,000</b>	<b>146,639</b>	<b>37,676</b>	<b>29,817</b>	<b>60,038</b>	<b>(7,858)</b>	<b>7%</b>	<b>100%</b>

\* Face value is Rs. 5 per share.

7.1.1 The Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5 percent is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the company declaring bonus shares which shall be considered as final discharge of tax liability on such income. The Management Company of the Fund jointly with other asset management companies and Mutual Funds Association of Pakistan, has filed a petition in Honorable High Court of Sindh to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the mutual funds based on the premise of exemptions available to mutual funds under clause 99 of Part I and clause 47B of Part IV of Second Schedule to the Income Tax Ordinance, 2001. The Honorable High Court of Sindh has granted stay order till the final outcome of the case. The investee companies of the Fund, in pursuance of the aforesaid amendment, withheld shares equivalent to 5 % of bonus entitlement of the Fund having fair market value of Rs. 0.0637 million at year end. Such shares have not been deposited by the investee companies in CDC account of Income Tax department. The Fund has included in its investment the shares withheld and recorded these at fair market value at year end.

7.1.2 The above securities include 25,600 shares pledged with the National Clearing Company of Pakistan Limited having a market value (in aggregate) amounting to Rs. 4.269 million for guaranteeing settlement of the Fund's trade in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.

## 7.2 Available for sale

Name of investee company	Note	Number of shares				Balance as at June 30, 2018			Market value as a percentage of net assets	Market value as a percentage of total value of Investment
		As at July 1, 2017	Purchased / bonus received during the year	Sold during the year	As at June 30, 2018	Carrying value as at June 30, 2018	Market value as at June 30, 2018	Appreciation (diminution) as at June 30, 2018		
		-----Number of shares-----				----- (Rupees in '000) -----				
<b>Commercial Bank</b>										
Habib Bank Limited		-	8,000	3,000	5,000	777	832	55	0.20%	22.62%
		-	8,000	3,000	5,000	777	832	55	0.20%	2.25%
<b>Automobile Assembler</b>										
Honda Atlas Cars (Pakistan) Limited	7.2.1	-	9,000	-	9,000	2,848	2,848	-	1.10%	77.38%
		-	9,000	-	9,000	2,848	2,848	-	1.10%	12.43%
<b>Total</b>		-	<b>17,000</b>	<b>3,000</b>	<b>14,000</b>	<b>3,625</b>	<b>3,680</b>	<b>55</b>	<b>1.29%</b>	<b>100%</b>
<b>Total - June 30, 2017</b>		-	-	-	-	-	-	-	-	-

7.2.1 An impairment loss amounting to Rs. 2.065 million has been recorded on June 30, 2018 being the difference between carrying amount of Rs. 4.913 million and market value of Rs. 2.848 million. The said impairment loss has been recorded on 9,000 number of shares of Honda Atlas Cars (Pakistan) Limited, held by the Fund as on June 30, 2018 representing significant and prolonged decline in the market value of these shares.

**2018**                      **2017**  
----- (Rupees in '000) -----

## 8 MARK-UP / INTEREST RECEIVABLE

Markup / interest receivable on:

Saving accounts	6	8
Term deposit receipts	32,017	9,810
	<u>32,023</u>	<u>9,818</u>

## 9 DEPOSITS AND PREPAYMENTS

CDS deposit	100	100
NCCPL deposit	2,500	2,500
Prepaid expenses - others	135	220
	<u>2,735</u>	<u>2,820</u>

## 10 ADVANCE TAX

The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 151 and 233 of ITO 2001. The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/2008-Vol.II- 66417-R" dated May 12, 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). During the year, prior to receiving tax exemption certificate(s) from CIR various withholding agents have deducted advance tax under section 150 of ITO 2001. The management is confident that the same shall be refunded after filing Income Tax Return for Tax Year 2018.

		2018	2017
	Note	----- (Rupees in '000) -----	
<b>11</b>	<b>PRELIMINARY EXPENSES AND FLOATATION COSTS</b>		
	Preliminary expenses and floatation costs	1,923	2,243
	Amortisation during the year / period	<u>(745)</u>	<u>(320)</u>
	Balance as at June 30, 2018	<u><u>1,178</u></u>	<u><u>1,923</u></u>

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 three years commencing from January 26, 2017 as per the requirements set out in the Trust Deed.

**12 PAYABLE TO UBL FUND MANAGERS LIMITED  
- MANAGEMENT COMPANY**

Remuneration payable (including Sindh Sales	12.1 & 12.2	288	298
Formation cost and other payable		17	4,858
Allocated expenses payable	20	<u>69</u>	<u>72</u>
		<u><u>374</u></u>	<u><u>5,228</u></u>

12.1 As per NBFC Regulations, the Management Company is entitled to remuneration of an amount not exceeding 1% of average annual net assets of the Fund. The Management Company has charged remuneration at the rate of 0.75% of the net assets of the Fund calculated on a daily basis.

12.2 The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

		2018	2017
	Note	----- (Rupees in '000) -----	
<b>13</b>	<b>PAYABLE TO CENTRAL DEPOSITORY COMPANY</b>		

Trustee fee payable (including Sindh Sales tax)	13.1 & 13.2	<u>50</u>	<u>52</u>
---	-------------	-----------	-----------

13.1 The Trustee is entitled to a monthly remuneration for the services rendered to the Fund under the provisions of the Trust Deed and Offering Document as per the tariff structure specified therein, based on the daily net asset value of the Fund. The remuneration is paid to the Trustee monthly in arrears.

As per the Trust Deed and Offering Document, the tariff applicable to the Fund in respect of the Trustee fee during the year ended June 30, 2018 is 0.13% of net assets.

13.2 The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% on the trustee fee through the Sindh Sales Tax on Services Act, 2011.

**14 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

Annual fee payable	14.1	<u>315</u>	<u>136</u>
--------------------	------	------------	------------

- 14.1 Under the provisions of NBFC Regulations, a collective investment scheme classified as capital protected scheme is required to pay as annual fee to the SECP, an amount equal to 0.075% of the average annual net assets of the Fund.

**15 ACCRUED EXPENSES AND OTHER LIABILITIES**

Auditors' remuneration payable		168	114
Brokerage expense payable		1	15
Legal and professional fee payable		11	-
Zakat deducted at source payable		107	180
Withholding tax payable		-	508
Provision for Sindh Workers' Welfare Fund	15.1	184	144
NCCPL transaction expense payable		39	-
		<u>510</u>	<u>961</u>

**15.1 Provision for Sindh Workers' Welfare Fund**

As a consequence of the 18th amendment to the Constitution, levy for Sindh Workers' Welfare Fund (SWWF) was introduced by the Government of Sindh through the Sindh Workers Welfare Fund Act, 2014 (SWWF Act, 2014). SWWF Act 2014, enacted on May 21, 2015, requires every Industrial Establishment located in the province of Sindh and having total income of Rs.500,000 or more in any year of account commencing on or after the date of closing of account on or after December 31, 2013, to pay two percent of so much of its total income declared to SWWF. The said Act includes any concern engaged in the Banking or Financial Institution in the definition of "Industrial Undertaking" but does not define Financial Institution.

The Management Company, based on an opinion obtained by the Mutual Funds Association of Pakistan (MUFAP), believes that Mutual Funds are not liable to pay SWWF under the said law, for the reason that the Mutual Funds are not financial institutions and rather an investment vehicle. However, the Sindh Revenue Board has not accepted the said position of MUFAP and as a result, MUFAP has taken up this matter with the Sindh Finance Ministry for resolution.

In view of the above developments regarding the applicability of SWWF on Mutual Funds, the MUFAP obtained a legal opinion and based on such legal advice, has recommended to all its members on January 12, 2017 that provision against SWWF, on prudent basis, should be made from the date of enactment of the SWWF Act, 2014 (i.e. May 21, 2015) with effect from January 12, 2017.

The above decision was communicated to SECP and the Pakistan Stock Exchange Limited on January 12, 2017. In response to the aforementioned letter SECP vide its letter dated February 1, 2017 advised MUFAP that the adjustments relating to the above should be made prospectively and adequate disclosure shall be made.

Based on above, provision against SWWF amounting to Rs. 0.184 million has been made. Had this provision not been made, the net asset value of the Fund would have been higher by Re.0.045 per unit.

## 16 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017.

		<b>For the period from January 26, 2017 to June 30,</b>	
	<b>2018</b>	<b>2017</b>	
	----- <b>(Number of units)</b> -----		
<b>17</b>	<b>NUMBER OF UNITS IN ISSUE</b>		
	Total units in issue at the beginning of the year/period	4,265,190	-
	Add: Units issued	5,809	4,305,218
	Less: Units redeemed	(169,484)	(40,028)
	Total units in issue at the end of the year/period	<u>4,101,515</u>	<u>4,265,190</u>
<b>18</b>	<b>FINANCIAL INCOME</b>		
	Markup/interest income on:		
	Bank balances	76	447
	Term deposit receipts	23,008	9,810
		<u>23,084</u>	<u>10,257</u>
<b>19</b>	<b>AUDITORS' REMUNERATION</b>		
	Annual audit fee	116	112
	Fee for review of half yearly financial statements	47	-
	Fee for the review of compliance with the requirements of the Code of Corporate Governance	16	15
	Fee for other certifications/services	23	23
	Out of pocket expenses and sales tax	96	12
		<u>298</u>	<u>162</u>

## 20 ALLOCATED EXPENSES

As per regulation 60(3)(s) of NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the scheme, maximum up to 0.1% of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged 0.1% of the average annual net assets being the lower.

## 21 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. 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 Management Company intends to distribute by way of cash dividend at least 90% of the aforementioned net accounting income earned by the fund to the unit holders. Accordingly, no provision for current and deferred tax has been made in these financial statements.

## 22 EARNINGS PER UNIT

Earnings per unit has not been disclosed as in the opinion of the Management Company, determination of the cumulative weighted average number of outstanding units is not practicable.

## 23 TOTAL EXPENSE RATIO

As per Directive 23 of 2016 dated July 20, 2016 issued by SECP, the Total Expense Ratio of the Fund is 1.62% as on June 30, 2018 and this includes 0.20% representing Government levy, Sindh Workers' Welfare Fund and SECP fee.

## 24 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2018, the financial assets carried on the statement of assets and liabilities are categorised either as 'Loans and receivables', 'at fair value through profit or loss' or 'available for sale'. The financial liabilities carried on the statement of assets and liabilities are categorised as other financial liabilities i.e. liabilities other than 'at fair value through profit or loss'.

Particulars	As at June 30, 2018			Total
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Financial assets 'available for sale'	
----- Rupees in '000 -----				
<b>Financial assets</b>				
Bank balances	221	-	-	221
Term deposit receipts	343,883	-	-	343,883
Investments - held for trading	-	29,817	-	29,817
Investments - available for sale	-	-	3,680	3,680
Mark-up / interest receivable	32,023	-	-	32,023
Dividend receivable	205	-	-	205
Deposits	2,600	-	-	2,600
	<u>378,932</u>	<u>29,817</u>	<u>3,680</u>	<u>412,429</u>

Particulars	As at June 30, 2017			Total
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Financial assets 'available for sale'	
<b>Financial assets</b>				
Bank balances	1,692	-	-	1,692
Term deposit receipts	356,949	-	-	356,949
Investments	-	60,038	-	60,038
Mark-up / interest receivable	9,818	-	-	9,818
Dividend receivable	66	-	-	66
Deposits	2,600	-	-	2,600
	<u>371,125</u>	<u>60,038</u>	<u>-</u>	<u>431,163</u>

Particulars	As at June 30, 2018		
	Financial liabilities 'at fair value through profit or loss'	Other financial liabilities	Total
----- Rupees in '000 -----			
<b>Financial liabilities</b>			
Payable to UBL Fund Managers Limited - Management Company	-	331	331
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	44	44
Accrued expenses and other liabilities	-	219	219
	-	594	594
----- Rupees in '000 -----			
Particulars	As at June 30, 2017		
	Financial liabilities 'at fair value through profit or loss'	Other financial liabilities	Total
----- Rupees in '000 -----			
<b>Financial liabilities</b>			
Payable to UBL Fund Managers Limited - Management Company	-	5,194	5,194
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	46	46
Accrued expenses and other liabilities	-	273	273
	-	5,513	5,513

## 25 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF THE COMMISSION CHARGE

		<b>June 30, 2018</b> <b>(Percentage)</b>
1	IGI Finex Securities Limited	40.7%
2	Taurus Securities Limited	18.9%
3	Insight Securities (Private) Limited	14.8%
4	DJM Securities (Private) Limited	9.4%
5	Topline Securities (Private) Limited	4.5%
6	Adam Securities (Private) Limited	4.4%
7	Arif Habib Limited	3.0%
8	EFG Hermes Pakistan Limited	2.1%
9	BMA Capital Management Limited	1.2%
10	Foundation Securities (Private) Limited	0.9%
		<b>100.0%</b>
		<b>June 30, 2017</b> <b>(Percentage)</b>
1	Alfalah Securities (Private) Limited	17.7%
2	IGI Finex Securities Limited	15.1%
3	Global Securities Pakistan Limited	13.7%
4	Optimus Capital Management (Private) Limited	11.0%
5	EFG Hermes Pakistan Limited	7.9%
6	Next Capital Limited	7.6%
7	Insight Securities (Private) Limited	6.5%
8	Intermarket Securities (Private) Limited	5.8%
9	DJM Securities (Private) Limited	4.6%
10	Standard Capital Securities (Private) Limited	3.6%
		<b>93.3%</b>

## 26 BRIEF PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of the members of the Investment Committee of the Fund are as follows:

S. No.	Name	Designation	Experience in years	Qualification
1	Yasir Qadri	Chief Executive Officer	22.1	MBA
2	Syed Suleman Akhter	Chief Investment Officer	16.85	MBA,CFA
3	Farhan Bashir Khan	Head of Research	11.6	MBA
4	Hadi Hassan Muki	Acting Head of Risk & Compliance *	18.00	B.Com
5	Usama Bin Razi	Fund Manager **	14.57	MBA

\* Head of Risk - non voting observer

\*\* Usama Bin Razi is the Fund Manager of the Fund. He is also the Fund Manager of UBL Liquidity Plus Fund, UBL Growth and Income Fund, UBL Asset Allocation Fund, UBL Government Securities Fund, UBL Retirement Savings Fund, Al-Ameen Islamic Aggressive Income Fund and Al-Ameen Islamic Asset Allocation Fund.

## 27 PATTERN OF UNIT HOLDING

Category	-----June 30, 2018-----		
	Number of unit holders	Number of units held	Percentage of units held
Individuals	64	2,194,375	53.50%
Associated Companies	2	1,706,046	41.60%
Retirement Funds	1	20,125	0.49%
Others	2	180,969	4.41%
	69	4,101,515	100.00%

Category	-----June 30, 2017-----		
	Number of unit holders	Number of units held	Percentage of units held
Individuals	76	2,358,050	55.29%
Associated Companies and Directors	3	1,786,977	41.90%
Retirement Funds	1	20,125	0.47%
Others	1	100,038	2.35%
	81	4,265,190	100.00%

## 28 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Connected persons / related parties comprise of United Bank Limited (Holding Company of Management Company), UBL Fund Managers Limited (Management Company), Al-Ameen Islamic Financial Services (Private) Limited (Subsidiary of the Management Company), entities under common management or directorships, Central Depository Company of Pakistan Limited (Trustee) and the Directors and Officers of Management Company.

Remuneration to the Management Company and the Trustee is determined in accordance with the provision of NBFC Rules, NBFC Regulations and the Trust Deed respectively. Other transactions with the related parties / connected persons have been carried out at agreed / commercial terms.

Details of transaction with the related parties and balances with them at the year end are as follows:

	Management Company	Associated Companies	Trustee	Funds under Common Management	Directors and Key Executives	Other Connected persons / related parties
	(Rupees in '000)					
<b>Transactions during the year ended June 30, 2018</b>						
Profit on savings accounts	-	12	-	-	-	-
Profit on Term deposit receipts	-	23,008	-	-	-	-
Bank charges	-	4	-	-	-	-
Units issued	-	-	-	-	-	-
Purchase of term deposit receipts	-	-	-	-	-	-
Remuneration including SST	3,554	-	616	-	-	-
Allocated expenses	419	-	-	-	-	-
CDS expense	-	-	7	-	-	-
Initial and annual listing fee	-	-	-	-	-	95
<b>Transactions during the period ended June 30, 2017</b>						
Profit on savings accounts	-	386	-	-	-	-
Profit on Term deposit receipts	-	9,810	-	-	-	-
Bank charges	-	4	-	-	-	-
Units issued	-	178,697	-	-	-	-
Divided paid	-	2,728	-	-	-	-
Purchase of term deposit receipts	-	356,949	-	-	-	-
Remuneration	1,539	-	267	-	-	-
CDS expense	-	-	6	-	-	-
<b>Balances held as at June 30, 2018</b>						
Units held (in Units '000)	-	1,706	-	-	-	1,003
Units held (in Rupees '000)	-	171,715	-	-	-	100,919
Bank balances	-	14	-	-	-	-
Deposits	-	-	100	-	-	-
Remuneration payable	288	-	50	-	-	-
Other payables	17	-	-	-	-	-
Term deposit receipts	-	343,882	-	-	-	-
Profit receivable on Term deposit receipts	-	32,017	-	-	-	-
Allocated expenses payable	69	-	-	-	-	-
Initial listing fee	-	-	-	-	-	110
<b>Balances held as at June 30, 2017</b>						
Units held (in Units '000)	-	1,787	-	-	-	-
Units held (in Rupees '000)	-	178,987	-	-	-	-
Bank balances	-	487	-	-	-	-
Deposits	-	-	100	-	-	-
Remuneration payable	298	-	52	-	-	-
Other payables	4,857	-	-	-	-	-
Profit receivable	-	2	-	-	-	-
Profit receivable on Term deposit receipts	-	9,810	-	-	-	-
Allocated expenses payable	72	-	-	-	-	-

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

During the year, seven meetings of the Board of Directors of the Management Company were held. The details of the attendance are as under:

Particulars	August 23, 2017	September 25, 2017	October 27, 2017	December 06, 2017	February 16, 2018	April 26, 2018	May 02, 2018	Total meetings attended
<b>Name of Directors:</b>								
Tariq Kirmani **	✓	✓	N/A	N/A	N/A	N/A	N/A	2
Azhar Hamid *	N/A	N/A	✓	✓	✓	✓	✓	5
Yasir Qadri	✓	✓	✓	✓	✓	✓	✓	7
Naz Khan *	N/A	N/A	✓	✓	✓	✓	✓	5
Shabbir Hussain Hashmi **	✓	✓	N/A	N/A	N/A	N/A	N/A	2
Sharjeel Shahid *	N/A	N/A	✓	✓	x	✓	x	3
Zia Ijaz	✓	✓	✓	✓	x	✓	x	5
Syed Furrugh Zaeem	✓	✓	✓	✓	✓	✓	✓	7
Mirza Muhammad Sadeed Hassan Barlas **	✓	✓	✓	✓	x	✓	✓	6
<b>Name of Key Executives</b>								
Fawaz Taj Siddiqui ****	✓	✓	✓	✓	✓	N/A	N/A	5
Umair Ahmed	✓	✓	✓	✓	✓	✓	✓	7
S.M. Aly Osman ****	N/A	N/A	N/A	N/A	N/A	✓	✓	2

\* Elected at EOGM held on September 29, 2017

\*\* Independent Director's have completed three consecutive term

\*\*\* Mr. Zulfiqar Alavi resigned on August 07, 2017.

\*\*\*\* Mr. Fawaz Taj Siddiqui resigned and appointment of Mr. S.M. Aly Osman effective from April 2, 2018 as Company Secretary

## 30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's objective in managing risks is the creation and protection of Unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the Fund's constitutive documents and the regulations and the directives issued by the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

### 30.1 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 the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee and the regulation laid down by the SECP.

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

### **30.1.1 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 does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

### **30.1.2 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2018, the Fund is exposed to such risk on its balances held with banks. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

#### **a) Sensitivity analysis for variable rate instruments**

The Fund is exposed to cash flow interest rate risk for balances in savings accounts and term deposit receipts, the interest rates on which range between 3.75% to 5.3% per annum and 6.60% per annum respectively.

In case of 100 basis points increase / decrease in interest rates on June 30, 2018, with all other variables held constant, the net income for the year and the net assets would have been higher / lower by Rs. 0.002 million (2017: Rs. 0.017 million).

#### **b) Sensitivity analysis for fixed rate instruments**

Presently, the Fund does not hold any fixed rate instrument and is not exposed to fair value interest rate risk.

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

### **30.1.3 Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund's equity securities are primarily exposed to equity price risk because of investments held and classified by the fund on the statements of assets and liabilities as 'financial assets at fair value through profit or loss' and 'available for sale'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Fund's constitutive documents / NBFC Regulations.

In case of 5% increase / decrease in the fair value of the Fund's equity securities classified as 'financial assets at fair value through profit or loss' and 'available for sale' on June 30, 2018, net income for the year and other comprehensive income would increase / decrease by Rs. 1.490 million and Rs. 0.184 million respectively and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as 'financial assets at fair value through profit or loss' and 'available for sale'.

### 30.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to non-payment of redemptions request on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by the SECP.

#### Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed of.

The Fund can borrow, with the prior approval of the trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings were made during the year

The following table 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.

Particulars	June 30, 2018			Total
	Upto three months	More than three months and upto one year	Over one year	
----- Rupees in '000 -----				
<b>Financial liabilities</b>				
Payable to UBL Fund Managers Limited - Management Company	331	-	-	331
Payable to the Central Depository Company of Pakistan Limited - Trustee	44	-	-	44
Accrued expenses and other liabilities	219	-	-	219
<b>Total liabilities</b>	<b>594</b>	<b>-</b>	<b>-</b>	<b>594</b>

Particulars	June 30, 2017			Total
	Upto three months	More than three months and upto one year	Over one year	
----- Rupees in '000 -----				
<b>Financial liabilities</b>				
Payable to UBL Fund Managers Limited - Management Company	5,194	-	-	5,194
Payable to the Central Depository Company of Pakistan Limited - Trustee	46	-	-	46
Accrued expenses and other liabilities	273	-	-	273
<b>Total liabilities</b>	<b>5,513</b>	<b>-</b>	<b>-</b>	<b>5,513</b>

### 30.3 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation. The Fund's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements.

#### Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules, the NBFC regulations and guidelines given by the SECP from time to time.

The maximum exposure to credit risk before any credit enhancement as at June 30, 2018 is the carrying amount of the financial assets. None of these assets are 'impaired' nor 'past due but not impaired'.

30.3.1 The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2018:

#### Balances with banks by rating category

Name of the bank	Rating agency	Balances held by the Fund as at June 30, 2018	Latest available published rating as at June 30, 2018
Rupees in '000			
Bank Alfalah Limited	PACRA	19	AA+
United Bank Limited	JCR-VIS	343,896	AAA
NBP	JCR-VIS	188	AAA
		<u>344,103</u>	

#### Balances with banks by rating category

Name of the bank	Rating agency	Balances held by the Fund as at June 30, 2017	Latest available published rating as at June 30, 2017
Rupees in '000			
Bank Alfalah Limited	PACRA	1,205	AA+
United Bank Limited	JCR-VIS	357,436	AAA
		<u>358,641</u>	

30.3.2 The analysis below summarizes the credit quality of the Fund's credit exposure:

	2018	2017
	----- (Percentage) -----	
Rating by rating category		
AAA	66.67	50.00
AA+	33.33	50.00
	<u>100.00</u>	<u>100.00</u>

## **Concentration on credit risk**

Concentration of risk arises when a number of financial instruments or contracts are entered into the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Fund's major asset balances are held with two Banks. The management believes that these banks are reputed institutions.

## **31 UNIT HOLDERS' FUND RISK MANAGEMENT**

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. The Fund's objective when managing the unit holders' fund is to safeguard the Fund's ability to continue as a going concern in order to provide returns for the benefits of the unit holders to maintain a strong base of assets to support the development of the investment activities of the Fund and to meet unexpected losses or opportunities. As required under the NBFC Regulations, every open end scheme shall maintain minimum fund size (i.e. net assets of the Fund) of Rs. 100 million at all times during the life of scheme. In order to comply with the requirement and to maintain or adjust the Unit Holders' Fund, the Fund's policy is to perform the following:

- Monitor the level of daily issuance and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to unit holders;
- Redeem and issue units in accordance with the constitutive documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and issuance; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer critically track the movement of „Assets under Management“. The Board of Directors is updated regarding key performance indicators e.g. yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current period.

## **32 FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

As per the requirements of the IFRS 7 (Financial Instruments: Disclosures) and IFRS 13 (Fair value measurements), the Fund shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: 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: Inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs)

As of the reporting date, the following financial instruments of the Fund are carried at fair value:

	June 30, 2018			June 30, 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	-----Rs in '000-----			-----Rs in '000-----		
<b>Investment in equity shares</b>						
Held for trading	29,817	-	-	60,038	-	-
Available for sale	3,680			-		
	<u>33,497</u>	<u>-</u>	<u>-</u>	<u>60,038</u>	<u>-</u>	<u>-</u>

During the year ended June 30, 2018, there were no transfers between level 1 and level 2 fair value measurements and no transfers into and out of level 3 fair value measurements.

### 33 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company on July 2, 2018 approved a final distribution of Re. 0.4900 per unit on the face value of Rs. 100 each (i.e. 0.49%) amounting to Rs. 2.010 million. The financial statements of the Fund for the year ended June 30, 2018 do not include the effect of this distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2019.

### 34 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by Board of Directors of the Management Company on August 28, 2018.

### 35 GENERAL

These figures has been rounded off to the nearest thousand rupees unless

**For UBL Fund Managers Limited  
(Management Company)**

--SD--  
**CHIEF EXECUTIVE OFFICER**

--SD--  
**CHIEF FINANCIAL OFFICER**

--SD--  
**DIRECTOR**

## ***UBL Capital Protected Fund III***

### **THALL**

<b><i>Holding</i></b>	<b><i>Resolution</i></b>	<b><i>For</i></b>	<b><i>Against</i></b>	<b><i>Abstain*</i></b>
<b><i>10,600</i></b>	<i>Extra-Ordinary General Meeting of M/s Thal Limited was held on March 22, 2018, below resolutions were passed. 1. Approved to invest and arrange a Standby Letter of Credit in favor of lenders of ThalNova as required by sponsor support agreement. 2. Approved to contribute towards payments required to be made to foreign currency lenders of ThalNova and assign company's rights in respect of any investment made in ThalNova by way of loan. 3. Approved that for investments approval be accorded by the Board with jointly signed by the CEO and a director.</i>	✓		

***The proxy voting policy of the Collective Investment Scheme is available on the website of the Asset Management Company and detailed information regarding actual proxies voted by the Asset Management Company in respect of the Collective Investment Scheme is also available without charge, upon request, to all unit holders.***

***Moreover, other than above no meeting were attended and no proxies were also given.***

### **HUBC**

<b><i>Holding</i></b>	<b><i>Resolution</i></b>	<b><i>For</i></b>	<b><i>Against</i></b>	<b><i>Abstain*</i></b>
<b><i>6,400</i></b>	<i>Annual General Meeting of M/s The Hub Power Company Limited to be held on October 05, 2018, below are the meeting agendas. 1. Approve Audited Financial Statements of the Company for the year ended June 30, 2018. 2. Approve payment of cash dividend for the year ended June 30, 2018. 3. Appoint Auditors of the company and fix their remuneration. 4. Election of nine Directors for a period of three years. 5. Consider and Approve, if though appropriate, Issuance of Letter of Support (LOS) Guarantee to Private Power &amp; Infrastructure Board (PPIB) for Thar Energy Limited (TEL). 6. Transact any other business with permission of Chairman.</i>	✓		

***The proxy voting policy of the Collective Investment Scheme is available on the website of the Asset Management Company and detailed information regarding actual proxies voted by the Asset Management Company in respect of the Collective Investment Scheme is also available without charge, upon request, to all unit holders.***

***Moreover, other than above no meeting were attended and no proxies were also given.***

# **UDEF**

## **UBL Dedicated Equity Fund**

### **INVESTMENT OBJECTIVE**

The investment objective of the Fund is to provide other 'Fund of Funds' schemes an avenue for investing in Equities.

<b>Management Company</b>	UBL Fund Managers Limited
<b>Trustee</b>	Central Depository Company of Pakistan Limited 99-B, Block-B, S.M.C.H.S., Main Shahra-e-Faisal, Karachi. Tel: (9221) 111-111-500
<b>Distribution Company</b>	United Bank Limited  (for detail of others, please visit our website: <a href="http://www.ublfunds.com.pk">www.ublfunds.com.pk</a> )
<b>Auditors</b>	Deloitte Yousuf Adil Chartered Accountants
<b>Bankers</b>	United Bank Limited
<b>Management Co. Rating</b>	AM1(JCR-VIS)

## Fund Manager's Report – UBL Dedicated Equity Fund (UDEF)

- i) **Description of the Collective Investment Scheme category and type**  
Equity / Open-end
- ii) **Statement of Collective Investment Scheme's investment objective**  
The investment objective of the Fund is to provide other 'Fund of Funds' schemes an avenue for investing in Equities.
- iii) **Explanation as to whether the Collective Investment Scheme achieved its stated objective**  
The Collective Investment Scheme achieved its stated objective.
- iv) **Statement of benchmark(s) relevant to the Collective Investment Scheme**  
KSE-100 Index
- v) **Comparison of the Collective Investment Scheme's performance during the period compared with the said benchmarks**

Monthly Yield	Jul'17	Aug'17	Sep'17	Oct'17	Nov'17	Dec'17	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18	FYTD
UDEF	-	-	-	-	-	-	-	-	-	-	0.37%	-2.24%	-1.87%
Benchmark	-	-	-	-	-	-	-	-	-	-	1.68%	-2.18%	-0.54%

### Description of the strategies and policies employed during the period under review in relation to the Collective Investment Scheme's performance

UBL Dedicated Equity Fund was launched on 29-May-18. Since its inception; the fund has generated a negative return of 1.87%. The net assets of the fund stood at PKR 46mn at the end of FY18.

- vi) **Disclosure of the Collective Investment Scheme's asset allocation as at the date of the report and particulars of significant changes in asset allocation since the last report (if applicable)**

Asset Allocation (% of Total Assets)	Jun-17	Jun-18
Equities	0%	92%
T-bills	0%	0%
Cash	0%	7%
Others	0%	1%
Leverage	Nil	Nil

- vii) **Analysis of the Collective Investment Scheme's performance**

FY'18 Return:	-1.87%
Standard Deviation (12m trailing):	n/a
Sharpe Ratio (12m trailing):	n/a

viii) **Changes in total NAV and NAV per unit since the last review period or since commencement (in case of newly established Collective Investment Schemes)**

Net Asset Value			NAV per unit		
30-Jun-18	29-May-18	Change	30-Jun-18	29-May-18	Change
Rupees (000)		%	Rupees		%
45,810	31,271	31.74	98.1306	100.2290	(2.14)

ix) **Disclosure on the markets that the Collective investment Scheme has invested in including review of the market(s) invested in and performance during the period**

**Stock Market Review – FY18**

In the aftermath of distressing events in FY18, the KSE-100 index posted a cumulative loss of 10% after a prolonged period of 8-years. Market's decline was largely driven by a series of tensed political events, burgeoning concerns on macro-economic front along with continued sell-off by foreign investors (USD289mn). With growing uncertainties, market participants remained cautious, keeping average market-traded volumes depressed (84mn).

The benchmark index commenced the year with high hopes but soon suffered foreign outflows post MSCI inclusion. A series of setbacks augmented uncertainties during 1HFY18, keeping the equity market in a jittery position and pushing the index to a low of 37,919 points. The primary highlights among these were disqualification of sitting PM followed by barring of Finance Minister to run office; leaving little room to focus on economy. This was followed by a 21-day protest by TLP against the government pushing the regime into isolation. Without any proper economic manager in place, the country stood open to increasing hazards on the macroeconomic fronts.

With political tensions, concerns on external account started to unearth as support from low oil prices started to fade away. In the 3QFY18, some positive triggers like appointment of Finance Minister, smooth senate elections, announcement of tax amnesty scheme along with introduction of essential policy action prompted interest by market participants, leading to inflow of USD 31mn.

However, the concerns on macroeconomic front remained strong, requiring further use of policy actions. The full year FY18 current account deficit augmented to ~USD18bn (+43%YoY) further weighing down investor sentiment. Moreover, fiscal deficit came in much higher at ~7%. Mushrooming twin-deficit financing requirements weakened foreign reserves position. SBP's reserves were down to ~USD10bn at end of FY18, further deteriorating investor confidence.

On the international front, US Fed continued on its monetary tightening policy by 25bps to 2% during FY18. We expect this stance to continue in CY18. International oil prices mounted to a 4-year high of USD80/bbl amid better co-operation between member OPEC and Non-OPEC countries. Overall, commodity prices also rallied upwards with growing demands from importing countries. Escalation of

ongoing trade-war is expected to push oil prices downhill. This will be favorable for a high energy importing country like Pakistan. Moreover, a stable government will also resume work on the multi-billion CPEC project.

Going forward, remedial measures taken by central bank combined with entry into the IMF program will enable corrective measures and stabilize economy over medium term. Moreover, subsiding political tensions, steep discount (~24% from its peak) along with a high earnings-yield offering (~12%) is expected to strengthen investor sentiment and bring investor's interest back in the local equity market.

**x) Disclosure on distribution (if any), comprising:-**

During the period no distribution has been made.

**xi) Description and explanation of any significant changes in the state of affairs of the Collective Investment Scheme during the period and up till the date of the manager's report, not otherwise disclosed in the financial statements.**

There were no significant changes in the state of affairs of Collective Investment Scheme during the period that has not been disclosed in the financial statements.

**xii) Breakdown of unit holdings by size**

Range of Units	Number of Investors
	UDEF
0.0001 - 9,999.9999	0
10,000.0000 - 49,999.9999	0
50,000.0000 - 99,999.9999	0
100,000.0000 - 499,999.9999	2
500,000.0000 & Above	0
<b>Total</b>	<b>2</b>

**xiii) Disclosure on unit split (if any), comprising:-**

There were no unit splits during the period.

**xiv) Disclosures of circumstances that materially affect any interests of unit holders**

Investments are subject to market risk.

**xv) Disclosure if the Asset Management Company or its delegate, if any, receives any soft commission (i.e. goods and services) from its broker(s) or dealer(s) by virtue of transactions conducted by the Collective Investment Scheme.**

No soft commissions are received by the AMC from its brokers or dealers by virtue of transactions conducted by the Collective Investment Scheme.

## **PERFORMANCE TABLE**

### UBL Dedicated Equity Fund

	<b>2018</b>
<b>NET ASSETS AS AT 30 JUNE - Rupees in '000</b>	<b>45,810</b>
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - Rupees *</b>	
Class A units - Offer	<b>98.1306</b>
- Redemption	<b>98.1306</b>
<b>RETURN OF THE FUND - %</b>	
Total Return of the Fund	<b>(1.87)</b>
Capital Growth (per unit)	<b>(1.87)</b>
Date of Income Distribution	-
Income Distribution	-
Date of Income Distribution	-
Income Distribution	-
<b>AVERAGE ANNUAL RETURN - %</b>	
One Year	<b>(1.87)</b>
<b>OFFER / REPURCHASE DURING THE YEAR- Rupees *</b>	
Highest price per unit - Class A units - Offer	<b>103.2771</b>
Highest price per unit - Class A units - Redemption	<b>103.2771</b>
Lowest price per unit - Class A units - Offer	<b>96.1279</b>
Lowest price per unit - Class A units - Redemption	<b>96.1279</b>

\* Front-end load @ 2.5% is applicable

#### **PORTFOLIO COMPOSITION - %**

Percentage of Net Assets as at 30 June

#### **PORTFOLIO COMPOSITION BY CATEGORY - %**

Bank Balances	<b>7.00</b>
Equity securities	<b>92.00</b>
Others	<b>1.00</b>

#### **PORTFOLIO COMPOSITION BY MARKET - %**

Equity market	<b>92.00</b>
Debt Market	<b>8.00</b>

Note:

- The Launch date of Fund is 29 May 2018

## **DISCLAIMER**

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

**Head Office:**

CDC House, 99-B, Block 'B',  
S.M.C.H.S., Main Shakra-e-Faisal,  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**UBL DEDICATED EQUITY FUND**

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

We Central Depository Company of Pakistan Limited, being the Trustee of UBL Dedicated Equity Fund (the Fund) are of the opinion that UBL Fund Managers Limited being the Management Company of the Fund has in all material respects managed the Fund during period from May 29, 2018 to June 30, 2018 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.

**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 13, 2018



**STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 BY UBL FUND MANAGERS LIMITED**

**NAME OF FUND: UBL DEDICATED EQUITY FUND**

**YEAR ENDING: JUNE 30, 2018**

The Securities and Exchange Commission of Pakistan (SECP) through its letter dated April 18, 2018 to Mutual Funds Association of Pakistan (MUFAP) has exempted the open-end collective investment schemes from the requirements of the Code of Corporate Governance. However, the Board of Directors of UBL Fund Managers Limited (the Management Company) of UBL Dedicated Equity Fund (the Fund), for the purpose of establishing a framework of good governance whereby a Fund is managed by best practice of Corporate governance, has voluntarily opted to comply with the relevant provisions of the Listed Companies (Code of Corporate Governance) Regulations 2017 (The Code).

The Management Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following:
  - a. Male: Six Directors;
  - b. Female: One Director.

2. The composition of the Board is as follows:

Category	Name
Independent Directors	Mr. Azhar Hamid
	Ms. Naz Khan
Executive Directors	Mr. Yasir Qadri
Non - Executive Directors	Mirza Muhammad Sadeed Hassan Barlas
	Mr. Sharjeel Shahid
	Mr. Zia Ijaz
	Syed Furrukh Zaeem

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company.
4. 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.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained. The Management Company has placed the Whistle Blowing Policy, Proxy Policy and the Principles of the Code of Conduct (Statement of Ethics and Business Practice) on its website.
6. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
7. The Board has a formal and effective mechanism in place for an annual evaluation of the Board's own performance.

**UBL FUND MANAGERS LIMITED**

+92 21 111 825 262

info@ublfunds.com

4<sup>th</sup> Floor, STSM Building, Beaumont Road, Civil Lines, Karachi.

www.ublfunds.com



8. The Chairman of the Board is an Independent director. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board as empowered by the relevant provisions of the Act and these Regulations.
9. 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. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
10. Following directors and executive have acquired the prescribed Director Training Program (DTP) certification:

**Directors**

- a. Mirza Muhammad Sadeed Hassan Barlas
- b. Mr. Yasir Qadri
- c. Mr. Zia Ijaz
- d. Ms. Naz Khan
- e. Syed Furrukh Zaeem

**Executive**

- f. S.M. Aly Osman

11. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
12. CFO and CEO duly endorsed the financial statements before approval of the Board.
13. The Board has formed committees comprising of members given below. The Board Audit Committee and the Board Human Resource & Compensation Committee are chaired by separate Independent directors:
  - a. Board Audit Committee
    - i. Ms. Naz Khan (Chair);
    - ii. Mirza Muhammad Sadeed Hassan Barlas;
    - iii. Mr. Sharjeel Shahid;
    - iv. Mr. Zia Ijaz.
  - b. Board Human Resource & Compensation Committee
    - i. Mr. Azhar Hamid (Chairman);
    - ii. Mr. Yasir Qadri;
    - iii. Mr. Zia Ijaz;
    - iv. Ms. Naz Khan;
    - v. Syed Furrukh Zaeem.
  - c. Board Risk & Compliance Committee
    - i. Mirza Muhammad Sadeed Hassan Barlas (Chairman);
    - ii. Mr. Azhar Hamid;
    - iii. Mr. Sharjeel Shahid;
    - iv. Mr. Yasir Qadri;
    - v. Syed Furrukh Zaeem.

**UBL FUND MANAGERS LIMITED**

+92 21 111 825 262

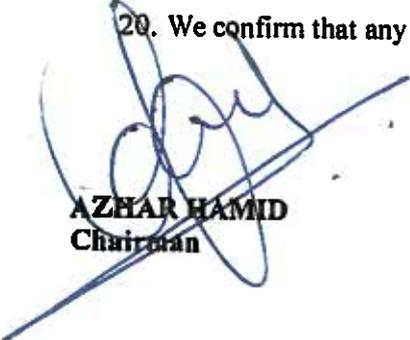
info@ublfunds.com

4<sup>th</sup> Floor, STSM Building, Beaumont Road, Civil Lines, Karachi.

www.ublfunds.com



14. The Terms of Reference of the aforesaid Committees have been formed, documented and advised to the Committee for compliance.
15. The frequency of meetings of the Committee were as per following:
  - a. Board Audit Committee : Quarterly Meeting
  - b. Board Human Resource & Compensation Committee: Quarterly Meeting
  - c. Board Risk & Compliance Committee: Quarterly Meeting
16. The Board has set up an independent and effective internal audit function and the audit personnel are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company.
17. 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) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
18. The Board Audit Committee recommends to the Board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that any other significant requirements of the Regulations have been complied with.

  
**AZHAR HAMID**  
Chairman

Karachi.  
Dated: August 28, 2018

## To the unitholders of UBL Dedicated Equity Fund

### Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors (the Board) of UBL Fund Managers Limited, the Management Company of **UBL Dedicated Equity Fund** (the Fund) for the period ended **30 June 2018** in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of the Management Company of the Fund. Our responsibility is to review whether the Statement of Compliance reflects the status of the Management Company's compliance with the provisions of the Regulations in respect of the Fund and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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's 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 Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval, the Fund's related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Management Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Funds for the period ended 30 June 2018.



**Chartered Accountants**

**Place:** Karachi

**Date:** 28 August 2018

## INDEPENDENT AUDITORS' REPORT

To the Unit holders of UBL Dedicated Equity Fund

Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of **UBL Dedicated Equity Fund** (the Fund), which comprise the statement of assets and liabilities as at **30 June 2018**, and income statement, statement of comprehensive income, statement of movement in unit holders' fund and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at **30 June 2018**, and of its financial performance and its cash flows for the period then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matter	How our audit addressed the key audit matter
<b>1. Existence and valuation of equity investments</b>	
As disclosed in note 8 to the accompanying financial statements of the Fund for the period ended 30 June 2018, the investments held by the Fund comprised of listed shares which represent 87% of the total assets of the Fund as at the period end.	<p>We performed a combination of audit procedures focusing on the existence and valuation of investments. Our key procedure included the following:</p> <ul style="list-style-type: none"> <li>- We tested controls over acquisition, disposals and periodic valuation of investments portfolio.</li> </ul>

*Signature*

Key audit matter	How our audit addressed the key audit matter
<p>In view of the significance of investment in relation to the total assets and the Net Asset Value (NAV) of the Fund, we have considered the existence and valuation of such investments as a key audit matter.</p>	<ul style="list-style-type: none"> <li>- We performed substantive audit procedures on year-end balance of portfolio including review custodian's statement, and related reconciliations, re-performance of investment valuations on the basis of quoted market prices at the Pakistan Stock Exchange as at 30 June 2018.</li> <li>- We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and the adequacy of disclosures as may be applicable in situations of non-compliance.</li> <li>- We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of the Regulations and whether the Fund's disclosures in relation to the valuation of investments are compliant with the relevant accounting requirements.</li> </ul>

### Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Board of Directors for the Financial Statements

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:**

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

EY

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shaikh Ahmed Salman.



**Chartered Accountants**

**Date: 28 August 2018**

**Karachi**

**UBL DEDICATED EQUITY FUND  
STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2018**

	Note	June 30, 2018 (Rupees in '000)
<b>ASSETS</b>		
Bank balances	7	3,330
Investments	8	42,907
Dividend and mark-up receivable	9	95
Advance tax	10	29
Security deposit	11	2,500
Preliminary expenses and floatation costs	12	306
<b>Total assets</b>		<b>49,167</b>
<b>LIABILITIES</b>		
Payable to the Management Company	13	2,937
Payable to the Trustee	14	10
Annual fee payable to the Securities and Exchange Commission of Pakistan (SECP)	15	5
Accrued and other liabilities	17	405
<b>Total liabilities</b>		<b>3,357</b>
<b>NET ASSETS</b>		<b>45,810</b>
Unit holders' fund (as per statement attached)	22.6	<b>45,810</b>
Contingencies and commitments	18	
		(Number of units)
<b>NUMBER OF UNITS IN ISSUE</b>		<b>466,825</b>
		---- (Rupees) ----
<b>NET ASSETS VALUE PER UNIT</b>	4.4	<b>98.1306</b>

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

For UBL Fund Managers Limited  
(Management Company)

SD  
\_\_\_\_\_  
Chief Executive Officer

SD  
\_\_\_\_\_  
Director

SD  
\_\_\_\_\_  
Chief Financial Officer

**UBL DEDICATED EQUITY FUND  
INCOME STATEMENT  
FOR THE PERIOD ENDED JUNE 30, 2018**

	Note	For the period from May 29, 2018 to June 30, 2018 <u>(Rupees in '000)</u>
<b>INCOME</b>		
Mark-up on bank account		37
Dividend income from investments classified as 'available-for-sale'		278
Net unrealised gain on revaluation of investments classified as 'at fair value through profit or loss - held-for-trading'		104
Net gain on sale of investments classified as 'available-for-sale'		672
<b>Total income</b>		<b>1,091</b>
<b>EXPENSES</b>		
Remuneration of the Management Company	13.1	95
Sales tax on management fee	13.2	12
Allocated expenses by the Management Company	13.3	5
Selling and marketing expenses	13.4	19
Remuneration of the Trustee	14.1	10
Sales tax on remuneration of the Trustee	14.2	1
Annual fee to SECP	15	5
Amortization of preliminary expenses and floatation costs	12	6
Brokerage expenses		33
Auditors' remuneration	19	232
Custody and settlement charges		13
Bank charges		3
<b>Total expenses</b>		<b>434</b>
<b>Net income for the period from operating activities</b>		<b>657</b>
Provision for Sindh Workers' Welfare Fund (SWWF)	17.1	(13)
<b>Net income for the period before taxation</b>		<b>644</b>
Taxation	20	-
<b>Net income for the period after taxation</b>		<b>644</b>
<i>Allocation of net income for the period:</i>		
Net income for the period after taxation		644
Income already paid on units redeemed *		(644)
		-
<i>Accounting income available for distribution</i>		
- Relating to capital gains		-
- Excluding capital gains		-
		-
<b>Earnings per unit</b>	25.2	

\* Total income already paid on units redeemed during the period amounted to Rs.732 thousands as per the Fund report, however, the said amount is restricted to the accounting income available for distribution during the period.

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

**For UBL Fund Managers Limited  
(Management Company)**

SD  
\_\_\_\_\_  
Chief Executive Officer

SD  
\_\_\_\_\_  
Director

SD  
\_\_\_\_\_  
Chief Financial Officer

**UBL DEDICATED EQUITY FUND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED JUNE 30, 2018**

For the period  
from May 29,  
2018 to June  
30, 2018  
(Rupees in '000)

Net income for the period after taxation	644
Other comprehensive loss for the period:	
To be reclassified to income statement in subsequent periods:	
Net unrealised diminution on re-measurement of investments classified as 'available-for-sale'	(788)
<b>Total comprehensive loss for the period</b>	<u><u>(144)</u></u>

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

For UBL Fund Managers Limited  
(Management Company)

SD  
\_\_\_\_\_  
Chief Executive Officer

SD  
\_\_\_\_\_  
Director

SD  
\_\_\_\_\_  
Chief Financial Officer

**UBL DEDICATED EQUITY FUND**  
**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS**  
**FOR THE PERIOD ENDED JUNE 30, 2018**

For the period from May 29, 2018 to June 30, 2018

	Capital value	Undistributed income	Unrealised appreciation on investments classified as 'available for sale' - net	Total
	(Rupees in '000)			
<b>Net assets at beginning of the period</b>	-	-	-	-
Amount received on issuance of 3,945,960 units				
Capital value	394,596	-	-	394,596
Element of income during the period;				
- Relating to other comprehensive income for the period	(4,810)	-	-	(4,810)
- Relating to net income for the period after taxation	(16)	-	-	(16)
	389,770	-	-	389,770
Amount paid on redemption of 3,479,135 units				
Capital value	347,913	-	-	347,913
Element of income during the period;				
- Relating to other comprehensive income for the period	(3,530)	-	-	(3,530)
- Relating to net income for the period after taxation	77	(644)	-	(567)
	344,460	(644)	-	343,816
Total comprehensive income / (loss) for the period	-	644	(788)	(144)
Distribution during the period	-	-	-	-
Net income / (loss) for the period less distribution	-	644	(788)	(144)
<b>Net assets at end of the period</b>	<b>45,310</b>	<b>1,288</b>	<b>(788)</b>	<b>45,810</b>
<b>Undistributed income brought forward:</b>				
- Realised	-	-	-	-
- Unrealised	-	-	-	-
Accounting income available for distribution:				
- Relating to capital gains	-	-	-	-
- Excluding capital gains	-	-	-	-
Net income for the period after taxation	-	-	-	-
Distribution during the period	-	-	-	-
<b>Undistributed income carried forward</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Undistributed income carried forward</b>				
- Realised	-	-	-	-
- Unrealised	-	-	-	-
	-	-	-	-
				-- (Rupees) --
<b>Net assets value per unit at beginning of the period</b>				<b>Nil</b>
<b>Net assets value per unit at end of the period</b>				<b>98.1306</b>

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

For UBL Fund Managers Limited  
(Management Company)

SD  
Chief Executive Officer

SD  
Director

SD  
Chief Financial Officer

**UBL DEDICATED EQUITY FUND  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED JUNE 30, 2018**

For the period  
from May 29, 2018  
to June 30, 2018  
(Rupees in '000)

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income for the year before taxation 644

**Adjustments for:**

Mark-up on bank account	(37)
Net unrealised gain on revaluation of investments classified as 'at fair value through profit or loss - held-for-trading'	(104)
Dividend income from investments classified as 'available-for-sale'	(278)
Net gain on sale of investments classified as 'available-for-sale'	(672)
Amortization of preliminary expenses and floatation costs	6
Provision for Sindh Workers' Welfare Fund (SWWF)	13
	<b>(1,072)</b>

**Increase in assets**

Investments	(42,919)
Security deposit	(2,500)
Preliminary expenses and floatation costs	(312)
	<b>(45,731)</b>

**Increase in liabilities**

Payable to the Management Company	2,937
Payable to the Trustee	10
Annual fee payable to SECP	5
Accrued and other liabilities	392
	<b>3,344</b>

Withholding tax paid	(29)
Mark-up and dividend received	220
<b>Net cash used in operating activities</b>	<b>(42,624)</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Net receipt from issuance of units	389,770
Net payment against redemption of units	(343,816)
<b>Net cash generated from financing activities</b>	<b>45,954</b>

**Net increase in cash and cash equivalents during the period** **3,330**

Cash and cash equivalents at beginning of the period -

**Cash and cash equivalents at end of the period** **3,330**

**CASH AND CASH EQUIVALENTS**

Bank balances **3,330**

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

For UBL Fund Managers Limited  
(Management Company)

SD  
\_\_\_\_\_  
Chief Executive Officer

SD  
\_\_\_\_\_  
Director

SD  
\_\_\_\_\_  
Chief Financial Officer

**UBL DEDICATED EQUITY FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM MAY 29, 2018 TO JUNE 30, 2018**

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

- 1.1 UBL Dedicated Equity Fund, was established under the Trust Deed executed between UBL Fund Managers Limited (the Management Company - a wholly owned subsidiary company of United Bank Limited), as the Management Company, and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on April 10, 2018 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on May 02, 2018 in accordance with the requirements of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The Fund commenced its operations from May 29, 2018.
- 1.2 The Management Company of the Fund is registered with the SECP as a Non-Banking Finance Company under the NBFC Rules. The registered office of the Management Company is situated at 4th Floor, STSM Building, Beaumont Road, Civil Lines, Karachi.
- 1.3 The Fund is an open-ended mutual fund and is in process of listing on the Pakistan Stock Exchange Limited. Units are offered for subscription on a continuous basis to the public. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holders.
- 1.4 The investment objective of the fund is to provide other 'Fund-of-Funds' schemes an avenue for investing in Equities.
- 1.5 JCR - VIS Credit Rating Company has upgraded management quality rating from AM2++ (stable outlook) to AM1 to the Management Company dated December 29, 2017.
- 1.6 Title to the assets of the Fund are held in the name of the Central Depository Company of Pakistan Limited as Trustee of the Fund.
- 1.7 As per the Offering Document approved by the SECP, the accounting period, in case of the first such period, shall commence from the date on which the trust property is first paid or transferred to the Trustee. Accordingly, these financial statements have been prepared from May 29, 2018 to June 30, 2018 (former being the date from which the proceeds from the issue of units were received) and therefore, there is no comparative information disclosed in these financial statements.
- 1.8 As at June 30, 2018, a Fund under common management (unit holder) held 466,825 units representing 100% units in issue of the Fund as at that date. The said unit holder has confirmed that it will continue its investment in the Fund, as the Fund has made profit during this period and is confident that this trend will continue in the future.

**2. STATEMENT OF COMPLIANCE**

- 2.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. Such standards comprise of:
- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);
  - Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984;
  - The NBFC rules, the Non-Banking Finance Companies, Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

**3. BASIS OF PREPARATION**

- 3.1 These financial statements have been prepared under the historical cost convention except for investments which are accounted for as stated in note 4.1.
- 3.2 These financial statements are presented in Pakistani Rupee which is the Fund's functional and presentation currency.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### 4.1 Investments

The investments of the Fund, upon initial recognition, are classified as investment at fair value through profit or loss or available-for-sale investment, as appropriate.

All investments are initially measured at fair value plus, in the case of investments not at fair value through profit or loss transaction costs that are directly attributable to acquisition.

All regular way purchases and sales of investments are recognized on the trade date i.e. the date the Fund commits to purchase / sell the investment. Regular way purchases and sales of investments are those, the contract for which requires delivery of assets within the time frame generally established by regulation or market convention.

4.1.1 The Fund classifies investments in the following categories:

##### **Investments at fair value through profit or loss**

This category has two sub-categories, namely; financial instruments held-for-trading, and those designated at fair value through profit or loss upon initial recognition.

- Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held-for-trading. All derivatives are classified as held-for-trading. These are initially recorded at cost.
- Investments designated at fair value through profit or loss upon initial recognition include those group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with the documented risk management / investment strategy.

After initial measurement, investment classified as 'at fair value through profit or loss' are carried at fair value and the gains or losses on revaluation are recognized in the income statement.

##### **Available-for-sale**

Investments which are not classified in the above category are classified as available-for-sale investments. After initial measurement, such investments are measured at fair value with unrealized gains or losses recognized directly in the statement of comprehensive income until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously recognized in the statement of comprehensive income is taken to the income statement.

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:

##### **a) Basis of valuation of equity securities**

The investment of the Fund in 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.

Net gains and losses arising from changes in fair value of available-for-sale financial assets are taken to the 'statement of comprehensive income' until these are derecognized or impaired. At this time, the cumulative gain or loss previously recognized directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

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

#### **4.2 Preliminary expenses and floatation costs**

The Fund has recorded all expenses incurred in connection with the incorporation, registration, establishment and authorization of the Fund as preliminary expenses and floatation costs which are to be amortized by the Fund over a period of five years commencing from May 29, 2018 in accordance with the Trust Deed and the NBFC Regulations.

#### **4.3 Issuance and redemption of units**

Units are allocated at the offer price prevalent on the day on which applications for purchase of units are received (however, units are issued on the receipt of cash/ realization of cheques). The offer price represents the net asset value per unit at the end of the business day plus allowable sales load, if applicable. Issue of units is recorded on acceptance of application for sale.

Units redeemed are recorded at the redemption price, applicable to units for which the Fund receives redemption applications during business hours of that day. The redemption price represents the net asset value per unit at the end of the business day less duties, taxes, charges on redemption and provision for transaction costs, if applicable. Redemption of units is recorded on acceptance of application for redemption.

#### **4.4 Net assets value per unit**

The net assets value per unit disclosed in 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.

#### **4.5 Taxation**

The Fund is exempt from taxation under clause 99 of Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income excluding realized and unrealized capital gains for the year is distributed amongst the Fund's unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

#### **4.6 Revenue recognition**

Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.

Dividend income is recognized when the right to receive the dividend is established.

Unrealized gains / (losses) arising on revaluation of investments classified as 'at fair value through profit or loss' are included in Income Statement in the period in which they arise.

Mark-up on bank balances is recorded on accrual basis.

#### **4.7 Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to receive cash flows related to the asset expire. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to the income statement in the period in which it arises.

#### **4.8 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are only offset and net amount reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognized amount and the Fund intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### **4.9 Impairment**

Impairment loss on financial assets other than „available-for-sale" investments is recognized in the Income Statement whenever carrying amount of financial asset exceeds its recoverable amount. If in the subsequent period, the amount of an impairment loss recognized decreases, the impairment is reversed through income statement.

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 is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in income statement is removed from equity and recognized in the Income Statement.

#### 4.10 Provisions

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

#### 4.11 Distribution to unit holders

Distribution to unit holders is recognized when they are declared by the Board of Directors of the Management Company (BOD) in their meeting, or upon declaration and approval by the Chief Executive Officer on behalf of the BOD.

#### 4.12 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and are carried in statement of assets and liabilities at nominal values

### 5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in notes 4.1 and 4.9 respectively.

### 6. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 2 – Share-based Payments – Classification and Measurement of of Share-based Payments Transactions (Amendments)	January 01, 2018
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	January 01, 2018
IFRS 9 – Financial Instruments	July 01, 2018
IFRS 9 – Prepayment Features with Negative Compensation - (Amendments)	January 01, 2019
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 15 – Revenue from Contracts with Customers	July 01, 2018

<b>Standard or Interpretation</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 16 – Leases	January 01, 2019
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	January 01, 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments)	January 01, 2019
IAS 40 Investment Property: Transfers of Investment Property (Amendments)	January 01, 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 01, 2018
IFRIC 23 Uncertainty over Income Tax Treatments	January 01, 2019

The above standards and amendments are not expected to have any material impact on the Fund's financial statements in the period of initial application. However, the Fund is currently evaluating the requirements of IFRS-9 and potential impact on the financial statements of the Fund.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after January 01, 2018 and January 01, 2019 respectively. The Fund expects that such improvements to the standards will not have any impact on the Fund's financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

<b>Standards</b>	<b>IASB Effective date (annual periods beginning on or after)</b>
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 17 - Insurance Contracts	January 01, 2021

	<b>Note</b>	<b>June 30, 2018 (Rupees in '000)</b>
<b>7. BANK BALANCES</b>		
Bank account - saving account	7.1	<u><u>3,330</u></u>

7.1 This carries mark-up at the rate of 3.75% per annum and maintained with United Bank Limited (a related party).

## **8. INVESTMENTS**

### **Investments by Category**

#### **At fair value through profit or loss - held-for-trading**

- Right shares	8.1	<b>104</b>
----------------	-----	------------

#### **Available-for-sale**

- Equity securities - listed	8.2	<b>42,803</b>
		<u><u>42,907</u></u>

8.1 Right shares of Engro Polymers & Chemicals Limited were issued in June 2018.

## 8.2 Equity securities classified as 'available-for-sale'

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

Name of Investee Company	Note	Number of shares				Balance as at June 30, 2018			Market value as a % of net assets	Market value as a % of total investments	Par value as percentage of total paid up capital of the investee company	
		As at July 01, 2017	Purchased during the period	Sold during the period	Bonus / right	As at June 30, 2018	Carrying value	Market value				(Diminution) / appreciation
----- (Rupees in '000) -----												
<b>Cement</b>												
D.G. Khan Cement Company Limited	-	-	6,000	3,000	-	3,000	381	343	(38)	0.75%	0.80%	0.00%
Kohat Cement Company Limited	-	-	16,000	-	-	16,000	2,195	1,969	(226)	4.30%	4.59%	0.01%
Lucky Cement Company Limited	-	-	3,300	1,200	-	2,100	1,150	1,067	(83)	2.33%	2.49%	0.00%
Pioneer Cement Limited	-	-	14,000	5,000	-	9,000	469	422	(47)	0.92%	0.98%	0.00%
							<b>4,195</b>	<b>3,801</b>	<b>(394)</b>	<b>8.30%</b>	<b>8.86%</b>	<b>0.02%</b>
<b>Oil and gas exploration companies</b>												
Mari Petroleum Company Limited	-	-	2,500	-	-	2,500	3,799	3,765	(34)	8.22%	8.77%	0.00%
Oil & Gas Development Company Limited	8.2.1	-	23,400	9,000	-	14,400	2,308	2,241	(67)	4.89%	5.22%	0.00%
Pakistan Oilfields Limited	-	-	2,000	2,000	-	-	-	-	-	0.00%	0.00%	0.00%
Pakistan Petroleum Limited	-	-	20,500	7,600	-	12,900	2,756	2,772	16	6.05%	6.46%	0.00%
							<b>8,863</b>	<b>8,778</b>	<b>(85)</b>	<b>19.16%</b>	<b>20.46%</b>	<b>0.00%</b>
<b>Oil and gas marketing companies</b>												
Attock Petroleum Limited	-	-	950	950	-	-	-	-	-	0.00%	0.00%	0.00%
Pakistan State Oil Company Limited	-	-	5,000	2,100	-	2,900	919	923	4	2.01%	2.15%	0.00%
							<b>919</b>	<b>923</b>	<b>4</b>	<b>2.01%</b>	<b>2.15%</b>	<b>0.00%</b>
<b>Food and personal care products</b>												
Al Shaheer Corporation Limited	-	-	32,000	12,000	-	20,000	545	545	-	1.19%	1.27%	0.01%
							<b>545</b>	<b>545</b>	<b>-</b>	<b>1.19%</b>	<b>1.27%</b>	<b>0.01%</b>
<b>Fertilizer</b>												
Engro Fertilizers Limited	8.2.1	-	35,500	14,000	-	21,500	1,605	1,611	6	3.52%	3.75%	0.00%
Engro Corporation Limited	8.2.1	-	16,600	6,000	-	10,600	3,267	3,327	60	7.26%	7.75%	0.00%
Fauji Fertilizer Company Limited	-	-	7,500	3,000	-	4,500	444	445	1	0.97%	1.04%	0.00%
Fauji Fertilizer Bin Qasim Limited	-	-	19,500	7,000	-	12,500	490	483	(7)	1.05%	1.13%	0.00%
							<b>5,806</b>	<b>5,866</b>	<b>60</b>	<b>12.80%</b>	<b>13.67%</b>	<b>0.00%</b>
<b>Chemicals</b>												
Engro Polymer & Chemicals Limited	-	-	32,000	12,000	-	20,000	701	627	(74)	1.37%	1.46%	0.00%
							<b>701</b>	<b>627</b>	<b>(74)</b>	<b>1.37%</b>	<b>1.46%</b>	<b>0.00%</b>
<b>Technology and communication</b>												
Systems Limited	-	-	16,000	6,000	-	10,000	921	1,012	91	2.21%	2.36%	0.01%
							<b>921</b>	<b>1,012</b>	<b>91</b>	<b>2.21%</b>	<b>2.36%</b>	<b>0.01%</b>
<b>Automobile parts and accessories</b>												
Thal Limited *	-	-	1,000	400	-	600	298	287	(11)	0.63%	0.67%	0.00%
							<b>298</b>	<b>287</b>	<b>(11)</b>	<b>0.63%</b>	<b>0.67%</b>	<b>0.00%</b>
<b>Automobile assembler</b>												
Honda Atlas Cars (Pakistan) Limited	-	-	1,000	1,000	-	-	-	-	-	0.00%	0.00%	0.00%
Millat Tractors Limited	-	-	600	600	-	-	-	-	-	0.00%	0.00%	0.00%
							<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>

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

Name of Investee Company	Note	Number of shares				Balance as at June 30, 2018			Market value as a % of net assets	Market value as a % of total investments	Par Value as percentage of total paid up capital of the investee company	
		As at July 01, 2017	Purchased during the period	Sold during the period	Bonus / right	As at June 30, 2018	Carrying value	Market value				Appreciation / (diminution)
----- (Rupees in '000) -----												
<b>Engineering</b>												
Aisha Steel Limited		-	21,000	-	-	21,000	361	331	(30)	0.72%	0.77%	0.00%
International Steels Limited		-	11,000	4,000	-	7,000	785	712	(73)	1.55%	1.66%	0.00%
							<b>1,146</b>	<b>1,043</b>	<b>(103)</b>	<b>2.27%</b>	<b>2.43%</b>	<b>0.00%</b>
<b>Insurance</b>												
Adamjee Insurance Company Limited		-	36,500	13,000	-	23,500	1,166	1,145	(21)	2.50%	2.67%	0.01%
							<b>1,166</b>	<b>1,145</b>	<b>(21)</b>	<b>2.50%</b>	<b>2.67%</b>	<b>0.01%</b>
<b>Commercial banks</b>												
Allied Bank Limited		-	36,500	-	-	36,500	3,585	3,765	180	8.22%	8.77%	0.00%
Bank Alfalah Limited		-	71,000	27,000	-	44,000	2,300	2,301	1	5.02%	5.36%	0.00%
Faysal Bank Limited		-	60,000	25,000	-	35,000	882	910	28	1.99%	2.12%	0.00%
Habib Bank Limited	8.2.1	-	27,000	10,000	-	17,000	2,895	2,829	(66)	6.18%	6.59%	0.00%
United Bank Limited		-	23,000	10,000	-	13,000	2,202	2,197	(5)	4.80%	5.12%	0.00%
							<b>11,864</b>	<b>12,002</b>	<b>138</b>	<b>26.21%</b>	<b>27.96%</b>	<b>0.00%</b>
<b>Textile composite</b>												
Nishat Mills Limited		-	15,700	6,000	-	9,700	1,395	1,367	(28)	2.98%	3.19%	0.00%
Gul Ahmed Textile Mills Limited		-	32,000	12,000	-	20,000	916	859	(57)	1.88%	2.00%	0.01%
							<b>2,311</b>	<b>2,226</b>	<b>(85)</b>	<b>4.86%</b>	<b>5.19%</b>	<b>0.01%</b>
<b>Power generation and distribution</b>												
The Hub Power Company Limited	8.2.1	-	39,500	-	-	39,500	3,922	3,640	(282)	7.95%	8.48%	0.00%
Pakgen Power Limited		-	37,500	12,500	-	25,000	486	482	(4)	1.05%	1.12%	0.01%
K-Electric Limited **		-	125,000	50,000	-	75,000	448	426	(22)	0.93%	0.99%	0.00%
							<b>4,856</b>	<b>4,548</b>	<b>(308)</b>	<b>9.93%</b>	<b>10.59%</b>	<b>0.01%</b>
<b>Total as at June 30, 2018</b>							<b>43,591</b>	<b>42,803</b>	<b>(788)</b>			

\* These have a face value of Rs.5 per share.

\*\* These have a face value of Rs.3.5 per share.

8.2.1 Following shares were pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against margining:

	June 30, 2018	
	(Number of shares)	(Rupees in '000)
Oil & Gas Development Company Limited	14,400	2,241
Engro Fertilizers Limited	9,000	674
Engro Corporation Limited	10,600	3,327
Habib Bank Limited	17,000	2,829
The Hub Power Company Limited	39,500	3,640
	<b>90,500</b>	<b>12,711</b>

	Note	June 30, 2018 (Rupees in '000)
<b>9. DIVIDEND AND MARK-UP RECEIVABLE</b>		
Dividend receivable		58
Mark-up receivable on bank account	9.1	<u>37</u>
		<u><u>95</u></u>

9.1 This represents receivable on balance maintained with United Bank Limited (a related party).

#### 10. ADVANCE TAX

The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150 and 151 of ITO 2001. The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II- 66417-R" dated May 12, 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). Prior to receiving tax exemption certificate(s) from CIR various withholding agents have deducted advance tax under section 150 and 151 of ITO 2001. The management is confident that the same shall be refunded after filing Income Tax Return for Tax Year 2018.

#### 11. SECURITY DEPOSIT

Deposit with National Clearing Company of Pakistan Limited (NCCPL)	<u><u>2,500</u></u>
--	---------------------

#### 12. PRELIMINARY EXPENSES AND FLOATATION COSTS

Preliminary expenses and floatation costs	12.1	312
Amortization during the period		<u>(6)</u>
		<u><u>306</u></u>

12.1 The Fund has recorded all expenses incurred in connection with the incorporation, registration, establishment and authorization of the Fund as preliminary expenses and floatation costs which are to be amortized by the Fund over a period of five years commencing from May 29, 2018 in accordance with the Trust Deed and the NBFC Regulations.

#### 13. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable	13.1	86
Sales tax on remuneration payable	13.2	11
Allocated expenses payable	13.3	5
Selling and marketing expenses payable	13.4	19
Others	13.5	<u>2,816</u>
		<u><u>2,937</u></u>

13.1 The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the amended NBFC Regulations dated November 25, 2015, of an amount not exceeding 2 percent of the average daily net assets of the Fund. The Management Company charged remuneration at the rate of 2 percent per annum of the average daily net assets of the Fund.

13.2 Sales tax at the rate of 13% on gross value of management fee is applied under the provisions of Sindh Sales Tax on Services Act, 2011.

13.3 As per regulation 60(3)(s) of amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the scheme, maximum up to 0.1% of the average annual net assets or the actual cost, whichever is lower. Accordingly, the Management Company has charged 0.1% of the average annual net assets with effect, being lower.

13.4 Securities and Exchange Commission of Pakistan vide Circular No. 40 of 2016 dated December 30, 2016, has allowed Asset Management Companies to charge Selling and Marketing expenses to its CIS's at a maximum cap of 0.4% per annum of net assets of the Fund or actual expenses whichever is lower. Accordingly, the Management Company has charged 0.4% on daily net assets of the Fund, being the lower amount.

13.5 This represents expenses incurred by the Management Company on behalf of the Fund relating to formation of the Fund.

#### 14. PAYABLE TO THE TRUSTEE

Remuneration payable	14.1	9
Sales tax on remuneration payable	14.2	<u>1</u>
		<u><u>10</u></u>

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

As per the Trust Deed and Offering Document, the tariff structure applicable to the Fund in respect of the trustee fee for the period ended June 30, 2018 is as follows:

**Net assets**

Up to Rs.1,000 million

On an amount exceeding  
Rs.1,000 million**Tariff per annum**Rs.0.7 million or 0.20% p.a. of net assets of the Fund,  
whichever is higherRs.2.00 million plus 0.10% p.a. of net assets of the Fund, on  
amount exceeding Rs.1,000 million

**14.2** Sales tax at the rate of 13% on the remuneration of the Trustee is applied under the provisions of Sindh Sales Tax on Services Act, 2011.

**15. ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)**

This represents annual fee payable to SECP in accordance with the NBFC Regulations whereby the Fund is required to pay to SECP an amount equal to 0.095% of the average daily net assets of the Fund.

**16. TOTAL EXPENSE RATIO**

Total Expense Ratio of the Fund is 0.85% as on June 30, 2018 and this includes 0.06% representing Government Levy, Sindh Worker's Welfare Fund and SECP Fee. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulation 60 (5) for a collective investment scheme categorised as an equity scheme.

**17. ACCRUED AND OTHER LIABILITIES**

	Note	June 30, 2018 (Rupees in '000)
Auditors' remuneration		232
Provision for Sindh Workers' Welfare Fund (SWWF)	17.1	13
Brokerage payable		160
		<u>405</u>

**17.1** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act (SWWF Act), 2014 had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs.0.5 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies (including the Management Company of the Fund) whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF which is currently pending. However, as a matter of abundant caution, MUFAP has recommended to all its members to record a provision for SWWF from the date of enactment of SWWF Act, 2014 (i.e. starting from May 21, 2015).

The provision for SWWF is being made on a daily basis. Had the provision for SWWF not been recorded in the financial statements of the Fund, the net assets value of the Fund as at June 30, 2018 would have been higher by Re.0.03 per unit.

**18. CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at June 30, 2018.

**19. AUDITORS' REMUNERATION**

Annual audit fee	145
Other certification and services	70
	<u>215</u>
Sales tax	17
	<u>232</u>

**20. TAXATION**

The Fund's income is exempt from Income Tax as per clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. 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. Currently, the Fund has net income for the period, however, if net income is reduced by capital gains, whether realised or unrealised, as per clause 99, it results in loss and no distribution is required. Accordingly, no provision for taxation has been recognised in these financial statements.

**21. TRANSACTIONS AND BALANCES OUTSTANDING WITH CONNECTED PERSONS / RELATED PARTIES**

Connected persons / related parties comprise of United Bank Limited (Holding Company of the Management Company), UBL Fund Managers Limited (Management Company), Al-Ameen Financial Services (Private) Limited, being entity under the common management or directorship, Central Depository Company of Pakistan Limited as trustee of the Fund, the directors key management personnel and other associated undertakings and connected persons. Connected persons also include any person beneficially owing directly or indirectly 10% or more of the units in the issue / net assets of the Fund.



June 30, 2018					
Interest rate (%)	Exposed to interest rate risk			Not exposed to interest rate risk	Total
	Up to three months	More than three months	More than one year		
	(Rupees in '000)				
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	3.75	3,330	-	-	3,330
Dividend and mark-up receivable		-	-	95	95
Security deposit		-	-	2,500	2,500
		<u>3,330</u>	<u>-</u>	<u>2,595</u>	<u>5,925</u>
<b>Financial liabilities</b>					
Payable to the Management Company		-	-	2,926	2,926
Payable to the Trustee		-	-	9	9
Accrued and other liabilities		-	-	375	375
		<u>-</u>	<u>-</u>	<u>3,310</u>	<u>3,310</u>
<b>On-balance sheet gap</b>		<u>3,330</u>	<u>-</u>	<u>(715)</u>	<u>2,615</u>

There is no off-balance sheet financial instrument that exist as at year ended June 30, 2018.

**(ii) Foreign currency risk**

Foreign 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 does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

**(iii) Equity price risk**

Equity price risk is the risk of unfavorable changes in the fair value of equity securities as a result of changes in the levels of KSE-Index and the value of individual shares. The equity price risk exposure arises from the Fund's investments in equity securities for which prices in the future are uncertain. The Fund policy is to manage price risk through diversification and selection of securities within specified limits set by internal risk management guidelines or the requirements of NBFC regulations.

The Fund manages the risk by limiting exposure to any single investee company to the extent of 15% of issued capital of that investee company and the net assets of the Fund with overall limit of 35% to a single industry sector of the net assets of the Fund (the limit set by NBFC regulations). The Fund also manages its exposure to price risk by reviewing portfolio allocation as frequently as necessary and at least once a quarter from the aspect of allocation within industry and individual stock within that allocation.

Details of the Fund's investment in industrial / economic sector are given in note 8.

The following table illustrates the sensitivity of the income for the year and the unit holders' fund to an increase or decrease of 5% in the fair values of the Fund's equity securities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Fund's equity securities at each Statement of Assets and Liabilities date, with all other variables held constant.

	June 30, 2018 (Rupees in '000)
Income statement	2,145
Unit holders' fund	2,145

**22.3 Liquidity risk**

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the unit holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive documents.

In order to manage the Fund's overall liquidity, the Fund has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such request 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 significant redemption during the period. Further, the Fund also has the ability to suspend redemption of units with approval of Board of Directors of the Management Company in extraordinary circumstances.

The table below summaries the maturity profile of the Fund's financial liabilities. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date.

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
<b>June 30, 2018</b>	----- (Rupees in '000) -----				
<b>Financial liabilities</b>					
Payable to the Management Company	2,926	-	-	-	2,926
Payable to the Trustee	9	-	-	-	9
Accrued and other liabilities	160	215	-	-	375
<b>Total liabilities</b>	<b>3,095</b>	<b>215</b>	<b>-</b>	<b>-</b>	<b>3,310</b>

## 22.4 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation. The Fund's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements. The table below analyses the Fund's maximum exposure to credit risk as at June 30, 2018:

	June 30, 2018 (Rupees in '000)
Bank balances	3,330
Dividend and mark-up receivable	95
Security deposit	2,500

All deposits with bank and NCCPL are highly rated and risk of default is considered minimal.

The analysis below summarizes the credit quality of the Fund's bank balances as on June 30, 2018:

	June 30, 2018 ----- (%) -----
<b>Rating by Rating Category</b>	
AAA	100
<b>Total</b>	<b>100</b>

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

## 22.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risk arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risk identified;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

## 22.6 Unit holders' fund risk management

The Fund's capital is represented by redeemable units. The Fund is required by the NBFC Regulations, to maintain a minimum fund size of Rs.100 million, to be maintained all the time during the life of the scheme. However, the Fund has subsequently obtained exemption of the said requirement, through first supplement of its Offering Document which is duly approved by the SECP via its letter no. SCD/AMCW/UBLFM/43/2018 dated July 31, 2018. The units issued by the Fund provides an investor with the right to require redemption for cash at a value proportionate to the unit holder's share in the Fund's net assets at the redemption date.

The Fund's objective in managing the unit holders' fund is to ensure a stable base to maximise returns to all investors and to manage liquidity risk arising from redemption. In accordance with the risk management policies, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments.

## 23. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). Adoption of IFRS 13, has no effect on these financial statements.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

**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).

The table below analyse financial instruments measured at the end of the period by the level in the fair value hierarchy into which the fair value measurement is categorised:

		June 30, 2018								
		Carrying amount				Fair value				
	Note	Fair value through profit or loss - held-for-trading	Available-for-sale	Loans and receivables	Other financial assets / liabilities	Total (Rupees in '000)	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>										
Equity securities - listed		104	42,803	-	-	42,907	42,907	-	-	42,907
		<u>104</u>	<u>42,803</u>	<u>-</u>	<u>-</u>	<u>42,907</u>	<u>42,907</u>	<u>-</u>	<u>-</u>	<u>42,907</u>
<b>Financial assets not measured at fair value</b>										
Bank balances	23.1	-	-	-	3,330	3,330				
Dividend and mark-up receivable		-	-	-	95	95				
Security deposit		-	-	-	2,500	2,500				
		<u>-</u>	<u>-</u>	<u>-</u>	<u>5,925</u>	<u>5,925</u>				
<b>Financial liabilities not measured at fair value</b>										
Payable to the Management Company	23.1	-	-	-	2,926	2,926				
Payable to the Trustee		-	-	-	9	9				
Accrued and other liabilities		-	-	-	375	375				
		<u>-</u>	<u>-</u>	<u>-</u>	<u>3,310</u>	<u>3,310</u>				

23.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are a reasonable approximation of fair value.

## 24. SUPPLEMENTARY NON-FINANCIAL INFORMATION

The information regarding unit holding pattern, top ten brokers, members of the Investment Committee, fund manager, meetings of the Board of Directors of the Management Company and rating of the Fund and the Management Company has been disclosed in Annexure I to the financial statements.

## 25. GENERAL

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

25.2 Earnings per unit has not been disclosed as in the opinion of the Management Company, determination of the cumulative weighted average number of outstanding units is not practicable.

## 26. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Management Company on August 28, 2018.

For UBL Fund Managers Limited  
(Management Company)

SD  
Chief Executive Officer

SD  
Director

SD  
Chief Financial Officer

**SUPPLEMENTARY NON-FINANCIAL INFORMATION  
AS REQUIRED UNDER RULES 6(D), (F), (G), (H), (I) AND (J)  
OF THE 5TH SCHEDULE TO THE NON BANKING FINANCE COMPANIES  
AND NOTIFIED ENTITIES REGULATIONS, 2008**

(i) **PATTERN OF UNIT HOLDING**

Category	Number of unit holders	Number of units held	% of total
NBFCs	2	466,825	100.00
	<b>2</b>	<b>466,825</b>	<b>100</b>

(ii) **TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID**

Name	%
First Capital Equities Limited	30.98
MRA Securities Limited	27.96
Al Hoqani Securities and Investment Corporation (Private) Limited	24.47
Arif Habib Commodities (Private) Limited	16.60

(iii) **THE MEMBERS OF THE INVESTMENT COMMITTEE**

Investment Committee				
S.No	Name	Designation	Experience in years	Qualification
1	Yasir Qadri	Chief Executive Officer	22.1	MBA
2	Syed Suleman Akhtar	Chief Investment Officer	16.85	MBA, CFA
3	Farhan Bashir Khan	Head of Research	11.6	MBA
4	Asim Wahab Khan	Head of Investment Strategy & Equity	12.56	MBA, CFA
5	Mubashir Anis	Fund Manager	6.01	BSC, CFA
6	Hadi Hassan Mukhi	Acting Head of Risk & Compliance *	18	B.Com

\* Head of Risk - non voting observer

**OTHER FUNDS MANAGED BY THE FUND MANAGER**

UBL Financial Sector Fund  
UBL Stock Advantage Fund

(iv) **MEETING OF THE DIRECTORS**

Following is the analysis of the attendance in the meetings of the Board of Directors of the Management Company during the year:

During the year, seven meetings of the Board of Directors of the Management Company were held. The details of the attendance are as under:

	August 23, 2017	September 25, 2017	October 27, 2017	December 06, 2017	February 16, 2018	April 26, 2018	May 02, 2018	Total meetings attended
<b>Directors:</b>								
Tariq Kirmani **	✓	✓	N/A	N/A	N/A	N/A	N/A	2
Azhar hamid *	N/A	N/A	✓	✓	✓	✓	✓	5
Yasir Qadri	✓	✓	✓	✓	✓	✓	✓	7
Naz Khan *	N/A	N/A	✓	✓	✓	✓	✓	5
Shabbir Hussain Hashmi **	✓	✓	N/A	N/A	N/A	N/A	N/A	2
Sharjeel Shahid *	N/A	N/A	✓	✓	x	✓	x	3
Zia Ijaz	✓	✓	✓	✓	x	✓	x	5
Syed Furrukh Zaeem	✓	✓	✓	✓	✓	✓	✓	7
Mirza Muhammad Sadeed Hassan Barlas	✓	✓	✓	✓	x	✓	✓	6
Fawaz Taj Siddiqui ****	✓	✓	✓	✓	✓	N/A	N/A	5
Umair Ahmed	✓	✓	✓	✓	✓	✓	✓	7
S.M. Aly Osman ****	N/A	N/A	N/A	N/A	N/A	✓	✓	2

\* Elected at EOGM held on September 29, 2017

\*\* Independent Director's have completed three consecutive term

\*\*\* Mr. Zulfiqar Alavi resigned on August 07, 2017.

\*\*\*\* Mr. Fawaz Taj Siddiqui resigned and appointment of Mr. S.M. Aly Osman effective from April 2, 2018 as Company Secretary

(v) **RATING OF THE FUND AND THE MANAGEMENT COMPANY**

JCR - VIS Credit Rating Company has upgraded management quality rating from AM2++ (stable outlook) to AM1 to the management company dated December 29, 2017.

# UFSF

## UBL Financial Sector Fund

### INVESTMENT OBJECTIVE

The objective is to provide investors long-term capital appreciation by investing primarily in a mix of actively managed portfolio of listed equities that offer capital gains and dividends yield potential preferably in the Financial Sector.

<b>Management Company</b>	UBL Fund Managers Limited
<b>Trustee</b>	Central Depository Company of Pakistan Limited 99-B, Block-B, S.M.C.H.S., Main Shakra-e-Faisal, Karachi. Tel: (9221) 111-111-500
<b>Distribution Company</b>	United Bank Limited (for detail of others, please visit our website: <a href="http://www.ublfunds.com.pk">www.ublfunds.com.pk</a> )
<b>Auditors</b>	BDO Ebrahim & Co., Chartered Accountants
<b>Bankers</b>	United Bank Limited
<b>Management Co.Rating</b>	AM1 (JCR}VIS)

## Fund Manager's Report – UBL Financial Sector Fund (UFSF)

- i) **Description of the Collective Investment Scheme category and type**  
Equity / Open-end
- ii) **Statement of Collective Investment Scheme's investment objective**  
The objective is to provide investors long-term capital appreciation by investing primarily in a mix of actively managed portfolio of listed equities that offer capital gains and dividends yield potential preferably in the Financial Sector.
- iii) **Explanation as to whether the Collective Investment Scheme achieved its stated objective**  
The Collective Investment Scheme achieved its stated objective.
- iv) **Statement of benchmark(s) relevant to the Collective Investment Scheme**  
KSE-100 Index
- v) **Comparison of the Collective Investment Scheme's performance during the period compared with the said benchmarks**

Monthly Yield	Jul'17	Aug'17	Sep'17	Oct'17	Nov'17	Dec'17	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18	FYTD
UFSF	-	-	-	-	-	-	-	-	-	-1.84%	-6.54%	-0.57%	-8.78%
Benchmark	-	-	-	-	-	-	-	-	-	-2.30%	-5.81%	-2.18%	-9.99%

### Description of the strategies and policies employed during the period under review in relation to the Collective Investment Scheme's performance

UBL Financial Sector Fund was launched on 6-Apr-18. Since its inception, the Fund has generated a negative return of 8.78% during FY18. The net assets of the fund were PKR 372mn at the end of FY18.

- vi) **Disclosure of the Collective Investment Scheme's asset allocation as at the date of the report and particulars of significant changes in asset allocation since the last report (if applicable)**

Asset Allocation (% of Total Assets)	Jun-17	Jun-18
Equities	0%	72%
T-bills	0%	0%
Cash	0%	1%
Others	0%	27%
Leverage	Nil	Nil

vii) **Analysis of the Collective Investment Scheme's performance**

FY'18 Return:	-8.78%
Standard Deviation (12m trailing):	n/a
Sharpe Ratio (12m trailing):	n/a

viii) **Changes in total NAV and NAV per unit since the last review period or since commencement (in case of newly established Collective Investment Schemes)**

Net Asset Value			NAV per unit		
30-Jun-18	06-Apr-18	Change	30-Jun-18	06-Apr-18	Change
Rupees (000)		%	Rupees		%
372,153	138,122	169.44	91.2211	100.0019	(8.78)

ix) **Disclosure on the markets that the Collective investment Scheme has invested in including review of the market(s) invested in and performance during the period**

**Stock Market Review – FY18**

In the aftermath of distressing events in FY18, the KSE-100 index posted a cumulative loss of 10% after a prolonged period of 8-years. Market's decline was largely driven by a series of tensed political events, burgeoning concerns on macro-economic front along with continued sell-off by foreign investors (USD289mn). With growing uncertainties, market participants remained cautious, keeping average market-traded volumes depressed (84mn).

The benchmark index commenced the year with high hopes but soon suffered foreign outflows post MSCI inclusion. A series of setbacks augmented uncertainties during 1HFY18, keeping the equity market in a jittery position and pushing the index to a low of 37,919 points. The primary highlights among these were disqualification of sitting PM followed by barring of Finance Minister to run office; leaving little room to focus on economy. This was followed by a 21-day protest by TLP against the government pushing the regime into isolation. Without any proper economic manager in place, the country stood open to increasing hazards on the macroeconomic fronts.

With political tensions, concerns on external account started to unearth as support from low oil prices started to fade away. In the 3QFY18, some positive triggers like appointment of Finance Minister, smooth senate elections, announcement of tax amnesty scheme along with introduction of essential policy action prompted interest by market participants, leading to inflow of USD 31mn.

However, the concerns on macroeconomic front remained strong, requiring further use of policy actions. The full year FY18 current account deficit augmented to ~USD18bn (+43%YoY) further weighing down investor sentiment. Moreover, fiscal deficit came in much higher at ~7%. Mushrooming twin-deficit financing requirements weakened foreign reserves position. SBP's reserves were down to ~USD10bn at end of FY18, further deteriorating investor confidence.

On the international front, US Fed continued on its monetary tightening policy by 25bps to 2% during FY18. We expect this stance to continue in CY18. International oil prices mounted to a 4-year high of USD80/bbl amid better co-operation between member OPEC and Non-OPEC countries. Overall, commodity prices also rallied upwards with growing demands from importing countries. Escalation of ongoing trade-war is expected to push oil prices downhill. This will be favorable for a high energy importing country like Pakistan. Moreover, a stable government will also resume work on the multi-billion CPEC project.

Going forward, remedial measures taken by central bank combined with entry into the IMF program will enable corrective measures and stabilize economy over medium term. Moreover, subsiding political tensions, steep discount (~24% from its peak) along with a high earnings-yield offering (~12%) is expected to strengthen investor sentiment and bring investor's interest back in the local equity market.

- x) **Disclosure on distribution (if any), comprising:-**  
 - particulars of income distribution or other forms of distribution made and proposed during the period; and  
 - statement of effects on the NAV before and after distribution is made

Distribution			Per unit		
Declared on	Bonus	Cash	Per Unit	Cum NAV	Ex NAV
	<i>Rupees (000)</i>		<i>----- Rupees -----</i>		
-	-	-	-	-	-
-	-	-	-	-	-

- xi) **Description and explanation of any significant changes in the state of affairs of the Collective Investment Scheme during the period and up till the date of the manager's report, not otherwise disclosed in the financial statements.**

There were no significant changes in the state of affairs of Collective Investment Scheme during the period that has not been disclosed in the financial statements.

- xii) **Breakdown of unit holdings by size**

Range of Units	Number of Investors
	UFSF
0.0001 - 9,999.9999	53
10,000.0000 - 49,999.9999	29
50,000.0000 - 99,999.9999	6
100,000.0000 - 499,999.9999	5
500,000.0000 & Above	2
<b>Total</b>	<b>95</b>

- xiii) Disclosure on unit split (if any), comprising:-**  
There were no unit splits during the period.
  
- xiv) Disclosures of circumstances that materially affect any interests of unit holders**  
Investments are subject to market risk.
  
- xv) Disclosure if the Asset Management Company or its delegate, if any, receives any soft commission (i.e. goods and services) from its broker(s) or dealer(s) by virtue of transactions conducted by the Collective Investment Scheme.**  
No soft commissions are received by the AMC from its brokers or dealers by virtue of transactions conducted by the Collective Investment Scheme.

## **PERFORMANCE TABLE**

UBL Financial Sector Fund

**2018**

**NET ASSETS AS AT 30 JUNE - Rupees in '000** **372,153**

**NET ASSETS VALUE PER UNIT AT 30 JUNE - Rupees \***

Class A units - Offer 94.3135  
- Redemption 91.2211

**RETURN OF THE FUND - %**

Total Return of the Fund **-8.78**  
Capital Growth (per unit) **(8.78)**  
Date of Income Distribution -  
Income Distribution -  
Date of Income Distribution -  
Income Distribution -

**AVERAGE ANNUAL RETURN - %**

One Year **(8.78)**

**OFFER / REPURCHASE DURING THE YEAR- Rupees \***

Highest price per unit - Class A units - Offer 103.3959  
Highest price per unit - Class A units - Redemption 100.0057

Lowest price per unit - Class A units - Offer 92.2498  
Lowest price per unit - Class A units - Redemption 89.2251

\* Front-end load @ 2.5% is applicable

**PORTFOLIO COMPOSITION - %**

Percentage of Net Assets as at 30 June

**PORTFOLIO COMPOSITION BY CATEGORY - %**

Bank Balance 1  
Equity Securities 72  
Others 27

**PORTFOLIO COMPOSITION BY MARKET - %**

Equity Market **100.00**

Note:

- The Launch date of Fund is 6 April 2018

## **DISCLAIMER**

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

**Head Office:**

CDC House, 99-B, Block 'B',  
S.M.C.H.S., Main Shahra-e-Faisal,  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**UBL FINANCIAL SECTOR FUND**

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

We Central Depository Company of Pakistan Limited, being the Trustee of UBL Financial Sector Fund (the Fund) are of the opinion that UBL Fund Managers Limited being the Management Company of the Fund has in all material respects managed the Fund during period from April 06, 2018 to June 30, 2018 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.

**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 13, 2018



**STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 BY UBL FUND MANAGERS LIMITED**

**NAME OF FUND: UBL FINANCIAL SECTOR FUND**

**YEAR ENDING: JUNE 30, 2018**

The Securities and Exchange Commission of Pakistan (SECP) through its letter dated April 18, 2018 to Mutual Funds Association of Pakistan (MUFAP) has exempted the open-end collective investment schemes from the requirements of the Code of Corporate Governance. However, the Board of Directors of UBL Fund Managers Limited (the Management Company) of UBL Financial Sector Fund (the Fund), for the purpose of establishing a framework of good governance whereby a Fund is managed by best practice of Corporate governance, has voluntarily opted to comply with the relevant provisions of the Listed Companies (Code of Corporate Governance) Regulations 2017 (The Code).

The Management Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following:
  - a. Male: Six Directors;
  - b. Female: One Director.
2. The composition of the Board is as follows:

Category	Name
Independent Directors	Mr. Azhar Hamid
	Ms. Naz Khan
Executive Directors	Mr. Yasir Qadri
Non - Executive Directors	Mirza Muhammad Sadeed Hassan Barlas
	Mr. Sharjeel Shahid
	Mr. Zia Ijaz
	Syed Furrugh Zaeem

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company.
4. 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.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained. The Management Company has placed the Whistle Blowing Policy, Proxy Policy and the Principles of the Code of Conduct (Statement of Ethics and Business Practice) on its website.
6. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
7. The Board has a formal and effective mechanism in place for an annual evaluation of the Board's own performance.



8. The Chairman of the Board is an Independent director. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board as empowered by the relevant provisions of the Act and these Regulations.
9. 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. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
10. Following directors and executive have acquired the prescribed Director Training Program (DTP) certification:

**Directors**

- a. Mirza Muhammad Sadeed Hassan Barlas
- b. Mr. Yasir Qadri
- c. Mr. Zia Ijaz
- d. Ms. Naz Khan
- e. Syed Furrukh Zaeem

**Executive**

- f. S.M. Aly Osman

11. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
12. CFO and CEO duly endorsed the financial statements before approval of the Board.
13. The Board has formed committees comprising of members given below. The Board Audit Committee and the Board Human Resource & Compensation Committee are chaired by separate Independent directors:

a. Board Audit Committee

- i. Ms. Naz Khan (Chair);
- ii. Mirza Muhammad Sadeed Hassan Barlas;
- iii. Mr. Sharjeel Shahid;
- iv. Mr. Zia Ijaz.

b. Board Human Resource & Compensation Committee

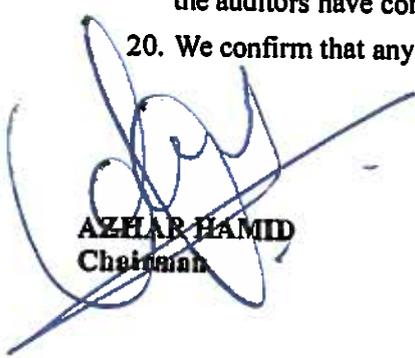
- i. Mr. Azhar Hamid (Chairman);
- ii. Mr. Yasir Qadri;
- iii. Mr. Zia Ijaz;
- iv. Ms. Naz Khan;
- v. Syed Furrukh Zaeem.

c. Board Risk & Compliance Committee

- i. Mirza Muhammad Sadeed Hassan Barlas (Chairman);
- ii. Mr. Azhar Hamid;
- iii. Mr. Sharjeel Shahid;
- iv. Mr. Yasir Qadri;
- v. Syed Furrukh Zaeem.



14. The Terms of Reference of the aforesaid Committees have been formed, documented and advised to the Committee for compliance.
15. The frequency of meetings of the Committee were as per following:
  - a. Board Audit Committee : Quarterly Meeting
  - b. Board Human Resource & Compensation Committee: Quarterly Meeting
  - c. Board Risk & Compliance Committee: Quarterly Meeting
16. The Board has set up an independent and effective internal audit function and the audit personnel are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company.
17. 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) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
18. The Board Audit Committee recommends to the Board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that any other significant requirements of the Regulations have been complied with.

  
**AZHAR HAMID**  
Chairman

Karachi.  
Dated: August 28, 2018

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE UNITHOLDERS OF UBL FINANCIAL SECTOR FUND ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 AS ADOPTED BY THE BOARD OF DIRECTORS OF UBL FUND MANAGERS LIMITED**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) as adopted by the Board of Directors (the Board) of UBL Fund Managers Limited, the Management Company of UBL Financial Sector Fund (the Fund) for the period ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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's 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 Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Fund's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Fund for the period ended June 30, 2018.

We draw attention to the following paragraph as detailed in the Statement of Compliance:

*"The Securities and Exchange Commission of Pakistan (SECP) through its letter dated April 18, 2018 to Mutual Funds Association of Pakistan (MUFAP) has exempted the open-end collective investment schemes from the requirements of the Code of Corporate Governance. However, the Board of Directors of UBL Fund Managers Limited (the Management Company) of UBL Financial Sector Fund (the Fund), for the purpose of establishing a framework of good governance whereby a Fund is managed by best practice of Corporate governance, has voluntarily opted to comply with the relevant provisions of the Listed Companies (Code of Corporate Governance) Regulations 2017 (The Code)."*

Accordingly, our opinion is in relation to Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017 as adopted by the Board of Directors of the Management Company.

KARACHI

DATED: AUGUST 28, 2018



CHARTERED ACCOUNTANTS

 Engagement Partner: Zulfikar Ali Causer

## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of UBL Financial Sector Fund ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2018, and the income statement, statement of comprehensive income, statement of cash flows and statement of movement in unit holders' fund for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2018, and its financial performance and its cash flows for the period then ended in accordance with approved accounting standards as applicable in Pakistan.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S.NO	Key audit matter(s)	How the matter was addressed in our audit
1.	<p><b>Amendment to the NBFC Regulations, 2008</b></p> <p>The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations).</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"><li>We reviewed the processes and controls implemented by the Fund relating to the production and review of system generated reports and manual workings for the purpose of calculations of element of income or loss and bifurcation of amount paid on</li></ul>

S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>The said notification included a definition and explanation relating to "element of income" and excluded the element of income from the expression "accounting income" as described in Regulation 63 of the Regulations (amount distributable to unit holders) of the NBFC Regulations.</p> <p>As per the revised methodology mentioned in the notification referred above, element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unitholders' fund. Furthermore, the amendments also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the said amendments. (Refer Note 4.12 to the financial statements of the Fund)</p> <p>Due to the significance of impact on financial results of the Fund including substantial changes in disclosures of the Fund's financial statements as a result of above mentioned amendments, we have considered the application of amendments as a key audit matter.</p>	<p>redemption of units into "capital value" and "income already paid on units redeemed".</p> <ul style="list-style-type: none"> <li>• We evaluated the accuracy of system generated reports and manual workings produced by the Fund to ensure that the data is consistent with source documents and the said workings are in compliance with all the statutory provisions relating to element of income or loss.</li> <li>• We assessed the appropriateness of the recognition, measurement and presentation of "element of income / loss" in accordance with the amended provisions of the NBFC Regulations. We also considered the guidelines issued by MUFAP in respect of the accounting for element of income / loss as per the revised Regulations and assessed its implementation by the Fund.</li> <li>• We evaluated the adequacy of disclosures regarding the change in accounting policy with respect to element of income / loss along with the adequacy of additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' in accordance with the requirements of the relevant financial reporting standards and the guidance issued by MUFAP in relation thereto.</li> </ul>
2.	<p><b>Existence and valuation of investments</b></p> <p>As disclosed in note 8 to the financial statements of the Fund for the period ended June 30, 2018, the investments held by the Fund comprised of listed shares which represent 72% of the total assets of the Fund as at the period end.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• We tested controls over acquisition, disposals and periodic valuation of investments portfolio and performed substantive audit procedures on period-end balance of portfolio including review of custodian's statement, and related reconciliations, re-performance of investment valuations on the basis of quoted market prices at the Pakistan Stock Exchange as at June 30, 2018.</li> </ul>

S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>In view of the significance of investment in relation to the total assets and the Net Asset Value (NAV) of the Fund, we have considered the existence and valuation of such investments as a key audit matter.</p>	<ul style="list-style-type: none"> <li>• In respect of investments classified as available for sale, we considered the implications of impairment in accordance with the requirements of the applicable financial reporting framework and the accounting policies of the Fund.</li> <li>• We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and the adequacy of disclosures as may be applicable in situations of non-compliance.</li> <li>• We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of the Regulations and whether the Fund's disclosures in relation to the valuation of investments are compliant with the relevant accounting requirements.</li> </ul>

**Information other than the financial statements and auditor's report thereon**

The Management Company is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Management Company and its Board of Directors**

The Management Company (“UBL Fund Managers Limited”) of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Company is responsible for assessing the Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Management Company is responsible for overseeing the Fund’s financial reporting process.

### **Auditor’s responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Company.

- Conclude on the appropriateness of the Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on other legal and regulatory requirements

Based on our audit, we further report that in our opinion the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

The engagement partner on the audit resulting in this independent auditor's report is Zulfikar Ali Causer.

KARACHI

DATE 28 AUG 2018



BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS

**UBL FINANCIAL SECTOR FUND  
STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2018**

	<b>Note</b>	<b>June 30, 2018 (Rupees in '000)</b>
<b>ASSETS</b>		
Bank balances	5	112,287
Investments	6	295,416
Mark-up / interest receivable	7	357
Deposits and other receivables	8	3,515
Preliminary expenses and floatation costs	9	1,141
<b>TOTAL ASSETS</b>		<u>412,716</u>
<b>LIABILITIES</b>		
Payable to UBL Fund Managers Limited - Management Company	10	6,309
Payable to Central Depository Company of Pakistan Limited - Trustee	11	39
Payable to Securities and Exchange Commission of Pakistan	12	40
Accrued expenses and other liabilities	13	34,175
<b>TOTAL LIABILITIES</b>		<u>40,563</u>
<b>NET ASSETS</b>		<u><u>372,153</u></u>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<u><u>372,153</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>		
	14	
		<b>(Number of units)</b>
<b>NUMBER OF UNITS IN ISSUE</b>	15	<u><u>4,079,679</u></u>
		<b>(Rupees)</b>
<b>NET ASSETS VALUE PER UNIT</b>		<u><u>91.2211</u></u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

**For UBL Fund Managers Limited  
(Management Company)**

---SD---  
**CHIEF EXECUTIVE OFFICER**

---SD---  
**CHIEF FINANCIAL OFFICER**

---SD---  
**DIRECTOR**

**UBL FINANCIAL SECTOR FUND  
INCOME STATEMENT  
FOR THE PERIOD FROM APRIL 06, 2018 TO JUNE 30, 2018**

		<b>For the period from April 06, 2018 to June 30, 2018</b>
	<b>Note</b>	<b>(Rupees in '000)</b>
<b>INCOME</b>		
Financial income	16	365
Dividend income		1,531
Capital loss on sale of investments - net		(382)
Other income		18
<b>Total income</b>		<u>1,532</u>
<b>EXPENSES</b>		
Remuneration of UBL Fund Managers Limited - Management Company	10.1	845
Sindh Sales Tax on Management Company's remuneration	10.2	110
Remuneration of Central Depository Company of Pakistan Limited - Trustee	11.1	95
Annual fee of Securities and Exchange Commission of Pakistan	12.1	40
Bank charges		5
Auditors' remuneration	17	167
Brokerage and settlement expenses		45
Allocated expenses	18	42
Fees and subscription charges		28
Legal and professional charges		49
Amortization of preliminary expenses and floatation costs		56
Selling and marketing expenses	10.4	169
<b>Total operating expenses</b>		<u>1,651</u>
<b>Net loss from operating activities</b>		<u>(119)</u>
Provision for Sindh Workers' Welfare Fund	13.1	-
<b>Net loss for the period before taxation</b>		<u>(119)</u>
Taxation	19	-
<b>Net loss for the period after taxation</b>		<u>(119)</u>
<b>Allocation of net loss for the period</b>		
Income already paid on units redeemed		-
<b>Net loss for the period</b>		<u><u>(119)</u></u>
Accounting income available for distribution:		
Relating to capital gains		-
Excluding capital gains		-
<b>Earnings per unit</b>	20	<u><u>-</u></u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

**For UBL Fund Managers Limited  
(Management Company)**

---SD---  
**CHIEF EXECUTIVE OFFICER**

---SD---  
**CHIEF FINANCIAL OFFICER**

---SD---  
**DIRECTOR**

**UBL FINANCIAL SECTOR FUND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD FROM APRIL 06, 2018 TO JUNE 30, 2018**

**For the period  
from April 06,  
2018 to June 30,  
2018  
(Rupees in '000)**

Net loss for the period	(119)
Other comprehensive income	
Items that may be reclassified subsequently to income statement	
Unrealised loss on revaluation of investments classified as 'available for sale' - net	(15,574)
Items that may not be reclassified subsequently to income statement	-
Total comprehensive loss for the period	<u>(15,693)</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

**For UBL Fund Managers Limited  
(Management Company)**

---SD---  
**CHIEF EXECUTIVE OFFICER**

---SD---  
**CHIEF FINANCIAL OFFICER**

---SD---  
**DIRECTOR**

**UBL FINANCIAL SECTOR FUND  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM APRIL 06, 2018 TO JUNE 30, 2018**

**For the period  
from April 06,  
2018 to June 30,  
2018  
(Rupees in '000)**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net loss for the period before taxation	(119)
Adjustments for:	
Financial Income	(365)
Dividend income	(1,531)
Capital loss on sale of investments - net	382
	<u>(1,514)</u>
<b>Cash used in operations before working capital changes</b>	<b>(1,633)</b>

**Working capital changes**

**Increase in assets**

Investments - net	(311,372)
Preliminary expenses and floatation costs	(1,141)
Deposits and prepayments	(3,515)
	<u>(316,028)</u>

**Increase in liabilities**

Payable to UBL Fund Managers Limited - Management Company	6,309
Payable to Central Depository Company of Pakistan Limited - Trustee	39
Annual fee payable to Securities and Exchange Commission of Pakistan	40
Accrued expenses and other liabilities	34,175
	<u>40,563</u>
Profit received on bank balances	8
Dividend received	1,531
<b>Net cash used in operating activities</b>	<b>(275,559)</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Receipts from issuance of units	480,477
Payment against redemption of units	(92,631)
<b>Net cash generated from financing activities</b>	<b>387,846</b>
<b>Net increase in cash and cash equivalents</b>	<b>112,287</b>
Cash and cash equivalents at the beginning of the period	-
<b>Cash and cash equivalents at the end of the period</b>	<b>112,287</b>

The annexed notes from 1 to 32 form an integral part of these financial statements.

**For UBL Fund Managers Limited  
(Management Company)**

---SD---

**CHIEF EXECUTIVE OFFICER**

---SD---

**CHIEF FINANCIAL OFFICER**

---SD---

**DIRECTOR**

**UBL FINANCIAL SECTOR FUND  
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS  
FOR THE PERIOD FROM APRIL 06, 2018 TO JUNE 30, 2018**

	2018			
	Capital value	Undistributed income	Unrealised (diminution) / appreciation on re- measurement of investments classified as available for sale' - net	Total
----- (Rupees in '000) -----				
Net assets at the beginning of the period	-	-	-	-
Issuance of 5,038,015 units				
Capital value of units	503,802	-	-	503,802
Element of loss during the period				
Due to deficit in available for sale securities	(17,565)	-	-	(17,565)
Due to net loss incurred	(5,760)	-	-	(5,760)
<b>Total proceeds on issuance of units</b>	480,477	-	-	480,477
Redemption of 958,336 units				
Capital value of units	(95,835)	-	-	(95,835)
Element of income during the period				
Due to deficit in available for sale securities	3,028	-	-	3,028
Due to net loss incurred	176	-	-	176
<b>Total payments on redemption of units</b>	(92,631)	-	-	(92,631)
Total comprehensive loss for the period	-	(119)	(15,574)	(15,693)
Distribution during the period	-	-	-	-
<b>Net loss for the period less distribution</b>	-	(119)	(15,574)	(15,693)
<b>Net assets at the end of the period</b>	387,846	(119)	(15,574)	372,153
<b>Undistributed income brought forward comprises of:</b>				
Realised gain		-	-	-
Unrealised gain		-	-	-
Total undistributed income brought forward		-	-	-
<b>Accounting income available for distribution:</b>				
Relating to capital gains	-	-	-	-
Excluding capital gains	-	-	-	-
Total comprehensive loss for the period		(119)	(15,574)	(15,693)
Distribution during the period		-	-	-
<b>Undistributed loss carried forward</b>		(119)	(15,574)	(15,693)
<b>Undistributed loss carried forward comprises of:</b>				
Realised loss		(119)	-	(119)
Unrealised loss		-	(15,574)	(15,574)
<b>Total undistributed loss carried forward</b>		(119)	(15,574)	(15,693)
				<b>(Rupees)</b>
Net assets value per unit at the beginning of the period				-
Net assets value per unit at the end of the period				91.2211

The annexed notes from 1 to 32 form an integral part of these financial statements.

For UBL Fund Managers Limited  
(Management Company)

---SD---  
CHIEF EXECUTIVE OFFICER

---SD---  
CHIEF FINANCIAL OFFICER

---SD---  
DIRECTOR

**UBL FINANCIAL SECTOR FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM APRIL 06, 2018 TO JUNE 30, 2018**

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

- 1.1 UBL Financial Sector Fund (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) as an open-end mutual fund. It was constituted under the Trust Deed, dated February 21, 2018 between UBL Fund Managers Limited (a wholly owned subsidiary company of United Bank Limited) as the Management Company, a company incorporated under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund has been registered as a notified entity on March 12, 2018 by the Securities and Exchange Commission of Pakistan (SECP) in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). The Trust Deed has also been approved by the Securities and Exchange Commission of Pakistan (SECP). The registered office of the Management Company is situated at 4th floor, STSM Building, Beaumont Road, Civil Lines, Karachi.
- 1.2 The Management Company of the Fund is registered with the SECP as a Non-Banking Finance Company under the NBFC Rules.
- 1.3 The Fund is an equity scheme (sector specific) and units of the Fund are listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units were initially offered to public on IPO dated April 05, 2018 and are transferable and can also be redeemed by surrendering them to the Fund at the option of the unit holder. The Fund is categorised as an open-ended sector (equity) scheme in accordance with Circular 7 of 2009 issued by the SECP.
- 1.4 The principal activity of the Fund is to provide investors long term capital appreciation by investing primarily in a mix of actively managed portfolio of listed equities that offer capital gains and dividends yield potential, preferably in financial sector.
- 1.5 Title to the assets of the Fund are held in the name of the CDC as the Trustee of the Fund.
- 1.6 JCR-VIS Credit Rating Company has assigned an asset manager quality rating of 'AM1' (stable outlook) to the Management Company as at December 29, 2017. The Management Company is obliged to obtain a rating of the Fund, once the Fund becomes eligible for rating as per the criteria of the rating agency. However, criteria of rating agency requires a minimum performance history of one year for the funds to become eligible for ranking. Therefore, the Fund is not eligible for the rating.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed. Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

### **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except investments that are stated at fair values. These financial statements have been prepared by following accrual basis of accounting except for cash flows information.

### **2.3 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees, which is the Fund's functional and presentation currency.

### **2.4 Use of estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying 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 the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

#### **Classification and valuation of investments**

For details please refer notes 4.2 and 22 to these financial statements.

#### **Impairment of investment**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired.

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

For details please refer note 4.12 to these financial statements.

#### **Provision for taxation**

For details please refer notes 4.8 and 19 to these financial statements.

#### **Sindh Workers' Welfare Fund**

For details please refer note 13.1 to these financial statements.

#### **Other assets**

Judgement is involved in assessing the realisability of other assets balances.

### **3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS**

#### **3.1 Standards or interpretations that are effective in current period but not relevant to the Fund**

The Fund has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the period from the dates mentioned below against the respective standard:

		<b>Effective date (annual periods beginning on or after)</b>
IAS 7	Statement of Cash Flows - Amendments resulting from the disclosure initiative	January 01, 2017
IAS 12	Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses	January 01, 2017

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the period:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 12	Disclosure of Interests in Other Entities	January 01, 2017
---------	---	------------------

### **3.2 Amendments not yet effective**

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

IFRS 2	Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 4	Insurance Contracts - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2018
IFRS 7	Financial Instruments : Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	Applies when IFRS 9 is applied
IFRS 9	Financial Instruments - Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	January 01, 2018

		<b>Effective date (annual periods beginning on or after)</b>
IFRS 9	Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	January 01, 2018
IFRS 9	Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 19	Employee benefits - Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
IAS 39	Financial Instruments: Recognition and Measurements- Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	Applies when IFRS 9 is applied
IAS 40	Investment Property - Amendments to clarify transfers or property to, or from, investment property	January 01, 2018

The Annual Improvements to IFRSs that are effective from the dates mentioned below against respective standards:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2018
IAS 28	Investments in Associates and Joint Ventures	January 01, 2018

Annual Improvements to IFRSs (2015 – 2017) Cycle:

IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

### **3.3 Standards or interpretations not yet effective**

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 9	Financial Instruments	July 01, 2018
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRS 16	Leases	January 01, 2019

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance Contracts

The effects of IFRS 15 - Revenues from Contracts with Customers and IFRS 9 - Financial Instruments are still being assessed, as these new standards may have a significant effect on the Fund's future financial statements.

The Fund expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Fund's financial statements in the period of initial application.

## **4 SIGNIFICANT ACCOUNTING POLICIES**

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

### **4.1 Cash and cash equivalents**

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

## **4.2 Financial assets**

### **4.2.1 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 classification of its financial assets at initial recognition and re-evaluates this classification on regular basis.

Investments are categorised as follows:

#### **a) Loans and receivables**

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

#### **b) Financial assets at fair value through profit or loss**

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

#### **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. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

### **4.2.2 Regular way contracts**

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

### **4.2.3 Initial recognition and measurement**

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

### **4.2.4 Subsequent measurement**

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

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

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

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

**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 on these instruments are also recognised in the income statement when the financial assets carried at amortised cost are derecognised or impaired.

**4.2.5 Impairment**

The Fund assesses at each reporting date whether there is objective evidence that the financial assets or a group of financial assets are 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 assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

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

For certain other financial assets, a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against those 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.

**4.2.6 Derecognition**

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

### **4.3 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

### **4.4 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.

### **4.5 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.

### **4.6 Provisions**

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

### **4.7 Collaterals**

Cash collaterals provided by the Fund are identified in the statement of assets and liabilities as margin and are not included as a component of cash and cash equivalents. For collaterals other than cash, if the party to whom the collaterals are provided has a right by contract or custom to sell or re-pledge the collaterals, the Fund classifies that collaterals in the statement of assets and liabilities separately from other assets and identifies the assets as pledged collaterals.

Where the party to whom the collaterals are provided does not have the right to sell or re-pledge, a disclosure of the collaterals provided is made in the notes to the financial statements.

### **4.8 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 is distributed to the unit holders.

The Fund is also exempt from 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 the 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.

#### **4.9 Preliminary expenses and floatation cost**

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, brokerage paid to the members of the stock exchange and other expenses. These costs are being amortised over a period of five years commencing from the date of plan, in accordance with the Trust Deed of the Fund and NBFC Regulations.

#### **4.10 Proposed distributions**

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

#### **4.11 Issuance and redemption of units**

Units are allocated at the offer price prevalent on the day on which funds for purchase of units are realised. The offer price represents the net asset value per unit at the end of the preceding day. Issue of units is also recorded on realisation of funds.

Units redeemed are recorded at the redemption price, applicable to units for which the Fund receives redemption applications during business hours of that day. The redemption price represents the net asset value per unit at the end of the preceding day. Redemption of units is recorded on acceptance of application for redemption.

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

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

#### **4.13 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 issue at the period end.

#### **4.14 Revenue recognition**

- Gains / (losses) arising on sale of investments is accounted for in the period in which it arises.
- Unrealised (loss) / gain on revaluation of investments classified as financial assets at fair value through profit or loss is included in the income statement in the period in which it arises.
- Unrealised (loss) / gain on revaluation of investments classified as „available-for-sale“ is included in the statement of comprehensive income in the period in which it arises.
- Profit on bank balances is recorded on accrual basis.

#### 4.15 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rates are recognised in the income statement.

#### 4.16 Transactions with related parties / connected persons

Transactions with related parties / connected persons are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

Remuneration to the Management Company and the Trustee is determined in accordance with the provision of NBFC Rules, NBFC Regulations and the Trust Deed respectively.

	<b>Note</b>	<b>2018</b> <b>(Rupees in '000)</b>
<b>5 BANK BALANCES</b>		
Cash at bank		
In savings accounts	5.1	<u>112,287</u>
5.1 Profit rates on these savings accounts range between 3% to 4% per annum. This includes an amount held by a related party (United Bank Limited) amounting to Rs. 112.287 million.		
<b>6 INVESTMENTS</b>		
Available for sale - equity shares	6.1	<u>295,416</u>

6.1 Available for sale - equity shares

Name of investee company	Number of shares				Balance as at June 30, 2018			Market value as a percentage of net assets	Market value as a percentage of total value of investment	Investment as a percentage of paid up capital of investee
	As at April 06, 2018	Purchased during the period	Sold during the period	As at June 30, 2018	Carrying value as at June 30, 2018	Market value as at June 30, 2018	Appreciation/ (diminution) as at June 30, 2018			
	-----Number of shares-----				----- (Rupees in '000) -----					
<b>COMMERCIAL BANKS</b>										
Allied Bank Limited	-	532,000	6,000	526,000	52,195	54,257	2,062	15%	18%	0.47%
Bank Al Falah Limited	-	972,000	102,500	869,500	45,871	45,466	(405)	12%	15%	0.28%
United Bank Limited	-	225,000	25,500	199,500	38,909	33,712	(5,197)	9%	11%	0.28%
Habib Bank Limited	6.1.1	415,500	7,500	408,000	74,953	67,908	(7,045)	18%	23%	0.46%
MCB Bank Limited	-	132,500	-	132,500	26,987	26,205	(782)	7%	9%	0.22%
Faysal Bank Limited	-	559,000	-	559,000	14,233	14,533	300	4%	6%	0.11%
	-	2,836,000	141,500	2,694,500	253,148	242,081	(11,067)	65%	82%	
<b>INSURANCE</b>										
Adamjee Insurance Company Limited	-	1,094,500	-	1,094,500	57,842	53,335	(4,507)	14%	18%	1.52%
	-	1,094,500	-	1,094,500	57,842	53,335	(4,507)	14%	18%	
<b>Total - June 30, 2018</b>	-	<b>3,930,500</b>	<b>141,500</b>	<b>3,789,000</b>	<b>310,990</b>	<b>295,416</b>	<b>(15,574)</b>	<b>79%</b>	<b>100%</b>	

6.1.1 The above securities include 90,000 shares pledged with National Clearing Company of Pakistan Limited having a market value (in aggregate) amounting to Rs. 14.979 million for guaranteeing settlement of the Fund's trade in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.

	Note	2018 (Rupees in '000)
<b>7 MARK-UP / INTEREST RECEIVABLE</b>		
Markup / interest receivable on:		
Saving accounts		<u>357</u>
<b>8 DEPOSITS AND OTHER RECEIVABLES</b>		
Security deposit with		
National Clearing Company of Pakistan Limited		2,500
Receivable against sale of investment		<u>1,015</u>
		<u>3,515</u>
<b>9 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>		
Preliminary expenses and floatation costs		1,197
Amortisation during the period		<u>(56)</u>
Balance as at June 30, 2018		<u>1,141</u>
9.1 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 April 06, 2018 as per the requirements set out in the Trust Deed.		
<b>10 PAYABLE TO UBL FUND MANAGERS LIMITED - MANAGEMENT COMPANY</b>		
Remuneration payable		
(including Sindh Sales Tax)	10.1 & 10.2	394
Formation cost and other payable	10.3	3,735
Allocated expenses payable	18	32
Selling and marketing expenses payable	10.4	169
Sales load payable		1,978
Conversion charges payable		<u>1</u>
		<u>6,309</u>
10.1 As per regulation 61 of NBFC Regulations, the Management Company is entitled to remuneration of an amount not exceeding 2% of average annual net assets of the Fund. The Management Company has charged remuneration at the rate of 2% of the net assets of the Fund calculated on a daily basis from April 06, 2018.		
10.2 The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.		

10.3 This includes preliminary expenses and floatation costs amounting to Rs. 1.197 million payable to Management Company.

10.4 SECP vide Circular No. 40 of 2016 dated December 30, 2016 prescribed certain conditions on Asset Management Companies (AMC) for charging of selling and marketing expenses to certain collective investment schemes managed by them. Pursuant to the circular, the AMCs are allowed to charge selling and marketing expenses for an initial period of three years (from January 01, 2017 till December 31, 2019) at a maximum cap of 0.4% per annum of net assets of the Fund or actual expenses, whichever is lower. Accordingly, the Management Company has charged 0.4% of the daily net assets of the Fund from April 06, 2018, being the lower amount.

	<b>Note</b>	<b>2018 (Rupees in '000)</b>
<b>11 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>		
Trustee fee payable (including Sindh Sales Tax)	11.1 & 11.2	<u><u>39</u></u>

11.1 The Trustee is entitled to a monthly remuneration for the services rendered to the Fund under the provisions of the Trust Deed and Offering Document as per the tariff structure specified therein, based on the daily net asset value of the Fund. The remuneration is paid to the Trustee monthly in arrears.

As per the Trust Deed and Offering Document, the tariff applicable to the Fund in respect of the Trustee fee during the period ended June 30, 2018 is as follows:

<b>Net assets</b>	<b>Tariff per annum</b>
Upto Rs. 1,000 million	Rs. 0.7 million or 0.20% p.a. of NAV, whichever is higher
On an amount exceeding Rs. 1,000 million	Rs. 2.0 million plus 0.10% p.a. of NAV

11.2 The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% on the trustee fee through the Sindh Sales Tax on Services Act, 2011.

**12 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

Annual fee payable	12.1	<u><u>40</u></u>
--------------------	------	------------------

- 12.1 Under the provisions of NBFC Regulations, a collective investment scheme classified as equity scheme is required to pay as annual fee to the SECP, an amount equal to 0.095% of the average annual net assets of the Fund.

	Note	2018 (Rupees in '000)
<b>13 ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
Payable against purchase of equity shares		33,291
Auditors' remuneration payable		113
Brokerage expense payable		717
Capital gains tax payable		43
Payable against legal fees and professional charges		11
Provision for Sindh Workers' Welfare Fund	13.1	-
		34,175

### 13.1 Provision for Sindh Workers' Welfare Fund

As a consequence of the 18th amendment to the Constitution, levy for Sindh Workers' Welfare Fund (SWWF) was introduced by the Government of Sindh through the Sindh Workers Welfare Fund Act, 2014 (SWWF Act, 2014). SWWF Act 2014, enacted on May 21, 2015, requires every Industrial Establishment located in the province of Sindh and having total income of Rs.500,000 or more in any year of account commencing on or after the date of closing of account on or after December 31, 2013, to pay two percent of so much of its total income declared to SWWF. The said Act includes any concern engaged in the Banking or Financial Institution in the definition of "Industrial Undertaking" but does not define Financial Institution.

The Management Company, based on an opinion obtained by the Mutual Funds Association of Pakistan (MUFAP), believes that Mutual Funds are not liable to pay SWWF under the said law, for the reason that the Mutual Funds are not financial institutions and rather an investment vehicle. However, the Sindh Revenue Board has not accepted the said position of MUFAP and as a result, MUFAP has taken up this matter with the Sindh Finance Ministry for resolution.

In view of the above developments regarding the applicability of SWWF on Mutual Funds, the MUFAP obtained a legal opinion and based on such legal advice, has recommended to all its members on January 12, 2017 that provision against SWWF, on prudent basis, should be made from the date of enactment of the SWWF Act, 2014 (i.e. May 21, 2015) with effect from January 12, 2017.

The above decision was communicated to SECP and the Pakistan Stock Exchange Limited on January 12, 2017. In response to the aforementioned letter SECP vide its letter dated February 1, 2017 advised MUFAP that the adjustments relating to the above should be made prospectively and adequate disclosure shall be made.

Since the Fund has incurred net loss during the period, therefore no provision against SWWF has been made.

## 14 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2018.

	Note	2018 (Rupees in '000)
<b>15 NUMBER OF UNITS IN ISSUE</b>		
Total units in issue at the beginning of the period		-
Add: Units issued		5,038,015
Less: Units redeemed		(958,336)
Total units in issue at the end of the period		<u>4,079,679</u>
		<b>For the period from April 06, 2018 to June 30, 2018</b>
	Note	<b>(Rupees in '000)</b>
<b>16 FINANCIAL INCOME</b>		
Markup / interest income on Bank balances		<u>365</u>
<b>17 AUDITORS' REMUNERATION</b>		
Annual audit fee		75
Fee for the review of compliance with the requirements of the Code of Corporate Governance		15
Fee for other certifications / services		15
Out of pocket expenses and sales tax		62
		<u>167</u>
<b>18 ALLOCATED EXPENSES</b>		

As per regulation 60(3)(s) of NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the scheme, maximum up to 0.1% of the average annual net assets or the actual cost, whichever is lower. Accordingly, the Management Company has charged 0.1% of the average annual net assets with effect from April 06, 2018 being the lower.

## 19 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. 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. During the period, the Fund has incurred net loss, therefore the Fund is not required to distribute cash dividend.

## 20 EARNINGS PER UNIT

Loss per unit has not been disclosed as in the opinion of the Management Company, determination of the cumulative weighted average number of outstanding units is not practicable.

## 21 TOTAL EXPENSE RATIO

As per Directive 23 of 2016 dated July 20, 2016 issued by SECP, the Total Expense Ratio of the Fund is 0.92% as on June 30, 2018 and this includes 0.09% representing Government levy, Sindh Workers' Welfare Fund and SECP fee.

## 22 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2018, the financial assets carried on the statement of assets and liabilities are categorised either as 'Loans and receivables' or 'available for sale'. The financial liabilities carried on the statement of assets and liabilities are categorised as other financial liabilities i.e. liabilities other than 'at fair value through profit or loss'.

Particulars	As at June 30, 2018		
	Loans and receivables	Financial assets 'available for sale'	Total
----- Rupees in '000 -----			
<b>Financial assets</b>			
Bank balances	112,287	-	112,287
Investments	-	295,416	295,416
Mark-up / interest receivable	357	-	357
Deposits and other receivables	3,515	-	3,515
	<u>116,159</u>	<u>295,416</u>	<u>411,575</u>

Particulars	As at June 30, 2018		
	Financial liabilities 'at fair value through profit or loss'	Other financial liabilities	Total
----- Rupees in '000 -----			
<b>Financial liabilities</b>			
Payable to UBL Fund Managers Limited - Management Company	-	6,264	6,264
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	35	35
Accrued expenses and other liabilities	-	34,132	34,132
	<u>-</u>	<u>40,430</u>	<u>40,430</u>

**23 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF THE COMMISSION CHARGE**

**June 30, 2018  
(Percentage)**

1	Elixir Securities Pakistan (Private) Limited	28.37%
2	Al Falah Securities Private Limited	27.26%
3	ABA Ali Habib Securities (Private) Limited	18.09%
4	Optimus Capital Management (Private) Limited	8.73%
5	Next Capital Limited	8.10%
6	DJM Securities (Private) Limited	3.60%
7	Topline Securities (Private) Limited	2.44%
8	BMA Capital Management Limited	2.16%
9	Taurus Securities Limited	1.24%
		<b>100%</b>

**24 BRIEF PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER**

Details of the members of the Investment Committee of the Fund are as follows:

S. No.	Name	Designation	Experience in years	Qualification
1	Yasir Qadri	Chief Executive Officer	22.1	MBA
2	Syed Suleman Akhter	Chief Investment Officer	16.85	MBA, CFA
3	Farhan Bashir Khan	Head of Research	11.6	MBA
4	Mubashir Anis	Fund Manager	6.01	BSC, CFA
5	Hadi Hassan Muki	Acting Head of Risk & Compliance *	18	B.Com

\* Head of Risk - non voting observer

Mubashir Anis is the Fund Manager of the Fund. He is also the Fund Manager of UBL Stock Advantage Fund and UBL Dedicated Equity Fund.

**25 PATTERN OF UNIT HOLDING**

Category	-----June 30, 2018-----		
	Number of unit holders	Number of units held	Percentage of units held
Individuals	72	1,626,121	39.86%
Associated Companies and Key Executive	3	1,495,570	36.66%
Insurance companies	1	12,507	0.31%
Public limited companies	3	75,938	1.86%
Retirement funds	12	638,364	15.65%
Others	4	231,179	5.67%
	<b>95</b>	<b>4,079,679</b>	<b>100%</b>

## 26 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Connected persons / related parties comprise of United Bank Limited (Holding Company of Management Company), UBL Fund Managers Limited (Management Company), Al-Ameen Islamic Financial Services (Private) Limited (Subsidiary of the Management Company), entities under common management or directorships, Central Depository Company of Pakistan Limited (Trustee) and the Directors and Officers of Management Company.

Remuneration to the Management Company and the Trustee is determined in accordance with the provision of NBFC Rules, NBFC Regulations and the Trust Deed respectively.

Other transactions with the related parties / connected persons have been carried out at agreed / commercial terms.

Details of transaction with the related parties and balances with them at the year end are as follows:

	Management Company	Associated Companies	Trustee	Funds under Common Management	Directors and Key Executives	Other Connected persons / related parties
	(Rupees in '000)					
<b>Transactions during the period from April 06, 2018 to June 30, 2018</b>						
Profit on savings accounts	-	365	-	-	-	-
Bank charges	-	5	-	-	-	-
Units issued	146,000	-	-	-	4,247	127,139
Units redeemed	-	-	-	-	2,809	60,422
Purchase of equity securities	-	44,038	-	-	-	-
Sale of equity securities	-	4,882	-	-	-	-
Sales load paid	2,783	-	-	-	-	-
Dividend received	-	426	-	-	-	-
Remuneration (including sales tax)	955	-	95	-	-	-
Allocated expenses	42	-	-	-	-	-
Selling and marketing expenses	169	-	-	-	-	-
Listing fee	-	-	-	-	-	28
<b>Balances held as at June 30, 2018</b>						
Units held (in Units '000)	1,482	-	-	-	14	670
Units held (in Rupees '000)	135,179	-	-	-	1,249	61,130
Bank balances	-	112,287	-	-	-	-
Profit receivable	-	357	-	-	-	-
Investments	-	33,712	-	-	-	-
Remuneration payable	394	-	39	-	-	-
Other payables	3,735	-	-	-	-	-
Allocated expenses payable	32	-	-	-	-	-
Selling and marketing expense payable	169	-	-	-	-	-
Sales load payable	1,978	-	-	-	-	-
Conversion charges payable	1	-	-	-	-	-

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

During the year, seven meetings of the Board of Directors of the Management Company were held. The details of the attendance are as under:

Particulars	August 23, 2017	September 25, 2017	October 27, 2017	December 06, 2017	February 16, 2018	April 26, 2018	May 02, 2018	Total meetings attended
<b>Name of Directors:</b>								
Tariq Kirmani **	✓	✓	N/A	N/A	N/A	N/A	N/A	2
Azhar Hamid *	N/A	N/A	✓	✓	✓	✓	✓	5
Yasir Qadri	✓	✓	✓	✓	✓	✓	✓	7
Naz Khan *	N/A	N/A	✓	✓	✓	✓	✓	5
Shabbir Hussain Hashmi **	✓	✓	N/A	N/A	N/A	N/A	N/A	2
Sharjeel Shahid *	N/A	N/A	✓	✓	x	✓	x	3
Zia Ijaz	✓	✓	✓	✓	x	✓	x	5
Syed Furrugh Zaeem	✓	✓	✓	✓	✓	✓	✓	7
Mirza Muhammad Sadeed Hassan Barlas **	✓	✓	✓	✓	x	✓	✓	6
<b>Name of Key Executives</b>								
Fawaz Taj Siddiqui ****	✓	✓	✓	✓	✓	N/A	N/A	5
Umair Ahmed	✓	✓	✓	✓	✓	✓	✓	7
S.M. Aly Osman ****	N/A	N/A	N/A	N/A	N/A	✓	✓	2

\* Elected at EOGM held on September 29, 2017

\*\* Independent Directors have completed three consecutive term

\*\*\* Mr. Zulfikar Alavi resigned on August 07, 2017

\*\*\*\* Mr. Fawaz Taj Siddiqui resigned and appointment of Mr. S. M. Aly Osman effective from April 02, 2018 as Company Secretary

## 28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's objective in managing risks is the creation and protection of Unit Holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the Fund's constitutive documents and the regulations and the directives issued by the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept.

The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

### 28.1 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 the market risk through diversification of the investment portfolio by following the internal guidelines established by the Investment Committee and the regulations laid down by the SECP.

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

#### **28.1.1 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 does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

#### **28.1.2 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2018, the Fund is exposed to such risk on its balances held with banks. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

##### **a) Sensitivity analysis for variable rate instruments**

The Fund is exposed to cash flow interest rate risk for balances in certain savings accounts, the interest rates on which range between 3.00% to 4.00% per annum.

In case of 100 basis points increase / decrease in interest rates on June 30, 2018, with all other variables held constant, the net income for the period and the net assets would have been higher / lower by Rs. 1.123 million.

##### **b) Sensitivity analysis for fixed rate instruments**

Presently, the Fund does not hold any fixed rate instrument and is not exposed to fair value interest rate risk.

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

Particulars	June 30, 2018					Not exposed to interest rate risk
	Effective yield / interest rate	Total	Exposed to interest rate risk			
			Upto three months	More than three months and upto one year	More than one year	
	%	(Rupees in '000)				
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	3 - 4	112,287	112,287	-	-	-
Investments		295,416	-	-	-	295,416
Mark-up / interest receivable		357	-	-	-	357
Deposits and other receivables		3,515	-	-	-	3,515
<b>Sub total</b>		411,575	112,287	-	-	299,288
<b>Financial liabilities</b>						
Payable to UBL Fund Managers Limited - Management Company		6,264	-	-	-	6,264
Payable to the Central Depository Company of Pakistan Limited - Trustee		35	-	-	-	35
Accrued expenses and other liabilities		34,132	-	-	-	34,132
<b>Sub total</b>		40,430	-	-	-	40,430
<b>On-balance sheet gap (a)</b>		371,145	112,287	-	-	258,858
<b>Off-balance sheet financial instrument</b>		-	-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-	-
<b>Total interest rate sensitivity gap (a) + (b)</b>		371,145	112,287	-	-	258,858
<b>Cumulative interest rate sensitivity gap</b>			112,287	-	-	

### 28.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund's equity securities are primarily exposed to equity price risk because of investments held and classified by the fund on the statements of assets and liabilities as 'Available for sale'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Fund's constitutive documents. The Fund's constitutive documents / NBFC Regulations also limit investment in individual equity securities to not more than 20% of its net assets, or 20% of issued capital of the investee company.

In case of 5% increase / decrease in the fair value of the Fund's equity securities on June 30, 2018, other comprehensive income for the period would increase / decrease by Rs. 14.77 million and net assets of the fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as 'Available for sale'.

### 28.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to non-payment of redemptions request on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by the SECP.

### Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed of.

The Fund can borrow, with the prior approval of the trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings were made during the period.

In order to manage the Fund's overall liquidity, the Fund also has the option to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. Further the Fund also has the ability to suspend redemptions of units with the approval of Board of Directors of the Management Company in extraordinary circumstances. An interval of six working days between the receipt of a redemption request and issuance of units against it provides a cushion in the repayment of on-demand redemption of units. However, during the period, no such option was exercised or considered necessary.

The following table 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.

Particulars	June 30, 2018		
	Upto three months	More than three months and upto one	Over one year
	Rupees in '000		
<b>Financial liabilities</b>			
Payable to UBL Fund Managers Limited - Management Company	6,264	-	-
Payable to the Central Depository Company of Pakistan Limited - Trustee	35	-	-
Accrued expenses and other liabilities	34,132	-	-
<b>Total liabilities</b>	<b>40,430</b>	<b>-</b>	<b>-</b>

### 28.3 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation. The Fund's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements.

#### Management of credit risk

The Fund keeps deposits with reputed financial institutions with reasonably high credit ratings. Credit risk on account of dividend receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the system of National Clearing Company of Pakistan Limited. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules, the NBFC regulations and guidelines given by the SECP from time to time.

The maximum exposure to credit risk before any credit enhancement as at June 30, 2018 is the carrying amount of the financial assets. None of these assets are 'impaired' nor 'past due but not impaired'.

28.3.1 The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2018:

#### Balances with banks by rating category

Name of the bank	Rating agency	Balances held by the Fund as at June 30, 2018	Latest available published rating as at
		Rupees in '000	
United Bank Limited	JCR-VIS	112,287	AAA
		<u>112,287</u>	

#### Concentration on credit risk

Concentration of risk arises when a number of financial instruments or contracts are entered into the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Fund's major asset balances are held with a single bank. The management believes that the banks is a reputed institution.

## **29 UNIT HOLDERS' FUND RISK MANAGEMENT**

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. The Fund's objective when managing the unit holders' fund is to safeguard the Fund's ability to continue as a going concern in order to provide returns for the benefits of the unit holders to maintain a strong base of assets to support the development of the investment activities of the Fund and to meet unexpected losses or opportunities. As required under the NBFC Regulations, every open end scheme shall maintain minimum fund size (i.e. net assets of the Fund) of Rs. 100 million at all times during the life of scheme. In order to comply with the requirement and to maintain or adjust the Unit Holders' Fund, the Fund's policy is to perform the following:

- Monitor the level of daily issuance and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to unit holders;
- Redeem and issue units in accordance with the constitutive documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and issuance; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer critically track the movement of „Assets under Management“. The Board of Directors is updated regarding key performance indicators e.g. yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current period.

## **30 FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

As per the requirements of the IFRS 7 (Financial Instruments: Disclosures) and IFRS 13 (Fair value measurements), the Fund shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: 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: Inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs)

As at June 30, 2018 the following financial instruments of the Fund are carried at fair value:

	<b>June 30, 2018</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	-----Rs in '000-----		
<b>Equity shares - available for sale</b>			
Investment in equity shares	295,416	-	-
	<u>295,416</u>	<u>-</u>	<u>-</u>

During the period ended June 30, 2018, there were no transfers between level 1 and level 2 fair value measurements and no transfers into and out of level 3 fair value measurements.

### **31 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue by Board of Directors of the Management Company on 28-August-2018 .

### **32 GENERAL**

These figures has been rounded off to the nearest thousand rupees unless otherwise stated.

**For UBL Fund Managers Limited  
(Management Company)**

---SD---  
**CHIEF EXECUTIVE OFFICER**

---SD---  
**CHIEF FINANCIAL OFFICER**

---SD---  
**DIRECTOR**

## ***UBL Financial Sector Fund***

<b><i>Holding</i></b>	<b><i>Resolution</i></b>	<b><i>For</i></b>	<b><i>Against</i></b>	<b><i>Abstain*</i></b>
<b><i>50</i></b>	<i>Extra Ordinary General Meeting of M/s Bank Alfalah Limited was held on May 27, 2018, below resolutions were passed. 1. Confirm minutes of 26th Annual General Meeting held on March 28, 2018. 2. Election of nine Directors of the Company for a period of three years. 3. Transact any other business with permission of the Chairman.</i>	<b><i>✓</i></b>		

***The proxy voting policy of the Collective Investment Scheme is available on the website of the Asset Management Company and detailed information regarding actual proxies voted by the Asset Management Company in respect of the Collective Investment Scheme is also available without charge, upon request, to all unit holders.***

***Moreover, other than above no meeting were attended and no proxies were also given.***

# UFPF

## UBL Financial Planning Fund

### INVESTMENT OBJECTIVE

The objective of the fund is to generate returns on investments as per the respective Allocation Plan by investing in Mutual Funds in line with the risk tolerance of the Investor.

<b>Management Company</b>	UBL Fund Managers Limited
<b>Trustee</b>	Central Depository Company of Pakistan Limited 99-B, Block-B, S.M.C.H.S., Main Shahra-e-Faisal, Karachi. Tel: (9221) 111-111-500
<b>Distribution Company</b>	United Bank Limited (for detail of others, please visit our website: <a href="http://www.ublfunds.com.pk">www.ublfunds.com.pk</a> )
<b>Auditors</b>	EY Ford Rhodes
<b>Bankers</b>	United Bank Limited Sindh Bank Limited Zarai Taraqati Bank Limited
<b>Management Co. Rating</b>	AM1 (JCR-VIS)

## Fund Manager's Report – UBL Financial Planning Fund

### UBL Active Principal Preservation Plan-I (UAPPP-I)

i) **Description of the Collective Investment Scheme category and type**

Fund of Funds Scheme / Open-end

i) **Statement of Collective Investment Scheme's investment objective**

UBL Financial Planning Fund is an open-end Fund of Funds Scheme that aims to generate returns on Investments as per respective Allocation Plans by investing in Mutual Funds in line with the risk tolerance of the Investor.

ii) **Explanation as to whether the Collective Investment Scheme achieved its stated objective**

The fund achieved its stated objective

iii) **Statement of benchmark(s) relevant to the Collective Investment Scheme**

Weighted Avg. of (70% 3M PKRV rates + 30% 3M avg. deposit rates of 3 AA rated Banks as selected by MUFAP), 6M PKRV rates and KSE-100 Index, on the basis of actual investment by the plan.

iv) **Comparison of the Collective Investment Scheme's performance during the period compared with the said benchmarks**

Monthly Yield	Jul'17	Aug'17	Sep'17	Oct'17	Nov'17	Dec'17	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18	FYTD
UAPPP-I	-	-	-	-	-	-	-	0.14%	0.96%	0.35%	-0.50%	-0.06%	0.88%
Benchmark	-	-	-	-	-	-	-	0.09%	1.13%	0.37%	-0.57%	0.05%	1.08%

v) **Description of the strategies and policies employed during the period under review in relation to the Collective Investment Scheme's performance**

The Fund was launched on 21-Feb-18. During FY18 UAPP-I generated a return of 0.88%. At the end of the period the 83% of the Funds remained invested in the money market funds, UBL Liquidity Plus Fund (ULPF) and UBL Money Market Fund (UMMF), whereas 16% was allocated to the equities through UBL Dedicated Equity Fund (UDEF). The net assets of the Fund were PKR 173 million as at June 30, 2018 representing the net asset value of PKR 100.8796 per unit.

**Disclosure of the Collective Investment Scheme's asset allocation as at the date of the report and particulars of significant changes in asset allocation since the last report (if applicable)**

Asset Allocation (% of Total Assets)	Jun-17	Jun-18
Equity Funds	0%	16%
Money Market Funds	0%	83%
Income Funds	0%	0%
Others	0%	0%
Cash	0%	0%

vi) **Analysis of the Collective Investment Scheme's performance**

FY'18 Return:	0.88%
Standard Deviation (12m trailing):	n/a
Sharpe Ratio (12m trailing):	n/a

vii) **Changes in total NAV and NAV per unit since the last review period or since commencement (in case of newly established Collective Investment Schemes)**

Net Asset Value			NAV per unit		
30-Jun-18	28-Feb-18	Change	30-Jun-18	28-Feb-18	Change
Rupees (000)		%	Rupees		%
173,165	172,291	0.51	100.8796	100.1418	0.74

viii) **Disclosure on the markets that the Collective investment Scheme has invested in including - review of the market(s) invested in and returns during the period**

The fund is an Allocation Plan under the "UBL Financial Planning Fund" that actively invests between Conventional Equities and Money Market/ Income funds based on the Fund Manager's outlook on the asset classes. Thus, the underlying assets of UAPPP-I are equity and money-market CIS and the market reviews are as follows:

**Debt Market Review – FY18**

The International Crude Oil prices exhibited an upward trend for the fiscal year. The prices increased from USD 45-per barrel increasing as much as ~70% closing at a new high of USD ~80 per barrel. Increasing oil prices, higher commodity prices (with exception of sugar) along with lagged impact of PKR devaluation (+16%) aided in increasing inflation rate to 4.4% for 4QFY18. Core measures of inflation witnessed an upward trajectory where NFNE which is somewhat sticky in nature increased to 7.1% by end of FY18. Taking cues from this trend we expect SBP to continue its current monetary tightening policy.

In twelve PIB auctions for FY18 conducted during the year, the government raised PKR~102bn (PKR ~894bn in FY17) against target of PKR 330bn. Consequently, outstanding amount for the PIBs in the market increased to PKR 29.47trn. Participation in the auctions was largely skewed towards three and five year paper in line with interest rate hikes. Cut off yields in June auction trimmed to 7.5%, 8.5% and 8.7% for three, five and ten year PIB instruments respectively. In July'18 PIB Auction the government accepted PKR ~6.9bn.

The yield curve based on government securities of various maturities has shifted upwards in line with the ongoing increasing discounts rates. Yield on 3M, 6M and 12M T-Bills increased by 79bps, 90bps and 116bps, respectively. Similarly, yield on 3-year, 5-year and 10-year bonds increased 180bps,

171bps and 86bps, respectively. The spread between annualized yields of 1-year T-bills (7.20% p.a.) and 10-year PIBs (9.03% p.a.) stood at 1.83% as of 30 June 2018.

### **Stock Market Review – FY18**

In the aftermath of distressing events in FY18, the KSE-100 index posted a cumulative loss of 10% after a prolonged period of 8-years. Market's decline was largely driven by a series of tensed political events, burgeoning concerns on macro-economic front along with continued sell-off by foreign investors (USD289mn). With growing uncertainties, market participants remained cautious, keeping average market-traded volumes depressed (84mn).

The benchmark index commenced the year with high hopes but soon suffered foreign outflows post MSCI inclusion. A series of setbacks augmented uncertainties during 1HFY18, keeping the equity market in a jittery position and pushing the index to a low of 37,919 points. The primary highlights among these were disqualification of sitting PM followed by barring of Finance Minister to run office; leaving little room to focus on economy. This was followed by a 21-day protest by TLP against the government pushing the regime into isolation. Without any proper economic manager in place, the country stood open to increasing hazards on the macroeconomic fronts.

With political tensions, concerns on external account started to unearth as support from low oil prices started to fade away. In the 3QFY18, some positive triggers like appointment of Finance Minister, smooth senate elections, announcement of tax amnesty scheme along with introduction of essential policy action prompted interest by market participants, leading to inflow of USD 31mn.

However, the concerns on macroeconomic front remained strong, requiring further use of policy actions. The full year FY18 current account deficit augmented to ~USD18bn (+43%YoY) further weighing down investor sentiment. Moreover, fiscal deficit came in much higher at ~7%. Mushrooming twin-deficit financing requirements weakened foreign reserves position. SBP's reserves were down to ~USD10bn at end of FY18, further deteriorating investor confidence.

On the international front, US Fed continued on its monetary tightening policy by 25bps to 2% during FY18. We expect this stance to continue in CY18. International oil prices mounted to a 4-year high of USD80/bbl amid better co-operation between member OPEC and Non-OPEC countries. Overall, commodity prices also rallied upwards with growing demands from importing countries. Escalation of ongoing trade-war is expected to push oil prices downhill. This will be favorable for a high energy importing country like Pakistan. Moreover, a stable government will also resume work on the multi-billion CPEC project.

Going forward, remedial measures taken by central bank combined with entry into the IMF program will enable corrective measures and stabilize economy over medium term. Moreover, subsiding political tensions, steep discount (~24% from its peak) along with a high earnings-yield offering (~12%) is expected to strengthen investor sentiment and bring investor's interest back in the local equity market.

**ix) Disclosure on distribution (if any), comprising:-**

During the period no distribution has been made.

- x) **Description and explanation of any significant changes in the state of affairs of the Collective Investment Scheme during the period and up till the date of the manager's report, not otherwise disclosed in the financial statements**

There were no significant changes in state of affairs of the scheme.

- xi) **Breakdown of unit holdings by size**

Range of Units	Number of Investors
	UAPPP-I
0.0001 - 9,999.9999	93
10,000.0000 - 49,999.9999	20
50,000.0000 - 99,999.9999	4
100,000.0000 - 499,999.9999	3
500,000.0000 & Above	-
<b>Total</b>	<b>120</b>

- xii) **Disclosure on unit split (if any), comprising:-**

There were no unit splits during the period.

- xiii) **Disclosure of circumstances that materially affect any interests of unit holders**

Investment are subject to credit and market risk.

- xiv) **Disclosure if the Asset Management Company or its delegate, if any, receives any soft commission (i.e. goods and services) from its broker(s) or dealer(s) by virtue of transactions conducted by the Collective Investment Scheme.**

No soft commissions are received by the AMC from its brokers or dealers by virtue of transactions conducted by the Collective Investment Scheme.

## Fund Manager's Report – UBL Financial Planning Fund

### UBL Active Principal Preservation Plan-II (UAPPP-II)

i) **Description of the Collective Investment Scheme category and type**

Fund of Funds Scheme / Open-end

i) **Statement of Collective Investment Scheme's investment objective**

UBL Financial Planning Fund is an open-end Fund of Funds Scheme that aims to generate returns on Investments as per respective Allocation Plans by investing in Mutual Funds in line with the risk tolerance of the Investor.

ii) **Explanation as to whether the Collective Investment Scheme achieved its stated objective**

The fund achieved its stated objective.

iii) **Statement of benchmark(s) relevant to the Collective Investment Scheme**

Weighted Avg. of (70% 3M PKRV rates + 30% 3M avg. deposit rates of 3 AA rated Banks as selected by MUFAP), 6M PKRV rates and KSE-100 Index, on the basis of actual investment by the plan.

iv) **Comparison of the Collective Investment Scheme's performance during the period compared with the said benchmarks**

Monthly Yield	Jul'17	Aug'17	Sep'17	Oct'17	Nov'17	Dec'17	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18	FYTD
UAPPP-II	-	-	-	-	-	-	-	-	-	-	0.24%	0.39%	0.63%
Benchmark	-	-	-	-	-	-	-	-	-	-	0.11%	0.51%	0.62%

v) **Description of the strategies and policies employed during the period under review in relation to the Collective Investment Scheme's performance**

The Fund was launched on 31-May-18. At the end of the period the net assets of the Fund were PKR 324 million as at June 30, 2018, of which nearly 62% was invested in Money Market Funds and 37% was allocated to placements with banks. The fund manager maintained majority of the fund exposure in Money Market Funds i.e. 32% in UBL Liquidity Plus Fund (ULPF) and 26% in UBL Money Market Fund (UMMF). During FY18 UAPP-II generated a return of 0.63%, against the benchmark return of 0.62%.

**Disclosure of the Collective Investment Scheme's asset allocation as at the date of the report and particulars of significant changes in asset allocation since the last report (if applicable)**

Asset Allocation (% of Total Assets)	Jun-17	Jun-18
Equity Funds	0%	5%
Money Market Funds	0%	57%
Income Funds	0%	0%

Others	0%	0%
Cash	0%	0%
Placement with banks	0%	37%

vi) **Analysis of the Collective Investment Scheme's performance**

FY'18 Return:	0.63%
Standard Deviation (12m trailing):	n/a
Sharpe Ratio (12m trailing):	n/a

vii) **Changes in total NAV and NAV per unit since the last review period or since commencement (in case of newly established Collective Investment Schemes)**

Net Asset Value			NAV per unit		
30-Jun-18	31-May-18	Change	30-Jun-18	31-May-18	Change
Rupees (000)		%	Rupees		%
324,118	322,842	0.4	100.6329	100.1041	0.53

viii) **Disclosure on the markets that the Collective investment Scheme has invested in including - review of the market(s) invested in and returns during the period**

The fund is an Allocation Plan under the "UBL Financial Planning Fund" that actively invests between Conventional Equities and Money Market/ Income funds based on the Fund Manager's outlook on the asset classes. Thus, the underlying assets of UAPPP-II are equity and money-market CIS and the market reviews are as follows:

**Debt Market Review – FY18**

The International Crude Oil prices exhibited an upward trend for the fiscal year. The prices increased from USD 45-per barrel increasing as much as ~70% closing at a new high of USD ~80 per barrel. Increasing oil prices, higher commodity prices (with exception of sugar) along with lagged impact of PKR devaluation (+16%) aided in increasing inflation rate to 4.4% for 4QFY18. Core measures of inflation witnessed an upward trajectory where NFNE which is somewhat sticky in nature increased to 7.1% by end of FY18. Taking cues from this trend we expect SBP to continue its current monetary tightening policy.

In twelve PIB auctions for FY18 conducted during the year, the government raised PKR~102bn (PKR ~894bn in FY17) against target of PKR 330bn. Consequently, outstanding amount for the PIBs in the market increased to PKR 29.47trn. Participation in the auctions was largely skewed towards three and five year paper in line with interest rate hikes. Cut off yields in June auction trimmed to 7.5%, 8.5% and 8.7% for three, five and ten year PIB instruments respectively. In July'18 PIB Auction the government accepted PKR ~6.9bn.

The yield curve based on government securities of various maturities has shifted upwards in line with the ongoing increasing discounts rates. Yield on 3M, 6M and 12M T-Bills increased by 79bps, 90bps and 116bps, respectively. Similarly, yield on 3-year, 5-year and 10-year bonds increased 180bps, 171bps and 86bps, respectively. The spread between annualized yields of 1-year T-bills (7.20% p.a.) and 10-year PIBs (9.03% p.a.) stood at 1.83% as of 30 June 2018.

### **Stock Market Review – FY18**

In the aftermath of distressing events in FY18, the KSE-100 index posted a cumulative loss of 10% after a prolonged period of 8-years. Market's decline was largely driven by a series of tensed political events, burgeoning concerns on macro-economic front along with continued sell-off by foreign investors (USD289mn). With growing uncertainties, market participants remained cautious, keeping average market-traded volumes depressed (84mn).

The benchmark index commenced the year with high hopes but soon suffered foreign outflows post MSCI inclusion. A series of setbacks augmented uncertainties during 1HFY18, keeping the equity market in a jittery position and pushing the index to a low of 37,919 points. The primary highlights among these were disqualification of sitting PM followed by barring of Finance Minister to run office; leaving little room to focus on economy. This was followed by a 21-day protest by TLP against the government pushing the regime into isolation. Without any proper economic manager in place, the country stood open to increasing hazards on the macroeconomic fronts.

With political tensions, concerns on external account started to unearth as support from low oil prices started to fade away. In the 3QFY18, some positive triggers like appointment of Finance Minister, smooth senate elections, announcement of tax amnesty scheme along with introduction of essential policy action prompted interest by market participants, leading to inflow of USD 31mn.

However, the concerns on macroeconomic front remained strong, requiring further use of policy actions. The full year FY18 current account deficit augmented to ~USD18bn (+43%YoY) further weighing down investor sentiment. Moreover, fiscal deficit came in much higher at ~7%. Mushrooming twin-deficit financing requirements weakened foreign reserves position. SBP's reserves were down to ~USD10bn at end of FY18, further deteriorating investor confidence.

On the international front, US Fed continued on its monetary tightening policy by 25bps to 2% during FY18. We expect this stance to continue in CY18. International oil prices mounted to a 4-year high of USD80/bbl amid better cooperation between member OPEC and Non-OPEC countries. Overall, commodity prices also rallied upwards with growing demands from importing countries. Escalation of ongoing trade-war is expected to push oil prices downhill. This will be favorable for a high energy importing country like Pakistan. Moreover, a stable government will also resume work on the multi-billion CPEC project.

Going forward, remedial measures taken by central bank combined with entry into the IMF program will enable corrective measures and stabilize economy over medium term. Moreover, subsidizing political tensions, steep discount (~24% from its peak) along with a high earnings-yield offering (~12%) is expected to strengthen investor sentiment and bring investor's interest back in the local equity market.

- ix) **Disclosure on distribution (if any), comprising:-**  
 - particulars of income distribution or other forms of distribution made and proposed during the period; and

- **statement of effects on the NAV before and after distribution is made**

Final distribution for the year ended June 30, 2018 was made subsequent to year end, on July 02, 2018. Below are the details of such distribution

Distribution			Per unit		
Declared on	Bonus	Cash	Per Unit	Cum NAV	Ex NAV
Rupees (000)			----- Rupees -----		
02-JULY-2018	-	410	0.1258	100.6329	100.5071

- x) **Description and explanation of any significant changes in the state of affairs of the Collective Investment Scheme during the period and up till the date of the manager's report, not otherwise disclosed in the financial statements**

There were no significant changes in state of affairs of the scheme.

- xi) **Breakdown of unit holdings by size**

Range of Units	Number of Investors
	UAPPP-II
0.0001 - 9,999.9999	77
10,000.0000 - 49,999.9999	35
50,000.0000 - 99,999.9999	7
100,000.0000 - 499,999.9999	4
500,000.0000 & Above	1
<b>Total</b>	<b>124</b>

- xii) **Disclosure on unit split (if any), comprising:-**

There were no unit splits during the period.

- xiii) **Disclosure of circumstances that materially affect any interests of unit holders**

Investment are subject to credit and market risk.

- xiv) **Disclosure if the Asset Management Company or its delegate, if any, receives any soft commission (i.e. goods and services) from its broker(s) or dealer(s) by virtue of transactions conducted by the Collective Investment Scheme.**

No soft commissions are received by the AMC from its brokers or dealers by virtue of transactions conducted by the Collective Investment Scheme.

## Fund Manager's Report – UBL Financial Planning Fund

### UBL Conservative Allocation Plan

- i) **Description of the Collective Investment Scheme category and type**  
Fund of Funds Scheme / Open-end
- ii) **Statement of Collective Investment Scheme's investment objective**  
UBL Financial Planning Fund is an open-end Fund of Funds Scheme that aims to generate returns on Investments as per respective Allocation Plans by investing in Mutual Funds in line with the risk tolerance of the Investor.
- i) **Explanation as to whether the Collective Investment Scheme achieved its stated objective**  
The fund achieved its stated objective.
- iii) **Statement of benchmark(s) relevant to the Collective Investment Scheme**  
70% 3 months PKRV rates + 30% 3 months average deposit rate of three (3) AA rated scheduled Banks as selected by MUFAP
- iv) **Comparison of the Collective Investment Scheme's performance during the period compared with the said benchmarks**

Monthly Yield	Jul'17	Aug'17	Sep'17	Oct'17	Nov'17	Dec'17	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18	FYTD
UCONAP	-	-	1.60%	5.14%	4.87%	4.97%	5.73%	5.16%	5.14%	5.60%	4.70%	5.15%	5.14%
Benchmark	-	-	4.20%	4.19%	4.19%	4.21%	4.20%	4.33%	4.42%	4.36%	4.44%	4.73%	4.34%

- v) **Description of the strategies and policies employed during the period under review in relation to the Collective Investment Scheme's performance**

The Fund was launched on 28-Sep-17. Since inception, UCONAP generated a return of 5.14%. As on June18 the Fund Managers maintained 97% funds in UBL Liquidity Plus Fund (ULPF). The net assets of the Fund were PKR 26mn as at June 29, 2018 representing the net asset value of PKR 100.0975 per unit. The fund matured on 29 Jun 2018.

**Disclosure of the Collective Investment Scheme's asset allocation as at the date of the report and particulars of significant changes in asset allocation since the last report (if applicable)**

Asset Allocation (% of Total Assets)	Jun-17	Jun-18
UBL Liquidity Plus Fund	0%	97%
UBL Money Market Fund	0%	0%
Others	0%	3%
Cash	0%	0%
Leverage	Nil	Nil
	<b>0%</b>	<b>100%</b>

vi) **Analysis of the Collective Investment Scheme's performance**

FY'18 Return:	5.14%
Standard Deviation (12m trailing):	n/a
Sharpe Ratio (12m trailing):	n/a

vii) **Changes in total NAV and NAV per unit since the last review period or since commencement (in case of newly established Collective Investment Schemes)**

Net Asset Value			NAV per unit		
29-Jun-18	28-Sep-17	Change	29-Jun-18	28-Sep-17	Change
Rupees (000)		%	Rupees		%
26,100	100,000	(73.90)	100.0975	100	0.1

viii) **Disclosure on the markets that the Collective investment Scheme has invested in including - review of the market(s) invested in and returns during the period**

The fund is an Allocation Plan under the "UBL Financial Planning Fund" that actively invests between Conventional Equities and Money Market/ Income Funds based on the Fund Manager's outlook on the asset classes. Thus, the underlying assets of UFPF-UCONAP are equity and money-market CIS and the market reviews are as follows:

**Debt Market Review – FY18**

The International Crude Oil prices exhibited an upward trend for the fiscal year. The prices increased from USD 45-per barrel increasing as much as ~70% closing at a new high of USD ~80 per barrel. Increasing oil prices, higher commodity prices (with exception of sugar) along with lagged impact of PKR devaluation (+16%) aided in increasing inflation rate to 4.4% for 4QFY18. Core measures of inflation witnessed an upward trajectory where NFNE which is somewhat sticky in nature increased to 7.1% by end of FY18. Taking cues from this trend we expect SBP to continue its current monetary tightening policy.

In twelve PIB auctions for FY18 conducted during the year, the government raised PKR~102bn (PKR ~894bn in FY17) against target of PKR 330bn. Consequently, outstanding amount for the PIBs in the market increased to PKR 29.47trn. Participation in the auctions was largely skewed towards three and five year paper in line with interest rate hikes. Cut off yields in June auction trimmed to 7.5%, 8.5% and 8.7% for three, five and ten year PIB instruments respectively. In July'18 PIB Auction the government accepted PKR ~6.9bn.

The yield curve based on government securities of various maturities has shifted upwards in line with the ongoing increasing discounts rates. Yield on 3M, 6M and 12M T-Bills increased by 79bps, 90bps

and 116bps, respectively. Similarly, yield on 3-year, 5-year and 10-year bonds increased 180bps, 171bps and 86bps, respectively. The spread between annualized yields of 1-year T-bills (7.20% p.a.) and 10-year PIBs (9.03% p.a.) stood at 1.83% as of 30 June 2018.

### **Stock Market Review – FY18**

In the aftermath of distressing events in FY18, the KSE-100 index posted a cumulative loss of 10% after a prolonged period of 8-years. Market's decline was largely driven by a series of tensed political events, burgeoning concerns on macro-economic front along with continued sell-off by foreign investors (USD289mn). With growing uncertainties, market participants remained cautious, keeping average market-traded volumes depressed (84mn).

The benchmark index commenced the year with high hopes but soon suffered foreign outflows post MSCI inclusion. A series of setbacks augmented uncertainties during 1HFY18, keeping the equity market in a jittery position and pushing the index to a low of 37,919 points. The primary highlights among these were disqualification of sitting PM followed by barring of Finance Minister to run office; leaving little room to focus on economy. This was followed by a 21-day protest by TLP against the government pushing the regime into isolation. Without any proper economic manager in place, the country stood open to increasing hazards on the macroeconomic fronts.

With political tensions, concerns on external account started to unearth as support from low oil prices started to fade away. In the 3QFY18, some positive triggers like appointment of Finance Minister, smooth senate elections, announcement of tax amnesty scheme along with introduction of essential policy action prompted interest by market participants, leading to inflow of USD 31mn.

However, the concerns on macroeconomic front remained strong, requiring further use of policy actions. The full year FY18 current account deficit augmented to ~USD18bn (+43%YoY) further weighing down investor sentiment. Moreover, fiscal deficit came in much higher at ~7%. Mushrooming twin-deficit financing requirements weakened foreign reserves position. SBP's reserves were down to ~USD10bn at end of FY18, further deteriorating investor confidence.

On the international front, US Fed continued on its monetary tightening policy by 25bps to 2% during FY18. We expect this stance to continue in CY18. International oil prices mounted to a 4-year high of USD80/bbl amid better co-operation between member OPEC and Non-OPEC countries. Overall, commodity prices also rallied upwards with growing demands from importing countries. Escalation of ongoing trade-war is expected to push oil prices downhill. This will be favorable for a high energy importing country like Pakistan. Moreover, a stable government will also resume work on the multi-billion CPEC project.

Going forward, remedial measures taken by central bank combined with entry into the IMF program will enable corrective measures and stabilize economy over medium term. Moreover, subsiding political tensions, steep discount (~24% from its peak) along with a high earnings-yield offering (~12%) is expected to strengthen investor sentiment and bring investor's interest back in the local equity market.

- ix) **Disclosure on distribution (if any), comprising:-**
- Particulars of income distribution or other forms of distribution made and proposed during the period; and
  - Statement of effects on the NAV before and after distribution is made

Distribution				Per unit	
Declared on	Bonus	Cash	Per Unit	Cum NAV	Ex NAV
	Rupees (000)		----- Rupees -----		
October 31,2017	2,553	-	0.3245	100.4057	100.1105
November 30, 2018	3,197	-	0.4891	100.4891	100.0134
December 28, 2018	3,367	-	0.3962	100.3962	100.016
January 31, 2018	5,214	-	0.4902	100.4902	100.0145
February 28, 2018	3,309	-	0.3881	100.3881	100.013
March 30, 2018	4,103	-	0.4254	100.4254	100.0152
April 27, 2018	4065	-	0.4142	100.4238	100.4231
April 27, 2018	-	94	0.0096		
May 30, 2018	2309	-	0.2741	100.4187	100.0124
May 30, 2018	-	1221	0.1446		
June 25, 2018	2302	-	0.2737	100.3140	100.0451
June 25, 2018	-	339	0.0403		

- x) **Description and explanation of any significant changes in the state of affairs of the Collective Investment Scheme during the period and up till the date of the manager's report, not otherwise disclosed in the financial statements**

There were no significant changes in state of affairs of the scheme.

- xi) **Breakdown of unit holdings by size**

Range of Units	Number of Investors
	UCONAP
0.0001 - 9,999.9999	3
10,000.0000 - 49,999.9999	-
50,000.0000 - 99,999.9999	-
100,000.0000 - 499,999.9999	1
500,000.0000 & Above	-
<b>Total</b>	<b>4</b>

- xii) Disclosure on unit split (if any), comprising:-**  
There were no unit splits during the period.
  
- xiii) Disclosure of circumstances that materially affect any interests of unit holders**  
Investment are subject to credit and market risk.
  
- xiv) Disclosure if the Asset Management Company or its delegate, if any, receives any soft commission (i.e. goods and services) from its broker(s) or dealer(s) by virtue of transactions conducted by the Collective Investment Scheme.**  
No soft commissions are received by the AMC from its brokers or dealers by virtue of transactions conducted by the Collective Investment Scheme.

## **PERFORMANCE TABLE**

### UBL Active Principal Preservation Plan - I

**2018**

**NET ASSETS AS AT 30 JUNE - Rupees in '000** **173,165**

#### **NET ASSETS VALUE PER UNIT AT 30 JUNE - Rupees \***

Class A units - Offer 104.2994  
- Redemption 100.8796

#### **RETURN OF THE FUND - %**

Total Return of the Fund **0.88**  
Capital Growth (per unit) **0.88**  
Date of Income Distribution -  
Income Distribution -  
Date of Income Distribution -  
Income Distribution -

#### **AVERAGE ANNUAL RETURN - %**

One Year **0.88**  
Second Year **0.88**  
Third Year **0.88**  
Since inception **0.88**

#### **OFFER / REPURCHASE DURING THE YEAR- Rupees \***

Highest price per unit - Class A units - Offer 105.0923  
Highest price per unit - Class A units - Redemption 101.6465  
Lowest price per unit - Class A units - Offer 103.3229  
Lowest price per unit - Class A units - Redemption 99.9351

\* Front-end load @ 2.5% is applicable

#### **PORTFOLIO COMPOSITION - %**

Percentage of Net Assets as at 30 June

#### **PORTFOLIO COMPOSITION BY CATEGORY - %**

UBL Liquidity Plus Fund 42  
UBL Money Market Fund 42  
UBL Dedicated Equity Fund 16

#### **PORTFOLIO COMPOSITION BY MARKET - %**

Equity Market **16.00**  
Money Market **84.00**

Note:

- The Launch date of Fund is 21 February 2018

#### **DISCLAIMER**

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

## **PERFORMANCE TABLE**

### UBL Active Principal Preservation Plan - II

**2018**

**NET ASSETS AS AT 30 JUNE - Rupees in '000** **324,118**

#### **NET ASSETS VALUE PER UNIT AT 30 JUNE - Rupees \***

Class A units - Offer	104.0444
- Redemption	100.6329

#### **RETURN OF THE FUND - %**

Total Return of the Fund	<b>0.63</b>
Capital Growth (per unit)	<b>0.63</b>
Date of Income Distribution	-
Income Distribution	-
Date of Income Distribution	-
Income Distribution	-

#### **AVERAGE ANNUAL RETURN - %**

One Year	<b>0.63</b>
Second Year	<b>0.63</b>
Third Year	<b>0.63</b>
Since inception	<b>0.63</b>

#### **OFFER / REPURCHASE DURING THE YEAR- Rupees \***

Highest price per unit - Class A units - Offer	104.0999
Highest price per unit - Class A units - Redemption	100.6866
Lowest price per unit - Class A units - Offer	103.4976
Lowest price per unit - Class A units - Redemption	100.1041

\* Front-end load @ 2.5% is applicable

#### **PORTFOLIO COMPOSITION - %**

Percentage of Net Assets as at 30 June

#### **PORTFOLIO COMPOSITION BY CATEGORY - %**

Placement with Banks	37
UBL Money Market Fund	57
UBL Dedicated Equity Fund	5

#### **PORTFOLIO COMPOSITION BY MARKET - %**

Equity Market	5
Money Market	57
Debt Market	37

Note:

- The Launch date of Fund is 31 May 2018

#### **DISCLAIMER**

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

## **PERFORMANCE TABLE**

### UBL Conservative Allocation Plan

**2018**

**NET ASSETS AS AT 29 JUNE - Rupees in '000** **26,100.00**

#### **NET ASSETS VALUE PER UNIT AT 30 JUNE - Rupees \***

Class A units - Offer	100
- Redemption	100

#### **RETURN OF THE FUND - %**

Total Return of the Fund	<b>5.14</b>
Capital Growth (per unit)	<b>5.14</b>
Date of Income Distribution	-
Income Distribution	-
Date of Income Distribution	-
Income Distribution	-

#### **AVERAGE ANNUAL RETURN - %**

One Year	<b>5.14</b>
Second Year	<b>5.14</b>
Third Year	<b>5.14</b>
Since inception	<b>5.14</b>

#### **OFFER / REPURCHASE DURING THE YEAR- Rupees \***

Highest price per unit - Class A units - Offer	100.4902
Highest price per unit - Class A units - Redemption	100.4902

Lowest price per unit - Class A units - Offer	100
Lowest price per unit - Class A units - Redemption	100

\* Front-end load @ 2.5% is applicable

#### **PORTFOLIO COMPOSITION - %**

Percentage of Net Assets as at 30 June

#### **PORTFOLIO COMPOSITION BY CATEGORY - %**

UBL Liquidity Plus Fund	97
UBL Money Market Fund	0
Others	3

#### **PORTFOLIO COMPOSITION BY MARKET - %**

Money Market	<b>100.00</b>
--------------	---------------

Note:

- The Launch date of Fund is 28 September 2017

#### **DISCLAIMER**

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

**Head Office:**  
CDC House, 99-B, Block 'B',  
S.M.C.H.S., Main Shahra-e-Faisal,  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com



## TRUSTEE REPORT TO THE UNIT HOLDERS

### UBL FINANCIAL PLANNING FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of UBL Financial Planning Fund (the Fund) are of the opinion that UBL Fund Managers Limited being the Management Company of the Fund has in all material respects managed the Fund during period from September 28, 2017 to June 30, 2018 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.

**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 25, 2018



**STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 BY UBL FUND MANAGERS LIMITED**

**NAME OF FUND: UBL FINANCIAL PLANNING FUND**

**YEAR ENDING: JUNE 30, 2018**

The Securities and Exchange Commission of Pakistan (SECP) through its letter dated April 18, 2018 to Mutual Funds Association of Pakistan (MUFAP) has exempted the open-end collective investment schemes from the requirements of the Code of Corporate Governance. However, the Board of Directors of UBL Fund Managers Limited (the Management Company) of UBL Financial Planning Fund (the Fund), for the purpose of establishing a framework of good governance whereby a Fund is managed by best practice of Corporate governance, has voluntarily opted to comply with the relevant provisions of the Listed Companies (Code of Corporate Governance) Regulations 2017 (The Code).

The Management Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following:
  - a. Male: Six Directors;
  - b. Female: One Director.
2. The composition of the Board is as follows:

Category	Name
Independent Directors	Mr. Azhar Hamid
	Ms. Naz Khan
Executive Directors	Mr. Yasir Qadri
Non - Executive Directors	Mirza Muhammad Sadeed Hassan Barlas
	Mr. Sharjeel Shahid
	Mr. Zia Ijaz
	Syed Furrukh Zaeem

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company.
4. 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.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained. The Management Company has placed the Whistle Blowing Policy, Proxy Policy and the Principles of the Code of Conduct (Statement of Ethics and Business Practice) on its website.
6. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
7. The Board has a formal and effective mechanism in place for an annual evaluation of the Board's own performance.

**UBL FUND MANAGERS LIMITED**

+92 21 111 825 262

info@ublfunds.com

4<sup>th</sup> Floor, STSM Building, Beaumont Road, Civil Lines, Karachi.

www.ublfunds.com



8. The Chairman of the Board is an Independent director. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board as empowered by the relevant provisions of the Act and these Regulations.
9. 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. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
10. Following directors and executive have acquired the prescribed Director Training Program (DTP) certification:

**Directors**

- a. Mirza Muhammad Sadeed Hassan Barlas
- b. Mr. Yasir Qadri
- c. Mr. Zia Ijaz
- d. Ms. Naz Khan
- e. Syed Furrukh Zaeem

**Executive**

- f. S.M. Aly Osman

11. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
12. CFO and CEO duly endorsed the financial statements before approval of the Board.
13. The Board has formed committees comprising of members given below. The Board Audit Committee and the Board Human Resource & Compensation Committee are chaired by separate Independent directors:

**a. Board Audit Committee**

- i. Ms. Naz Khan (Chair);
- ii. Mirza Muhammad Sadeed Hassan Barlas;
- iii. Mr. Sharjeel Shahid;
- iv. Mr. Zia Ijaz.

**b. Board Human Resource & Compensation Committee**

- i. Mr. Azhar Hamid (Chairman);
- ii. Mr. Yasir Qadri;
- iii. Mr. Zia Ijaz;
- iv. Ms. Naz Khan;
- v. Syed Furrukh Zaeem.

**c. Board Risk & Compliance Committee**

- i. Mirza Muhammad Sadeed Hassan Barlas (Chairman);
- ii. Mr. Azhar Hamid;
- iii. Mr. Sharjeel Shahid;
- iv. Mr. Yasir Qadri;
- v. Syed Furrukh Zaeem.

**UBL FUND MANAGERS LIMITED**

+92 21 111 825 262

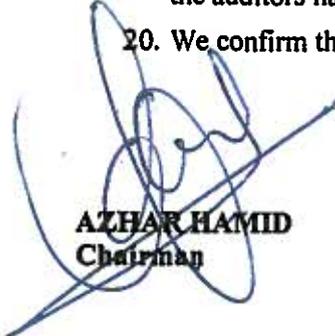
info@ublfunds.com

4<sup>th</sup> Floor, STSM Building, Beaumont Road, Civil Lines, Karachi.

www.ublfunds.com



14. The Terms of Reference of the aforesaid Committees have been formed, documented and advised to the Committee for compliance.
15. The frequency of meetings of the Committee were as per following:
  - a. Board Audit Committee : Quarterly Meeting
  - b. Board Human Resource & Compensation Committee: Quarterly Meeting
  - c. Board Risk & Compliance Committee: Quarterly Meeting
16. The Board has set up an independent and effective internal audit function and the audit personnel are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company.
17. 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) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
18. The Board Audit Committee recommends to the Board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that any other significant requirements of the Regulations have been complied with.

  
**AZHAR HAMID**  
Chairman

Karachi.  
Dated: August 28, 2018

**UBL FUND MANAGERS LIMITED**

+92 21 111 825 262

Info@ublfunds.com

4<sup>th</sup> Floor, STSM Building, Beaumont Road, Civil Lines, Karachi.

www.ublfunds.com

## To the unitholders of UBL Financial Planning Fund

### Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

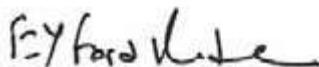
We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors (the Board) of UBL Fund Managers Limited, the Management Company of **UBL Financial Planning Fund** (the Fund) for the period ended **30 June 2018** in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of the Management Company of the Fund. Our responsibility is to review whether the Statement of Compliance reflects the status of the Management Company's compliance with the provisions of the Regulations in respect of the Fund and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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's 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 Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval, the Fund's related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Management Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Funds for the period ended 30 June 2018.



Chartered Accountants

Place: Karachi

Date: 28 August 2018

## INDEPENDENT AUDITORS' REPORT

To the Unit holders of UBL Financial Planning Fund

Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of UBL Financial Planning Fund (the Fund), which comprise the statement of assets and liabilities as at 30 June 2018, and income statement, statement of comprehensive income, statement of movement in unit holders' fund and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2018, and of its financial performance and its cash flows for the period then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matter	How our audit addressed the key audit matter
<b>1. Existence and valuation of investments</b>	
As disclosed in note 8 to the accompanying financial statements of the Fund for the period ended 30 June 2018, the investments held by the Fund comprised of units of open end mutual funds (listed on Pakistan Stock Exchange) which represent 76% of the total assets of the Fund as at the year end.	<p>We performed a combination of audit procedures focusing on the existence and valuation of investments. Our key procedure included the following:</p> <ul style="list-style-type: none"> <li>- We tested controls over acquisition, disposals and periodic valuation of investments portfolio.</li> </ul>

EW

Key audit matter	How our audit addressed the key audit matter
<p>In view of the significance of investment in relation to the total assets and the Net Assets Value (NAV) of the Fund, we have considered the existence and valuation of such Investments as a key audit matter.</p>	<ul style="list-style-type: none"> <li>- We performed substantive audit procedures on year-end balance of portfolio including review custodian's statement, and related reconciliations, re-performance of investment valuations on the basis of quoted market prices at the Pakistan Stock Exchange as at 30 June 2018.</li> <li>- We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of the Regulations and whether the Fund's disclosures in relation to the valuation of investments are compliant with the relevant accounting requirements.</li> </ul>

### Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Board of Directors for the Financial Statements

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

*ETM*

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

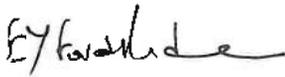
We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shaikh Ahmed Salman.



**Chartered Accountants**

**Date: 28 August 2018**

**Karachi**

**UBL FINANCIAL PLANNING FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT JUNE 29, 2018 AND JUNE 30, 2018**

	Note	June 29, 2018	June 30, 2018		Total
		UBL Conservative Allocation Plan	UBL Active Principal Preservation Plan I	UBL Active Principal Preservation Plan II	
----- (Rupees '000) -----					
<b>ASSETS</b>					
Bank balances	7	352	749	80	1,181
Investments	8	28,020	172,638	331,377	532,035
Advances and other receivables	9	13	87	713	813
Preliminary expenses and floatation costs	10	850	-	-	850
<b>Total assets</b>		<b>29,235</b>	<b>173,474</b>	<b>332,170</b>	<b>534,879</b>
<b>LIABILITIES</b>					
Payable to the Management Company	11	1,186	166	3,027	4,379
Payable to the Trustee	12	67	15	28	110
Annual fee payable to Securities and Exchange Commission of Pakistan (SECP)	13	501	46	21	568
Accrued and other liabilities	15	1,381	82	4,976	6,439
<b>Total liabilities</b>		<b>3,135</b>	<b>309</b>	<b>8,052</b>	<b>11,496</b>
<b>NET ASSETS</b>		<b>26,100</b>	<b>173,165</b>	<b>324,118</b>	<b>523,383</b>
Unit holders' fund (as per statement attached)		<b>26,100</b>	<b>173,165</b>	<b>324,118</b>	<b>523,383</b>
Contingencies and commitments	16				
<b>NUMBER OF UNITS IN ISSUE</b>		<b>260,743</b>	<b>1,716,552</b>	<b>3,220,804</b>	
<b>NET ASSETS VALUE PER UNIT (RUPEES)</b>	4.8	<b>100.0975</b>	<b>100.8796</b>	<b>100.6329</b>	

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

For UBL Fund Managers Limited  
(Management Company)

SD  
\_\_\_\_\_  
Chief Executive Officer

SD  
\_\_\_\_\_  
Director

SD  
\_\_\_\_\_  
Chief Financial Officer

**UBL FINANCIAL PLANNING FUND**  
**INCOME STATEMENT**  
**FOR THE PERIOD ENDED JUNE 29, 2018 AND JUNE 30, 2018**

	For the period from September 28, 2017 to June 29, 2018	For the period from February 28, 2018 to June 30, 2018	For the period from May 31, 2018 to June 30, 2018	
	UBL Conservative Allocation Plan	UBL Active Principal Preservation Plan I	UBL Active Principal Preservation Plan II	Total
<b>INCOME</b>				
Mark-up on bank accounts	27	88	-	115
Unrealised gain on re-measurement of investments classified as 'at fair value through profit or loss - held for trading'	450	1,178	523	2,151
Income from term deposit receipt (TDR)	-	-	547	547
Net gain on sale of investments classified as classified as 'at fair value through profit or loss - held for trading'	35,679	501	1,117	37,297
Other income	-	23	78	101
<b>Total income</b>	<b>36,156</b>	<b>1,790</b>	<b>2,265</b>	<b>40,211</b>
<b>EXPENSES</b>				
Remuneration of the Management Company	-	-	81	81
Sales tax on management fee	-	-	11	11
Allocated expenses by the Management Company	99	62	28	189
Remuneration of the Trustee	652	59	26	737
Sales tax on remuneration of the Trustee	85	8	3	96
Annual fee to SECP	501	46	21	568
Amortization of preliminary expenses and floatation costs	150	-	-	150
Auditors' remuneration	227	45	8	280
Legal and professional charges	6	-	-	6
Bank charges	20	6	2	28
Other expenses	114	26	-	140
<b>Total expenses</b>	<b>1,854</b>	<b>252</b>	<b>180</b>	<b>2,286</b>
<b>Net income for the period from operating activities</b>	<b>34,302</b>	<b>1,538</b>	<b>2,085</b>	<b>37,925</b>
Provision for Sindh Workers' Welfare Fund (SWWF)	673	28	41	742
<b>Net income for the period before taxation</b>	<b>33,629</b>	<b>1,510</b>	<b>2,044</b>	<b>37,183</b>
Taxation	-	-	-	-
<b>Net income for the period after taxation</b>	<b>33,629</b>	<b>1,510</b>	<b>2,044</b>	<b>37,183</b>
<i>Allocation of net income for the period:</i>				
Net income for the period after taxation	33,629	1,510	2,044	37,183
Income already paid on units redeemed *	(3,274)	(2)	(12)	(3,288)
	<b>30,355</b>	<b>1,508</b>	<b>2,032</b>	<b>33,895</b>
<i>Accounting income available for distribution</i>				
- Relating to capital gains	30,355	1,508	1,640	33,503
- Excluding capital gains	-	-	392	392
	<b>30,355</b>	<b>1,508</b>	<b>2,032</b>	<b>33,895</b>

Note

----- (Rupees'000) -----

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

For UBL Fund Managers Limited  
(Management Company)

SD  
\_\_\_\_\_  
Chief Executive Officer

SD  
\_\_\_\_\_  
Director

SD  
\_\_\_\_\_  
Chief Financial Officer

**UBL FINANCIAL PLANNING FUND**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED JUNE 29, 2018 AND JUNE 30, 2018**

For the period from September 28, 2017 to June 29, 2018	For the period from February 28, 2018 to June 30, 2018	For the period from May 31, 2018 to June 30, 2018	
UBL Conservative Allocation Plan	UBL Active Principal Preservation Plan I	UBL Active Principal Preservation Plan II	Total

----- (Rupees'000) -----

Net income for the period after taxation	33,629	1,510	2,044	37,183
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>33,629</b>	<b>1,510</b>	<b>2,044</b>	<b>37,183</b>

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

For UBL Fund Managers Limited  
(Management Company)

SD  
\_\_\_\_\_  
Chief Executive Officer

SD  
\_\_\_\_\_  
Director

SD  
\_\_\_\_\_  
Chief Financial Officer

**UBL FINANCIAL PLANNING FUND**  
**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS**  
**FOR THE PERIOD ENDED JUNE 29, 2018 AND JUNE 30, 2018**

	For the period from September 28, 2017 to June 29, 2018			For the period from February 28, 2018 to June 30, 2018			For the period from May 31, 2018 to June 30, 2018			Total
	UBL Conservative Allocation Plan			UBL Active Principal Preservation Plan I			UBL Active Principal Preservation Plan II			
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total	Total
----- (Rupees in '000) -----										
<b>Net assets at beginning of the period</b>	-	-	-	-	-	-	-	-	-	-
Issuance of units:										
UBL Conservative Allocation Plan (25,133,317 units)										
- Capital value	2,513,332	-	2,513,332	-	-	-	-	-	-	2,513,332
- Element relating to the income for the year after taxation	1,743	-	1,743	-	-	-	-	-	-	1,743
UBL Active Principal Preservation Plan I (1,722,174 units)										
- Capital value	-	-	-	172,217	-	172,217	-	-	-	172,217
- Element relating to the income for the year after taxation	-	-	-	2	-	2	-	-	-	2
UBL Active Principal Preservation Plan II (3,955,311 units)										
- Capital value	-	-	-	-	-	-	395,531	-	395,531	395,531
- Element relating to the income for the year after taxation	-	-	-	-	-	-	6	-	6	6
	2,515,075	-	2,515,075	172,219	-	172,219	395,537	-	395,537	3,082,831
Redemption of units										
UBL Conservative Allocation Plan (24,872,574 units)										
- Capital value	(2,487,257)	-	(2,487,257)	-	-	-	-	-	-	(2,487,257)
- Element relating to the income for the year after taxation	(3,274)	-	(3,274)	-	-	-	-	-	-	(3,274)
UBL Active Principal Preservation Plan I (5,623 units)										
- Capital value	-	-	-	(562)	-	(562)	-	-	-	(562)
- Element relating to the income for the year after taxation	-	-	-	-	(2)	(2)	-	-	-	(2)
UBL Active Principal Preservation Plan II (734,507 units)										
- Capital value	-	-	-	-	-	-	(73,451)	-	(73,451)	(73,451)
- Element relating to the income for the year after taxation	-	-	-	-	-	-	(12)	(12)	(12)	(12)
	(2,490,531)	-	(2,490,531)	(562)	(2)	(564)	(73,451)	(12)	(73,463)	(2,564,558)
Total comprehensive income for the period	-	33,629	33,629	-	1,510	1,510	-	2,044	2,044	37,183
Distribution during the period	-	(32,073)	(32,073)	-	-	-	-	-	-	(32,073)
Net income for the period less distribution	-	1,556	1,556	-	1,510	1,510	-	2,044	2,044	5,110
<b>Net assets at end of the period</b>	<b>24,544</b>	<b>1,556</b>	<b>26,100</b>	<b>171,657</b>	<b>1,508</b>	<b>173,165</b>	<b>322,086</b>	<b>2,032</b>	<b>324,118</b>	<b>523,383</b>
<b>Undistributed income brought forward:</b>										
- Realised	-	-	-	-	-	-	-	-	-	-
- Unrealised	-	-	-	-	-	-	-	-	-	-
Accounting income available for distribution:										
- Relating to capital gains	-	30,355	30,355	-	1,508	1,508	-	1,640	1,640	33,503
- Excluding capital gains	-	-	-	-	-	-	-	392	392	392
	-	30,355	30,355	-	1,508	1,508	-	2,032	2,032	33,895
Net income for the period after taxation	-	33,629	33,629	-	-	-	-	-	-	33,629
Distribution during the period	-	(32,073)	(32,073)	-	-	-	-	-	-	(32,073)
<b>Undistributed income carried forward</b>	<b>-</b>	<b>1,556</b>	<b>1,556</b>	<b>-</b>	<b>1,508</b>	<b>1,508</b>	<b>-</b>	<b>2,032</b>	<b>2,032</b>	<b>99,598</b>
<b>Undistributed income carried forward</b>										
- Realised	-	1,106	1,106	-	330	330	-	1,509	1,509	2,945
- Unrealised	-	450	450	-	1,178	1,178	-	523	523	2,151
	-	1,556	1,556	-	1,508	1,508	-	2,032	2,032	5,096
			-- (Rupees) --			-- (Rupees) --			-- (Rupees) --	
<b>Net assets value per unit at end of the period</b>			<b>100.0975</b>			<b>100.8796</b>			<b>100.6329</b>	

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

For UBL Fund Managers Limited  
(Management Company)

SD  
Chief Executive Officer

SD  
Director

SD  
Chief Financial Officer

**UBL FINANCIAL PLANNING FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED JUNE 29, 2018 AND JUNE 30, 2018**

	For the period from September 28, 2017 to June 29, 2018	For the period from February 28, 2018 to June 30, 2018	For the period from May 31, 2018 to June 30, 2018	Total
	UBL Conservative Allocation Plan	UBL Active Principal Preservation Plan I	UBL Active Principal Preservation Plan II	
----- (Rupees in '000) -----				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	33,629	1,510	2,044	37,183
<b>Adjustments for:</b>				
Mark-up on bank accounts	(27)	(88)	-	(115)
Unrealised gain on re-measurement of investments classified as 'at fair value through profit or loss - held for trading'	(450)	(1,178)	(523)	(2,151)
Income from term deposit receipt (TDR)	-	-	(547)	(547)
Net gain on sale of investments classified as classified as 'at fair value through profit or loss - 'held for trading'	(35,679)	(501)	(1,117)	(37,297)
Amortization of preliminary expenses and floatation costs	150	-	-	150
Provision for Sindh Workers' Welfare Fund (SWWF)	673	28	41	742
	(35,333)	(1,739)	(2,146)	(39,218)
<b>Decrease / (increase) in assets</b>				
Investments	8,109	(170,959)	(329,737)	(492,587)
Advances and other receivables	-	(87)	(713)	(800)
Preliminary expenses and floatation costs	(1,000)	-	-	(1,000)
	7,109	(171,046)	(330,450)	(494,387)
<b>Increase in liabilities</b>				
Payable to the Management Company	1,186	166	3,027	4,379
Payable to the Trustee	67	15	28	110
Annual fee payable to SECP	501	46	21	568
Accrued and other liabilities	708	54	4,935	5,697
	2,462	281	8,011	10,754
Mark-up received	27	88	547	662
Withholding tax paid	(13)	-	-	(13)
<b>Net cash generated from / (used in) operating activities</b>	7,881	(170,906)	(321,994)	(485,019)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net receipt from issuance of units	2,515,075	172,219	395,537	3,082,831
Cash dividend paid to unit holders	(32,073)	-	-	(32,073)
Net payment against redemption of units	(2,490,531)	(564)	(73,463)	(2,564,558)
<b>Net cash (used in) / generated from financing activities</b>	(7,529)	171,655	322,074	486,200
<b>Net increase in cash and cash equivalent during the period</b>	352	749	80	1,181
Cash and cash equivalents at beginning of the period	-	-	-	-
<b>Cash and cash equivalents at end of the period</b>	352	749	80	1,181
<b>Cash and cash equivalents</b>				
Bank balances	352	749	80	1,181

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

For UBL Fund Managers Limited  
(Management Company)

SD  
Chief Executive Officer

SD  
Director

SD  
Chief Financial Officer

**UBL FINANCIAL PLANNING FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM SEPTEMBER 28, 2017 TO JUNE 30, 2018**

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

- 1.1 UBL Financial Planning Fund (the Fund) was established under the Trust Deed executed between UBL Fund Managers Limited (the Management Company - a wholly owned subsidiary company of United Bank Limited), as the Management Company, and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed on August 07, 2017 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on August 29, 2017 in accordance with the requirements of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The Fund commenced its operations from September 28, 2017.
- 1.2 The Management Company of the Fund is registered with the SECP as a Non-Banking Finance Company under the NBFC Rules, 2003. The registered office of the Management Company is situated at 4th Floor, STSM Building, Beaumont Road, Civil Lines, Karachi.
- 1.3 The Fund is an open-ended mutual fund and is listed on the Pakistan Stock Exchange Limited. Units are offered for subscription on a continuous basis to the public. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holders.
- 1.4 The objective of the Fund is to generate returns on Investments as per respective Allocation Plans by investing in Mutual Funds in line with the risk tolerance of the Investor. The duration of the Fund and Allocation Plans initially launched therein is perpetual, however, additional Allocation Plans may have a set time frame. Presently, the fund offers only UBL Conservative Allocation Plan, UBL Active Principal Preservation Plan I and UBL Active Principal Preservation Plan II.
- 1.5 JCR - VIS Credit Rating Company has upgraded management quality rating from AM2++ (stable outlook) to AM1 to the management company dated December 29, 2017.
- 1.6 As per the Offering Document and supplements to the said Document approved by the SECP, the accounting period, in case of the first such period, shall commence from the date on which the trust property is first paid or transferred to the Trustee. Accordingly, these financial statements have been prepared for such period as stated below for each plan and therefore, there is no comparative information disclosed in these financial statements.

	<b>Period</b>	<b>Duration</b>
UBL Conservative Allocation Plan	September 28, 2017 to June 29, 2018	Perpetual
UBL Active Principal Preservation Plan I	February 28, 2018 to June 30, 2018	30 Months
UBL Active Principal Preservation Plan II	May 31, 2018 to June 30, 2018	30 Months

- 1.7 Subsequent to June 29, 2018, all units of UBL Conservative Allocation Plan have been redeemed by unitholders of the Fund. Therefore, the financial statements of the said Plan have not been prepared on a going concern basis. However, no adjustments are required in these financial statements as the assets and liabilities are stated at values at which they are expected to be realised or settled. Subsequent to June 29, 2018, maturity proceeds have been paid by the Management Company based on net assets value as at June 29, 2018.
- 1.8 Title to the assets of the Fund are held in the name of the Central Depository Company of Pakistan Limited as Trustee of the Fund.

**2. STATEMENT OF COMPLIANCE**

- 2.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. Such standards comprise of:
- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);
  - Provisions of and directives issued under the Companies Act, 2017 along with part VIII A of the repealed Companies Ordinance, 1984;

- The NBFC rules, the Non-Banking Finance Companies, Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

### **3. BASIS OF PREPARATION**

- 3.1** These financial statements have been prepared under the historical cost convention except for investments which are accounted for as stated in note 4.1.
- 3.2** These financial statements are presented in Pakistani Rupee which is the Fund's functional and presentation currency.

### **4. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS**

The principal accounting policies, estimates and judgements applied in the preparation of these financial statements are set out below:

#### **4.1 Investments**

##### **4.1.1 Classification**

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

Investments are categorised as follows:

##### **a) Loans and receivables**

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

##### **b) Investments '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 investments at fair value through profit or loss category.

##### **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. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

##### **4.1.2 Regular way contracts**

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

#### **4.1.3 Initial recognition and measurement**

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

#### **4.1.4 Subsequent measurement**

##### **a) Investments 'at fair value through profit or loss'**

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

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

Net gains and losses arising from changes in the fair value of available for sale financial assets are recognised in unitholders' fund through other comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised in unitholders' fund is shown in the income statement.

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

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

Gains or losses on these instruments are also recognised in the income statement when the investments carried at amortised cost are derecognised or impaired.

#### **4.1.5 Impairment**

The Fund assesses at each reporting date whether there is objective evidence that the investments or a group of investments are 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 assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

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

For certain other investments, a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against those 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 SECP.

#### **4.1.6 Derecognition**

Investments 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.

#### **4.2 Preliminary expenses and floatation costs**

The Fund has recorded all expenses incurred in connection with the incorporation, registration, establishment and authorization of the Fund as preliminary expenses and floatation costs which are to be amortized by the Fund over a period of five years commencing from respective period of each plan, stated in note 1.6, in accordance with the Trust Deed and the NBFC Regulations. Such expenses and costs will be shared by the allocation plans available at the time of initial offering of the Fund.

#### **4.3 Issuance and redemption of units**

Units are allocated at the offer price prevalent on the day on which applications for purchase of units are received (however, units are issued on the receipt of cash/ realization of cheques). The offer price represents the net asset value per unit at the end of the business day plus allowable sales load, if applicable. Issue of units is recorded on acceptance of application for sale.

Units redeemed are recorded at the redemption price, applicable to units for which the Fund receives redemption applications during business hours of that day. The redemption price represents the net asset value per unit at the end of the business day less duties, taxes, charges on redemption and provision for transaction costs, if applicable. Redemption of units is recorded on acceptance of application for redemption.

#### **4.4 Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to receive cash flows related to the asset expire. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to the income statement in the period in which it arises.

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

#### **4.5 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.

#### **4.6 Provisions**

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

#### **4.7 Distribution to unit holders**

Distribution to unit holders is recognized when they are declared and approved by the Board of Directors of the Management Company (BOD) in their meeting, or upon declaration and approval by the Chief Executive Officer on behalf of the BOD.

#### **4.8 Net assets value per unit**

The Net Assets 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 issue at the period end.

#### **4.9 Taxation**

The Fund is exempt from taxation under clause 99 of Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income excluding realized and unrealized capital gains for the year is distributed amongst the Fund's unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

#### 4.10 Revenue recognition

Gains / (losses) arising on sale of investments is accounted for in the year in which it arises.

Unrealised gain / (loss) on revaluation of investments classified as 'financial assets at fair value through profit or loss' is included in the income statement in the year in which it arises.

Unrealised gain / (loss) on revaluation of investments classified as 'available-for-sale' is included in unit holders' fund through other comprehensive income in the year in which it arises.

Mark-up on bank balances and term deposits is recorded on accrual basis.

#### 4.11 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rates are recognised in the income statement.

#### 4.12 Cash and cash equivalents

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

### 5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in notes 4.1.

### 6. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

<b>Standard or Interpretation</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 2 – Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	January 01, 2018
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	January 01, 2018
IFRS 9 – Financial Instruments	July 01, 2018

<b>Standard or Interpretation</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 9 – Prepayment Features with Negative Compensation - (Amendments)	January 01, 2019
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 15 – Revenue from Contracts with Customers	July 01, 2018
IFRS 16 – Leases	January 01, 2019
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	January 01, 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments)	January 01, 2019
IAS 40 Investment Property: Transfers of Investment Property (Amendments)	January 01, 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 01, 2018
IFRIC 23 Uncertainty over Income Tax Treatments	January 01, 2019

The above standards and amendments are not expected to have any material impact on the Fund's financial statements in the period of initial application. However, the Fund is currently evaluating the requirements of IFRS-9 and potential impact on the financial statements of the Fund.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after January 01, 2018 and January 01, 2019 respectively. The Fund expects that such improvements to the standards will not have any impact on the Fund's financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

<b>Standards</b>	<b>IASB Effective date (annual periods beginning on or after)</b>
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 17 - Insurance Contracts	January 01, 2021

June 30, 2018

	Note	UBL Conservative Allocation Plan	UBL Active Principal Preservation Plan I	UBL Active Principal Preservation Plan II	Total
----- (Rupees'000) -----					
<b>7. BANK BALANCES</b>					
Bank accounts - saving	7.1	<u>352</u>	<u>749</u>	<u>80</u>	<u>1,181</u>
7.1	These carry mark-up at the rate of 4.00% to 4.25% per annum.				
7.2	These include a balance of Rs.0.84 million maintained with United Bank Limited (a related party).				
<b>8. INVESTMENT</b>					
<b>Investments by Category</b>					
<b>At fair value through profit or loss - held-for-trading</b>					
Units of mutual funds	8.1	28,020	172,638	207,715	408,373
<b>Loans and Receivables</b>					
Term deposit receipt (TDR)	8.2	-	-	123,662	123,662
		<u>28,020</u>	<u>172,638</u>	<u>331,377</u>	<u>532,035</u>



- 11.2 Sales tax at the rate of 13% on gross value of management fee is applied under the provisions of Sindh Sales Tax on Services Act, 2011.
- 11.3 As per regulation 60(3)(s) of amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the scheme, maximum up to 0.1% of the average annual net assets or the actual cost, whichever is lower. Accordingly, the Management Company has charged 0.1% of the average annual net assets with effect, being lower.

		June 30, 2018			
		UBL Conservative Allocation Plan	UBL Active Principal Preservation Plan I	UBL Active Principal Preservation Plan II	Total
		(Rupees'000)			
<b>12. PAYABLE TO THE TRUSTEE</b>	<b>Note</b>				
Remuneration payable	12.1	60	13	25	98
Sales tax on remuneration payable	12.2	8	2	3	13
		<b>67</b>	<b>15</b>	<b>28</b>	<b>110</b>

- 12.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed and the Offering Document as per tariff specified therein, based on the daily net asset value of the Fund. The remuneration is paid to the Trustee on a monthly basis in arrears. The tariff structure is applicable to the Fund in respect of the trustee fee for the year ended June 30, 2018 is as follows:

Net assets	Tariff per annum
Up to Rs.1,000 million	0.1% of net assets of each Plan
On an amount exceeding Rs.1,000 million	Rs.1.0 million plus 0.075% p.a. of the net assets of each plan on an amount exceeding Rs.1,000 million
On an amount exceeding Rs.6,000 million	Rs.5.9 million plus 0.06% p.a. of net assets of each plan, on an amount exceeding Rs.6,000 million

- 12.2 Sales tax at the rate of 13% on the remuneration of the Trustee is applied under the provisions of Sindh Sales Tax on Services Act, 2011.

**13. ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)**

This represents annual fee payable to SECP in accordance with the NBFC Regulations whereby the Fund is required to pay to SECP an amount equal to 0.075% of the average daily net assets of each plan.

**14. TOTAL EXPENSE RATIO**

Total Expense Ratio of UBL Conservative Allocation Plan, UBL Active Principal Preservation Plan I and UBL Active Principal Preservation Plan II is 0.29%, 0.16% and 0.07% respectively as on June 30, 2018 and these include 0.15%, 0.05% and 0.02% representing Government Levy, Sindh Worker's Welfare Fund and SECP Fee respectively. The ratio of each plan is within the maximum limit of 0.5% in case of UBL Conservative Allocation Plan and UBL Active Principal Preservation Plan I (as the management fee is not charged) and 2.5% in case of UBL Active Principal Preservation Plan II (as the management fee is charged), as prescribed under the NBFC Regulation 60 (5) for a collective investment scheme categorised as a Fund of Fund scheme.

**15. ACCRUED AND OTHER LIABILITIES**

Auditors' remuneration		165	44	8	217
Withholding tax payable		84	-	-	84
Capital gain tax payable		144	-	-	144
Provision for Sindh Workers' Welfare Fund (SWWF)	15.1	673	30	41	744
Others		315	8	4,927	5,250
		<b>1,381</b>	<b>82</b>	<b>4,976</b>	<b>6,439</b>

- 15.1 As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act (SWWF Act), 2014 had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs.0.5 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies (including the Management Company of the Fund) whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF which is currently pending. However, as a matter of abundant caution, MUFAP has recommended to all its members to record a provision for SWWF from the date of enactment of SWWF Act, 2014 (i.e. starting from May 21, 2015).

The provision for SWWF is being made on a daily basis. Had the provision for SWWF not been recorded in the financial statements of the Fund, the net assets value of UBL Conservative Allocation Plan would have been higher by Rs.2.58 per unit as at June 29, 2018, the net asset value of UBL Active Principal Preservation Plan I and UBL Active Principal Preservation Plan II would have been higher by Re.0.02 per unit and Re.0.01 per unit respectively as at June 30, 2018.

**16. CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at June 30, 2018.

**17. BASIS OF ALLOCATION OF EXPENSES TO EACH PLAN**

- 17.1 Remuneration to the Management Company, the Trustee and annual fee to the SECP is allocated to each plan on the basis of the net assets of the plan, where applicable.
- 17.2 Expenses specifically incurred by a plan, such as custody and settlement charges, fees and subscription, and bank charges are charged to that plan.
- 17.3 Auditors' remuneration and legal and professional charges are allocated on the basis of the proportionate net assets of each plan.

**18. AUDITORS' REMUNERATION**

Annual audit fee	149	42	7	198
Half yearly review fee	50	-	-	50
	199	42	7	248
Sales tax	16	3	1	20
Out of pocket expenses	12	-	-	12
	<b>227</b>	<b>45</b>	<b>8</b>	<b>280</b>

**19. TAXATION**

The Fund's income is exempt from Income Tax as per clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. 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. Currently, the Fund has net income for the period, however, if net income is reduced by capital gains, whether realised or unrealised, as per clause 99, it results in loss and no distribution is required. Accordingly, no provision for taxation has been recognised in these financial statements.

## 20. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties comprise of United Bank Limited (Holding Company of the Management Company), UBL Fund Managers Limited (Management Company), Al-Ameen Financial Services (Private) Limited, being entity under the common management or directorship, Central Depository Company of Pakistan Limited as trustee of the Fund, the directors key management personnel and other associated undertakings and connected persons. Connected persons also include any person beneficially owing directly or indirectly 10% or more of the units in the issue / net assets of the Fund.

Transactions with connected persons essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, other charges, sale and purchase of investments and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of the NBFC Rules, NBFC Regulations and constitutive documents of the Fund respectively.

Details of transactions and balances at period end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	Management company	Associated companies	Trustee	Funds under common management	Directors and key executives	Other connected persons / related parties
----- (Rupees in '000) -----						
<b>For the period from September 28, 2017 to June 29, 2018</b>						
<b>UBL Conservative Allocation Plan</b>						
<b>Transactions during the period</b>						
Mark-up on bank accounts	-	23	-	-	-	-
Bank and other charges	-	15	-	-	-	77
Units issued	450,102	-	-	-	-	438,049
Bonus units issued	5,063	-	-	-	-	-
Units redeemed	455,148	-	-	-	-	438,108
Remuneration*	-	-	737	-	-	-
Allocated expenses	99	-	-	-	-	-
Purchase of investment	-	-	-	4,099,629	-	-
Sale of investment	-	-	-	4,107,738	-	-
<b>As at June 29, 2018</b>						
<b>Balances held</b>						
Bank balances	-	13	-	-	-	-
Remuneration payable	-	-	67	-	-	-
Allocated expenses payable	99	-	-	-	-	-
Other payable	1,087	-	-	-	-	-
Units of mutual funds held	-	-	-	28,020	-	-
<b>For the period from February 28, 2018 to June 30, 2018</b>						
<b>UBL Active Principal Preservation Plan I</b>						
<b>Transactions during the period</b>						
Mark-up on bank accounts	-	88	-	-	-	-
Bank and other charges	-	6	-	-	-	22
Units issued	-	-	-	-	-	55,319
Remuneration*	-	-	67	-	-	-
Allocated expenses	62	-	-	-	-	-
Purchase of investment	-	-	-	639,801	-	-
Sale of investment	-	-	-	468,842	-	-
<b>As at June 30, 2018</b>						
<b>Balances held</b>						
Units held (units in '000)	-	-	-	-	-	535
Units held (Rupees in '000)	-	-	-	-	-	53,971
Bank balances	-	749	-	-	-	-
Remuneration payable	-	-	15	-	-	-
Sales load payable	113	7	-	-	-	-
Allocated expenses payable	29	-	-	-	-	-
Other payable	24	-	-	-	-	-
Mark-up receivable	-	88	-	-	-	-
Units of mutual funds held	-	-	-	172,638	-	-

	Management company	Associated companies	Trustee	Funds under common management	Directors and key executives	Other connected persons / related parties
----- (Rupees in '000) -----						
<b>For the period from May 31, 2018 to June 30, 2018</b>						
<b>UBL Active Principal Preservation Plan II</b>						
<b>Transactions during the period</b>						
Income from term deposit receipt (TDR)	-	547	-	-	-	-
Bank charges	-	2	-	-	-	-
Units issued	-	-	-	-	-	64,387
Units redeemed	-	-	-	-	-	-
Remuneration*	92	-	29	-	-	-
Allocated expenses	28	-	-	-	-	-
Purchase of investment	-	-	-	935,673	-	-
Sale of investment	-	-	-	730,311	-	-

	<b>As at June 30, 2018</b>					
<b>Balances held</b>						
Units held (units in '000)	-	-	-	-	-	623
Units held (Rupees in '000)	-	-	-	-	-	62,694
Bank balances	-	80	-	-	-	-
Term deposit receipt (TDR)	-	123,662	-	-	-	-
Remuneration payable	81	-	28	-	-	-
Sales load payable	2,902	4,927	-	-	-	-
Allocated expenses payable	28	-	-	-	-	-
Other payable	5	-	-	-	-	-
Units of mutual funds held	-	-	-	207,715	-	-
Mark-up receivable on term deposit receipt (TDR)	-	547	-	-	-	-

\* Remuneration for the period is inclusive of sales tax.

## 21. FINANCIAL RISK MANAGEMENT

**21.1** The Fund's objective in managing risks is the creation and protection of Unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, credit risk and liquidity risk arising from the financial instruments it holds.

### 21.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as profit rates, foreign exchange rates and debt security prices.

#### (i) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial instruments and future cash flows. The interest rate environment is monitored on a regular basis and the portfolio mix of fixed and floating rate securities is altered. The Fund's investment in fixed profit rate securities expose it to fair value profit rate risk and investments in variable profit rate securities expose the Fund to cash flow profit rate risk.

##### a) Sensitivity analysis of variable rate instruments

The Fund's saving accounts are exposed to variable rate risk. In case of 100 basis points increase / decrease in interest rates at period end, the net assets attributable to unit holders of the Fund and net income for the period would be higher / lower by Rs.0.09 million.

##### b) Sensitivity analysis of fixed rate instruments

As at June 30, 2018, the Fund holds term deposit receipt (TDR) which is classified as 'loans and receivables', exposing the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in interest rates at period end, the net income for the period and net assets would be higher / lower by Rs.1.24 million.

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date. The composition of the fund investment may change over time. Accordingly, the sensitivity analysis prepared as at June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Interest rate	June 29, 2018				June 30, 2018								Total
	UBL Conservative Allocation Plan				UBL Active Principal Preservation Plan I				UBL Active Principal Preservation Plan II				
	Exposed to yield / interest rate risk				Exposed to yield / interest rate risk				Exposed to yield / interest rate risk				
	Upto three months	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	Upto three months	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	Upto three months	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	

(Rupees'000)

**On-balance sheet financial instruments**

**Financial assets**

Bank balances	4.00-7.50	352	-	-	-	749	-	-	-	80	-	-	-	1,181
Investments	6.75	-	-	-	28,020	-	-	-	172,638	-	-	123,662	207,715	532,035
Other receivables		-	-	-	-	-	-	-	87	-	-	-	713	800
		352	-	-	28,020	749	-	-	172,725	80	-	123,662	208,428	534,016

**Financial liabilities**

Payable to the Management Company		-	-	-	1,186	-	-	-	166	-	-	-	3,016	4,368
Payable to the Trustee		-	-	-	60	-	-	-	13	-	-	-	25	98
Accrued and other liabilities		-	-	-	464	-	-	-	49	-	-	-	4,934	5,447
		-	-	-	1,710	-	-	-	228	-	-	-	7,975	9,913

**On-balance sheet gap**

		352	-	-	26,310	749	-	-	172,497	80	-	123,662	200,453	524,103
--	--	-----	---	---	--------	-----	---	---	---------	----	---	---------	---------	---------

There is no off-balance sheet financial instrument that exist as at year ended June 30, 2018.

**21.3 Price risk**

Price risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market.

**UBL Conservative Allocation Plan**

The plan is exposed to equity price risk because of units of mutual funds held and classified on the balance sheet as 'at fair value through profit or loss - held-for-trading'. In case of 5% increase / decrease in net assets value (NAV) of the said mutual funds on June 30, 2018, the net assets relating to the plan and total net assets of the Fund would increase / decrease by Rs.1.40 million.

**UBL Active Principal Preservation Plan I**

The plan is exposed to equity price risk because of units of mutual funds held and classified on the balance sheet as 'at fair value through profit or loss - held-for-trading'. In case of 5% increase / decrease in net assets value (NAV) of the said mutual funds on June 30, 2018, the net assets relating to the plan and total net assets of the Fund would increase / decrease by Rs.8.63 million.

**UBL Active Principal Preservation Plan II**

The plan is exposed to equity price risk because of units of mutual funds held and classified on the balance sheet as 'at fair value through profit or loss - held-for-trading'. In case of 5% increase / decrease in net assets value (NAV) of the said mutual funds on June 30, 2018, the net assets relating to the plan and total net assets of the Fund would increase / decrease by Rs.10.39 million.

The analysis is based on the assumption that the net assets value increased / decreased by 5% with all other variables held constant and all the plans' equity instruments moved according to the historical correlation with the net assets value of mutual funds. This represents management's best estimate of a reasonable possible shift in the net assets value of the mutual funds. The composition of the each plan's investment portfolio and the correlation thereof to the net assets value of the mutual funds, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the effect on the each plan's net assets of future movements in net assets value of the mutual funds.

## 21.4 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation. The Fund's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements. The table below analyses the Fund's maximum exposure to credit risk:

	June 29, 2018	June 30, 2018		Total
	UBL Conservative Allocation Plan	UBL Active Principal Preservation Plan I	UBL Active Principal Preservation Plan II	
Bank balances	352	749	80	1,181
Term deposit receipts	-	-	123,662	123,662
Investments	28,020	172,638	207,715	408,373
Other receivables	-	87	713	800
	<b>28,372</b>	<b>173,474</b>	<b>332,170</b>	<b>534,016</b>

All deposits with banks are highly rated and risk of default is considered minimal.

The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2018:

### Bank balances by rating category

	Rating long-term/short-term	June 30, 2018 -- (%) --
Allied Bank Limited	AAA/ A1+	1.08%
United Bank Limited	AAA/ A-1+	90.89%
Sindh Bank Limited	AA/ A-1+	6.84%
Zarai Taraqati Bank Limited	AAA/ A-1+	1.19%
		<b>100%</b>

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

## 21.5 Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the unit holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive documents.

In order to manage the Fund's overall liquidity, the Fund has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such request 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 significant redemption during the period. Further, the Fund also has the ability to suspend redemption of units with approval of Board of Directors of the Management Company in extraordinary circumstances.

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

	June 29, 2018			June 30, 2018					Total	
	UBL Conservative Allocation Plan			UBL Active Principal Preservation Plan I			UBL Active Principal Preservation Plan II			
	Upto one month	More than one month upto three months	More than three months and upto one year	Upto one month	More than one month upto three months	More than three months and upto one year	Upto one month	More than one month upto three months		More than three months and upto one year
	(Rupees'000)									
<b>Financial Liabilities</b>										
Payable to the Management Company	1,186	-	-	166	-	-	3,016	-	-	4,368
Payable to the Trustee	60	-	-	13	-	-	25	-	-	98
Accrued and other liabilities	315	149	-	8	41	-	4,927	7	-	5,447
	<b>1,561</b>	<b>149</b>	<b>-</b>	<b>187</b>	<b>41</b>	<b>-</b>	<b>7,968</b>	<b>7</b>	<b>-</b>	<b>9,913</b>

## 21.6 Unit holders' fund risk management

The Fund's capital is represented by redeemable units. The Fund is required by the NBFC Regulations, to maintain a minimum fund size of Rs.100 million, to be maintained all the time during the life of the scheme. However, UBL Conservative Allocation Plan has net assets less than Rs.100 million of June 29, 2018 as the plan has been revoked subsequent to that date. The units issued by the Fund provides an investor with the right to require redemption for cash at a value proportionate to the unit holder's share in the Fund's net assets at the redemption date.

The Fund's objective in managing the unit holders' fund is to ensure a stable base to maximise returns to all investors and to manage liquidity risk arising from redemption. In accordance with the risk management policies, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments.

## 21.7 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risk arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risk identified;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

## 22. Fair value of financial instruments

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). Adoption of IFRS 13, has no affect on these financial statements.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

**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).

The table below analyse financial instruments measured at the end of the reporting half year by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Note	Carrying amount			Fair value				
		Fair value through profit or loss - held-for-trading	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)									
<b>Financial assets measured at fair value</b>									
Units of mutual funds	22.1	408,373	-	-	408,373	-	408,373	-	408,373
<b>Financial assets not measured at fair value</b>	22.2								
Bank balances		-	1,181	-	1,181				
Term deposit receipt (TDR)		-	123,662	-	123,662				
Other receivables		-	87	-	87				
		-	124,930	-	124,930				
<b>Financial liabilities not measured at fair value</b>	22.2								
Payable to the Management Company		-	-	4,379	4,379				
Payable to the Trustee		-	-	110	110				
Accrued and other liabilities		-	-	6,439	6,439				
		-	-	10,928	10,928				

### 22.1 Valuation techniques used in determination of fair values within level 2:

Fair value of investment in mutual funds is valued on the basis of closing net asset value as announced by the respective Asset Management Company.

**22.2** The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are a reasonable approximation of fair value.

**23. SUPPLEMENTARY NON-FINANCIAL INFORMATION**

The information regarding unit holding pattern, members of the Investment Committee, fund manager, meetings of the Board of Directors of the Management Company and rating of the Fund and the Management Company has been disclosed in Annexure I to the financial statements.

**24. GENERAL**

**24.1** Figures have been rounded off to the nearest thousand rupee.

**24.2** Earnings per unit has not been disclosed as in the opinion of the Management Company, determination of the cumulative weighted average number of outstanding units is not practicable.

**25. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE**

**UBL Active Principal Preservation Plan II**

The Board of Directors of the Management Company on July 02, 2018 approved a final distribution of Re.0.1258 per unit on the face value of Rs.100 each (i.e. 0.13%) amounting to Rs.0.41 million. The financial statements of the plan for the period ended June 30, 2018 do not include the effect of this distribution which will be accounted for in the financial statements of the plan for the year ending June 30, 2019.

**26. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorized for issue by the Board of Directors of the Management Company on 28-Aug-18.

**For UBL Fund Managers Limited  
(Management Company)**

SD

\_\_\_\_\_  
Chief Executive Officer

SD

\_\_\_\_\_  
Director

SD

\_\_\_\_\_  
Chief Financial Officer

**SUPPLEMENTARY NON-FINANCIAL INFORMATION**  
**AS REQUIRED UNDER RULES 6(D), (F), (G), (H), (I) AND (J)**  
**OF THE 5TH SCHEDULE TO THE NON BANKING FINANCE COMPANIES**  
**AND NOTIFIED ENTITIES REGULATIONS, 2008**

(i) **PATTERN OF UNIT HOLDING**

Category	Number of unit holders	Number of units held	% of Total
Individuals	233	3,183,931	61.3
Public Limited Companies	5	0	0.0
Retirement Funds	4	362,740	7.0
Others	12	1,651,428	31.8
	<b>254</b>	<b>5,198,099</b>	<b>100</b>

(ii) **THE MEMBERS OF THE INVESTMENT COMMITTEE**

S.no	Name	Designation	Experience in years	Qualification
1	Yasir Qadri	Chief Executive Officer	22.1	MBA
2	Syed Suleman Akhtar	Chief Investment Officer	16.85	MBA, CFA
3	Farhan Bashir Khan	Head of Research	11.6	MBA
4	Hadi Hassan Muki	Acting Head of Risk & Compliance *	18.02	BCOM
5	Asim Wahab Khan	Head of Investment Strategy & Equity	12.56	MBA, CFA
4	Syed Sheeraz Ali	Fund Manager	8.58	MBA

\* Head of Risk - non voting observer

**OTHER FUNDS MANAGED BY THE FUND MANAGER**

UBL Money Market Fund  
 UBL income Opportunity Fund  
 Al Ameen Islamic Cash Fund

**(iii) ATTENDANCE AT THE MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

During the year, seven meetings of the Board of Directors of the Management Company were held. The details of the attendance are as under:

	August 23, 2017	September 25, 2017	October 27, 2017	December 06, 2017	February 16, 2018	April 26, 2018	May 02, 2018	Total meetings attended
--	--------------------	--------------------------	---------------------	----------------------	----------------------	-------------------	--------------	-------------------------------

**Directors:**

Tariq Kirmani **	✓	✓	N/A	N/A	N/A	N/A	N/A	2
Azhar hamid *	N/A	N/A	✓	✓	✓	✓	✓	5
Yasir Qadri	✓	✓	✓	✓	✓	✓	✓	7
Naz Khan *	N/A	N/A	✓	✓	✓	✓	✓	5
Shabbir Hussain Hashmi **	✓	✓	N/A	N/A	N/A	N/A	N/A	2
Sharjeel Shahid *	N/A	N/A	✓	✓	x	✓	x	3
Zia Ijaz	✓	✓	✓	✓	x	✓	x	5
Syed Furrukh Zaeem	✓	✓	✓	✓	✓	✓	✓	7
Mirza Muhammad Sadeed Hassan Barlas	✓	✓	✓	✓	x	✓	✓	6
Fawaz Taj Siddiqui ****	✓	✓	✓	✓	✓	N/A	N/A	5
Umair Ahmed	✓	✓	✓	✓	✓	✓	✓	7
S.M. Aly Osman ****	N/A	N/A	N/A	N/A	N/A	✓	✓	2

\* Elected at EOGM held on September 29, 2017

\*\* Independent Director's have completed three consecutive term

\*\*\* Mr. Zulfiqar Alavi resigned on August 07, 2017.

\*\*\*\* Mr. Fawaz Taj Siddiqui resigned and appointment of Mr. S.M. Aly Osman effective from April 2, 2018 as Company Secretary

**(iv) RATING OF THE FUND AND THE MANAGEMENT COMPANY**

JCR - VIS has assigned a "AM1" management quality rating to the Management Company on December 29, 2017.



**Be aware, Be alert,  
Be safe**

**Learn about investing at  
www.jamapunji.pk**

**Key features:**

-  Licensed Entities Verification
-  Scam meter\*
-  Jamapunji games\*
-  Tax credit calculator\*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered
-  Online Quizzes

-  Stock trading simulator  
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler\*
-  Financial calculator
-  Subscription to Alerts (event  
notifications, corporate and  
regulatory actions)
-  Jamapunji application for  
mobile device

 [jamapunji.pk](http://jamapunji.pk)

 [@jamapunji\\_pk](https://twitter.com/jamapunji_pk)



Jama Punji is an Investor  
Education Initiative of  
Securities and Exchange  
Commission of Pakistan

\*Mobile apps are also available for download for android  
and ios devices

# Smart Savings