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UBL LIQUIDITY PLUS FUND



INVESTMENT OBJECTIVE

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

FUND INFORMATION

Management Company

UBL Fund Managers Limited

Trustee

Central Depository Company of Pakistan Limited
99-B, Block-B, S. M. C. H. S., Main Shakra-e-Faisal,
Karachi. Tel: (9221) 111-111-500

Distribution Company

United Bank Limited
(for detail of others, visit www.UBLFunds.com)

Auditors

Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants

Legal Advisor

Mr. Rasheed A. Akhund, Advocate

Bankers

United Bank Limited
Bank Al Falah Limited
Deutsche Bank A. G.
Allied Bank Limited
Habib Metropolitan Bank Limited
NIB Bank Limited
Standard Chartered Bank Limited, Pakistan
Soneri Bank Limited

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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

TRUSTEE REPORT TO THE UNIT HOLDERS

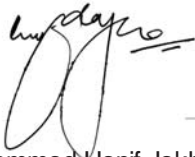
UBL LIQUIDITY PLUS FUND

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

The UBL Liquidity Plus Fund (the Fund), an open-end Fund was established under a trust deed dated May 7, 2009, executed between UBL Fund Managers Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2010 in accordance with the provisions of the following:

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



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

Karachi: October 18, 2010



Statement of Compliance By

UBL LIQUIDITY PLUS FUND WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2010

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in chapter XI of Listing Regulations of Islamabad Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance. The Board of Directors (the Board) of UBL Fund Managers Limited (the Management Company), which is an unlisted public company, manages the affairs of UBL Liquidity Plus Fund (the Fund). The Fund being a unit trust open end scheme does not have its own Board of Directors. The Management Company has applied the principles contained in the Code to the Fund, whose units are listed as a security on the Islamabad Stock Exchange, 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 which are independent non-executive directors.
2. The existing directors have confirmed that none of them are serving as a director in more than ten listed companies, including the Management Company.
3. All the resident directors of the Management Company have confirmed that they are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.
4. During the year one casual vacancy occurred on the Board, which was filled within 30 days thereof.
5. The Management Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the Management Company.
6. The Management Company has developed a vision / mission statement, corporate strategy and significant policies for the Fund that has been approved by the Board. 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 terms and conditions of employment of the CEO has 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. The Management Company has an approved policy of related party transactions which states all necessary policy matters pertaining to related party transactions, separate consideration and maintenance of records and approval of transactions with related parties etc. All the related party transactions were placed before the Audit Committee and the Board of Directors for their review and approval on quarterly basis.
10. In order to apprise the directors on their duties and responsibilities and the requirements of the Code, the Management Company has a policy to conduct formal orientations for the new directors. Accordingly orientations of two newly appointed directors were arranged during the year. Furthermore, one director on the Board also completed three parts out of four of the certification "The Board Development Series" offered by the Pakistan Institute of Corporate Governance. The directors are conversant of the relevant laws applicable to the Management Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
11. No new appointments of CFO, Company Secretary and Head of Internal Audit were made during the year.

Statement of Compliance By

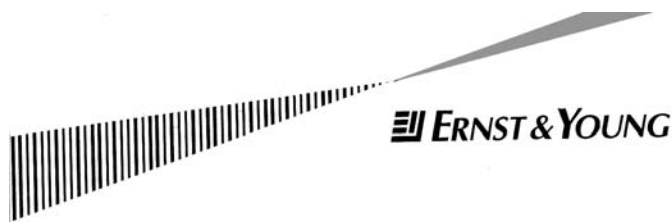
UBL LIQUIDITY PLUS FUND WITH THE BEST PRACTICES OF
CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED 30 JUNE 2010

12. The Directors' report relating to the Fund for the year ended 30 June 2010 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Fund were duly endorsed by the CEO and CFO of the Management Company before approval of the Board.
14. The directors, CEO, and executives do not hold any interest in the units of the Fund and shares of the Management Company other than disclosed in the Directors Report.
15. The Management Company has complied with all the applicable corporate and financial reporting requirements of the Code.
16. The Board has formed an audit committee. It comprises of three members, all of whom are non-executive directors of the Management Company including the chairman of the committee who is an independent non-executive director.
17. The meetings of the 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.
18. The Management Company has outsourced the internal audit function of the Fund to M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund and they are involved in the internal audit function on full time basis.
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. We confirm that all other material principles contained in the Code have been complied with.



Mir Muhammad Ali, CFA
Chief Executive

Karachi, Dated: August 30, 2010



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan
Tel: +9221 3565 0007
Fax: +9221 3568 1965
www.ey.com

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

We have reviewed the Statement of Compliance with the best practices (the Statement) 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 Liquidity Plus Fund** (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the Islamabad Stock Exchange where the Fund is listed.

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

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

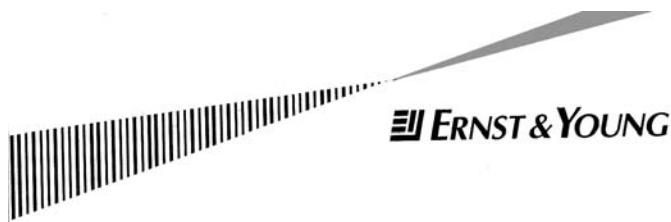
Further, Sub-Regulation (xiii a) of Listing Regulation No. 35 notified by the Islamabad Stock Exchange requires the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedure 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 does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the period ended 30 June 2010.


Chartered Accountants

Date: 30 August 2010
Karachi

A member firm of Ernst & Young Global Limited



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan
Tel: +9221 3565 0007
Fax: +9221 3568 1965
www.ey.com

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **UBL Liquidity Plus Fund** (the Fund), which comprise the statement of assets and liabilities as at 30 June 2010 and the related statements of income, comprehensive income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2010 and of its financial performance, cash flows and transactions for the year then ended in accordance with 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.

Chartered Accountants

Audit Engagement Partner: Omer Chughtai
30 August 2010
Karachi

A member firm of Ernst & Young Global Limited

STATEMENT OF ASSETS AND LIABILITIES

AS AT 30 JUNE 2010

	Note	2010 (Rupees in '000)	2009
Assets			
Bank balances	8	270,371	816,396
Placements and term deposit receipts	9	2,100,000	125,000
Investments	10	5,521,250	343,928
Mark-up / interest receivable	11	6,519	3,028
Deposit and other receivables	12	210	100
Preliminary expenses and floatation costs	13	2,543	3,125
Total assets		7,900,893	1,291,577
Liabilities			
Payable to the Management Company	14	8,905	3,859
Remuneration payable to the Trustee	15	793	53
Annual fee payable to Securities and Exchange Commission of Pakistan	16	3,733	23
Payable against redemption of units		46,722	100
Dividend payable		-	278
Accrued and other liabilities	17	850	150
Total liabilities		61,003	4,463
Net assets		7,839,890	1,287,114
Unit holders' fund (as per the statement attached)		7,839,890	1,287,114
Number of units in issue	18	76,148,453	12,867,353
Net asset value per unit – Rupees	5.6	102.9553	100.0294

The annexed notes from 1 to 28 form an integral part of these financial statements.

For UBL Fund Managers Limited
(Management Company)



Mir Muhammad Ali, CFA
Chief Executive



Saeed Iqbal
Director

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	For the period from 19 June 2009 to 30 June 2009 (Rupees in '000)
Income			
Mark-up / interest income	19	593,790	3,634
Loss on sale of available-for-sale investments – net		(3,278)	-
Element of gain/(loss) and capital gain/(loss) included in prices of units sold less those in units redeemed – net		30,608	(224)
Total income		621,120	3,410
Expenses			
Remuneration of the Management Company	14.1	71,985	463
Remuneration of the Trustee	15	5,975	53
Annual fee to Securities and Exchange Commission of Pakistan	16	3,733	23
Amortisation of preliminary expenses and floatation costs	13	654	21
Bank charges		1,710	3
Auditors' remuneration	20	447	150
Brokerage expense		473	-
Fee and subscription		680	110
Other expenses		252	-
Total operating expenses		85,909	823
Net income for the year / period		535,211	2,587

The annexed notes from 1 to 28 form an integral part of these financial statements.

For UBL Fund Managers Limited
(Management Company)



Mir Muhammad Ali, CFA
Chief Executive



Saeed Iqbal
Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010


	For the period from 19 June 2009 to 30 June 2009	
	2010	
	(Rupees in '000)	
Net income for the year / period	535,211	2,587
Other comprehensive income		
Net unrealized (loss)/gain on available-for-sale investments arising during the year / period	(2,112)	158
Reclassification adjustments for gains included in the income statement	(158)	-
	(2,270)	158
Total comprehensive income for the year / period	532,941	2,745

The annexed notes from 1 to 28 form an integral part of these financial statements.

For UBL Fund Managers Limited
(Management Company)



Mir Muhammad Ali, CFA
Chief Executive



Saeed Iqbal
Director

DISTRIBUTION STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

	2010	For the period from 19 June 2009 to 30 June 2009
	(Rupees in '000)	
Undistributed income brought forward (realized)	221	-
Distribution at the rate of Rs. Nil per unit (2009: Rs 0.1842 per unit declared on 30 June 2009)		
- Bonus units	-	(2,088)
- Cash	-	(278)
	-	(2,366)
Distribution at the rate of Rs. 2.4552 per unit declared on 01 October 2009		
- Bonus units	(74,082)	-
- Cash	(3,703)	-
	(77,785)	-
Distribution at the rate of Rs. 2.3829 per unit declared on 02 January 2010		
- Bonus units	(82,592)	-
- Cash	(16,385)	-
	(98,977)	-
Distribution at the rate of Rs. 2.3837 per unit declared on 27 March 2010		
- Bonus units	(107,789)	-
- Cash	(23,732)	-
	(131,521)	-
Net income for the year/period	535,211	2,587
Undistributed income carried forward (realized)	<u>227,149</u>	<u>221</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

For UBL Fund Managers Limited
(Management Company)



Mir Muhammad Ali, CFA
Chief Executive



Saeed Iqbal
Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

	For the period from 19 June 2009 to 30 June 2009	
	2010	June 2009
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year / period	535,211	2,587
Adjustments for:		
Mark-up / interest income	(593,790)	(3,634)
Element of gain/(loss) and capital gain/(loss) included in prices of units sold less those in units redeemed – net	(30,608)	224
Amortisation of deferred formation cost	654	21
	(623,744)	(3,389)
Increase in assets		
Investments	(5,179,591)	(343,164)
Deposit and other receivables	(110)	(100)
Preliminary expenses and floatation costs	(72)	-
	(5,179,773)	(343,264)
Increase in liabilities		
Payable to the Management Company	5,046	713
Remuneration payable to the Trustee	740	53
Annual fee payable to Securities and Exchange Commission of Pakistan	3,710	23
Payable against the redemption of units	46,622	100
Accrued and other liabilities	700	150
	56,818	1,039
Mark-up / interest income received	590,298	-
Net cash used in operating activities	(4,621,190)	(343,027)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	22,584,144	1,992,824
Payments against redemption of units	(16,489,881)	(708,401)
Dividend paid to unit holders	(44,098)	-
Net cash inflows from financing activities	6,050,165	1,284,423
Net increase in cash and cash equivalent	1,428,975	941,396
Cash and cash equivalent at beginning of the year / period	941,396	-
Cash and cash equivalent at end of the year / period	2,370,371	941,396
CASH AND CASH EQUIVALENT		
Bank balances	270,371	816,396
Placements and term deposit receipts	2,100,000	125,000
	2,370,371	941,396

The annexed notes from 1 to 28 form an integral part of these financial statements.

For UBL Fund Managers Limited
(Management Company)



Mir Muhammad Ali, CFA
Chief Executive



Saeed Iqbal
Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND

FOR THE YEAR ENDED 30 JUNE 2010

	2010	For the period from 19 June 2009 to 30 June 2009
	(Rupees in '000)	
Net assets as at the beginning of the year [Rs. 100.0294 per unit]	1,287,114	-
Cash received on issuance of units*	22,584,144	1,992,824
Cash paid / payable on redemption of units**	(16,489,881)	(708,401)
	6,094,263	1,284,423
	7,381,377	1,284,423
Element of (gain)/loss and capital (gain)/loss included in prices of units sold less those in units redeemed – net	(30,608)	224
Distribution to unit holders during the period – cash	(43,820)	(278)
Other comprehensive income - unrealised (loss) / gain on available for sale investments	(2,270)	158
Net income for the period	535,211	2,587
	532,941	2,745
Net assets as at the end of the year / period [Rs. 102.9553 (2009: Rs. 100.0294) per unit]	7,839,890	1,287,114
	Number of units	
* Number of units issued [includes 2,639,934 (2009: 20,877) bonus units]	225,238,374	19,943,065
** Number of units redeemed	161,957,274	7,075,712

The annexed notes from 1 to 28 form an integral part of these financial statements.

For UBL Fund Managers Limited
(Management Company)



Mir Muhammad Ali, CFA
Chief Executive



Saeed Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

UBL Liquidity Plus Fund (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) as an open-end mutual fund. It was constituted under a Trust Deed, dated 07 May 2009 between UBL Fund Managers Limited (a wholly owned subsidiary company of United Bank Limited) as the Management Company, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The 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 8th Floor, State Life Building No. 1, I.I. Chundrigar Road, Karachi, Pakistan.

The Management Company of the Fund is registered with the SECP as a Non-Banking Finance Company under the NBFC Rules.

The Fund was listed on the Islamabad Stock Exchange (Guarantee) Limited on 24 June 2009. 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 categorized as open-end money market scheme in accordance with Circular 7 of 2009 issued by SECP.

As per the offering document, the Fund shall invest in a diversified portfolio of Government securities, investment grade debt securities issued by Government owned / controlled managed entities, rated corporate debts, certificates of investments (COIs) and other money market instruments.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the 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 directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the requirements of the said directives prevail.

3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention except for investments and derivatives which are accounted for as stated in note 5.1 below.

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

4. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as follows:

The Fund has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 2 - Share Based Payment - Amendments regarding Vesting Conditions and Cancellations (Amendment)

IFRS 3 - Business Combinations (Revised)

IFRS 7 - Financial Instruments: Disclosures (Amendments)

IFRS 8 - Operating Segments

IAS 1 - Presentation of Financial Statements (Revised)

IAS 23 - Borrowing Costs (Revised)

IAS 27 - Consolidated and Separate Financial Statement - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)

IAS 27 - Consolidated and Separate Financial Statements (Amendment)

IAS 32 - Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)

IAS 39 - Financial Instruments: Recognition and Measurement - Eligible hedged items (Amendments)

IFRIC 15 - Agreements for the Construction of Real Estate

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

IFRIC 17 - Distributions of Non-cash Assets to owners

IFRIC 18 - Transfers of Assets from Customers

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements except for the following:

IAS - 1 "PRESENTATION OF FINANCIAL STATEMENTS (REVISED)"

The Fund has adopted IAS - 1 "Presentation of Financial Statements (Revised)" which became effective during the year. The revised standard separates owner and non-owner changes in equity. In addition, the standard introduces the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Fund has elected to present two statements.

IFRS 7 - "FINANCIAL INSTRUMENTS: DISCLOSURES"

The amended standard requires additional disclosures about fair value measurements and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy, by class, for all financial instruments recognised at fair value. The fair value measurement disclosures are presented in Note 24 to the financial statements. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 23.3 to the financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Investments

The investments of the Fund, upon initial recognition, are classified as investment at fair value through profit or loss or available for sale investment, as appropriate.

All investments are initially measured at fair value plus, in the case of investments not at fair value through income statement, transaction costs that are directly attributable to acquisition.

All regular way purchases and sales of investments are recognized on the trade date i.e. the date the Fund commits to purchase / sell the investment. Regular way purchases and sales of investments are those, the contract for which requires delivery of assets within the time frame generally established by regulation or market convention.

The Fund classifies investments in the following categories:

Investments at fair value through profit or loss

This category has two sub-categories, namely; financial instruments held for trading, and those designated at fair value through profit or loss upon initial recognition.

- Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading. All derivatives are classified as held-for-trading. These are initially recorded at cost. Derivatives with positive fair values (unrealised gains) are included in assets and derivatives with negative fair values (unrealised losses) are included in liabilities in the statement of assets and liabilities.

- Investments designated at fair value through profit or loss upon initial recognition include those group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with the documented risk management / investment strategy.

After initial measurement, investment designated at fair value through profit or loss are carried at fair value and the gains or losses on revaluation are recognised in the income statement

Available for sale

Investments which are not classified in the above category are classified as available for sale investments. After initial measurement, such investments are measured at fair value with unrealised gains or losses recognised directly in the statement of comprehensive income until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recognised in the statement of comprehensive income is taken to the income statement.

Fair value of government securities is determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page.

5.2 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 using the effective interest method.

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 using the effective interest method.

5.3 Preliminary expenses and floatation costs

The Fund has recorded all expenses incurred in connection with the incorporation, registration, establishment and authorisation of the Fund as preliminary expenses and floatation costs which are to be amortised by the Fund over a period of five years commencing from 19 June 2009 in accordance with the Trust Deed

5.4 Issue and redemption of units

Units are issued at the offer price prevalent on the day funds in respect of purchase of units are realised. The offer price represents the net asset value per unit as of the close of the previous business day. 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 previous business day less duties, taxes, charges on redemption and provision for transaction costs, if applicable. Redemption of units is recorded on acceptance of application for redemption.

5.5 Element of income / (loss) and capital gain / (loss) included in prices of units sold less those in units redeemed

To prevent the dilution of per unit income and distribution of income already paid out on redemption as dividend, an equalization account called "element of income / (loss) and capital gain / (loss) in prices of units sold less those in units redeemed" is created.

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

The net "element of income / (loss) and capital gain (loss) in prices of units sold less those in units redeemed" during an accounting period is transferred to the income statement in that period.

5.6 Net asset value per unit

The net asset value per unit disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the period end.

5.7 Taxation

The Fund is exempt from taxation under clause 99 of Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income excluding realised and unrealised capital gains for the year is distributed amongst the Fund's unit holders. The Fund has distributed an amount over 90% and complied with the above referred provision. Accordingly, no provision is made for current and deferred taxation in these financial statements.

5.8 Revenue recognition

Income on reverse repurchase lending arrangements, certificates of investment, placements, government securities and investments in debt securities are recognised at rate of return implicit in the instrument/ arrangement on a time proportionate basis.

Profit on bank balances and term deposits are recorded on accrual basis.

5.9 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to receive cashflows related to the asset expire. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to the income statement in the period in which it arises.

5.10 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are only offset and net amount reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amount and the Fund intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

5.11 Impairment

Impairment loss on investment other than 'available for sale' is recognized in the income statement whenever carrying amount of investment exceeds its recoverable amount. If in the subsequent period, the amount of an impairment loss recognized decreases the impairment is reversed through income statement.

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

5.12 Provision

A provision is recognised when the Fund has a 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 can be made of the amount of the obligation.

5.13 Distribution to unit holders

Distribution to unit holders is recognised upon declaration and approval by the Board of Directors of the Management Company.

5.14 Cash and cash equivalent

Cash and cash equivalent comprise of bank balances, short term deposits and placements.

6. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in notes 5.1 and 5.11 respectively.

7. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDSTHAT ARE NOT YET EFFECTIVE

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation or amendment:

Standard, Interpretation or Amendment	Effective date (accounting periods beginning on or after)
IAS 24 - Related Party Disclosures (Revised)	01 January 2011
IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment)	01 February 2010
IFRS 2 - Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	01 January 2010
IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendments)	01 January 2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	01 July 2010

The Fund expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Fund's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after 01 January 2010. The Fund expects that such improvements to the standards will not have any material impact on the Fund's financial statements in the period of initial application.

8. BANK BALANCES	Note	2010 (Rupees in '000)	2009
PLS saving accounts	8.1	95,371	816,396
Current account		175,000	-
		<u>270,371</u>	<u>816,396</u>

8.1 Profit rates on PLS saving accounts range between 5.5% and 12% (2009: 5.5% and 13%) per annum. This includes Rs. 5.697 million (2009: Rs. 17.39 million) with related party on which return is earned at 5.5% to 11% (2009: 5.5%) per annum.

9. PLACEMENTS AND TERM DEPOSIT RECEIPTS	Note	2010 (Rupees in '000)	2009
Placements	9.1	250,000	-
Term Deposit Receipts (TDRs)	9.2	1,850,000	125,000
		<u>2,100,000</u>	<u>125,000</u>

- 9.1 The placement carries profit rate of 12.6% (2009:Nil) per annum with maturity of 2 months (2009:Nil).
- 9.2 The TDRs carry profit rates ranging between 12.4% and 12.55%(2009: 13.6%) per annum with maturities of 1 month to 2 months(2009: upto 3 months).
- 9.3 Circular No. 16 dated 07 July 2010 issued by the SECP requires details of investments not compliant with the investment criteria specified for the category assigned to open-end collective investment schemes or the investment requirements of the constitutive documents of the Fund to be disclosed in the annual accounts of the Fund. The table below gives the details of such non-compliant investments.

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held ------(Rupees '000)-----	Value of investment after provision	% of Net Assets	% of Gross Assets
NIB Bank	Term Deposit	650,000	-	650,000	8.29%	8.23%
Pak Libya Holding Company Limited	Placement	250,000	-	250,000	3.19%	3.16%

10. INVESTMENTS

10.1 Available for sale - Government Securities

Note	At the beginning of the year	Acquired during the year	Sold / Matured during the year	At the end of the year	Carrying value as at 30 June		% of investment	
					2010	2009		
				No. of Holdings		(Rupees in '000)		
Market Treasury Bills- 1 year	10.1.1	-	76,900	70,400	6,500	637,537	-	11.55%
Market Treasury Bills- 6 months	10.1.2	3,500	87,600	61,850	29,250	2,823,307	343,928	51.14%
Market Treasury Bills- 3 months	10.1.3	-	71,795	50,845	20,950	2,060,406	-	37.31%
		<u>3,500</u>	<u>236,295</u>	<u>183,095</u>	<u>56,700</u>	<u>5,521,250</u>	<u>343,928</u>	<u>100%</u>

10.1.1 These represent Market Treasury Bills of a face value of Rs. 650 Million and carrying purchase yield ranging between 12% and 12.15% per annum. These Market Treasury bills have maturities ranging between 1 month and 4 months (2009: Nil).

10.1.2 These represent Market Treasury Bills of a face value of Rs. 2,925 (2009: Rs. 350 Million) and carrying purchase yield ranging between 11.9% and 12.32% (2009: 12.47% to 12.7%). These Market Treasury Bills have maturities ranging between 1 month and 6 months (2009: 2 months and 4 months).

10.1.3 These represent Market Treasury Bills of a face value of Rs. 2,095 Million and carrying purchase yield ranging between 11.87% and 12.13% (2009: Nil). These Market Treasury Bills have maturities ranging between 1 month and 2 months (2009: Nil).

10.2 The cost of investments amounts to Rs. 5,429 million (2009: Rs. 343.65 million).

11. MARK-UP / INTEREST RECEIVABLE

	2010	2009
	(Rupees in '000)	
On		
- Bank balances	1,636	2,982
-Placements and term deposit receipts	4,883	46
	<u>6,519</u>	<u>3,028</u>

12. DEPOSIT AND OTHER RECEIVABLES

	2010	2009
Central Depository Company of Pakistan Limited (CDC)	100	100
Other receivables	110	-
	<u>210</u>	<u>100</u>

13.	PRELIMINARY EXPENSES AND FLOATATION COSTS	Note	2010	2009
			(Rupees in '000)	
	Balance at the beginning		3,125	3,146
	Addition during the year		72	-
	Amortisation during the year / period		(654)	(21)
	Balance as at 30 June		<u>2,543</u>	<u>3,125</u>

14. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable	14.1	8,905	463
Preliminary expenses and floatation costs		-	3,146
Others		-	250
		<u>8,905</u>	<u>3,859</u>

14.1 Remuneration payable to the management company

The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the NBFC Regulations, of an amount not exceeding 3 percent of the average daily net assets of the Fund during first five years of the Fund's existence and thereafter an amount equal to 2 percent of such assets of the Fund. The Management Company charged remuneration at the rate of 1.5 percent per annum up till May 13, 2010 and thereafter at the rate of 1.25 percent per annum of the average daily net assets of the Fund during the period.

15. REMUNERATION PAYABLE TO THE TRUSTEE

The trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as follows:

On net assets:

- up to Rs. 1,000 million Rs. 0.7 million or 0.20% p. a. of NAV, whichever is higher.
- exceeding Rs. 1,000 million Rs. 2.0 million plus 0.10% p. a. of NAV exceeding Rs. 1,000 million.

16. ANNUAL FEE PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to SECP in accordance with the NBFC Regulations whereby the Fund is required to pay SECP an amount equal to 0.075% of the average daily net assets.

17. ACCRUED AND OTHER LIABILITIES

			2010	2009
			(Rupees in '000)	
	Auditors' remuneration		300	150
	Printing expense payable		200	-
	Brokerage expense payable		160	-
	Custody fee payable		40	-
	Others		150	-
			<u>850</u>	<u>150</u>

18. CLASSES OF UNITS IN ISSUE

The units in issue as at 30 June in each class were as follows:

Class	Note	2010	2009	2010	2009
		(Number of units)		(Rupees in '000)	
Class A	18.1	1,000,000	1,000,000	102,955	100,029
Class B	18.2	3,287,046	4,549,413	338,419	455,075
Class C	18.3	51,466,338	5,814,486	5,298,735	581,620
Class D	18.4	-	-	-	-
Class E	18.5	20,395,069	1,503,454	2,099,781	150,390
Class F	18.6	-	-	-	-
Total		<u>76,148,453</u>	<u>12,867,352</u>	<u>7,839,890</u>	<u>1,287,114</u>

- 18.1 Class "A" (Core Units) issued to the Core Investors with no Front-end and Back-end load. The par value of each unit is Rs. 100. The Core Investor has subscribed to Core Units representing the seed capital of the Scheme aggregating to one hundred million Rupees (PKR 100 million), out of which at least fifty million Rupees (PKR 50 million) shall remain invested in the Scheme for at least two years from the date of issue of such Units
- 18.2 Class "B" Units being offered and issued during the private placement and Initial Period to investors (except Financial Institutions) with no Front-end Load and Back-end Load.
- 18.3 Class "C" Units being offered and issued after the Initial Period with no Front-end Load and Back-end Load.
- 18.4 Class "D" Units being offered and issued after the Initial Period with only Front-end Load which shall not exceed 5% of the Net Asset Value of the Fund. However, the Management Company does not intend to initially offer Class "D" Units at the Initial Offer but they may be offered at its discretion at a subsequent stage.
- 18.5 Class "E" Units being offered and issued to Financial Institutions without Front-end load during the Initial Period. After the Initial Period, back-end load not exceeding 5% may be charged at the discretion of the Management Company on redemption of fresh investment from time to time at a subsequent stage.
- 18.6 Class "F" Units being offered and issued after the Initial Period with a front-end and a back-end load (such load shall not exceed 5% of the Net Asset Value of the Fund). However, the Management Company does not intend to initially offer Class "F" Units at the Initial Offer but they may be offered at its discretion at a subsequent stage.

19. MARK-UP / INTEREST INCOME	Note	2010	For the period from 19 June 2009 to 30 June 2009 (Rupees in '000)
On			
- Bank balances	19.1	83,234	2,982
- Placements and term deposit receipts		84,982	46
- Reverse repurchase agreements		334	-
- Government Securities		425,240	606
		<u>593,790</u>	<u>3,634</u>

19.1 This includes Rs. 5.59 million (2009: Rs. 0.01 million) earned from a related party.

20. AUDITORS' REMUNERATION

Audit fee – annual	250	125
Other services	168	25
Out of pocket expenses	29	-
	<u>447</u>	<u>150</u>

21. PROVISION FOR CONTRIBUTION TO WORKERS' WELFARE FUND

Through the Finance Act, 2008 an amendment was made in section 2(f) of the Worker's Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. The Mutual Funds Association of Pakistan (MUFAP), on the behalf of its members filed a constitutional petition in the High Court of Sindh (SHC) praying it to declare that the funds are not establishment and as a result are not liable to pay contribution to the WWF. The honorable court has rejected the petition on technical ground stating that MUFAP is not aggrieved party in this case and required the aggrieved party to

approach the courts for the said petition. In response, a petition has been filed with the SHC by some Mutual Funds through their Trustee alongwith its few investors. However, subsequent to filing of the petition, the Ministry of Labour and Manpower issued an advice which states that mutual funds are not liable for WWF. The clarification went on to state that WWF Ordinance, 1971 does not have any provisions for the applicability of WWF on those entities whose income are exempt from income tax under any provision of any law, and West Pakistan Shops and Establishment Ordinance, 1969 is not applicable to any public limited company and any organized financial institution because they are ruled and governed by separate laws as of mutual funds.

The MUFAP, on the behalf of its member AMCs, obtained a legal opinion to assess the implication of the advice issued by the Ministry of Labour and Manpower. The legal opinion, among other things, stated that mutual funds are not required to provide for contribution to WWF and earlier provisioning, if any, can be reversed and the terms of the advice suggests that provisioning was neither required nor necessary. Further, the opinion suggests that the petition filed with the High Court of Sindh be withdrawn.

The management has not made any provision in respect of WWF amounting to Rs. 11.121 million as it still maintains that mutual funds are not establishment for the purpose of WWF Ordinance and as a result not liable to pay contribution to WWF.

22. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Related parties / connected persons include UBL Fund Managers Limited (the management company), United Bank Limited (holding company of the management company), United Growth & Income Fund (UGIF), United Stock Advantage Fund (USF), United Islamic Income Fund (UIIF), United Composite Islamic Fund (UCIF), UBL Capital Protected Fund - I (UCPF-I), UBL Capital Protected Fund - II (UCPF-II), UBL Retirement Savings Fund (URSF) and UBL Islamic Retirement Savings Fund (UIRSF) (funds managed by the management company), Central Depository Company of Pakistan Limited (CDC) as Trustee. Deutsche Bank as sub-custodian, Engro Corporation Pakistan Limited, Engro Polymer & Chemical Limited. (Formerly Engro Asahi Polymer & Chemical Limited), National Bank of Pakistan, National Bank of Pakistan Endowment Fund, UBL Fund Managers Limited Employees Provident Fund, UBL Fund Managers Limited Gratuity Fund, UBL Employees Provident Fund Trust, Habib Metropolitan Bank Ltd, Millat Tractors Limited, key management personnel of the management company, etc, (refer below for details)

Remuneration payable to the management company and the trustee is determined in accordance with the provisions of NBFCS Regulations, 2008 and the Trust Deed respectively. Transactions with related parties are at arm's length prices. Details of transactions with related parties during the year and balances with them at the year end, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	For the period from 19 June 2009 to 30 June 2010		For the period from 19 June 2009 to 30 June 2009	
	(Units in '000)	(Rupees in '000)		
Units sold to:				
- Directors and executives of the management company	844	10	86,183	957
- UBL Fund Managers Limited	3,623	1,475	367,945	147,456
Entities having directors in common with the management company				
- United Bank Limited	14,678	1,008	1,500,000	100,810
- UBL Insurers Limited	4,860	-	494,910	-
- Engro Corporation Pakistan Limited	12,165	-	1,235,250	-
- Engro Polymer and Chemical Limited (formerly Engro Asahi Polymer and Company Limited)	988	-	100,000	-
Others				
- New Jubilee Insurance Company Limited	-	1,507	-	150,756
- Siza (Private) Limited	-	8,003	-	800,888
- UBL Fund Managers Limited Employees' Gratuity Fund	23	10	2,400	1,032
- UBL Fund Managers Limited Employees' Provident Fund	22	21	2,300	2,059
- UBL Employees' Provident Fund Trust	494	-	50,000	-
- Habib Metropolitan Bank Limited	7,908	-	800,000	-
- Millat Tractors Limited	26,365	-	2,679,043	-

	For the period from 19 June 2009 to 30 June 2009 (Units in '000)		For the period from 19 June 2009 to 30 June 2009 (Rupees in '000)	
	2010	2009	2010	2009
Units redeemed by:				
- Directors and executives of the management company	442	1	51,143	100
- UBL Fund Managers Limited	4,663	479	470,634	48,000
Entities having directors in common with the management company				
- United Bank Limited	4,874	-	499,816	-
- UBL Insurers Limited	3,432	-	350,213	-
- Engro Corporation Pakistan Limited	10,870	-	1,099,530	-
- Engro Polymer and Chemical Limited (formerly Engro Asahi Polymer and Company Limited)	1,013	-	101,441	-
Others				
- UBL Fund Managers Limited Employees' Gratuity Fund	34	-	3,449	-
- UBL Fund Managers Limited Employees' Provident Fund	44	-	4,384	-
- Millat Tractors Limited	18,995	-	1,941,969	-
Bonus units distributed to:				
- Directors and executives of the management company	11	0.02	1,079	2
- UBL Fund Managers Limited	47	2	4,755	183
Entities having directors in common with the management company				
- UBL Insurers Limited	15	-	1,500	-
- Engro Corporation Pakistan Limited	166	-	16,596	-
- Engro Polymer and Chemical Limited (formerly Engro Asahi Polymer and Company Limited)	24	-	2,427	-
Others				
- New Jubilee Insurance Company limited	-	3	-	278
- Siza (Private) Limited	-	15	-	1,474
- UBL Fund Managers Limited Employees' Gratuity Fund	1	-	56	-
- UBL Fund Managers Limited Employees' Provident Fund	1	-	53	-
- UBL Employees' Provident Fund Trust	12	-	1,178	-
- Millat Tractors Limited	201	-	20,139	-
Other transactions				
United Bank Limited – holding company of the management company				
- Bank charges	-	-	1,324	1
- Dividend Paid	-	-	16,491	186
- Remuneration to the management company	-	-	71,985	463
- Remuneration to the trustee	-	-	5,975	53
	2010	2009	2010	2009
	(Units in '000)		(Rupees in '000)	
Units held by:				
- Directors and executives of the management company	428	15	44,051	1,500
- UBL Fund Managers Limited	5	998	531	99,730
Entities having directors in common with the management company				
- United Bank Limited	10,813	1,008	1,113,222	100,830
- Engro Corporation Limited	1,461	-	150,412	-
Others				
- New Jubilee Insurance Company limited	-	1,510	-	151,044
- Siza (Private) Limited	-	8,018	-	802,041
- UBL Fund Managers Limited Employees' Gratuity Fund	-	10	-	1,000
- UBL Fund Managers Limited Employees' Provident Fund	-	21	-	2,101
- UBL Employees' Provident Fund Trust	506	-	52,099	-
- Habib Metropolitan Bank Limited	7,908	-	814,217	-
- Millat Tractors Limited	7,570	-	779,373	-
Balances with Related Parties- Unsecured:				
United Bank Limited – holding company of the management company				
- Bank Balances	-	-	5,697	17

	2010	2009
	(Rupees in '000)	
- Management company		
Remuneration payable to the management company	8,905	463
Payable to the management company	-	3,396
- Trustee		
Payable to the trustee	793	53

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

23.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and debt security prices.

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. As of 30 June 2010, the Fund is exposed to such risk in respect of Government securities. The term deposits and placements carry fixed interest rates and will mature by 10 August 2010. The bank balances are subject to interest rates as declared by the respective bank on periodic basis.

As at 30 June 2010 the funds that may be exposed to interest rate risk are as follows:

	2010	2009
	Rupees in '000'	
Variable rate instruments		
Bank Balances	95,371	816,396
Fixed rate instruments		
Placements and term deposits receipts	2,100,000	125,000
Government Securities	5,521,250	343,928

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Fund's income and equity.

	Increase / (decrease) in basis points	Effect on interest income Increase / (Decrease)	Effect on other comprehensive income
		----- (Rupees in '000) -----	
2010	100	954	(12,068)
	(100)	(954)	11,794
2009	100	8,164	(495)
	(100)	(8,164)	496

(ii) **Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) **Equity price risk**

The risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Fund is not exposed to the risk as its constitutive documents prohibit it from investing in equity securities.

23.3 Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the unit holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive documents.

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

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date.

2010	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
----- Rupees in '000 -----					
Financial Assets					
Bank balances	270,371	-	-	-	270,371
Placements and term deposit receipts	-	2,100,000	-	-	2,100,000
Investments	-	2,306,070	3,215,180	-	5,521,250
Mark-up / interest receivable	-	6,519	-	-	6,519
Deposit and other receivables	-	-	-	210	210
	270,371	4,412,589	3,215,180	210	7,898,350
Total assets					
Financial Liabilities					
Payable to the Management Company	-	8,905	-	-	8,905
Remuneration payable to the Trustee	-	793	-	-	793
Annual fee payable to the Securities and Exchange Commission of Pakistan	-	-	3,733	-	3,733
Payable against redemption of units	46,722	-	-	-	46,722
Dividend Payable	-	-	-	-	-
Accrued and other liabilities	-	650	200	-	850
	46,722	10,348	3,933	-	61,003
Total liabilities					
Net financial assets	223,649	4,402,241	3,211,247	210	7,837,347

2009	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	----- Rupees in '000 -----				
Assets					
Bank balances	816,396	-	-	-	816,396
Term deposit receipt	-	-	125,000	-	125,000
Investments	-	295,762	48,166	-	343,928
Mark-up / interest receivable	-	2,981	47	-	3,028
Deposit and other receivables	100	-	-	-	100
Total assets	816,496	298,743	173,213		1,288,452
Liabilities					
Payable to the Management Company	-	885	620	2,354	3,859
Remuneration payable to the Trustee	-	53	-	-	53
Annual fee payable to the Securities and Exchange Commission of Pakistan	-	23	-	-	23
Payable against redemption of units	100	-	-	-	100
Dividend Payable	-	278	-	-	278
Accrued and other liability	-	150	-	-	150
Total liabilities	100	1,389	620	2,354	4,463
Net financial assets / (liabilities)	816,396	297,354	173,593	(2,354)	1,283,989

23.4 Credit risk

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

	2010	2009
	(Rupees in '000)	
Bank Balances	270,371	816,396
Placements and term deposit receipts	2,100,000	125,000
Mark-up / interest receivable	6,519	3,028
Deposit and other receivables	210	100

The analysis below summarizes the credit quality of the Fund's portfolio in total as on 30 June 2010:

Rating by Rating Category

	2010	2009
AAA	72.40%	73.30%
AA- to AA+	27.60%	26.70%
	<u>100%</u>	<u>100%</u>

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.

Capital 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's conditions. The capital structure depends on the issuance and redemption of units.

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

Level 1 : quoted prices in active markets for identical assets or liabilities.

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those with inputs for the asset or liability that are not based on observable market data \ (unobservable inputs)

	30 June 2010			30 June 2009
	Level 1	Level 2	Level 3	Level 1
	----- (Rupees in '000) -----			
Available-for-sale investments				
- Government securities	-	5,521,250	-	-
	-	5,521,250	-	-

25. SUBSEQUENT EVENT

The Board of Directors of the Management Company, in their meeting held on 07 July 2010 has announced a final payout of 2.94% amounting to Rs. 224.25 million. The financial statements for the year ended 30 June 2010 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending 30 June 2011.

26. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern, top ten brokers, members of the Investment Committee, fund manager, meetings of the Board of Directors of the Management Company and rating of the Fund and the Management Company has been disclosed in Annexure I to the financial statements.

27. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on 30 August 2010.

28. GENERAL

Figures have been rounded off to the nearest thousand rupees.

For UBL Fund Managers Limited
(Management Company)



Mir Muhammad Ali, CFA
Chief Executive



Saeed Iqbal
Director

**SUPPLEMENTARY NON FINANCIAL INFORMATION
AS REQUIRED UNDER SECTION 6(D), (F), (G), (I) AND (J)
OF THE FIFTH SCHEDULE TO THE NBFC REGULATIONS**

(i) UNIT HOLDING PATTERN OF THE FUND

Category	As at June 30, 2010			
	Number of unit holders	Number of units held	Amount (Rupees in '000)	% of Total
Individuals	2,274	13,568,047	1,396,902	18%
Associated companies / directors	16	38,135,271	3,926,228	50%
Insurance companies	5	519,277	53,462	1%
Banks / DFIs	5	2,916,006	300,218	4%
Retirement funds	13	746,916	76,899	1%
Public limited companies	13	13,832,058	1,424,084	18%
Others	22	6,430,878	662,097	8%
	2,348	76,148,453	7,839,890	100%

Category	As at June 30, 2009			
	Number of unit holders	Number of units held	Amount (Rupees in '000)	% of Total
Individuals	129	359,701	35,981	3%
Associated companies / directors	6	11,564,395	1,156,779	90%
Insurance companies	1	227,861	22,793	2%
Banks / DFIs	1	500,000	50,015	4%
Public limited companies	1	200,368	20,043	1%
Others	1	15,028	1,503	0%
	139	12,867,353	1,287,114	100%

(ii) LIST OF TOP TEN BROKERS BY PERCENT OF THE COMMISSION PAID

<u>S. No.</u>	<u>Name</u>	<u>2010</u> <u>%</u>
1	KASB Securities Limited	26%
2	Invest Capital Investment Bank Ltd.	21%
3	IGI Finex Securities Ltd.	15%
4	BMA Capital Management Ltd.	14%
5	JS Global Capital Ltd.	11%
6	Global Securities Pakistan Ltd.	9%
7	Invisor Securities (Pvt) Ltd.	2%
8	Atlas Capital Markets (Pvt) Ltd.	1%
9	Al-Falah Securities Private Ltd.	1%
		2009
1	Investment capital	47%
2	BMA	28%
3	KASB	25%

(iii) THE MEMBERS OF THE INVESTMENT COMMITTEE

Following are the members of the investment committee of the Fund:

Mr. Mir Muhammad Ali
 Mr. Hasnain Raza Nensey
 Mr. Aly Osman
 Mr. Rahim Khakiani
 Mr. Junaid Qamar
 Mr. Syed Ali Turab

Name	Mir Muhammad Ali, CFA
Designation	Chief Executive
UBL Fund Managers	Job Responsibilities & Accomplishments <ul style="list-style-type: none"> Setting up of UBL Fund Managers Ltd. in 2001-02 and launched the first money market fund: United Money Market Fund (UMF) Turnaround initiated at UBL Fund Managers resulting in enhanced market image Actively participates as Vice Chairman of Mutual Funds Association of Pakistan (MUFAP) and Director on board of directors of CFA Association of Pakistan (CFAAP)
Prior to joining UBL Fund Managers	No. of years of experience: over 17 years <ul style="list-style-type: none"> Asian Development Bank - Investment Officer Pakistan Kuwait Investment Company (Private) Limited - SVP, Head of Corporate Finance and Marketing United Bank Limited - Head of Corporate Finance and Investment Banking
Education	<ul style="list-style-type: none"> CFA Charter Holder MBA - Institute of Business Administration (IBA), Karachi Gold Medal for an overall first position in 1988-89 MSc - University of Strathclyde, Glasgow, Scotland

Name	Hasnain Raza Nensey
Designation	Chief Investment Officer
UBL Fund Managers	Job Responsibilities & Accomplishments <ul style="list-style-type: none"> Overseeing of all Funds and Specialized Investment Vehicles under Management Member of Investment Committee and Management Committee
Prior to joining UBL Fund Managers	No. of years of experience: over 16 years <ul style="list-style-type: none"> JS Investments Limited - Chief Investment Officer
Education	<ul style="list-style-type: none"> MBA - Babson College, USA BSBA - Boston University, USA

Name	Aly Osman
Designation	Head of Risk Management & Compliance
UBL Fund Managers	<p>Job Responsibilities & Accomplishments</p> <ul style="list-style-type: none"> • Setting up of Risk Management , Compliance & Product Development Department • Contribution of development in Business Strategies and Business Development Plan and Key Company Decisions • Development of Policy Framework of Risk Management and Product Development • Provide Leadership and Strategic Direction and Vision for Product Development, Risk and Compliance areas • Development of Personal Trading Policy, whistle Blowing Policy, KYC anti money laundering Policy, IT Password Policy, Asset Management Code Mechanism
Prior to joining UBL Fund Managers	<p>No. of years of experience: over 11 Years</p> <ul style="list-style-type: none"> • JS Investments Ltd. - Chief Compliance and Risk Officer • Joint Director - Securities and Exchange Commission of Pakistan (SECP)
Education	<ul style="list-style-type: none"> • Associate Member of Institute of Cost & Management Accountant of Pakistan (ACMA)

Name	Rahim Khakiani
Designation	Chief Financial Officer & Company Secretary
UBL Fund Managers	<p>Job Responsibilities & Accomplishments</p> <ul style="list-style-type: none"> • Accounting and Financial Reporting • Corporate Taxation • Corporate Governance and other secretarial functions • Member Investment Committee, Management Committee etc.
Prior to joining UBL Fund Managers	<p>No. of years of experience: over 12 years</p> <ul style="list-style-type: none"> • UBL Fund Managers Ltd - CFO & Company Secretary • JS Investments Limited - Head of Finance • KPMG Taseer Hadi & Co - Manager, Audit & Assurance • Ford Rhodes Sidat Hyder - From Audit trainee to Audit Senior
Education	<ul style="list-style-type: none"> • CFA Level 1 - CFA Institute, USA • Chartered Accountant - ICAP • Cost & Management Accountant - ICMAP • Corporate Secretary - ICSP • Masters in Economics - Karachi University

Name	Junaid Qamar
Designation	Fixed Income Fund Manager
UBL Fund Managers	<p>Job Responsibilities & Accomplishments</p> <ul style="list-style-type: none"> • Handles and looks after all investments and redemptions made in the money market fund • Fund Manager for UBL Liquidity Plus Fund and United Growth & Income Fund • Portfolio strategy, design and allocation

Prior to joining UBL Fund Managers	No. of years of experience: over 8 years <ul style="list-style-type: none"> • Arif Habib Investments - Dealer, Debt and Money Market Funds • Corporate Treasury of Pearson Inc. (USA) - Managed Commercial Paper Portfolio
Education	<ul style="list-style-type: none"> • MBA - Wagner College, New York, USA • BS - City University, New York, USA

Name	Syed Ali Turab
Designation	Head of Research
UBL Fund Managers	Job Responsibilities & Accomplishments <ul style="list-style-type: none"> • Fundamental and Technical Analysis • Portfolio strategy design
Prior to joining UBL Fund Managers	No. of years of experience: over 7 years <ul style="list-style-type: none"> • AKD Investment Management Ltd
Education	<ul style="list-style-type: none"> • Bachelors in Computer Science and Electrical Engineering (Cornell University, NY, US) • Series 7, Series 63 certification (NASD, US)

(iv) MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Following are the names of directors who attended the meetings of the board of directors during the year along with the dates of the meetings.

Name of Directors	Meetings held on						
	6 Jul 2009	21 Aug 2009	21 Oct 2009	13 Jan 2010	26 Jan 2010	23 Feb 2010	20 Apr 2010
* Mr. Atif R. Bukhari	-	✓	✓	-	✓	✓	-
Mr. Mir Muhammad Ali	-	✓	✓	✓	✓	✓	✓
Mr. Aamir Karachiwala	✓	-	✓	✓	✓	✓	✓
Mr. Muhammad Asghar	✓	✓	✓	✓	✓	✓	-
Mr. Ali Sameer Farooqui	✓	✓	✓	✓	-	✓	✓
Mr. Saeed Iqbal	✓	✓	✓	✓	✓	✓	✓
** Mr. Shabbir Hussain Hashmi	-	-	✓	✓	✓	✓	✓
* Mr. Tariq Kirmani	-	-	-	-	-	-	-

* Mr. Atif Bokhari resigned from the Board of directors on 08 April 2010.

** Mr. Shabbir Hussain Hashmi and Mr. Tariq Kirmani were inducted in the Board of Directors on 19 August 2009 and 7 May 2010 respectively.

(v) RATING OF THE MANAGEMENT COMPANY & FUND

JCR-VIS Credit Rating Company Limited (JCR-VIS) has assigned an 'AA+(f)' fund stability rating to the Fund.

JCR-VIS has assigned an 'AM2' management quality rating to the Management Company.

For UBL Fund Managers Limited
(Management Company)



Mir Muhammad Ali, CFA
Chief Executive



Saeed Iqbal
Director

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