



Together Creating Tomorrow

Annual Report UBL Funds
Income Funds

UBL Fund Managers
Savings | Mutual Funds | Advisory
Rated AM2++ by JCR-VIS, connoting High Management Quality.



**TOGETHER
WE SUCCEED**

**UBL Government
Securities Fund**

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.

Management Company	UBL Fund Managers Limited
Trustee	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
Distribution Company	United Bank Limited (for detail of others, please visit our website: www.ublfunds.com.pk)
Auditors	BDO Ebrahim & Co., Chartered Accountants
Bankers	United Bank Limited Allied Bank Limited Askari Bank Limited Bank Alfalah Limited Faysal Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited JS Bank Limited MCB Bank Limited Meezan Bank Limited NIB Bank Limited Samba Bank Limited Sindh Bank Limited
Management Co. Rating	AM2++ (JCR-VIS)
Fund Rating	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**
UBL Government Securities Fund is an open-end Income fund which aims 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'16	Aug'16	Sep'16	Oct'16	Nov'16	Dec'16	Jan'17	Feb'17	Mar'17	Apr'17	May'17	Jun'17	FYTD
UGSF	7.73%	3.05%	3.65%	3.22%	4.27%	3.72%	6.45%	4.50%	4.87%	4.81%	5.12%	6.37%	4.81%
Benchmark	5.31%	5.33%	5.36%	5.91%	5.93%	5.98%	5.92%	5.96%	5.98%	6.00%	6.00%	6.01%	5.81%

- 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 yielded a return of 4.81% p.a. during FY17. The Fund Manager maintained an exposure of ~44% of Total assets to government-backed securities, with the remaining assets being held as, Sukuk and placements with banks and cash. At end of Jun17, the weighted average maturity of the fund was 0.93 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-16	Jun-17
Placements with banks	1%	0%
PIBs	58%	4%
GOP Ijarah Sukuk	11%	19%
Reverse Repo	0%	0%
T-Bills	0%	44%
Cash	26%	33%
Others	4%	1%
Leverage	Nil	Nil
Total	100%	100%

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

FY'17 Return:	4.81%
Standard Deviation (12m trailing):	0.24%
Sharpe Ratio (12m trailing):	(4.67)

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-17	30-Jun-16	Change	30-Jun-17	30-Jun-16	Change
Rupees (000)		%	Rupees		%
3,339,182	13,976,144	(76.11)	105.5946	105.4801	0.11

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 – FY17

The International Crude Oil prices oscillated between USD 40 to 55 per barrel and closed the year at USD 46/barrel. Historically low oil prices along with stable commodity prices and exchange rate helped keep inflation under check at 4.1% as compared to 2.9% last year. Core measures of inflation witnessed a slight upward trajectory where NFNE which is somewhat sticky in nature increased to 5.5% compared to 4.6% posted in same period last year. Taking cues from lower inflation, the SBP decided to keep the policy rate at 5.75%.

In twelve PIB auctions conducted during the year, the government raised PKR869.3 billion (PKR 928 billion in FY16) against target of PKR 800 billion. Participation in the auctions was largely skewed towards three and five year paper with the participation ratio of 60% and 26% respectively. Cut off yields in June auction were 6.41%, 6.90% and 7.94% for three, five and ten year PIB instruments respectively.

The yield curve shifted upwards during FY17. Since the start of the fiscal year the secondary market yields for 3 Year, 5 Year and 10 Year PIB have come up by ~40bps, ~46bps and ~50bps respectively. The spread between annualized yields of 1-year T-bills (6.04% p.a.) and 10-year PIBs (8.17% p.a.) stood at 2.13% as of 30 June 2017.

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

Distribution				Per unit	
Declared on	Bonus	Cash	Per Unit	Cum NAV	Ex NAV
	Rupees (000)		Rupees		
June 26, 2017	-	140,801	4.95	110.3008	105.4529

- 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	2,735
10,000.0000 - 49,999.9999	261
50,000.0000 - 99,999.9999	47
100,000.0000 - 499,999.9999	33
500,000.0000 & Above	7
Total	3,083

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

There were no unit splits during the year.

- 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**

	2017	2016	2015
NET ASSETS AS AT 30 JUNE - Rupees in '000	3,339,182	13,976,144	6,250,957
NET ASSETS VALUE PER UNIT AT 30 JUNE - Rupees *			
Class C units - Offer *	106.7878	106.8724	108.4355
- Redemption	105.5946	105.4801	107.0122
RETURN OF THE FUND - %			
Total Return of the Fund	4.81%	8.95%	15%
Capital Growth (per unit)	(4.88)	(7.98)	(8.64)
Date of Income Distribution	26-Jun-17	23-Jun-16	23-Jun-15
Income Distribution	4.95	8.10	8.83
Date of Bonus distribution		17-Jun-16	-
Bonus Distribution		3.00	-
AVERAGE ANNUAL RETURN - %			
One Year	4.81%	8.95%	15.47%
Second Year	6.88%	12.21%	11.87%
Third Year	9.74%	10.89%	11.21%
Since inception	9.92%	10.94%	11%
OFFER / REPURCHASE DURING THE YEAR- Rupees *			
Highest price per unit - Class C units - Offer	111.6365	117.6178	118.6419
Highest price per unit - Class C units - Redemption	110.3891	116.0855	117.0847
Lowest price per unit - Class C units - Offer	106.6445	106.5687	101.7345
Lowest price per unit - Class C units - Redemption	105.4529	105.1803	100.3992
* Front-end load @1% is applicable			
PORTFOLIO COMPOSITION - %			
Percentage of Net Assets as at 30 June			
PORTFOLIO COMPOSITION BY CATEGORY - %			
Bank Balances	33.00	25.00	23.00
Placements and Term Deposit Receipts	-	4.00	-
Government securities	67.00	71.00	77.00
PORTFOLIO COMPOSITION BY MARKET - %			
Debt market	100.00	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.

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

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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, 2017 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, 2017



**STATEMENT OF COMPLIANCE BY UBL FUND MANAGERS LIMITED WITH THE BEST
PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED
JUNE 30, 2017**

This statement is being presented to comply with the Code of Corporate Governance (the “Code”), contained in Chapter 5 (clause 5.19.24) of Rule Book of Pakistan Stock Exchange Limited, for the purpose of establishing a framework of good governance, whereby, a listed entity is managed in compliance with the best practices of Corporate Governance.

The Board of Directors (the “Board”) of UBL Fund Managers Limited (the “Management Company”), which is an unlisted public company, manages the affairs of **UBL Government Securities Fund** (the “Fund”). The Fund being a unit trust open end scheme does not have its own Board of Directors. The units of the Fund are listed as a security on the Pakistan Stock Exchange Limited; therefore, the Management Company has applied the principles contained in the Code to the Fund in the following manner:

1. The Management Company encourages representation of independent non-executive directors. All the directors except the Chief Executive Officer of the Management Company are non-executive directors, two of whom are independent non-executive directors.

Category	Name
Independent Directors	Mr. Tariq Kirmani
	Mr. Shabbir Hussain Hashmi
Executive Directors	Mr. Yasir Qadri
Non - Executive Directors	Mr. Zia Ijaz
	Mr. Zulfiqar Alavi
	Syed Furrukh Zaeem
	Mirza Muhammad Sadeed Hassan Barlas

The independent directors meet the criteria of independence under regulation 5.19.1(b) of the Rule Book of Pakistan Stock Exchange Limited.

2. The existing directors have confirmed that none of them is serving as a director in more than seven listed companies, including the Management Company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year.
5. The Management Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the directors on their duties and responsibilities and the requirements of the Code, the Management Company has a process in place to conduct formal orientations for new directors. Furthermore, five directors on the Board have completed the Director Training Program (DTP) and are certified directors, while two Independent directors are exempt from the DTP under the Code of Corporate Governance 2012. 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.
10. There was no appointment of CFO, Company Secretary and Head of Internal Audit during the year.
11. The Directors' report relating to the Fund for the year ended June 30, 2017 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by the CEO and CFO of the Management Company before approval of the Board.
13. The Directors, CEO, and executives do not hold any interest in the units of the Fund other than that being disclosed in the Directors' Report.
14. The Management Company has complied with all the applicable corporate and financial reporting requirements of the Code.
15. The Board has formed a Board Audit Committee which comprises of five members, all of whom are non-executive directors including the chairman of the Committee who is an independent non-executive director.
16. The meetings of the Board Audit Committee were held, at least, once in every quarter and prior to the approval of interim and final results of the Fund as required by the Code. The terms of reference have been approved in the meeting of the Board of Directors and the Committee has been advised to ensure compliance with those terms of reference.

17. The Management Company has an in-house internal audit function. The internal audit team is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Fund and they are involved in the internal audit function on a full time basis.
18. The Board has formed a Human Resource and Compensation Committee. It comprises of four members, of whom three are non-executive directors, one is an executive director and the chairman of the Committee is an independent non- executive director.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Management Company or units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Fund's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Management Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles contained in the Code have been complied with.

YASIR QADRI
Chief Executive

Karachi.
Dated: **August 23, 2017**



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Pakistan

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of UBL Fund Managers Limited, the Management Company of UBL GOVERNMENT SECURITIES FUND ("the Fund") for the year ended June 30, 2017 to comply with the requirements of Regulation No. 5.19 of Rule Book of Pakistan Stock Exchange Limited where the Fund is listed.

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

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

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended June 30, 2017.

KARACHI

DATED: AUGUST 23, 2017

CHARTERED ACCOUNTANTS

Engagement partner: Zulfikar Ali Causer

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of UBL Government Securities Fund ("the Fund"), which comprise of the statement of assets and liabilities as at June 30, 2017 and the income statement, statement of comprehensive income, distribution statement, cash flow statement and statement of movement in unit holders' fund for the year ended June 30, 2017 and summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company ("UBL Fund Managers Limited") of the Fund is responsible for the preparation and fair presentation of these 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. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2017 and of its financial performance, cash flows and transactions for the year ended June 30, 2017 in accordance with the approved accounting standards as applicable in Pakistan.

Other matters

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 financial statements for the year ended June 30, 2016 were audited by another firm of chartered accountants who had expressed an unqualified opinion thereon vide their report dated August 25, 2016.

KARACHI

DATED: 23 AUG 2017

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

BDO Ebrahim & Co. Chartered Accountants

BDO Chartered Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee and forms part of the international BDO network of independent member firms.

**UBL GOVERNMENT SECURITIES FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2017**

		2017	2016
	Note	----- (Rupees in '000) -----	
ASSETS			
Bank balances	5	1,141,088	3,522,523
Investments	6	2,309,209	9,946,266
Term deposit receipts	7	-	150,000
Mark up / interest receivable	8	8,709	446,209
Prepayments and other receivables	9	11,238	83,816
Advance tax	10	1,508	1,508
Preliminary expenses and floatation cost	11	-	62
TOTAL ASSETS		3,471,752	14,150,384
LIABILITIES			
Payable to UBL Fund Managers Limited - Management Company	12	4,691	26,315
Payable to Central Depository Company of Pakistan Limited - Trustee	13	341	1,204
Payable to Securities and Exchange Commission of Pakistan	14	7,926	9,640
Accrued expenses and other liabilities	15	119,612	137,081
TOTAL LIABILITIES		132,570	174,240
NET ASSETS		3,339,182	13,976,144
 UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		 3,339,182	 13,976,144
 CONTINGENCIES AND COMMITMENTS	16	 ----- (Number of units) -----	
 NUMBER OF UNITS IN ISSUE	17	 31,622,643	 132,500,304
		 ----- (Rupees) -----	
 NET ASSETS VALUE PER UNIT		 105.5946	 105.4801

The annexed notes from 1 to 35 form an integral part of these financial statements.

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

**UBL GOVERNMENT SECURITIES FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017**

		2017	2016
	Note	----- (Rupees in '000) -----	
INCOME			
Financial income	18	640,273	883,235
Capital (loss) / gain on sale of investments - net	19	(19,037)	286,525
Unrealised gain on revaluation of investments classified as 'at fair value through profit or loss' - net	6.5	5,047	84,126
Other income			458
Total income		626,283	1,254,344
Expenses			
Remuneration of UBL Fund Managers Limited - Management Company	12.1	107,270	137,359
Sindh Sales tax on Management Company's remuneration	12.2	13,945	19,230
Provision for indirect taxes and duties	15.1	-	25,054
Allocated expenses	21	10,573	8,518
Remuneration of Central Depository Company-Trustee	13	9,422	11,297
Annual fee of Securities and Exchange Commission of Pakistan	14	7,926	9,641
Bank charges		308	195
Auditors' remuneration	20	441	411
Brokerage and settlement expenses		2,400	9,078
Amortization of preliminary expenses and floatation cost		62	1,006
Legal and professional fees		1,163	75
Fee and subscription charges		315	312
Other expenses		23	31
Total expenses		153,848	222,207
Net income from operating activities		472,435	1,032,137
Element of loss and capital losses included in prices of units issued less those in units redeemed - net		(332,969)	(449,436)
Reversal of provision of Workers' Welfare Fund	15.2	19,506	-
Provision for Sindh Workers' Welfare Fund	15.2	(14,546)	-
Net income for the year before taxation		144,426	582,701
Taxation	22	-	-
Net income for the year after taxation		144,426	582,701
Earnings per unit	23		

The annexed notes from 1 to 35 form an integral part of these financial statements.

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

**UBL GOVERNMENT SECURITIES FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017**

	2017	2016
	----- (Rupees in '000) -----	
Net income for the year	144,426	582,701
Other comprehensive income	-	-
Total comprehensive income for the year	<u>144,426</u>	<u>582,701</u>

The annexed notes from 1 to 35 form an integral part of these financial statements.

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

**UBL GOVERNMENT SECURITIES FUND
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017**

	Note	2017	2016
		----- (Rupees in '000) -----	
Undistributed income brought forward comprising of:			
Realised income		118,965	367,837
Unrealised income		84,126	38,261
Undistributed income brought forward		<u>203,091</u>	<u>406,098</u>
Interim distribution of Nil bonus units (2016:3,104,673 units at the rate of Rs.3 per unit declared on June 17, 2016)		-	(351,093)
Interim distribution during the year Rs. 4.95 per unit declared on June 26, 2017 (2016: Rs. 8.1 per unit declared on June 23, 2016)		(140,801)	(434,615)
Net income for the year		144,426	582,701
Undistributed income carried forward		<u>206,716</u>	<u>203,091</u>
Undistributed income carried forward comprising of:			
Realised income		201,669	118,965
Unrealised income		5,047	84,126
		<u>206,716</u>	<u>203,091</u>

The annexed notes from 1 to 35 form an integral part of these financial statements.

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

UBL GOVERNMENT SECURITIES FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	----- (Rupees in '000) -----	
Net assets at the beginning of the year	13,976,144	6,250,954
Rs. 105.4801 per unit (June 30, 2015: Rs. 107.0122 per unit)		
Issuance of 101,603,547 units (2016: 288,535,050 units)	10,909,306	31,581,354
Redemption of 202,481,208 units (2016: 217,552,891 units)	(21,882,862)	(24,453,686)
	(10,973,556)	7,127,668
	3,002,588	13,378,622
Element of loss and capital losses included		
in prices of units issued less those in units redeemed - net	332,969	449,436
Issuance of nil bonus units (June 30, 2016: 3,104,673 units)	-	351,093
Capital (loss) / gain on sale of investments - net	(19,037)	286,525
Unrealised gain on revaluation of investments		
classified as 'at fair value through profit or loss' - net	5,047	84,126
Other income-net	158,416	212,050
	144,426	582,701
Issuance of Nil bonus units (2016: 3,104,673 units)	-	(351,093)
Interim cash distribution during the year		
Rs. 4.95 per unit declared on June 26, 2017		
(2016: Rs. 8.1 per unit declared on June 23, 2016)	(140,801)	(434,615)
Net assets at end of the year		
Rs. 105.5947 per unit (June 30,2016: Rs. 105.4801 per unit)	3,339,182	13,976,144

The annexed notes from 1 to 35 form an integral part of these financial statements.

For UBL Fund Managers Limited
(Management Company)

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

**UBL GOVERNMENT SECURITIES FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

	2017	2016
Note	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	144,426	582,701
Adjustments for:		
Financial income	(640,273)	(883,235)
Unrealised gain on revaluation of investments 'classified as 'at fair value through profit or loss' - net	(5,047)	(84,126)
Capital loss / (gain) on sale of investments - net	19,037	(286,525)
Element of loss and capital losses included in the prices of units issued less those in units redeemed - net	332,969	449,436
Provision for indirect taxes and duties	-	25,054
Provision for Sindh Workers' Welfare Fund	14,546	-
Reversal for Workers' Welfare Fund	(19,506)	-
Amortization of preliminary expenses and floatation costs	62	1,006
	(298,212)	(778,390)
	(153,786)	(195,689)
Decrease / (Increase) in assets		
Investments - net	7,623,067	(4,780,516)
Term deposit receipts	150,000	(150,000)
Other receivables	72,599	(59,095)
Advance tax	-	(1,508)
	7,845,666	(4,991,119)
(Decrease) / Increase in liabilities		
Payable to UBL Fund Managers Limited - Management Company	(21,624)	16,567
Payable to Central Depository Company of Pakistan Limited - Trustee	(863)	466
Annual fee payable to Securities and Exchange Commission of Pakistan	(1,714)	2,956
Accrued expenses and other liabilities	(12,509)	41,955
	(36,710)	61,944
Cash generated from / (used in) operations	7,655,170	(5,124,864)
Profit received on bank balances and investments	1,077,752	630,275
Cash generated from / (used in) operating activities	8,732,922	(4,494,589)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	10,909,306	31,581,354
Payments against redemption of units	(21,882,862)	(24,453,686)
Dividend paid to the unit holders during the year	(140,801)	(434,615)
Cash (used in) / generated from financing activities	(11,114,357)	6,693,053
Net (decrease) / increased in cash and cash equivalents	(2,381,435)	2,198,464
Cash and cash equivalents at beginning of the year	3,522,523	1,324,058
Cash and cash equivalents at end of the year	1,141,088	3,522,523

The annexed notes from 1 to 35 form an integral part of these financial statements.

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

UBL GOVERNMENT SECURITIES FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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 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 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 rating of 'AM2++' (stable outlook) to the Management Company as at December 30, 2016 and a stability rating of "A(f)" to the Fund as at December 30, 2016.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. The approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board as are notified under the repealed Companies Ordinance, 1984, the requirements of the Trust Deed, the NBFC Rules, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "NBFC Regulations") and the directives issued by the SECP.

In case, the requirements differ, the provisions and directive of the repealed Companies Ordinance, 2018, the requirements of Trust Deed, NBFC Rules and NBFC Regulations shall prevail.

During the year, the Companies Act, 2017 was promulgated and enacted on May 30, 2017. However, SECP has notified through Circular No. 17 dated July 20, 2017 that companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984, hence these financial statements have been prepared in accordance with the Ordinance.

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 25 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 22 to these financial statements.

Workers' Welfare Fund

For details please refer note 15.2 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 Standards or interpretations that are effective in current year 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 year from the dates mentioned below against the respective standards:

		Effective date (annual periods beginning on or after)
IFRS 10	Consolidated Financial Statements - Amendments regarding application of the consolidation exception	January 01, 2016
IFRS 11	Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation	January 01, 2016

		Effective date (annual periods beginning on or after)
IFRS 12	Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 1	Presentation of Financial Statements - Amendments resulting from the disclosure initiative	January 01, 2016
IAS 16	Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16	January 01, 2016
IAS 27	Separate Financial Statements (as amended in 2011) - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	January 01, 2016
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 38	Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2016
IAS 41	Agriculture - Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016

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 (2012 – 2014) Cycle:

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 34	Interim Financial Reporting

3.2 Amendments not yet effective

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

		Effective date (annual periods beginning on or after)
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 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
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
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 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 for annual periods beginning on or after January 01, 2017 are as follows:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 12	Disclosure of Interests in Other Entities	January 01, 2017
IAS 28	Investments in Associates and Joint Ventures	January 01, 2018

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 not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 17	Insurance Contracts

The effects of IFRS 9 - Financial Instruments are still being assessed, as this new standard 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 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

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

The 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' account is credited with the amount representing net income / (loss) and capital gains / (losses) accounted for in the net asset value and included in the sale proceeds of units. Upon redemption of units, the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' account is debited with the amount representing net income / (loss) and capital gains / (losses) accounted for in the net asset value and included in the redemption price.

The 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' during the year is transferred to the 'income statement'.

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
- 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	2017 ----- (Rupees in '000) -----	2016 ----- (Rupees in '000) -----
5 BANK BALANCES			
Cash at bank			
In savings accounts	5.1	1,141,088	3,522,523
		<u>1,141,088</u>	<u>3,522,523</u>

5.1 Profit rates on these savings accounts range between 3.75% to 6.6% per annum (June 30, 2016: 4% to 6.75% per annum).

5.2 As per clause 4.2 Investment Policy of 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 34.173% as on June 30, 2017.

6 INVESTMENTS

Government securities designated at fair value through profit or loss

Pakistan Investment Bonds	6.1 & 6.2	122,650	8,318,688
Market Treasury Bills	6.1 & 6.3	1,542,271	52,933
GOP Ijarah Sukuk	6.1	644,288	1,574,645
		<u>2,309,209</u>	<u>9,946,266</u>

6.1 Government Securities designated at fair value through profit or loss

Name of security	Note	At the beginning of the year	Acquired during the year	Sold / matured during year	At the end of the year	Market value as at June 30, 2017	Market value as at June 30, 2016	Percentage of investment
		No. of holdings				(Rupees in '000)		
Pakistan Investment Bonds								
PIB-3 Years	6.2, 6.4 & 6.5	68,045	61,020	129,065	-	-	6,821,729	0%
PIB-5 Years	6.2, 6.4 & 6.5	84	4,500	4,584	-	-	9,272	0%
PIB- 10 Years	6.2, 6.4 & 6.5	12,500	11,000	22,500	1,000	122,650	1,487,687	5%
Market Treasury Bills								
T-bill 3 months	6.3 & 6.4	-	184,300	168,700	15,600	1,542,271	-	67%
T-bill 6 months	6.3 & 6.4	-	41,227	41,227	-	-	-	0%
T-bill 1 year	6.3 & 6.4	550	106,050	106,600	-	-	52,933	0%
GOP Ijarah Sukuk								
3 Year		15,500	6,400	15,500	6,400	644,288	1,574,645	28%
		<u>96,679</u>	<u>414,497</u>	<u>488,176</u>	<u>23,000</u>	<u>2,309,209</u>	<u>9,946,266</u>	<u>100%</u>

- 6.2 These represent Pakistan Investment Bonds (PIBs) having a face value of Rs.100 million (June 30,2016: Rs. 80.629 million) carrying purchase yield 7.8850 % per annum. These PIBs will mature till July, 2024.
- 6.3 As at June 30, 2017 Market Treasury Bills (MTBs) had a face value of Rs. 1,560 million (June 30, 2016: Rs. 550 million) carrying purchase yield ranging from 6.89% to 8.31% per annum.
- 6.4 These PIBs and T-bills have nominal value of Rs.100,000 each.
- 6.5 Unrealised gain on revaluation of investments classified as 'at fair value through profit or loss' - net

	Note	2017 ----- (Rupees in '000) -----	2016
Market value of investments		2,309,209	9,946,266
Less: Cost / amortized cost of investments		(2,304,163)	(9,862,140)
		<u>5,046</u>	<u>84,126</u>

- 6.6 As per clause 4.2 Investment Policy of the offering document of the Fund, investment in Government securities must be at least 70% of the net assets of the Fund. However, the percentage of such investment, as at June 30, 2017, was 69.2% of the net assets of the Fund.

7 TERM DEPOSIT RECEIPTS

Term deposit receipts (TDR)	7.1	-	150,000
		<u>-</u>	<u>150,000</u>

- 7.1 During the year, these TDRs matured on October 26, 2016 and carried interest rate of 6.95% per annum (2016 : 6.95%) and the same amount was re-invested and matured on April 26, 2017 which carried interest rate at 6.45% per annum.

8 MARK UP / INTEREST RECEIVABLE

Markup/ Interest receivable on :

Savings accounts	3,193	16,195
Term deposit receipts	-	1,799
Pakistan Investment Bonds	5,425	392,726
GOP Ijarah Sukuk Bonds	91	35,489
	<u>8,709</u>	<u>446,209</u>

9 PREPAYMENT AND OTHER RECEIVABLES

Prepayment credit rating fees	64	43
Receivable against issuance of units	11,120	83,719
Receivable against sale of investments	54	54
	<u>11,238</u>	<u>83,816</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 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 2017.

	Note	2017 ----- (Rupees in '000) -----	2016
11 PRELIMINARY EXPENSES AND FLOATATION COSTS			
Balance as on July 01		62	1,068
Amortisation during the year		(62)	(1,006)
		<u>-</u>	<u>62</u>

12 PAYABLE TO UBL FUND MANAGERS LIMITED - MANAGEMENT COMPANY

Remuneration payable (including Sindh Sales tax)	12.1 & 12.2	3,648	13,598
Conversion charges payable		136	72
Allocated expense payable	21	688	8,518
Sales load payable		219	4,127
		<u>4,691</u>	<u>26,315</u>

- 12.1 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.
- 12.2 Sindh Sales Tax has been levied at 13% (2016:14%) on the management fee charged during the year.

	Note	2017 ----- (Rupees in '000) -----	2016
13	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE		
	Trustee fee payable	<u>341</u>	<u>1,204</u>

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, 2017 is as follows:

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

14 **PAYABLE TO THE SECURITIES AND
EXCHANGE COMMISSION OF PAKISTAN**

Annual fee payable	<u>7,926</u>	<u>9,640</u>
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Under the provisions of the 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.

15 **ACCRUED EXPENSES AND OTHER LIABILITIES**

Auditors' remuneration payable		281	275
Brokerage expense payable		2,568	1,706
Capital gains tax payable		25,045	38,749
Zakat deducted at source payable		1,900	741
Withholding tax payable		22,510	14,607
Provision for indirect duties and taxes	15.1	52,558	52,558
Sindh sales tax payable		4	4
Sales load payable to Management Company		131	8,887

	Note	2017 ----- (Rupees in '000) -----	2016 -----
Other payables		69	48
Provision for Workers' Welfare Fund	15.2	-	19,506
Provision for Sindh Workers' Welfare Fund	15.2	14,546	-
		<u>119,612</u>	<u>137,081</u>

- 15.1 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 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, 2017 would have been higher by Rs. 1.667 per unit (June 30, 2016: Re. 0.3967 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 in these financial statements.

15.2 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.

The cumulative net effect of the above two adjustments, if had not been made, would resulted in increase in the net assets value per unit by Re. 0.157 per unit.

16 CONTINGENCIES AND COMMITMENTS

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

	2017	2016
	----- (Number of units) -----	
17 NUMBER OF UNITS IN ISSUE		
Total units in issue at the beginning of the year	132,500,304	58,413,472
Add: Units issued	101,603,547	288,535,050
Add: Bonus units issued	-	3,104,673
Less: Units redeemed	(202,481,208)	(217,552,891)
Total units in issue at the end of the year	<u>31,622,643</u>	<u>132,500,304</u>

18 FINANCIAL INCOME

Markup/ interest income on :

Bank balances	72,144	80,651
Term deposit receipts	8,166	47,148
Pakistan Investment Bonds	197,718	650,923
Market Treasury Bills	328,610	66,723
GOP Ijara Sukuks	33,635	37,790
	<u>640,273</u>	<u>883,235</u>

19 CAPITAL (LOSS) / GAIN ON SALE OF INVESTMENTS - NET

Pakistan Investment Bonds	(38,699)	281,199
Market Treasury Bills	(2,826)	326
GOP Ijara Sukuks	22,488	5,000
	<u>(19,037)</u>	<u>286,525</u>

	2017	2016
	----- (Rupees in '000) -----	
20 AUDITORS' REMUNERATION		
Annual audit fee	187	173
Fee for review of half yearly financial statements	100	92
Fee for other certifications / services	94	87
Out of pocket expense and sales tax	60	59
	<u>441</u>	<u>411</u>
21 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.

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 is distributed to the unit holders in the form of cash. Further, as per Regulation 63 of the NBFC Regulations, the Fund is required to distribute 90% of the net accounting income, other than capital gains 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. The Management Company has distributed 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.

23 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.

24 TOTAL EXPENSE RATIO

As per Directive 23 of 2016 dated July 20, 2016 issued by SECP, the Total Expense Ratio of the Fund is 1.59% as on June 30, 2017 and this includes 0.36% representing government levy, Sindh Workers Welfare Fund and SECP fee.

25 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2017, 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, 2017		
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Total
Rupees in '000			
Financial assets			
Bank balances	1,141,088	-	1,141,088
Investments		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>1,160,971</u>

Particulars	As at June 30, 2017		
	Financial 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	-	4,691	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	341	-
Accrued expenses and other liabilities	-	3,051	-
	<u>-</u>	<u>8,083</u>	<u>-</u>

Particulars	As at June 30, 2016		
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Total
Rupees in '000			
Financial assets			
Bank balances	3,522,523		3,522,523
Investments		9,946,266	9,946,266
Term deposit receipts	150,000	-	150,000
Other receivables	83,773		83,773
Mark up / interest receivable	83,816	-	83,816
	<u>3,840,112</u>	<u>9,946,266</u>	<u>13,786,378</u>

Particulars	As at June 30, 2016		
	Financial 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	-	26,315	26,315
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	1,204	1,204
Accrued expenses and other liabilities	-	10,916	10,916
	<u>-</u>	<u>38,435</u>	<u>38,435</u>

26 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF THE COMMISSION CHARGE

**June 30, 2017
(Percentage)**

1	Invest Capital Markets Limited	17.6%
2	JS Global Capital Limited	15.1%
3	Vector Capital (Private) Limited	11.5%
4	Invest One Markets Limited	7.9%
5	C&M Management (Private) Limited	7.6%
6	Paramount Capital (Private) Limited	7.2%
7	Bright Capital (Private) Limited	6.1%
8	EFG Hermes Pakistan Limited	6.0%
9	Elixir Securities Pakistan (Private) Limited	5.9%
10	BIPL Securities Limited (Formerly KASB Securities Limited)	5.8%
		90.8%

**June 30, 2016
(Percentage)**

1	Invest Capital Markets Limited	29.62%
2	Vector Capital (Private) Limited	10.71%
3	Elixir Securities Pakistan (Private) Limited	10.40%
4	Paramount Capital (Private) Limited	8.37%
5	JS Global Capital Limited.	7.48%
6	Icon Securities (Private) Limited	5.53%
7	C&M Management (Private) Limited	5.51%
8	BIPL Securities Limited (Formerly KASB Securities Limited)	5.25%
9	Invest One Markets Limited	4.60%
10	Invest and Finance Securities Limited	4.30%
		91.77%

27 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	17	MBA
2	Syed Suleman Akhtar	Chief Investment Officer	18	MBA,CFA
3	Farhan Bashir	Head of Research	11	MBA
4	Usama Bin Razi	Fund Manager	12	MBA

Usama Bin Razi is the Fund Manager of the Fund. He is also the Fund Manager of UBL Money Market Fund, UBL Liquidity Fund, UBL Income Opportunity Fund (Formerly UBL Financial Sector Bond Fund), UBL Growth Fund, UBL Income Fund, UBL Asset Allocation Fund, UBL Capital Protected Fund III, UBL Retirement Saving Fund, AL-Ameen Aggressive Income Fund and Al-Ameen Islamic Asset Allocation Fund.

28 PATTERN OF UNIT HOLDING

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%
	<u>3,083</u>	<u>31,622,643</u>	<u>100.00%</u>

Category	-----June 30, 2016-----		
	Number of unit holders	Number of units held	Percentage of units held
Individuals	3,687	38,496,584	29.05%
Associated Companies and Directors	10	29,158,179	22.01%
Insurance Companies	5	3,637,027	2.74%
Retirement funds	41	4,989,546	3.77%
Public Limited Companies	30	37,323,954	28.17%
Others	25	18,895,013	14.26%
	<u>3,798</u>	<u>132,500,304</u>	<u>100.00%</u>

29 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)					
Transactions during the year ended June 30, 2017						
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	-
Sale 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	-	-	-	-	-

Transactions during the year ended June 30, 2016						
Profit on savings accounts	-	4,230	-	-	-	282
Bank charges	-	78	-	-	-	-
Units issued	543,000	3,238,453	-	-	119,285	-
Units redeemed	504,406	2,401,530	-	-	108,496	-
Bonus units issued	7,940	77,138	-	-	334	-
Purchase of securities	-	8,830,724	-	4,118,876	-	-
Sale of securities	-	5,889,991	-	122,256	-	-
Remuneration (including sales tax)	156,589	-	11,297	-	-	-
Dividend Paid	-	213,798	-	-	375	-
Allocated expenses	8,518	-	-	-	-	-

	Management Company	Associated Companies	Trustee	Funds under Common Management	Directors and Key Executives	Other Connected persons / related parties
	(Rupees in '000)					
Balances held as at June 30, 2017						
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	-	-	-	-	-
Balances held as at June 30, 2016						
Units held (in Units '000)	2,187	26,963	-	-	182	-
Units held (in Rupees '000)	230,685	2,844,060	-	-	19,197	-
Bank balances *	-	707,818	-	-	-	379
Remuneration payable	13,598	-	-	-	-	-
Sales load payable	4,127	8,887	-	-	-	-
Other payables	72	-	-	-	-	-
Allocated expenses payable	8,518	-	-	-	-	-
Profit receivable	-	485	-	-	-	58

* These carry profit ranging between 3.75% to 4% per annum (2016: 4.5% to 6.5% per annum)

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

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

Particulars	August 25, 2016	October 28, 2016	December 6, 2016	February 13, 2016	March 20, 2017	April 11, 2017	Total meetings attended
Name of Directors:							
Tariq Kirmani	✓	✓	✓	✓	✓	✓	6
Yasir Qadri	✓	✓	✓	✓	✓	✓	6
Shabbir Hussain Hashmi	✓	✓	✓	✓	✓	✓	6
Zia Ijaz	✓	x	✓	x	x	x	2
Syed Furrugh Zaem	✓	✓	✓	✓	✓	✓	6
Zulfiqar Alavi	✓	✓	✓	✓	x	✓	5
Sadeed Barlas	✓	✓	✓	x	✓	✓	5
Name of Key Executives							
Hasnain R Nensey ¹	✓	✓	✓	x	x	x	3
Umair Ahmed	✓	✓	✓	✓	✓	✓	6
Fawaz Siddiqui	✓	✓	✓	✓	✓	✓	6

¹ Resigned on February 28, 2017

31 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.

31.1 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.

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

31.2 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.

31.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2017, 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

Presently, the Fund does not hold any variable rate instrument and is not exposed to cash flow interest rate risk except for balances in certain saving accounts and term deposit receipts, the interest rate on which range between 4% to 6.7% per annum.

b) Sensitivity analysis for fixed rate instruments

Fixed rate instruments held as at June 30, 2017 include Pakistan Investment Bonds, Market Treasury Bills and Ijara 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, 2017, with all other variables held constant, the net income for the year and the net assets would be lower by Rs. 23.92 million (2016: Rs. 126.98 million). In case of 100 basis points decrease in rates announced by the Financial Market Association on June 30, 2017, with all other variables held constant, the net income for the year and the net assets would be higher by Rs. 23.92 million (2016: Rs. 134.51 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 , 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)						
On-balance sheet financial instruments						
Financial assets						
Bank balances	4 - 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
Other receivables		11,174	-	-	-	11,174
Sub total		3,461,471	2,683,359	-	766,938	19,883
Financial liabilities						
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
Sub total		8,083	-	-	-	8,083
On-balance sheet gap (a)		3,453,388	2,683,359	-	766,938	11,800
Off-balance sheet financial instrument		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		3,453,388	2,683,359	-	766,938	11,800
Cumulative interest rate sensitivity gap		2,683,359	-	766,938	-	-

Particulars	June 30 , 2016					
	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)						
On-balance sheet financial instruments						
Financial assets						
Bank balances	4.0-6.75	3,522,523	3,522,523	-	-	-
Investments	8.75-12	9,946,266	-	52,933	9,893,333	-
Term deposit receipts		1,500,000	1,500,000	-	-	-
Mark-up / interest receivable		-	-	-	-	446,209
Other receivables		-	-	-	-	83,773
Sub total		14,968,789	5,022,523	52,933	9,893,333	529,982
Financial liabilities						
Payable to UBL Fund Managers Limited - Management Company		26,315	-	-	-	26,315
Payable to Central Depository Company of Pakistan Limited - Trustee		1,204	-	-	-	1,204
Accrued expenses and other liabilities		10,916	-	-	-	10,916
Sub total		38,435	-	-	-	38,435
On-balance sheet gap (a)		14,930,354	5,022,523	52,933	9,893,333	491,548
Off-balance sheet financial instrument		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		14,930,354	5,022,523	52,933	9,893,333	491,548
Cumulative interest rate sensitivity gap		5,022,523	-	9,893,333	-	-

31.4 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.

31.5 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, 2017			
	Upto three months	More than three months and upto one year	Over one year	Total
Rupees in '000				
Financial liabilities				
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
Total liabilities	8,083	-	-	8,083

Particulars	June 30, 2016			
	Upto three months	More than three months and upto one year	Over one year	Total
Rupees in '000				
Financial liabilities				
Payable to UBL Fund Managers Limited - Management Company	26,315	-	-	26,315
Payable to Central Depository Company of Pakistan Limited - Trustee	1,204	-	-	1,204
Accrued expenses and other liabilities	10,916	-	-	10,916
Total liabilities	38,435	-	-	38,435

31.6 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, 2017 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.

31.7 The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2017:

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 April 27, 2017
Rupees in '000			
Allied Bank Limited	PACRA	1,027,577	AA+
Bank Alfalah Limited	PACRA	56,225	AA
Deutsche Bank Limited	FITCH	-	A+
Habib Metro Bank Limited	PACRA	2,304	AA+
United Bank Limited	JCR-VIS	35,075	AAA
Habib Bank Ltd- Islamic Banking	JCR-VIS	4	AAA
Faysal Bank Limited	PACRA	126	AA
Askari Bank Limited	PACRA	5	AA+
Meezan Bank Limited	JCR-VIS	6	AA

Name of the bank	Rating agency	Balances held by the Fund as at June 30, 2017	Latest available published rating as at April 27, 2017
------------------	---------------	---	--

Rupees in '000

Faysal Bank	JCR-VIS	111	AA
Nib Bank Limited	PACRA	541	AA
Js Bank Limited	PACRA	3,610	AA+
Mcb Islamic Bank Limited	PACRA	15,466	AAA
Habib Bank Limited	JCR-VIS	20	AAA
Sindh Bank Limited	JCR-VIS	10	AA
Samba Bank Limited	JCR-VIS	8	AA
		<u>19,765</u>	

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

Rating by rating category	2017 ----- (Percentage) -----	2016 ----- (Percentage) -----
AAA	25	-
AA+	25	22.57
AA	44	77.40
A+	6	-
	<u>100</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 bank balances are held with two Banks. The management believes that these banks are reputed institutions.

32 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.

33 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);

Level 3: Inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs)

	June 30, 2017			June 30, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	Rs in '000			Rs in '000		
Government securities - designated at fair value through profit or loss						
Pakistan Investment Bonds	-	122,650	-	-	8,318,688	-
Market Treasury Bills	-	1,542,271	-	-	52,933	-
Ijarah Sukuk	-	644,288	-	-	1,574,645	-
	-	2,309,209	-	-	9,946,266	-

During the year ended June 30, 2017, 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.

34 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by Board of Directors of the Management Company on August 23, 2017

35 GENERAL

These figures has been rounded off to the nearest thousand rupees unless otherwise stated.

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER



**TOGETHER
WE SUCCEED**

**UBL Income
Opportunity Fund**

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.

Management Company	UBL Fund Managers Limited
Trustee	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
Distribution Company	United Bank Limited (for detail of others, please visit our website: www.ublfunds.com.pk)
Auditors	KPMG Taseer Hadi & Co., Chartered Accountants
Bankers	United Bank Limited Allied Bank Limited Bank Alfalah Limited Faysal Bank Limited Habib Bank Limited JS Bank Limited Khushhali Bank Limited MCB Bank Limited Samba Bank Limited Sindh Bank Limited Telenor Microfinance Bank Limited (Formerly Tameer Microfinance Bank)
Management Co. Rating	AM2++ (JCR-VIS)
Fund Rating	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'16	Aug'16	Sep'16	Oct'16	Nov'16	Dec'16	Jan'17	Feb'17	Mar'17	Apr'17	May'17	Jun'17	FYTD
UIOF	11.17%	1.65%	3.06%	5.76%	5.01%	3.29%	5.17%	5.31%	4.32%	4.71%	3.48%	4.08%	4.73%
Benchmark	5.68%	5.64%	5.64%	5.93%	5.96%	6.01%	6.00%	6.01%	6.00%	6.04%	6.03%	6.03%	5.91%

- vi) **Description of the strategies and policies employed during the period under review in relation to the Collective Investment Scheme's performance**
UBL Income Opportunity Fund (formerly UBL Financial Sector Bond Fund has an objective of providing a competitive rate of return to its investors by investing in quality TFC's/Sukuks issued, government securities, in addition to bank deposits and short-term money market instruments. The fund yielded a return of 4.73% p.a. during the period. At the end of Jun17, most of the funds have been placed in banks under current and PLS saving accounts.
- 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-16	Jun-17
Term Finance Certificates / Sukuks	9%	17%
Placements with Banks	0%	0%
Placements with NBFCs	0%	0%
PIBs	34%	0%
GoP Ijarah Sukuk	0%	0%
T-Bills	0%	0%
Cash	54%	80%
Others	4%	3%
Leverage	Nil	Nil
Total	100%	100%

viii) Analysis of the Collective Investment Scheme's performance

FY'17 Return:	4.73%
Standard Deviation (12m trailing):	0.56%
Sharpe Ratio (12m trailing):	(2.11)

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-17	30-Jun-16	Change	30-Jun-17	30-Jun-16	Change
Rupees (000)		%	Rupees		%
177,366	166,195	6.72%	109.9753	109.7889	0.17

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 – FY17

The International Crude Oil prices oscillated between USD 40 to 55 per barrel and closed the year at USD 46/barrel. Historically low oil prices along with stable commodity prices and exchange rate helped keep inflation under check at 4.1% as compared to 2.9% last year. Core measures of inflation witnessed a slight upward trajectory where NFNE which is somewhat sticky in nature increased to 5.5% compared to 4.6% posted in same period last year. Taking cues from lower inflation, the SBP decided to keep the policy rate at 5.75%.

In twelve PIB auctions conducted during the year, the government raised PKR869.3 billion (PKR 928 billion in FY16) against target of PKR 800 billion. Participation in the auctions was largely skewed towards three and five year paper with the participation ratio of 60% and 26% respectively. Cut off yields in June auction were 6.41%, 6.90% and 7.94% for three, five and ten year PIB instruments respectively.

The yield curve shifted upwards during FY17. Since the start of the fiscal year the secondary market yields for 3 Year, 5 Year and 10 Year PIB have come up by ~40bps, ~46bps and ~50bps respectively. The spread between annualized yields of 1-year T-bills (6.04% p.a.) and 10-year PIBs (8.17% p.a.) stood at 2.13% as of 30 June 2017.

xi) Disclosure on distribution, comprising:-

- particulars of income distribution or other forms of distribution made and proposed during the year; 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-	
June 19, 2017	-	6,637	5	114.8188	109.8577

- 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	159
10,000.0000 - 49,999.9999	2
50,000.0000 - 99,999.9999	1
100,000.0000 - 499,999.9999	6
500,000.0000 & Above	0
Total	168

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

There were no unit splits during the year.

- 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**

	2017	2016	2015
NET ASSETS AS AT 30 JUNE - Rupees in '000	177,366	166,195	66,549
NET ASSETS VALUE PER UNIT AT 30 JUNE - Rupees			
Class A units - Offer *	111.8449	111.9627	110.6046
- Redemption	109.9753	109.7889	108.4359

RETURN OF THE FUND - %

Total Return of the Fund	4.73	7.69	10.86
Capital Growth (per unit)	-0.26	0.67	7.46
Date of Income Distribution	19-Jun-17	27-Jun-16	26-Jun-15
Income Distribution	5.00	7.00	3.22
Date of Income Distribution	-	-	-
Income Distribution	-	-	-
Date of Income Distribution	-	-	-
Income Distribution	-	-	-
Date of Income Distribution	-	-	-
Income Distribution	-	-	-

AVERAGE ANNUAL RETURN - %

One Year	4.73	7.69	10.86
Second Year	6.21	9.28	8.93
Third Year	7.76	8.51	9.13

OFFER / REPURCHASE DURING THE YEAR- Rupees

Highest price per unit - Class A units - Offer	116.7975	118.9375	114.09
Highest price per unit - Class A units - Redemption	114.8451	116.6283	111.8529
Lowest price per unit - Class A units - Offer	111.5322	110.5957	102.7454
Lowest price per unit - Class A units - Redemption	109.6678	108.4484	100.7308

* Front-end load @ 1.5% is applicable

PORTFOLIO COMPOSITION - %

Percentage of Net Assets as at 30 June

PORTFOLIO COMPOSITION BY CATEGORY - %

Bank balances	80.00	54.00	48.00
TFC'S & Government Securities	17.00	46.00	52.00
others	3.00		

PORTFOLIO COMPOSITION BY MARKET - %

Debt Market	100.00	100.00	100.00
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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.

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

CDCL 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 INCOME OPPORTUNITY FUND

Report of the Trustee pursuant to Regulation 41(b) 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, 2017 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 18, 2017

**STATEMENT OF COMPLIANCE BY UBL FUND MANAGERS LIMITED WITH THE BEST
PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED
JUNE 30, 2017**

This statement is being presented to comply with the Code of Corporate Governance (the “Code”), contained in Chapter 5 (clause 5.19.24) of Rule Book of Pakistan Stock Exchange Limited, for the purpose of establishing a framework of good governance, whereby, a listed entity is managed in compliance with the best practices of Corporate Governance.

The Board of Directors (the “Board”) of UBL Fund Managers Limited (the “Management Company”), which is an unlisted public company, manages the affairs of **UBL Income Opportunity Fund** (the “Fund”). The Fund being a unit trust open end scheme does not have its own Board of Directors. The units of the Fund are listed as a security on the Pakistan Stock Exchange Limited; therefore, the Management Company has applied the principles contained in the Code to the Fund in the following manner:

313. The Management Company encourages representation of independent non-executive directors. All the directors except the Chief Executive Officer of the Management Company are non-executive directors, two of whom are independent non-executive directors.

Category	Name
Independent Directors	Mr. Tariq Kirmani
	Mr. Shabbir Hussain Hashmi
Executive Directors	Mr. Yasir Qadri
Non - Executive Directors	Mr. Zia Ijaz
	Mr. Zulfiqar Alavi
	Syed Furrukh Zaeem
	Mirza Muhammad Sadeed Hassan Barlas

The independent directors meet the criteria of independence under regulation 5.19.1(b) of the Rule Book of Pakistan Stock Exchange Limited.

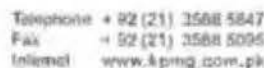
314. The existing directors have confirmed that none of them is serving as a director in more than seven listed companies, including the Management Company.
315. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
316. No casual vacancy occurred on the Board during the year.
317. The Management Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.

318. The Board has developed a vision / mission statement, overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
319. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
320. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
321. In order to apprise the directors on their duties and responsibilities and the requirements of the Code, the Management Company has a process in place to conduct formal orientations for new directors. Furthermore, five directors on the Board have completed the Director Training Program (DTP) and are certified directors, while two Independent directors are exempt from the DTP under the Code of Corporate Governance 2012. 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.
322. There was no appointment of CFO, Company Secretary and Head of Internal Audit during the year.
323. The Directors' report relating to the Fund for the year ended June 30, 2017 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
324. The financial statements of the Fund were duly endorsed by the CEO and CFO of the Management Company before approval of the Board.
325. The Directors, CEO, and executives do not hold any interest in the units of the Fund other than that being disclosed in the Directors' Report.
326. The Management Company has complied with all the applicable corporate and financial reporting requirements of the Code.
327. The Board has formed a Board Audit Committee which comprises of five members, all of whom are non-executive directors including the chairman of the Committee who is an independent non-executive director.
328. The meetings of the Board Audit Committee were held, at least, once in every quarter and prior to the approval of interim and final results of the Fund as required by the Code. The terms of reference have been approved in the meeting of the Board of Directors and the Committee has been advised to ensure compliance with those terms of reference.

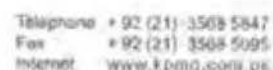
329. The Management Company has an in-house internal audit function. The internal audit team is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Fund and they are involved in the internal audit function on a full time basis.
330. The Board has formed a Human Resource and Compensation Committee. It comprises of four members, of whom three are non-executive directors, one is an executive director and the chairman of the Committee is an independent non- executive director.
331. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Management Company or units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
332. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
333. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Fund's securities, was determined and intimated to directors, employees and stock exchange.
334. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
335. The Management Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
336. We confirm that all other material principles contained in the Code have been complied with.

YASIR QADRI
Chief Executive

Karachi.
Dated: **August 23, 2017**



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





KPMG Taseer Hadi & Co.

Report on Other Legal and Regulatory Requirements

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

Date: 23 August 2017

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

UBL Income Opportunity Fund
Statement of Assets and Liabilities
As at 30 June 2017

	<i>Note</i>	30 June 2017	30 June 2016
		(Rupees in '000)	
Assets			
Bank balances	5	144,616	91,512
Investments	6	31,197	72,900
Profits receivable	7	1,402	1,971
Deposits, prepayments and other receivables	8	4,008	3,482
Advance tax	9	225	207
Preliminary expenses and floatation costs	10	190	447
Total assets		181,638	170,519
Liabilities			
Payable to the Management Company	11	281	234
Payable to Central Depository Company of Pakistan Limited - Trustee	12	31	25
Payable to Securities and Exchange Commission of Pakistan	13	167	113
Accrued expenses and other payables	14	3,793	3,952
Total liabilities		4,272	4,324
Net assets		177,366	166,195
Unit holders' funds (as per the statement attached)		177,366	166,195
Contingency	21		
		(Number)	
Number of units in issue (face value of units is Rs. 100 each)		1,612,776	1,513,772
		(Rupees)	
Net asset value per unit	4.10	109.9753	109.7889

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

For UBL Fund Managers Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

UBL Income Opportunity Fund

Income Statement

For the year ended 30 June 2017

		30 June 2017	30 June 2016
	Note	(Rupees in '000)	
Income			
Financial income	15	14,908	12,162
Net capital (loss) / gain on redemption and sale of investments	16	(471)	1,992
Net unrealised gain on revaluation of investments classified as 'at fair value through profit or loss'	6.3	442	727
Other income		646	481
Total income		15,525	15,362
Expenses			
Remuneration of the Management Company	11.1	3,349	1,920
Sindh Sales Tax on the Management Company's remuneration	11.2	435	269
Provision for indirect duties and taxes	14.1	-	350
Remuneration of Central Depository Company of Pakistan Limited - Trustee	12	429	291
Annual fee of Securities and Exchange Commission of Pakistan	13	167	113
Auditors' remuneration	17	323	315
Brokerage expenses		56	150
Amortisation of preliminary expenses and floatation costs	10	257	255
Legal and professional charges		74	75
Listing fee		44	10
Bank charges		26	12
Other expenses		553	380
Total operating expenses		5,713	4,140
Net income from operating activities		9,812	11,222
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		(3,142)	56
Reversal of provision for Workers' Welfare Fund	14.2	635	-
Provision for Sindh Workers' Welfare Fund	14.2	(365)	-
		270	-
Net income for the year before taxation		6,940	11,278
Taxation	18	-	-
Net income for the year after taxation		6,940	11,278

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

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

Chief Executive Officer

Chief Financial Officer

Director

UBL Income Opportunity Fund
Statement of Comprehensive Income
For the year ended 30 June 2017

	30 June 2017	30 June 2016
	(Rupees in '000)	
Net income for the year after taxation	6,940	11,278
Other comprehensive income for the year	-	-
Total comprehensive income for the year	6,940	11,278

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

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

Chief Executive Officer

Chief Financial Officer

Director

UBL Income Opportunity Fund

Distribution Statement

For the year ended 30 June 2017

	30 June 2017	30 June 2016
	(Rupees in '000)	
Undistributed income brought forward comprises of:		
- Realised income	9,304	7,812
- Unrealised income	727	171
Undistributed income brought forward	10,031	7,983
Net income for the year after taxation	6,940	11,278
Distribution to unit holders of the Fund		
Interim cash distribution at the rate of Rs. 5 per unit declared on 19 June 2017 (27 June 2016: Rs. 7)	(6,637)	(9,230)
Undistributed income carried forward	10,334	10,031
Undistributed income carried forward comprises of:		
- Realised income	9,892	9,304
- Unrealised income	442	727
Undistributed income carried forward	10,334	10,031

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

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

Chief Executive Officer

Chief Financial Officer

Director

UBL Income Opportunity Fund
Statement of Movement in Unit Holders' Funds
For the year ended 30 June 2017

	30 June 2017	30 June 2016
	(Rupees in '000)	
Net assets at beginning of the year	166,195	66,549
Proceeds from issuance of 2,926,023 units during the year (30 June 2016: 2,661,726 units)	325,492	295,412
Payments on redemption of 2,827,019 units during the year (30 June 2016: 1,761,674 units)	(317,766)	(197,758)
	7,726	97,654
	173,921	164,203
Net element of loss / (income) and capital losses / (gains) in prices of units issued less those in units redeemed	3,142	(56)
Net capital (loss) / gain on redemption and sale of investments	(471)	1,992
Net unrealised gain on revaluation of investments classified as 'at fair through profit or loss'	442	727
Other net income for the year	6,969	8,559
Distribution during the year	(6,637)	(9,230)
Net income for the year less distribution	303	2,048
Net assets at end of the year	177,366	166,195
	(Rupees)	
Net assets value per unit at beginning of the year	109.7889	108.4359
Net assets value per unit at end of the year	109.9753	109.7889

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

For UBL Fund Managers Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

UBL Income Opportunity Fund

Cash Flow Statement

For the year ended 30 June 2017

	30 June 2017	30 June 2016
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	6,940	11,278
Adjustments for non-cash and other items:		
Financial income	(14,908)	(12,162)
Net capital gain / (loss) on redemption and sale of investments	471	(1,992)
Net unrealised gain on revaluation of investments classified as 'at fair value through profit or loss'	(442)	(727)
Amortisation of preliminary expenses and floatation costs	257	255
Provision for Sindh Workers' Welfare Fund	365	-
Reversal of provision for Workers' Welfare Fund	(635)	-
Provision for indirect duties and taxes	-	350
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	3,142	(56)
	<u>(11,750)</u>	<u>(14,332)</u>
Net cash used in operations before working capital changes	(4,810)	(3,054)
Working capital changes		
<i>Decrease / (increase) in assets</i>		
Investments	41,703	(38,907)
Deposits, prepayments and other receivables	(526)	(2,549)
Advance tax	(18)	(207)
	<u>41,159</u>	<u>(41,663)</u>
<i>Increase / (decrease) in liabilities</i>		
Payable to the Management Company	47	111
Payable to Central Depository Company of Pakistan Limited - Trustee	6	12
Payable to Securities and Exchange Commission of Pakistan	54	(3)
Accrued expenses and other payables	111	1,151
	<u>218</u>	<u>1,271</u>
Profits received	<u>15,448</u>	<u>13,315</u>
Net cash flows generated from / (used in) operating activities	52,015	(30,131)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	325,492	295,412
Payments on redemption of units	(317,766)	(197,758)
Cash distribution to unit holders	(6,637)	(9,230)
Net cash flows generated from financing activities	1,089	88,424
Net increase in cash and cash equivalent during the year	53,104	58,293
Cash and cash equivalents at beginning of the year	<u>91,512</u>	<u>33,219</u>
Cash and cash equivalents at end of the year	<u>144,616</u>	<u>91,512</u>
CASH AND CASH EQUIVALENTS		
Bank balances	<u>144,616</u>	<u>91,512</u>

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

For UBL Fund Managers Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

UBL Income Opportunity Fund

Notes to the Financial Statements

For the year ended 30 June 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

UBL Income Opportunity 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 01 January 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 Fund commenced its operations from 29 March 2013.

The objective of the Fund is to provide a competitive rate of return to its investors by investing in quality TFC's/Sukuks issued by Financial Sector Institutions, Government Securities, Bank Deposits and short term and long term debt instruments.

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 approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations, 2008) and directives issued by the SECP. Wherever, the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations, 2008 and the said directives differ with the requirements of these Standards, the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations, 2008 and the said directives shall prevail (refer note 3.4).

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 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 requires the use of critical accounting estimates. It also requires the Management Company to exercise its judgement in the process of applying the Fund's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable in the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- (a) Classification and valuation of financial instruments (note 4.1.1, 4.1.4, 6 & 22)
- (b) Impairment of financial instruments (note 4.1.5)

3.4 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 - Share-based Payment 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.
- 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.

Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'.
- 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.
- 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.
- 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 above amendments are not likely to have an impact on the Fund's financial statements.

- In addition, the Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 17 of 2017 has clarified that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 applicable for financial year beginning on 01 July 2017 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. This would require change in accounting policy relating to surplus on revaluation of fixed assets to bring it in line with the requirements of IAS 16 – Property, plant and equipment. The application of Companies Act 2017 is not likely to have financial impact on the Fund's financial statements except extended disclosures.
- SECP through SRO 756(I)/2017 dated 03 August 2017 has made certain amendments in NBFCs and Notified Entities Regulations, 2008. The amendments require additional disclosures and recording of element of income / loss included in price of unit issued or redeemed in Statement of Movements in Reserves or Unit holders' Fund instead of Income Statement. The SRO also deleted 'Distribution Statement' and its contents along with certain additional break-ups and

disclosures to be included on the face of 'Income Statement' and 'Statement of Movements in Reserves or Unit holders' Fund'.

Further, new amendments changed the definition of accounting income in regulation (63) sub-regulation (I) which is now to be determined after taking into account the element of income / loss relating to the redemption of units. This change will be applied prospectively and may affect the charge for Sindh Workers' Welfare Fund (SWWF) and consequently, the Net Asset Value per unit of the Fund in future.

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 to all the periods presented, unless otherwise stated.

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 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 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 and PKISRV rates) which are based on the remaining tenor of the securities.

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 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.

4.6 Preliminary expenses and floatation costs

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 10 to the financial statements.)

4.7 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.

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

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

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

4.9 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.

4.10 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.

4.11 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 in the form of cash among the unit holders.

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 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 in the form of 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 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.

4.12 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.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is included in Income Statement on the date of issue and redemption of units.
- 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.

4.13 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.

4.14 Earnings per unit

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

4.15 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.

4.16 Dividend distribution and appropriations

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

4.17 Other assets

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

		30 June 2017	30 June 2016
		(Rupees in '000)	
5. BANK BALANCES	<i>Note</i>		
In saving accounts	5.1	<u>144,616</u>	<u>91,512</u>
5.1	These carry profit rates ranging from 3.75% to 7.25% (30 June 2016: 4% to 8%) per annum. It includes balance with United Bank Limited (holding company of the Management Company) of Rs. 1.869 million (30 June 2016: Rs. 9.151 million) carrying profit rate of 4% (30 June 2016: 4%) per annum.		
6. INVESTMENTS			
At fair value through profit or loss			
- Debt securities	6.1	31,197	15,728
- Government securities	6.2	-	57,172
		<u>31,197</u>	<u>72,900</u>

6.3	Net unrealised gain on revaluation of investments classified as 'at fair value through profit or loss'	Note	30 June 2017	30 June 2016
			(Rupees in '000)	
	Market value of investments		31,197	72,900
	Less: Carrying value of investments		(30,755)	(72,173)
			<u>442</u>	<u>727</u>
7.	PROFITS RECEIVABLE			
	Profits receivable on:			
	Bank balances		840	470
	Term finance certificates		562	209
	Pakistan Investment Bonds		-	1,292
			<u>1,402</u>	<u>1,971</u>
8.	DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
	Security deposit with National Clearing Company of Pakistan Limited		3,000	-
	Advance against National Clearing Company of Pakistan Limited exposure margin		818	818
	CDC deposit		100	100
	Prepaid rating fees		19	18
	Receivable against unit issuance		-	2,500
	Other receivables from management company		71	46
			<u>4,008</u>	<u>3,482</u>
9.	ADVANCE TAX			
	<p>The income of the Fund is exempt under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance 2001 and funds are exempt under clause 47(B) of Income Tax Ordinance 2001 from withholding of tax under section 150, 151 and 233 of Income Tax Ordinance 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 Income Tax Ordinance, 2001 from Commissioner Inland Revenue. During the year various withholding agents have deducted advance tax under section 151 of the Income Tax Ordinance, 2001. The management is confident that the same shall be refunded after filing return for Tax Year 2017.</p>			
10.	PRELIMINARY EXPENSES AND FLOATATION COSTS			
	Preliminary expenses		447	702
	Amortisation during the year		(257)	(255)
			<u>190</u>	<u>447</u>
11.	PAYABLE TO THE MANAGEMENT COMPANY			
	Management remuneration payable	11.1	243	175
	Sindh Sales Tax on management fees	11.2	32	24
	Sales load and other payable		6	35
			<u>281</u>	<u>234</u>

- 11.1** 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 1.5 % of average annual net assets in case of Income Scheme. The Management Company has charged remuneration at the rate of 1.5% per annum of the average daily net assets of the Fund. The remuneration is paid to the Management Company on monthly basis in arrears.
- 11.2** Sindh Sales Tax has been charged at 13% (30 June 2016: 14%) on the management fee charged during the year.

12. 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 2017 is as follows:

On net assets:	Tariff per annum
- up to Rs. 1 billion	Higher of Rs. 0.6 million or 0.17% per annum of Net Asset Value.
- Rs. 1 billion to Rs. 5 billion	Rs. 1.7 million plus 0.085% per annum of Net Asset Value exceeding Rs. 1 billion.
- exceeding Rs. 5 billion	Rs. 5.1 million plus 0.07% per annum of Net Asset Value exceeding Rs. 5 billion.

13. 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.

14. ACCRUED EXPENSES AND OTHER PAYABLES

	<i>Note</i>	30 June 2017 (Rupees in '000)	30 June 2016
Provision for indirect duties and taxes	14.1	1,597	1,597
Provision for Sindh Workers' Welfare Fund	14.2	365	-
Provision for Workers' Welfare Fund	14.2	-	635
Zakat payable		815	403
Withholding tax payable		765	991
Auditors' remuneration payable		227	195
Capital gain tax payable		17	20
Brokerage payable		7	110
Other payables		-	1
		3,793	3,952

- 14.1** As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective 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 may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan with the Sindh High Court (SHC) on 4 September 2013.

While disposing the above petition through order dated 16 July 2016, the SHC declared the said provisions to be ultra vires. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for decision.

Since the appeal is pending in the Honourable Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying amount payable in respect to FED for the period from 13 June 2013 to 30 June 2016 aggregating to Rs. 1.597 million (30 June 2016: Rs. 1.597 million). Had the provision not been made, the Net Asset Value per unit of the Fund would have been higher by Re. 0.99 (30 June 2016: Re. 1.06) per unit.

Furthermore, the Finance Act 2016 also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provincial sales tax. Accordingly, no FED is payable with effect from 01 July 2016.

- 14.2** Through Finance Act 2008, the Federal Government introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended to 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. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. Appeals against these orders were filed in the Supreme Court of Pakistan(SCP).

During the current year, the SCP vide its order dated 10 November 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers' Welfare Fund were not lawful as this is not in the nature of tax and therefore could not have been introduced through the money bill. The Federal Board of Revenue has filed review petitions against the above judgment which are currently pending with the SCP.

Further, as a consequence of passage of 18th amendment to the Constitution, levy for WWF was also introduced by the Government of Sindh(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 Fund Association of Pakistan (MUFAP) dated August 2016 believes that contribution to Workers' Welfare Fund under the Sindh Workers' Welfare Act, 2014 is not applicable on the mutual funds as they are not a Financial Institution as required under SWWF Act, 2014. 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 of MUFAP were communicated to the Securities and Exchange Commission of Pakistan (SECP) and the Pakistan Stock Exchange 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 Management Company has provided for SWWF for the period from 21 May 2015 to 30 June 2017, amounting to Rs. 0.365 million. Had the SWWF not been provided, the NAV per unit of the Fund would have been higher by Re. 0.2266.

	30 June 2017	30 June 2016
15. FINANCIAL INCOME		
	(Rupees in '000)	
Profits on:		
- Bank balances	12,429	9,241
- Pakistan investment bonds	1,345	804
- Term finance certificates	1,134	2,039
- Term deposit receipts	-	78
	<u>14,908</u>	<u>12,162</u>
16. NET CAPITAL (LOSS) / GAIN ON REDEMPTION AND SALE OF INVESTMENTS		
On		
- Pakistan investment bonds	(471)	1,628
- Term finance certificates	-	164
- Ijarah Sukuks	-	200
	<u>(471)</u>	<u>1,992</u>
17. AUDITORS' REMUNERATION		
Annual audit fee	110	139
Half yearly review fee	50	83
Fee for certifications and other services	100	56
Out of pocket expenses including Sindh Sales Tax	63	37
	<u>323</u>	<u>315</u>
18. 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 not less than 90% of its accounting income for the year, the income distributed through bonus units 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 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. Since the Management Company has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements.

19. TOTAL EXPENSE RATIO

In the current year, 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 2017 is 2.46% which include 0.46% representing government levy, Workers' Welfare Fund and SECP fee.

20. 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 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, other than those which have been specifically disclosed elsewhere in this financial statements are as follows:

	Management Company	Associated companies	Trustee	Funds under common management	Directors and key executives	Other connected persons / related
	(Transactions during the year ended 30 June 2017)					
	(Rupees in '000)					
Units issued	-	-	-	-	-	4,317
Units redeemed	-	-	-	-	-	-
Profit on saving accounts	-	4,494	-	-	-	-
Bank charges	-	7	-	-	-	-
Purchase of securities	-	-	-	-	-	-
Sale of securities	-	-	-	-	-	-
Remuneration	3,349	-	380	-	-	-
Sales tax on remuneration	435	-	49	-	-	-
Dividend paid to unit holders	-	-	-	-	-	4,797

	(Balances held as at 30 June 2017)				
Units held (in Units '000)	-	-	-	-	999
Units held (in Rupees '000)	-	-	-	-	109,865
Bank balances *	-	1,870	-	-	-
Remuneration payable**	275	-	31	-	-
Sales load and other payables	6	-	-	-	-
Other receivables from management company	71	-	-	-	-
Profits receivable	-	7	-	-	-

* It carries profit rate of 7.5% per annum

** This balance is inclusive of Sindh Sales Tax payable.

This balance is inclusive of Simdi Sales Tax payable.					
(Transactions during the year ended 30 June 2016)					
(Rupees in '000)					
Units issued	-	8,250	-	-	12
Units redeemed	-	3	-	-	-
Profit on saving accounts	-	-	-	-	82,191
Bank charges	-	-	-	-	4,167
Purchase of securities	-	-	-	-	-
Sale of securities	-	106,698	-	-	-
Remuneration	2,539	-	291	-	-
Sales tax on remuneration	-	-	-	-	7,876
Dividend paid to unit holders	-	-	-	-	-

	(Balances held as at 30 June 2016)				
Units held (in Units '000)	-	-	-	-	1,186
Units held (in Rupees '000)	-	-	-	-	130
Bank balances *	-	57,293	-	-	255
Deposits	-	-	100	-	-
Remuneration payable**	199	-	25	-	-
Sales load and other payables	35	-	-	-	-
Other receivables from management company	46	-	-	-	-
Profits receivable	-	2,507	-	-	3

* It carries profit rate of 8% per annum

** This balance is inclusive of Sindh Sales Tax payable.

21. CONTINGENCY

As at 30 June 2017, there is no contingency.

22. FAIR VALUES 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 table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

On-balance sheet financial instruments

30 June 2017		Carrying amount				Fair value			
Note	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)									
Financial assets measured at fair value									
Investment in debt securities	31,197	-	-	-	31,197	-	31,197	-	31,197
Financial assets not measured at fair value	22.1								
Bank balances	-	-	144,616	-	144,616				
Profits receivable	-	-	1,402	-	1,402				
	-	-	146,018	-	146,018				
Financial liabilities not measured at fair value	22.1								
Payable to the Management Company	-	-	-	281	281				
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	31	31				
Accrued expenses and other payables	-	-	-	1,831	1,831				
	-	-	-	2,143	2,143				
30 June 2016									
Note	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)									
Financial assets measured at fair value									
Investment in debt securities	15,728	-	-	-	15,728	-	15,728	-	15,728
Financial assets not measured at fair value	22.1								
Bank balances	-	-	91,512	-	91,512				
Profits receivable	-	-	1,971	-	1,971				
	-	-	93,483	-	93,483				
Financial liabilities not measured at fair value	22.1								
Payable to the Management Company	-	-	-	234	234				
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	25	25				
Accrued expenses and other payables	-	-	-	1,720	1,720				
	-	-	-	1,979	1,979				

22.1 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.

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 credit risk, liquidity risk and market risk arising from the financial instruments it holds.

23.2 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. The table below analyses the Fund's maximum exposure to credit risk:

	30 June 2017	30 June 2016
Financial assets exposed to credit risk	(Rupees in '000)	
Bank balances	144,616	91,512
Investments	31,197	72,900
Profit receivable	1,402	1,971
Deposit, prepayment and other receivables	4,008	3,482
	181,223	169,865

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 and in case of equity, transactions settled through National Clearing Company of Pakistan Limited (NCCPL), thus the risk of default is considered to be minimal. 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.

The analysis below summarizes the credit quality of the Fund's portfolio in total as on 30 June 2017:

Rating by category	30 June 2017	30 June 2016
	-----%	
A-	-	0.29
A	-	62.61
A+	29.70	-
AA	0.10	26.93
AA-	48.70	-
AA+	19.60	0.18
AAA	1.90	9.99
Total	100.00	100.00

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.

23.3 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 listed on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited). 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 2017:

	30 June 2017				
	Maturity Upto			More than one	Total
	Three months	Six months	One year	year	
	(Rupees in '000)				
Financial Liabilities					
Payable to Management Company	281	-	-	-	281
Payable to Central Depository Company of Pakistan Limited - Trustee	31	-	-	-	31
Accrued expenses and other payables	1,831	-	-	-	1,831
Total Liabilities	2,143	-	-	-	2,143
	30 June 2016				
	Maturity Upto			More than one	Total
	Three months	Six months	One year	year	
	(Rupees in '000)				
Financial Liabilities					
Payable to Management Company	234	-	-	-	234
Payable to Central Depository Company of Pakistan Limited - Trustee	25	-	-	-	25
Accrued expenses and other payables	1,720	-	-	-	1,720
Total Liabilities	1,979	-	-	-	1,979

23.4 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. Since the Fund does not have investments in fixed rate security, therefore it is not exposed to interest rate fair value risk. As of 30 June 2017, the Fund is only exposed to interest rate cash flow risk.

As at 30 June 2017, the balances that may be exposed to interest rate risk are as follows:

	30 June 2017	30 June 2016
	(Rupees in '000)	
Variable rate instruments		
Bank balances	144,616	91,512
Government securities - designated at fair value through profit or loss	31,197	72,900

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. 1.758 million (30 June 2016: Rs. 0.3 million), assuming all other variables held 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 2017 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.

23.5 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.

24. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID BY THE FUND

		Commission
		2017
		%
Name of Broker		
Invest Capital Markets Limited		53.74
KASB Securities Limited		19.82
C&M Management Private Limited		26.44
		100
		Commission
		2016
		%
Name of Broker		
JS Global Capital Limited		29.15
Invest Capital Markets Limited		21.00
Summit Capital (Private) Limited		13.90
KASB Securities Limited		7.75
BMA Capital Management Limited		7.20
Icon Securities (Private) Limited		7.00
Invest One Markets Limited		7.00
Paramount Capital (Private) Limited		7.00
		100.00

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	17	MBA
2	Syed Suleman Akhtar	Chief Investment Officer	18	MBA, CFA
3	Farhan Bashir Khan	Head of Research	11	MBA
4	Usama Bin Razi	Fund Manager	14	MBA

Usama Bin Razi is also the Fund Manager of UBL Liquidity Plus Fund, UBL Money Market Fund, UBL Government Securitised Fund, UBL Growth and Income Fund, UBL Asset Allocation Fund, UBL Capital Protected Fund-III, UBL Retirements Savings Funds, Al - Ameen Islamic Aggressive Income Fund and Al - Ameen Islamic Asset Allocation Fund.

26. DIRECTORS' MEETING ATTENDANCE

Meetings of the Board of Directors of the Management Company of the Fund are held at least once in a each quarter. During the year under review six meetings were held and the details of directors attended the meetings are as follows:

Name of Director	Dates	25 Aug	28 Oct	6 Dec	13 Feb	20 Mar	11 Apr
		2016	2016	2016	2017	2017	2017
	Meetings attended						
Tariq Kirmani	6	Yes	Yes	Yes	Yes	Yes	Yes
Yasir Qadri	6	Yes	Yes	Yes	Yes	Yes	Yes
Shabbir Hussain Hashmi	6	Yes	Yes	Yes	Yes	Yes	Yes
Zia Ijaz	2	Yes	No	Yes	No	No	No
Syed Furrukh Zaeem	6	Yes	Yes	Yes	Yes	Yes	Yes
Zulfiqar Alavi	5	Yes	Yes	Yes	Yes	No	Yes
Sadeed Barlas	5	Yes	Yes	Yes	No	Yes	Yes
Other Persons attending meetings of Board of Directors							
Hasnain R Nensey *	3	Yes	Yes	Yes	Resigned	-	-
Umair Ahmed	6	Yes	Yes	Yes	Yes	Yes	Yes
Fawaz Siddiqui	6	Yes	Yes	Yes	Yes	Yes	Yes

* Resigned on 28 February 2017

27. PATTERN OF UNIT HOLDERS

Category	2017		
	Number of		
	Unit holders	Units held	Percentage
Individuals	163	1,285,495	80.00%
Insurance Companies	1	207,762	13%
Others	4	119,519	7%
	168	1,612,776	100%

Category	2016		
	Number of		
	Unit holders	Units held	Percentage
Individuals	142	985,566	65.11%
Associated Companies and Directors	1	460,105	30.39%
Public Limited Company	1	53,609	3.54%
Others	2	14,493	0.96%
	146	1,513,773	100%

28. CREDIT RATING

The Management Company has been rated as AM2++ on 30 December 2016 by JCR - VIS.

The Fund has been rated as A-(f) on 30 December 2016 by JCR - VIS.

29. GENERAL**29.1 CORRESPONDING FIGURES**

Prior year's figures have been rearranged / reclassified wherever necessary for better presentation and comparison. However, there were no material reclassifications to report.

29.2 DATE OF AUTHORISATION FOR ISSUE

These financials statements were authorized for issue by Board of Directors of the Management Company on August 23, 2017

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

Chief Executive Officer

Chief Financial Officer









Director









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