

# UNITED COMPOSITE ISLAMIC FUND

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# United Composite Islamic Fund (UCIF)



## INVESTMENT OBJECTIVE

UCIF is an open-end Fund which offers its investors an opportunity to invest in a diversified portfolio of Shariah Compliant investments. The Fund seeks to maximize medium to long-term returns for a given level of risk.

## 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 Shahra-e-Faisal, Karachi. Tel: (9221) 111-111-500
Distribution Company	United Bank Limited (for detail of others, visit <a href="http://www.UBLFunds.com">www.UBLFunds.com</a> )
Auditors	KPMG Taseer Hadi & Co., Chartered Accountants
Legal Advisor	Mohsin Tayebaly & Co.
Bankers	United Bank Limited Bank Al Falah Limited Meezan Bank Limited Dubai Islamic Bank Limited HSBC - Switzerland Standard Chartered Bank Limited Habib Metropolitan Bank HSBC Bank Middle East Limited Al Baraka Islamic Bank

**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**

**UNITED COMPOSITE ISLAMIC 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 United Composite Islamic Fund (the Fund), an open-end Fund was established under a trust deed dated September 11, 2006, 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



CENTRAL  
DEPOSITORY  
COMPANY

## Statement of Compliance By

UNITED COMPOSITE ISLAMIC 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 United Composite Islamic 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

UNITED COMPOSITE ISLAMIC 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



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

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

### Review Report to the Unit Holders on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of the Management Company of the **United Composite Islamic Fund** ("the Fund") to comply with the listing regulations of the Islamabad Stock Exchange, where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Fund personnel and review of various documents prepared by the Fund 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' statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such controls, the Fund's corporate governance procedures and risks.

Further sub-regulation (xiii-a) of Listing Regulations 35 notified by the Islamabad Stock Exchange (Guarantee) Limited requires the Fund 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 procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

Date: 30 AUG 2010  
Karachi

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

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

# REPORT OF THE SHARIAH ADVISORY BOARD

We, the Shariah Advisors of the Fund are issuing this report in accordance with clause 5.1 (d) (v) of the Trust Deed of the Fund. The scope of the report is to express an opinion on the Shariah Compliance of the Fund's activities.

In the capacity of Shariah Advisor, we have prescribed criteria for Shariah compliance of equity investments which comprises of five factors such as (i) Nature of business, (ii) interest bearing debt to total assets, (iii) Illiquid assets to total assets. (iv) Investment in non-Shariah compliant activities and income from non-compliant investments, and (v) Net liquid assets vs. share market price.

It is the responsibility of the Management Company of the Fund to establish and maintain a system of internal controls to ensure compliance with the Shariah guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. A review is limited primarily to inquiries from the Management Company personnel and review of various documents prepared by the Management Company to comply with the prescribed criteria.

- i. We have reviewed and approved the modes of investments of UCIF in light of Shariah requirements. The following is a list of equity investments of UCIF as on 30 June 2010 and their evaluation according to the screening criteria established by us. (The latest half yearly or annual accounts of the Investee companies available as on 30 June 2010 have been used for the following calculations):

	(i)	(ii)	(iii)	(iv)	(v)	Net Liquid Assets Vs Share Price (B>A)	
Name of the Company	Nature of Business	Debt to Assets (< 40%)	Non-Compliant Income to Gross Revenue (5%)	Illequid Assets to Total Assets (>20%)	% of Non-Shariah Compliant Investments (< 33%)	Net Liquid Assets per Share (A)	Share Market Price (B)
Dawood Hercules	Manufacturers of Fertilizers	4.99%	0.57%	84.79%	2.02%	(0.06)	175.45
Fauji Fertilizer	Manufacturers of Fertilizers	26.86%	1.42%	55.70%	17.38%	(29.11)	103.07
Hub Power Company	Producer of Power & Energy	31.83%	0.01%	63.42%	0.00%	(38.50)	31.96
Indus Motors	Manufacturer & Assembler of Automobiles	0.05%	2.99%	44.10%	0.00%	0.02	262.38
Pakistan Oilfields	Exploration and Production of Oil & Gas	0.00%	2.38%	22.99%	0.53%	83.26	215.90
Pakistan Petroleum	Exploration and Production of Oil & Gas	0.05%	4.06%	45.54%	22.35%	27.87	184.12
Pakistan State Oil	Distribution of Oil & Gas	11.18%	0.00%	37.06%	0.00%	(218.40)	260.20
Thal Limited	Manufacturers of Jute bags & Acs & Wire Harness of Cars	17.81%	0.23%	75.23%	0.44%	(17.83)	94.94
Meezan Bank	Islamic Commercial Bank	N / A					




In light of the above, we hereby certify that all the provisions of the Scheme and investments made on accounts of UCIF by UBL Funds are Shariah compliant and in accordance with the criteria established.

- ii. On the basis of information provided by the management all operations of UCIF for the year ended 30 June 2010 (including foreign investments) have been in compliance with the Shariah principles.
- iii. The Management Company has been directed to set aside as charity amount earned as interest from conventional banks. In addition, there are investments made by UCIF where Investee companies have earned a part of their income from non-compliant sources (e.g. interest income). In such cases, the Management Company has been directed to set aside a charity such proportion of the income from Investee companies in order to purify the earning of the Fund.

During the year, an amount of Rs. 0.297 million has been recognized as charity.

May Allah give us strength to work in accordance with Quran and Sunnah and forgive our mistakes.



Maulvi Muhammad Hassan Kaleem  
Member, Shariah Advisory Board



Mufti Muhammad Najeem Khan  
Member, Shariah Advisory Board

KARACHI:  
DATE: 16 August 2010





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

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

## Independent Assurance Report on Shariah Compliance to the Unit holders of United Composite Islamic Fund

We have performed our independent assurance engagement of **United Composite Islamic Fund** ("the Fund") to provide assurance on the Fund's compliance with the Shariah Guidelines prescribed by the Shariah Advisor of the Fund for the year ended 30 June 2010.

### Management Company's responsibility

Management Company of the Fund is responsible for the appointment of Shariah Advisor of the Fund and for compliance with the Shariah Guidelines prescribed by the Shariah Advisor. This responsibility includes: designing, implementing and maintaining internal control to ensure compliance with the Shariah Guidelines issued by the Shariah Advisor of the Fund.

### Responsibility of independent assurance providers

Our responsibility is to carry out a reasonable assurance engagement and to express a conclusion based on work performed. We conducted our engagement in accordance with the International Standards on Assurance Engagements (ISAE 3000) 'Assurance Engagement other than Audits or Review of Historical Financial Information'. This standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance whether the Fund has complied in all material respects with the Shariah Guidelines issued by the Shariah Advisor.

A reasonable assurance engagement in respect of compliance of Shariah Guidelines issued by Shariah advisor involves performing procedures on a test basis to obtain evidence about compliance of Shariah Guidelines. The procedures selected depend on our judgement, including the assessment of the risks of material non-compliances with the Shariah guidelines. In making those risk assessments, we have considered internal controls relevant to the entity's compliance with the Shariah Guidelines in order to design our procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence whether the Fund was not materially non-compliant with the Shariah Guidelines. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

### Conclusion

In our opinion, the Fund was in all material respects, in compliance with the Shariah Guidelines issued by the Shariah Advisor of the Fund for the year ended 30 June 2010.

Date 30 AUG 2010  
Karachi

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

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Karachi 75530 Pakistan

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Internet www.kpmg.com.pk

### Independent Auditors' Report to the Unit Holders

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

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

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

#### 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.

#### Basis for Qualified Opinion

Through Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies which includes mutual funds. However, the Fund considers that it is not liable to contribute to the Workers' Welfare Fund for reasons as explained in note 27 to the financial statements.

However, we have obtained an independent legal opinion on this matter which states that the Fund is required to contribute to the Workers' Welfare Fund. Accordingly, we consider that provision for Workers' Welfare Fund liability amounting to Rs. 3.124 million for the year ended 30 June 2010 should have been made by the Fund. Had the said accrual been made, net assets of the Fund and net income of the Fund as of and for the year ended 30 June 2010 would have been lower by Rs. 3.124 million, while the Fund's liability as of 30 June 2010 would have been higher by the same amount. Similarly net assets per unit of the Fund as of 30 June 2010 would have been lower by Rs.0.57 per unit.

#### Qualified Opinion

In our opinion, except for the effects of the matter described in the basis of qualified opinion paragraph, 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 Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Date: 30 AUG 2010  
Karachi

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

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

# STATEMENT OF ASSETS AND LIABILITIES

AS AT 30 JUNE 2010

	Note	2010 (Rupees in '000)	2009
<b>Assets</b>			
Bank balances	5	43,104	15,623
Investments	6	455,943	765,605
Syndicated loan musharaka	7	19,444	25,000
Deposits and income receivable	8	10,153	20,524
Preliminary expenses	9	1,113	1,865
Dividend receivable		68	2,880
Receivable against sale of investments		-	14,214
<b>Total assets</b>		<b>529,825</b>	<b>845,711</b>
<b>Liabilities</b>			
Payable to the Management Company	10	1,382	222
Remuneration payable to the Trustee	11	87	138
Payable to Securities and Exchange Commission of Pakistan	12	632	798
Payable on redemption of units	13	485	20,834
Creditors and accrued expenses	14	3,003	861
<b>Total liabilities</b>		<b>5,589</b>	<b>22,853</b>
<b>Net assets</b>		<b>524,236</b>	<b>822,858</b>
<b>Unit holders' funds (as per statement attached)</b>		<b>524,236</b>	<b>822,858</b>
(Numbers)			
Number of units in issue	15	5,507,717	10,062,604
(Rupees)			
Net assets value per unit		95.18	81.77

The annexed notes from 1 to 29 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 (Rupees in '000)	2009
<b>Income</b>			
Capital gain / (loss) on sale of securities-net	17	128,543	(127,257)
Financial income	18	29,876	49,013
Dividend income		27,465	25,096
Element of income and capital gains included in prices of units issued less those in units redeemed - net		6,523	31,424
Exchange gain on foreign investment		1,339	10,756
Unrealised loss on revaluation of investments-net	19	(1,144)	(125,975)
Other income		-	175
<b>Total income / (loss)</b>		<b>192,602</b>	<b>(136,768)</b>
<b>Expenses</b>			
Remuneration to the Management Company	10.1	22,293	26,074
Remuneration to the Trustee	11	1,486	1,723
Annual fee to Securities and Exchange Commission of Pakistan	12	632	798
Impairment against available-for-sale debt securities		7,499	12,075
Brokerage expenses		1,118	1,325
Auditors' remuneration	20	498	442
Financial charges		520	501
Charity expenses	14.2	281	187
Capital value tax and settlement charges		245	79
Amortisation of preliminary expenses		752	752
Listing fee		225	50
Legal and professional charges		1	135
Printing expenses		148	515
Other expenses		56	51
<b>Total operating expenses</b>		<b>35,754</b>	<b>44,707</b>
<b>Net income / (loss) for the year</b>		<b>156,848</b>	<b>(181,475)</b>

The annexed notes from 1 to 29 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

	2010 (Rupees in '000)	2009 (Rupees in '000)
Net income / (loss) for the year	156,848	(181,475)
<b>Other comprehensive income</b>		
Net unrealised appreciation / (diminution) during the period in the value of 'available-for- sale' investments	19	(4,440)
<b>Total comprehensive income / (loss) for the year</b>	<u>156,867</u>	<u>(185,915)</u>

The annexed notes from 1 to 29 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 (Rupees in '000)	2009
Undistributed income at beginning of the year (realised)	5,503	119,128
Accumulated loss at beginning of the year (un-realised)	<u>(186,953)</u>	<u>(59,659)</u>
	(181,450)	59,469
Final Distribution for the year ended 30 June 2009 @ NIL (30 June 2008: 5.13 units per 100 units)		
- Cash dividend	-	(19,774)
- Bonus units	-	(39,670)
	-	(59,444)
Net income / (loss) for the year	156,848	(181,475)
Accumulated loss at end of the year	<u>(24,602)</u>	<u>(181,450)</u>
Undistributed income at end of the year (realised)	169,655	5,503
Accumulated loss at end of the year (un-realised)	<u>(194,257)</u>	<u>(186,953)</u>
	<u>(24,602)</u>	<u>(181,450)</u>

The annexed notes from 1 to 29 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' FUNDS

FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	(Rupees in '000)	
<b>Net assets at beginning of the year</b>	822,858	1,218,457
Net assets value Rs. 81.77 per unit (2009: Rs. 105.36)		
Cash received on issuance of 3,504,836 units (2009 : 2,149,007 units)	331,364	233,498
Cash paid / payable on redemption of 8,059,723 units (2009: 3,651,431 units)	(780,330)	(391,984)
	(448,966)	(158,486)
	373,892	1,059,971
Element included in prices of units sold less those in units redeemed	(6,523)	(31,424)
Deficit on revaluation of available for sale-investments (recognised directly in net assets)	(1,835)	(1,952)
Surplus on revaluation of available-for-sale investments transferred to income statement on impairment	-	(111)
Deficit / (Surplus) on revaluation of available-for-sale investments transferred to income statement on disposal	1,854	(2,377)
Net income / (loss) for the year	156,848	(181,475)
Total comprehensive income / (loss) for the year	156,867	(185,915)
Final cash distribution for the year ended 30 June 2009	-	(19,774)
<b>Net assets at end of the year</b>	524,236	822,858
Net assets value Rs. 95.18 per unit (2009: Rs. 81.77 per unit)		

\* This includes Nil units (30 June 2009: 395,831 units) issued as bonus units.

As at 30 June 2010, deficit on revaluation of Available-for-sale investments amounted to Rs. 1.933 million  
(30 June 2009: Rs. 1.952 million)

The annexed notes from 1 to 29 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 CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income / (loss) for the year	156,848	(181,475)
<b>Adjustments for:</b>		
Amortisation of preliminary expenses	752	752
Impairment in debt securities	7,499	12,075
Element of income included in prices of units issued less those in units redeemed - net	(6,523)	(31,424)
Exchange gain on foreign investment	(1,339)	(10,756)
Unrealised loss on revaluation of investments-net	1,144	125,975
	<u>1,533</u>	<u>96,622</u>
Net cash flows from operations before working capital changes	158,381	(84,853)
<b>Working capital changes</b>		
(Increase) / decrease in assets		
Investments	302,377	70,065
Syndicated loan musharaka	5,556	-
Deposits and income receivable	10,371	(8,077)
Dividend receivable	2,812	1,110
Receivable against sale of investments	14,214	(4,595)
	<u>335,330</u>	<u>58,503</u>
Increase / (decrease) in liabilities		
Payable on redemption of units	(20,349)	(5,958)
Payable to the Management Company	1,160	(1,297)
Remuneration payable to the Trustee	(51)	(45)
Payable to Securities and Exchange Commission of Pakistan	(166)	(333)
Payable to Shariah Advisory Board	-	(82)
Creditors and accrued expenses	2,142	459
	<u>(17,264)</u>	<u>(7,256)</u>
Net cash flows from operating activities	476,447	(33,606)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issuance of units	331,364	233,498
Payments against redemption of units	(780,330)	(391,984)
Cash Dividend paid	-	(19,774)
<b>Net cash flows from financing activities</b>	<u>(448,966)</u>	<u>(178,260)</u>
Net increase in cash and cash equivalents	27,481	(211,866)
Cash and cash equivalents at beginning of the year	15,623	227,489
Cash and cash equivalents at end of the year	<u>43,104</u>	<u>15,623</u>

The annexed notes from 1 to 29 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

United Composite Islamic Fund (the "Fund") was established under Trust Deed executed between UBL Funds Managers Limited, (wholly owned subsidiary of United Bank Limited) as its Management Company and Central Depository Company of Pakistan Limited, as its Trustee. The Trust Deed was executed on 11 September 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 16 November 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Management Company is situated at 8th Floor, State Life Building No. 1, I.I. Chundrigar Road, Karachi, Pakistan. The Fund commenced its operations from 16 November 2006.

The Management Company of the Fund is registered with the SECP as a Non-Banking Finance Company under the NBFC Rules, 2003.

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

The policy of the Fund is to make investments only in designated authorised investments approved by Shariah Advisory Board and shall thus offer Shariah Compliant returns to the investors. Under circular 07 dated 6 March 2009 issued by the SECP, the Fund is categorised as a Shariah Compliant Balanced Fund. The Management Company is in the process of making requisite amendments in relation to categorisation, investment objectives and relevant benchmark in the constitutive documents of the Fund. Details of bank balances and investments which are not compliant with the said circular are disclosed in notes 5.3 and 6.5 respectively.

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

## 2. BASIS OF PRESENTATION

### 2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, requirements of Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008 and herein-after referred to as "NBFC Regulations 2008"). In case, the requirements differ, the provisions or directives of the Companies Ordinance, 1984, the requirements of the Trust Deed, Non Banking Finance Companies (Establishment & Regulations) Rules, 2003 & Non Banking Finance Companies Regulation, 2008 shall prevail.

### 2.2 Standards, interpretations and amendments effective for annual reporting periods beginning after 1 July 2009

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 1 January 2010. However, these are not relevant to the Fund except in few cases these may require additional disclosures:

Improvements to IFRSs 2009	Effective date
- Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
- Amendments to IFRS 8 Operating Segments	1 January 2010
- Amendments to IAS 1 Presentation of Financial Statements	1 January 2010
- Amendments to IAS 7 Statement of Cash Flows	1 January 2010
- Amendments to IAS 17 Leases	1 January 2010
- Amendments to IAS 36 Impairment of Assets	1 January 2010
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters	1 January 2010
- Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions	1 January 2010
- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues	1 January 2010
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	1 July 2010
Improvements to IFRSs 2010	Effective date
- Amendments to IFRS 3 Business Combinations	1 July 2010
- Amendments to IAS 27 Consolidated and Separate Financial Statements	1 July 2010
- IAS 24 Related Party Disclosures (revised 2009) These amendments will result in increase in disclosures in the Fund's financial statements.	1 January 2011
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction	1 January 2011
- Amendments to IFRS 1 First-time Adoption of IFRSs	1 January 2011
- Amendments to IFRS 7 Financial Instruments: Disclosures	1 January 2011
- Amendments to IAS 1 Presentation of Financial Statements	1 January 2011
- Amendments to IAS 34 Interim Financial Reporting	1 January 2011
- Amendments to IFRIC 13 Customer Loyalty Programmes	1 January 2011

### 3. BASIS OF PREPARATION

- 3.1 These financial statements have been prepared under the historical cost convention, except that investments ' At Fair value through Profit or Loss', ' Available-for-Sale' and derivative financial instruments (if any) are carried at their fair value.
- 3.2 These financial statements are presented in Pakistan Rupees, which is also the functional currency of the Fund and have been rounded to the nearest thousand rupees unless otherwise specifically mentioned.

### 3.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of 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 the 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:

#### Investments stated at fair value

Management has determined fair value of certain investments by using quotations from active market. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matter of judgment (e.g. valuation, interest rates, etc.) and therefore, can not be determined with precision.

#### Impairment of investments

The Fund determines that investments are impaired in accordance with the provisioning guidelines prescribed by the Securities and Exchange Commission of Pakistan and the provisioning criteria approved by the Board of Directors of the Management Company ( Refer note no. 4. 12). Actual results may differ and the difference could be material.

#### Other assets

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

### 3.4 Changes in accounting policies

### 3.5 Presentation of financial statements

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 unit holders' fund. The statement of changes in unit holders' fund includes only details of transactions with owners, with non-owners changes in equity presented as a single line item in the statement of changes in unit holders' fund. 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.

Comparative information has been re-presented in conformity with the above revised IAS. The change in accounting policy only impacts presentation and disclosure aspects.

#### Other accounting developments

#### Disclosures pertaining to fair values for financial instruments

The Fund has applied Improving Disclosures about Financial Instruments (Amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements in respect of financial instruments.

The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorised as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons therefore, are required to be disclosed for each class of financial instruments.

Revised disclosures in respect of fair values of financial instruments are included in note 22.6.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

##### 4.1 Investments

All investments are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the investment, except in case of investments at Fair Value through Profit & Loss, in which case the transaction costs are charged off to the income statement.

##### 4.1.1 The Fund classifies its investments in the following categories:

###### **Financial asset at fair value through profit or loss upon initial recognition**

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 recognition, the investments in equity shares are remeasured at fair value determined with reference to the year-end rates on the stock exchange, the investment in debt instruments are remeasured at the fair values determined with reference to the rates quoted by the Mutual Funds Association of Pakistan (MUFAP) and investment in units of mutual funds remeasured at their respective NAVs. Gains or losses on re-measurement of these investments are recognised in income statement.

###### **Available-for-sale**

Investments which do not fall under the above categories are classified as available-for-sale. After initial recognition, investments classified as available-for-sale are remeasured at fair value, determined with reference to the year-end quoted rates. Gains or losses on remeasurement of these investments are recognised directly in the unit holders' funds until the investment is sold, collected or otherwise disposed-off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in unit holders' funds is included in income statement.

##### 4.1.2 Basis of valuation of Sukuk Certificates

The Fund's investment in sukuk certificates are revalued at the year end rates quoted by Mutual Fund Association of Pakistan (MUFAP) in accordance with the circular no. 1 dated 6 January 2009. Further Circular no. 1 has provided the discretion to the Management Company to apply the mark up/ mark down (within the available limits as prescribed in that circular) to the non-traded debt securities for their valuation. Accordingly, the Fund has valued certain non-traded debt securities by applying the discretion as per the policy which has been approved by the Board and under the requirements of the above mentioned circular.

##### 4.1.3 All regular way of purchases and sales of investments are recognised on the trade date i.e. the date the Fund commits to purchase / sell the investments. Regular way of purchase and sale of investments require delivery of securities within two days after the transaction, as required by the Stock Exchange Regulations.

## 4.2 Derivative financial instruments

Derivative instruments held by the Fund generally comprise of future contracts in the capital markets. These are initially recognised at cost and are subsequently re-measured at their fair value. The fair value of future contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the future contract. Derivatives with positive market values (un-realised gains) are included in other assets and derivatives with negative market values (un-realised losses) are included in other liabilities in the balance sheet. The resultant gains and losses are included in the income currently.

Derivative financial instruments entered into by the Fund do not meet the hedging criteria as defined by International Accounting Standard-39, Recognition and measurement of financial instruments (IAS - 39), consequently hedge accounting is not used by the Fund.

## 4.3 Preliminary expenses

Preliminary expenses represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years commencing from 24 December 2006 (also refer note 9 to these financial statements).

## 4.4 Issue and redemption of units

Units are allocated at the offer price prevalent on the day on which applications for the purchase of units are received (however units are issued on the receipt of cash / realisation of cheques). The offer price represents the net assets value of units at the end of the day plus the allowable sales load. The sales load is payable to the Distribution Companies and the Management Company as processing fee.

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. Redemption of units is recorded on acceptance of application for redemption.

## 4.5 Element of income / (loss) included in prices of units sold less those in units redeemed

An equalisation account called the "element of income / (loss) included in prices of units sold 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. This is recognised in the Income Statement currently.

## 4.6 Net assets value per unit

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

## 4.7 Taxation

The Fund is exempt from taxation on income under clause 99 of Part I to the Second Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its income excluding realised and unrealised capital gain for the year is distributed amongst the unit holders.

## 4.8 Revenue recognition

4.8.1 Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.

4.8.2 Dividend income is recognised when the right to receive the dividend is established.

- 4.8.3 Unrealised gains / (losses) arising on revaluation of securities classified as 'at fair value through profit or loss' are included in income statement in the period in which they arise. Gains / (losses) arising on the revaluation of the derivative financial instruments to their fair values are taken to the income statement currently.
- 4.8.4 Element of income / (loss) included in prices of units issued and redeemed is included in the income statement on the date of issue and redemption of units.
- 4.8.5 Income on Sukuk investment certificates are recognised at rate of return implicit in the instrument on a time proportionate basis.

#### 4.9 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. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income directly.

#### 4.10 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 to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### 4.11 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances including term deposits with banks (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 investment or other purposes).

#### 4.12 Impairment

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 is determined in accordance with the provisioning criteria for non-performing debt securities specified by the Securities and Exchange Commission of Pakistan (SECP) vide its circulars and the provisioning criteria / policy for non performing exposures approved by the Board of Directors of the management company in accordance with the requirements of SECP vide its Circular no. 13 of 2009 dated 4 May 2009. Amount of impairment is the higher of the amount determined under the above provisioning criterias.

The Fund's policy for provision against impaired debt securities essentially is the same as prescribed by the Securities and Exchange Commission of Pakistan (SECP) in its circular no. 1 of 2009. However provision in excess of the minimum requirements as prescribed by SECP can be made by the investment committee after considering the objective evidence of impairment.

In respect of the exposures other than those described by the said circular, it shall at minimum follow the time bands as determined by the Board of Directors of Management Company and as mentioned in the Fund's provisioning policy, further the investment committee shall also consider additional provisioning keeping in view the information available of the borrower.

In respect of other financial assets, at each balance sheet date an assessment is carried out to determine whether there is any objective evidence of impairment. The Financial assets are considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Impairment losses are recognised in the income statement currently.

#### 4.13 Provision

A provision is recognised in the balance sheet when the Fund has a legal or constructive obligation as result of past event and 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. Provision are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

#### 4.14 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.

#### 4.15 Dividend distribution

Dividend distributions are recorded in the period in which these distributions are approved.

#### 4.16 Other assets

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

### 5. BANK BALANCES

		2010	2009
		(Rupees in '000)	
Cash at bank			
In local currency:			
- in profit and loss sharing bank accounts	5.1	39,125	14,806
- in current accounts	5.2	3,959	791
In foreign currency:			
- in current account		<u>20</u>	<u>26</u>
		<u>43,104</u>	<u>15,623</u>

5.1 Profit rates range between 5% to 10.25% per annum (2009: 6.26% to 11.25% per annum). This includes Rs. 0.092 million (2009: Rs. 0.5 million) held with a related party, which carry profit at 8% per annum (2009: 11.25% per annum)

5.2 This includes Rs. 2.189 million (2009: Rs. 0.506 million) held with a related party.

5.3 Bank balances includes Rs. 28.423 million placed with banks having lower than prescribed rating as per Circular 7 dated 6 March 2009 issued by Securities and Exchange Commission of Pakistan. However, the deadline to comply with this provision has been extended to 31 December 2010 through the Circular 16 dated 7 July 2010.

### 6. INVESTMENTS

#### At fair value through profit or loss - upon initial recognition

- Equity Securities	6.1	253,607	471,707
- Foreign Investments	6.2	39,411	58,542
- Debt securities - Sukuk Certificates	6.3	<u>26,626</u>	<u>37,672</u>
		319,644	567,921

#### Available-for-Sale

- Debt securities - Sukuk Certificates	6.4	<u>136,299</u>	<u>197,684</u>
		<u>455,943</u>	<u>765,605</u>

6.1 Equity securities - at fair value through profit and loss-upon initial recognition

The details of investment in ordinary shares of Rs. 10 each (unless otherwise stated) are as follows:

Name of Security	As at 1 July 2009	Purchased / (Bonus) received during the year	Sold during the year	As at 30 June 2010	Carrying / Market value as at 30 June 2010	Carrying / Market value as at 30 June 2009	Percentage in relation to		
							net assets of the fund	total investment	issued capital of investee company
	------(Number of shares)-----			(Rupees in '000)					
<b>Oil &amp; Gas</b>									
Attock Refinery Limited	47,500	68,300	115,800	-	-	5,928	-	-	-
Mari Gas Company Limited	-	100,231	100,231	-	-	-	-	-	-
National Refinery Limited	29,100	-	29,100	-	-	6,403	-	-	-
Oil & Gas Development Company Limited	935,000	-	935,000	-	-	73,528	-	-	-
Pakistan Oilfields Limited	425,000	198,000	480,000	143,000	30,874	62,008	5.89%	6.77%	0.06%
Pakistan Petroleum Limited	250,000	311,800	395,300	166,500	30,656	47,385	5.85%	6.72%	0.02%
Pakistan State Oil Company Limited	58,500	342,000	227,122	173,378	45,113	12,499	8.61%	9.89%	0.10%
					<u>106,643</u>	<u>207,751</u>			
<b>CHEMICALS</b>									
BOC Pakistan	28,900	-	28,900	-	-	3,324	-	-	-
Dawood Hercules Chemicals Limited	132,700	82,252	142,700	72,252	12,676	17,053	2.42%	2.78%	0.06%
Engro Corporation Limited (formerly Engro Chemicals Pakistan Limited)	361,700	37,500	399,200	-	-	46,453	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	1,406,000	1,406,000	-	-	-	-	-	-
Fauji Fertilizer Company Limited	220,000	685,000	605,500	299,500	30,869	19,129	5.89%	6.77%	0.04%
					<u>43,545</u>	<u>85,959</u>			
<b>Construction &amp; Materials</b>									
Attock Cement Company Limited	193,800	58,605	252,405	-	-	13,609	-	-	-
Lucky Cement Limited	475,000	245,000	720,000	-	-	27,802	-	-	-
Cherat Cement Company Limited	125,000	-	125,000	-	-	4,519	-	-	-
					<u>-</u>	<u>45,930</u>			
<b>General Industrials</b>									
Packages Limited	164,950	-	164,950	-	-	25,904	-	-	-
Ghani Glass Limited	85,838	-	85,838	-	-	4,893	-	-	-
Thal Limited (Ordinary Shares of Rs. 5 each)	318,000	453,154	496,154	275,000	26,109	24,629	4.98%	5.73%	0.54%
					<u>26,109</u>	<u>55,426</u>			
<b>Automobile &amp; Parts</b>									
Pak Suzuki Motors Company Limited	-	175,000	175,000	-	-	-	-	-	-
Indus Motor Company Limited	-	55,788	-	55,788	14,638	-	2.79%	3.21%	0.71%
					<u>14,638</u>	<u>-</u>			
<b>Personal Goods</b>									
Nishat Mills Limited	-	250,000	250,000	-	-	-	-	-	-
Nishat Mills Limited (right allotment letters)	-	101,250	101,250	-	-	-	-	-	-
					<u>-</u>	<u>-</u>			
<b>Fixed Line Telecommunication</b>									
Pakistan Tele Communication Company Limited	2,000,000	50,000	2,050,000	-	-	34,480	-	-	-
					<u>-</u>	<u>-</u>			
<b>Electricity</b>									
* Hub Power Company Limited	860,000	1,543,695	1,053,695	1,350,000	43,146	23,297	8.23%	9.46%	0.12%
					<u>-</u>	<u>-</u>			
<b>BANKS</b>									
Meezan Bank Limited	1,714,902	992,011	1,364,902	1,342,011	19,526	18,864	3.72%	4.28%	0.20%
					<u>253,607</u>	<u>471,707</u>			

\* This includes 200,000 shares pledged with the National Clearing Company of Pakistan Limited against the exposure margin and the mark to market losses.

6.1.1 The cost of above investments as at 30 June 2010 amounted to Rs. 257.077 million (30 June 2009: Rs. 614.517 million).

6.2 Foreign Investments - at fair value through profit and loss- upon initial recognition

The details of foreign investments are as follows:

Name of Security	As at 1 July 2009	Purchased during the year	Sold during the year	As at 30 June 2010	Carrying / Market value as at 30 June 2010	Carrying / Market value as at 30 June 2009	Percentage in relation to	
							net assets of the fund	total investment
	------(Number of units)-----			(Rupees in '000)				
<b>Foreign Investments - Mutual Funds</b>								
HSBC-Amanah Investment FDS SPCGCC Ex-Saudi Equity Segregated Portfolio	43,547	-	43,547	-	-	24,876	0.00%	0.00%
HSBC-Amanah Funds Global Equity Index Fund A	6.2.2	21,144	103	-	21,247	8,569	1.79%	2.06%
HSBC Global Emerging Markets Fund	6.2.3	40,651	35,686	31,500	44,837	30,005	5.72%	6.58%
HSBC Amanah Investment FDS SPCHSBC Amanah Saudi Equity SP	6,714	-	6,714	-	-	4,037	0.00%	0.00%
					<u>39,411</u>	<u>58,542</u>		

6.2.1 The cost of above investments as at 30 June 2010 amounted to Rs. 35,702 million (30 June 2009: Rs. 90,209 million).

6.2.2 This is an open-ended investment fund incorporated in the Luxembourg. The Fund's objective is to track the performance of an equity market index representative of the top 100 global Islamic-compliant companies in accordance with Islamic Investment guidelines. Each of these units have a par value of \$ 10 each.

6.2.3 This is an open-ended investment fund incorporated in the Saudia Arabia in accordance with Islamic Investment guidelines. Each of these units have a par value of \$ 10 each.

6.2.4 Above investments have been made under permissions from the Securities and Exchange Commission of Pakistan (SECP) through their letter reference NBFC-II/D I/UBLFM/290 dated 18 April 2008 and the State Bank of Pakistan (SBP) through their letter reference EPD/INT/C-1235/12(213) 2007 dated 23 February 2007. SBP in its letter has restricted such investment up to a maximum limit of 7.5 million US Dollars for the first six monthly period from the date of the above mentioned letter to be revised on semi annual basis. The above letter from SBP further states that the funds invested abroad for the purposes of diversification of their asset / classes / portfolio should not exceed 30% of the aggregate funds mobilised.



6.3 Debt instruments - Sukuk certificates - at fair value through profit and loss-upon initial recognition

The details of investment in Sukuk certificates of Rs. 5,000 each are as follows:

Name of Security	As at 1 July 2009	Purchased during the year	Sold during the year	As at 30 June 2010	Carrying / Market value as at 30 June 2010	Carrying / Market value as at 30 June 2009	Percentage in relation to			Credit rating	
							net assets of the fund	total investment	issued amount of security		
------(Number of certificates)-----							(Rupees in '000)				
<b>Electricity</b>											
Sitara Energy Limited	6.3.2	11,084	-	-	11,084	26,626	37,672	5.08%	5.84%	5.00%	Non - Flated debt securities
					26,626	37,672					

6.3.1 The cost of above investments as at 30 June 2010 amounted to Rs. 26.671 Million (30 June 2009: Rs. 38.075 million).

6.3.2 These Sukuk certificates carry mark-up equal to the base rate of 1.95% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi annually in arrears with no floor or cap and will mature in July 2012. The principal is redeemable in ten equal semi-annual installments basis commencing from the 6th month from the issue date. These certificates are secured against first charge over present & future fixed assets of the company with 25% security margin. At 30 June 2010, profit at 14.25% per annum was due on the above Sukuk certificates.

6.4 Debt instruments - Sukuk certificates - Available-for-Sale

The details of investment in Sukuk certificates of Rs. 5,000 each are as follows:

Name of Security	As at 1 July 2009	Purchased during the period	Sold during the period	As at 30 June 2010	Carrying / Market value as at 30 June 2010	Carrying / Market value as at 30 June 2009	Percentage in relation to			Credit Rating	
							net assets of the fund	total investment	issued amount of security		
------(Number of certificates)-----							(Rupees in '000)				
<b>Financial Services</b>											
Orix Leasing Pakistan Limited	6.4.2	5,000	-	1,400	3,600	11,598	24,575	2.21%	2.54%	2.55%	A
<b>Chemicals</b>											
Engro Corporation	6.4.3	10,000	1,044	11,044	-	-	49,130	0.00%	0.00%	0.00%	AA-
<b>Forestry and Paper</b>											
Century Paper & Boards Mills Limited	6.4.4	8,000	1,000	3,000	6,000	25,861	39,020	3.14%	5.67%	0.77%	A+
<b>Construction and Materials</b>											
Kohat Cement Company Limited	6.4.5	10,000	-	-	10,000	36,225	36,225	4.40%	7.95%	1.93%	Non - Flated debt securities
Maple Leaf Cement Factory Limited	6.4.6	-	10,000	-	10,000	34,985	-	0.04%	0.08%	0.44%	Non - Investment Grade
<b>Electricity</b>											
Sitara Energy Limited	6.4.7	3,916	-	-	3,916	9,407	13,310	1.14%	2.06%	1.77%	Non - Flated debt securities
<b>Housing</b>											
Eden Builders (Private) Limited	6.4.8	1,200	2,897	-	4,097	18,223	6,009	2.21%	4.00%	0.91%	A
<b>Engineering</b>											
Karachi Shipyard & Engineering Works		6,000	-	6,000	-	-	29,415	0.00%	0.00%	0.00%	Government guaranteed
					136,298	197,684					

6.4.1 The cost of above investments as at 30 June 2010 amounted to Rs. 138.232 Million (30 June 2009: Rs. 199.636 million).

6.4.2 These Sukuk certificates carry mark-up equal to the base rate of 1.25% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi-annually in arrears with no floor or cap and will mature in June 2012. The principal is redeemable after a grace period of 24 months in semi-annual basis commencing from the 30th month from the issue date. These certificates are secured against first charge over specific leased assets and associated lease receivables with 25% security margin. At 30 June 2010, profit at 13.69% per annum was due on the above Sukuk certificates.

6.4.3 These Sukuk certificates carry mark-up equal to the base rate of 1.50% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi-annually in arrears with no floor or cap and will mature in September 2015. The principal is redeemable in up to two consecutive, equal semi-annual installments, the first such installment falling due on the 90th month from the date of first contribution under the facility. These certificates are secured against ranking charge over all present and future fixed assets with 20% security margin, to be upgraded with 90 days from the date of issue to first ranking pari passu over all present and future fixed assets of the company. These sukuk certificates were disposed off during the year.

6.4.4 These Sukuk certificates carry mark-up equal to the base rate of 1.35% plus 6 months Karachi Inter Bank Offer Rate per annum, receivable semi-annually in arrears with no floor or cap and will mature in September 2014. The principal is redeemable in ten stepped up semi-annual installments, commencing from the 30th month from the date of first disbursement. These certificates are secured against pari-passu hypothecation charge (excluding land and building) on the company's present and future fixed assets. At 30 June 2010, profit at 13.79% per annum was due on the above Sukuk certificates.

6.4.5 As per the latest restructured terms, these sukuk certificates carry mark-up equal to the base rate of 1.8% plus 3 months Karachi Interbank Offer Rate per annum till 20 December 2009 and thereafter base rate of 2.5% plus 3 months KIBOR, receivable quarterly in arrears with no floor or cap and will mature in December, 2015. However till June 2012, actual amount of profit due will not be paid on coupon dates but for first five coupons, profit to be paid will be lower than the profit due and then in the next six coupons, profit paid will be higher than the profit due in such a way that previous unpaid profit will be compensated in these six coupons. The outstanding principal is redeemable on quarterly basis and will commence from September 2012. These certificates are secured against first ranking hypothecation charge over all present and future fixed assets of the company equivalent to the facility amount along with 25% margin and First ranking mortgage over all present and future immovable properties of the company with a 25% margin over the facility amount. At 30 June 2010, profit at 14.12% per annum was due on the above Sukuk certificates.

During the year ended 30 June 2009, the company entered into financial restructuring agreement with the sukuk investors, under which the remaining principal amount was to be repaid in semi annual installments commencing from 20 December 2009. However, coupon due on 20 December 2009 containing principal repayment of Rs. 3.4 million and profit amount of Rs. 3.311 million was not received on the due date. Therefore, these certificates were classified as non-performing in December 2009. Subsequently, the company entered into a new financial restructuring agreement with the sukuk investors. The restructuring details are mentioned above in detail. Coupons due in March 2010 and June 2010 were received on due dates therefore in accordance with the requirements of Circular no. 1 of 2009 dated 6 January 2009 and Circular no.3 of 2010 dated 20 January 2010 issued by the Securities and Exchange Commission of Pakistan (SECP), these certificates were classified as performing in June 2010.

6.4.6 These Sukuk certificates were restructured in February 2010 and as per the restructured terms, it will mature in December 2018. These certificates now carry a mark-up equal to the base rate of 1% plus 3 months Karachi Interbank offer rate per annum with no floor or cap. The accrued mark-up from December 2009 to March 2011 would be converted into interest-free debt and will be paid in 24 equal quarterly installments starting from March 2012. A mark-up payment of 0.5% will be paid on the installment date on the deferred mark-up amount. Accrued mark-up from March 2011 to June 2011 will be paid in September 2011 and thereafter regular mark-up payments will commence and will be payable on due date. Furthermore, principal would be repaid in 36 equal monthly installments. First ten installments would be paid as token payments out of which two token payments were received in May 2010 and June 2010. These certificates are secured against first pari passu charge over all present and future fixed assets (including land, building, plant & machinery) of the company with 25% security margin.

In accordance with the requirements of Circular no.1 of 2009 dated 6 January 2009 issued by the Securities and Exchange Commission of Pakistan (SECP), these certificates are classified as non-performing and a provision of Rs. 7.499 million against the principal has been made accordingly.

Previously, these Sukuk certificates carried mark-up equal to the base rate of 1.70% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi-annually in arrears with no floor or cap and were to mature in December 2013 and the principal was redeemable on a semi-annual basis commencing from the 30th month from the issue date.

6.4.7 These Sukuk certificates carry mark-up equal to the base rate of 1.95% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi annually in arrears with no floor or cap and will mature in July 2012. The principal is redeemable in ten equal semi-annual installments basis commencing from the 6th month from the issue date. These certificates are secured against First charge over present & future fixed assets of the company with 25% security margin. At 30 June 2010, profit at 14.25% per annum was due on the above Sukuk certificates.

6.4.8 These Sukuk certificates carry mark-up equal to the base rate of 2% plus 3 months Karachi Interbank Offer Rate per annum, receivable quarterly in arrears with no floor or cap and will mature in March 2014. The principal is redeemable in 16 equal quarterly installments basis commencing from the 24th month from the issue date. These certificates are secured against specific and exclusive charge in favor of sukuk trustee / delegate trustee on an approximately 300 kanals of land procured for already launched Eden Value Homes. At 30 June 2010, profit at 14.25% per annum was due on the above Sukuk certificates.

6.5 Details of deviations from circular no. 7 of 2009 dated 6 March 2009 issued by SECP required vide circular no. 16 dated 7 July 2010 are as follows:

Name of Non Compliant Investment	Type of Investment	Value of investment before provision	Provision held if any	Value of investment after provisioning	% of net Assets	% of total Assets
Kohat Cement Company Limited	Sukuk Certificates	36,225	-	36,225	6.91%	6.84%
Maple Leaf Cement Factory Limited	Sukuk Certificates	42,484	7,499	34,985	6.67%	6.60%
Sitara Energy Limited - (classified as Available-for-Sale)	Sukuk Certificates	9,407	-	9,407	1.79%	1.78%
Sitara Energy Limited - (classified as Fair value through profit & loss)	Sukuk Certificates	26,626	-	26,626	5.08%	5.03%

7.	<b>Syndicated Loan Musharaka</b>		2010 (Rupees in '000)	2009
	Ittehad Chemicals Limited	7.1	<u>19,444</u>	<u>25,000</u>

7.1 This Syndicated loan carries mark-up equal to the base rate of 2 % plus 6 months Karachi Interbank Offer Rate per annum, receivable semi-annually in arrears with no floor or cap and will mature in August 2013. The principal is redeemable in semi-annual basis commencing from the 24th month from the issue date. This Syndicated loan is secured against ranking charge which will be converted into first pari-passu charge (within 90 days from the first drawn date) over plant and machinery of the company with 25% security margin. At 30 June 2010, profit at 14.38% per annum was due on the above Syndicated Loan Musharaka. The credit rating of the issuer is A-

#### 8. DEPOSITS AND INCOME RECEIVABLE

Income receivable on:

- bank deposit accounts	146	2,581
- Sukuk Certificates	6,178	13,772
- Syndicated Loan Musharaka	1,188	1,562

Security deposit with National Clearing Company of Pakistan Limited	2,500	2,500
Security deposit with Central Depository Company Limited	100	100
Other receivables	41	9
	<u>10,153</u>	<u>20,524</u>

#### 9. PRELIMINARY EXPENSES

Preliminary expenses - unamortised	1,865	2,617
Amortisation during the year	(752)	(752)
Balance as at 30 June	<u>1,113</u>	<u>1,865</u>

Preliminary expenses represent expenditure incurred for the constitution and launch of the Fund. As stated in note 4.3 to these financial statements, these expenses are being amortised over a period of five years commencing from 24 December 2006. As per the Trust Deed approved by the Securities and Exchange Commission of Pakistan, the preliminary expenses shall be amortised after the commencement of the Initial Public Offer period.

#### 10. PAYABLE TO THE MANAGEMENT COMPANY

		2010 (Rupees in '000)	2009
Remuneration payable to the Management Company	10.1	1,297	207
Sales load payable to Management Company		85	15
		<u>1,382</u>	<u>222</u>

10.1 The Management Company shall be entitled to be paid monthly in arrears, accrued remuneration duly verified by the trustee during the first five years of collective investment scheme's existence, of an amount not exceeding three percent of the average annual net assets of the collective investment scheme and thereafter of an amount equal to two per cent of such assets or such other amount as may be specified by the Commission from time to time. Provided that a Management Company may charge performance based or fixed fee or the combination of both as per the guidelines issued by the Commission from time to time. The remuneration has been calculated at the rate of 3% of the average daily net assets of the Fund.

#### 11. REMUNERATION TO THE TRUSTEE

The trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed at the higher of 0.7 million or 0.2% per annum on amount up to Rs. 1 billion of average daily net assets of the Fund and at Rs. 2 million plus 0.1% per annum on amount exceeding Rs. 1 billion of average daily net assets of the Fund. The remuneration has been calculated at the rate of Rs. 2 million plus 0.1% per annum on the amount exceeding Rs. 1 billion of average daily net assets of the Fund.

#### 12. ANNUAL FEE 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 fee at the rate of 0.085 percent of the average daily net assets of the fund in accordance with regulation 62 of NBFC regulations 2008.

#### 13. PAYABLE ON REDEMPTION OF UNITS

This represents the amount payable on redemption of units. The amount was paid subsequent to the year end.

#### 14. CREDITORS AND ACCRUED EXPENSES

		2010	2009
		(Rupees in '000)	
Payable against purchase of investments	14.1	2,165	-
Auditors' remuneration		380	323
Charity payable	14.2	-	92
Others		458	446
		<u>3,003</u>	<u>861</u>

14.1 This represents the amount payable for the securities purchased in the ready stock market. The amount was paid subsequent to the year end.

14.2 According to the instructions of the Shariah Advisory Board, any income earned by the Fund from investments whereby portion of the investment of such investee has been made in non shariah compliant avenues, such portion of the investment of the Fund from the investee should be donated for charitable purposes directly by the Fund. Accordingly, an amount of Rs. 0.281 million (2009: Rs. 0.187 million) has been recognised as charity expense out of which Nil is payable at year end (2009: Rs. 0.092 million)

## 15. NUMBER OF UNITS IN ISSUE

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

Class		2010	2009	2010	2009
		(Units)		(Rupees in '000)	
Core Units		2,500,000	2,500,000	250,000	250,000
A	15.1	<u>3,007,717</u>	<u>7,562,604</u>	<u>300,772</u>	<u>756,260</u>
Total		<u><u>5,507,717</u></u>	<u><u>10,062,604</u></u>	<u><u>550,772</u></u>	<u><u>1,006,260</u></u>

15.1 The par value of each unit is Rs 100. The management of the Fund has set a minimum investment size of Rs. 500.

15.2 All units carry equal rights and are entitled to dividend and share in the net asset value of the Fund.

## 15.3 PATTERN OF UNIT HOLDERS

Category	2010		
	Number of		% of total
	Unit holders	Unit held	
Individuals	1,278	1,639,956	29.78%
Associated Companies	2	3,459,200	62.81%
Directors and Executives of the Management Company	25	21,759	0.40%
Insurance Companies	1	5,098	0.09%
Banks / Development Financial Institutions	-	-	0.00%
Retirement Funds	16	307,457	5.58%
Companies	2	20,619	0.37%
Others	4	53,628	0.97%
	<u>1,328</u>	<u>5,507,717</u>	<u>100.00%</u>
Category	2009		
	Number of		% of total
	Unit holders	Unit held	
Individuals	1,735	2,349,748	23.36%
Associated Companies	2	5,111,200	50.79%
Directors and Executives of the Management Company	5	10,647	0.11%
Insurance Companies	3	543,111	5.40%
Banks / Development Financial Institutions	1	232,558	2.31%
Retirement Funds	24	1,750,135	17.39%
Companies	5	11,476	0.11%
Others	5	53,729	0.53%
	<u>1,780</u>	<u>10,062,604</u>	<u>100.00%</u>

**16. TAXATION**

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of 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. 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 unrealized capital gains to the unit holders. No provision for tax has been made in these financial statements as the Management has subsequent to the year end distributed sufficient accounting income as per the above requirements. Details of this distribution is given in note 28 to the financial statements.

<b>17. CAPITAL GAIN / (LOSS) ON SALE OF SECURITIES- NET</b>	<b>2010</b>	<b>2009</b>
	<b>(Rupees in '000)</b>	
On		
- Equity securities-net (At fair value through profit and loss upon initial recognition)	128,194	(112,033)
- Sukuk certificates (available-for-sale)	(3,176)	(2,755)
- Sukuk certificates (At fair value through profit or loss - upon initial recognition)	106	40
- Mutual funds units (At fair value through profit and loss upon initial recognition)	3,419	(12,509)
	<u>128,543</u>	<u>(127,257)</u>
 <b>18. FINANCIAL INCOME</b>		
Mark-up / Return on:		
- Bank deposit accounts	1,727	7,887
- Term deposits musharaka	-	448
- Syndicated Loan Musharaka	3,230	3,971
- Sukuk Certificates (available-for-sale)	20,616	29,915
- Sukuk Certificates (At fair value through profit or loss - upon initial recognition)	4,303	6,792
	<u>29,876</u>	<u>49,013</u>
 <b>19. UNREALISED GAIN / (LOSS) ON REVALUATION OF INVESTMENTS-NET</b>	<b>2010</b>	<b>2009</b>
	<b>(Rupees in '000)</b>	
- Equity securities-net (At fair value through profit and loss upon initial recognition)	(3,470)	(84,135)
- Mutual funds (At fair value through profit and loss upon initial recognition)	2,371	(41,437)
- Sukuk Certificates (At fair value through profit or loss - upon initial recognition)	(45)	(403)
	<u>(1,144)</u>	<u>(125,975)</u>

	2010	2009
	(Rupees in '000)	
<b>20. AUDITORS' REMUNERATION</b>		
Annual audit fee	150	125
Fee for the review of half yearly financial statements	100	75
Fee for the review of Code of Corporate Governance	25	25
Fee for the review of Shariah Compliance	75	75
Fee for other certifications	55	45
Out of pocket expenses	93	97
	<u>498</u>	<u>442</u>

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

21.1 Related parties / connected persons comprise the following:

Related Party	Relationship
UBL Fund Managers Limited	The Management Company of the Fund
Key Management Personnel	Directors and key management personnel of the Management Company
United Bank Limited	Holding Company of the Management Company
Central Depository Company of Pakistan Limited	The Trustee of the Fund
UBL Liquidity Fund Plus (ULPF)	Fund managed by UBL Fund Managers Limited
United Growth & Income Fund (UGIF)	----- do -----
United Stock Advantage Fund (USF)	----- do -----
United Islamic Income Fund (UIIF)	----- do -----
UBL Capital Protected Fund - I (UCPF-I)	----- do -----
UBL Capital Protected Fund - II (UCPF-II)	----- do -----
UBL Retirement Savings Fund (URSF)	----- do -----
UBL Islamic Retirement Savings Fund (UIRSF)	----- do -----
UBL Insurers Limited	Associated undertaking
Engro Corporation Limited (formerly Engro Chemicals Pakistan Limited)	Associated undertaking (common directorship)
Engro Polymer and Chemicals Limited	----- do -----
National Bank of Pakistan	----- do -----

Remuneration payable to the management company and the trustee is determined in accordance with the provisions of Non Banking Finance Companies Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008 and the Trust Deed respectively. Other transactions with related parties / connected persons have been transacted at an agreed / commercial terms.

21.2 Details of transactions during the year and balances with related parties at the year end are as follows:

	2010 (Units in '000)	2009	2010 (Rupees in '000)	2009
<b>Units sold to:</b>				
<b>Associated Undertakings</b>				
-United Bank Limited	-	-	-	-
-UBL Fund Managers Limited	1,473	-	142,786	-
-UBL Fund Managers Limited Employees Provident Fund	-	10	-	1,000
-UBL Fund Managers Limited Employees Gratuity Fund	-	-	-	-
<b>Related parties other than associated undertakings</b>				
-Directors and executives of the management company	29	1	2,881	71
<b>Units redeemed by:</b>				
<b>Associated Undertakings</b>				
-United Bank Limited	2,364	243	233,444	19,895
-UBL Fund Managers Limited	762	-	75,000	-
-UBL Fund Managers Limited Employees Provident Fund	-	17	-	1,496
-UBL Fund Managers Limited Employees Gratuity Fund	-	2	-	209
<b>Related parties other than associated undertakings</b>				
-Directors and executives of the management company	19	12	1,828	1,031
<b>Bonus Units distributed to:</b>				
<b>Associated Undertakings</b>				
-United Bank Limited	-	127	-	12,745
-UBL Fund Managers Limited	-	-	-	-
-UBL Fund Managers Limited Employees Provident Fund	-	1	-	35
-UBL Fund Managers Limited Employees Gratuity Fund	-	1	-	12
<b>Related parties other than associated undertakings</b>				
-Directors and executives of the management company	-	1	-	100
<b>Units held by:</b>				
<b>Associated Undertakings</b>				
-United Bank Limited	2,748	5,111	261,521	418,017
-UBL Fund Managers Limited	712	-	67,733	-
-UBL Fund Managers Limited Employees Provident Fund	-	-	-	-
-UBL Fund Managers Limited Employees Gratuity Fund	-	-	-	-
<b>Related parties other than associated undertakings</b>				
-Directors and executives of the management company	22	5	2,071	461

21.3 Detail of balances with related parties at the year end are as follows:

<u>Transactions with related parties</u>	Note	2010 (Rupees in '000)	2009
<b>United Bank Limited (associated undertaking)</b>			
-Bank charges		34	5
-Dividend paid		-	14,123
-Profit received		2,358	1,901
<b>Management Company (associated undertaking)</b>			
-Remuneration to the Management Company	10.1	22,293	26,074
<b>Engro Corporation Limited (formerly Engro Chemicals Pakistan Limited - associated undertaking)</b>			
Capital gain on sale of securities		21,443	-
Dividend income		1,427	-
<b>Trustee (connected person)</b>			
-Remuneration to the Trustee	11	1,486	1,723
<b>United Islamic Income Fund (associated undertaking)</b>			
-Units purchased ( units, 2009: 9,765 units)		-	1,000
-Units redeemed ( units, 2008: 9,765 units )		-	1,004
- Sukuk certificates sold		13,357	87,934
<b>United Growth &amp; Income Fund (associated undertaking)</b>			
- Sukuk certificates purchased		-	51,751
<b><u>Balances with related parties - unsecured</u></b>			
<b>United Bank Limited (associated undertaking)</b>			
-Bank balances	5.1 & 5.2	2,281	1,006
-Profit receivable		-	2,428
<b>Management Company (associated undertaking)</b>			
-Remuneration payable to the Management Company	10.1	1,297	207
-Sales load payable to the Management Company		85	15
<b>Trustee (connected person)</b>			
-Remuneration payable to the Trustee	11	87	138
-Security deposit	8	100	100

## 22. FINANCIAL RISK AND 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 a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability.

Monitoring and controlling risks is primarily set up to be performed based on limits established by the internal controls set on different activities of the fund by the Board of Directors through specific directives and constitutive documents. These controls and limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. In addition, the Fund monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks type and activities.



The policy of the Fund is to make investments only in designated authorised investments approved by Shariah Advisory Board and shall thus offer Shariah Compliant returns to the investors.

The Fund is exposed to market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

## 22.1 Credit risk

Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter party to fulfill their obligations. The risk is generally limited to principal amount and accrued interest thereon.

The Fund carries off its credit risk through the following criteria, controls and procedure:

- The Fund limits its exposure to credit risk by only investing in liquid debt securities that have at minimum an investment grade as rated by a credit rating agency approved by SECP. In the absence of issue rating, the Fund ensures that the entity has an investment grade as rated by a credit rating agency approved by SECP.
- Investment transactions are carried out with a large number of brokers, whose credit rating is taken into account so as to minimise the risk of default and transaction are settled or paid for only upon deliveries.
- The risk of counter party exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of trade reports, credit ratings and financial statements on a regular basis.
- The Fund manages this risk by limiting exposure to a single entity to 15 % of NAV and to a single stock exchange sector to 30% of NAV (for details refer note 6.3 and 6.4 to the financial statements).
- The Fund's investment in foreign mutual funds are also subjected to the limits prescribed by the State Bank of Pakistan as disclosed in note 6.2.4 to these financial statements.

Cash is held only with reputable banks (including related party) with high quality external credit enhancement.

The maximum exposure to credit risk before any credit enhancements at 30 June is the carrying amount of the financial assets as set out below:

	2010		2009	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	(Rupees in '000)			
Bank balances	43,104	43,104	15,623	15,623
Investments - At fair value through profit or loss - upon initial recognition				
- Equity Securities	253,607	-	471,707	-
- Mutual Funds	39,411	39,411	58,542	58,542
- Debt securities - Sukuk Certificates	26,626	26,626	37,672	37,672
Investments - Available-for-Sale				
- Debt securities - Sukuk Certificates	136,299	136,299	197,684	168,269
Syndicated Loan Musharika	19,444	19,444	25,000	25,000
Deposits and income receivables	10,153	10,153	20,524	18,697
Dividend receivable	68	68	2,880	2,880
Receivable against sale of investments	-	-	14,214	14,214
	<b>528,712</b>	<b>275,105</b>	<b>843,846</b>	<b>340,897</b>

Differences in the balances as per the statement of assets and liabilities and maximum exposure were due to the fact that equity securities classified as 'At fair value through profit or loss' - upon initial recognition, were not exposed to credit risk.

Details of collaterals (if any) and credit ratings of investments and musharaka investments are given in note 6.3, 6.4 and 7 to these financial statements.

None of the Financial assets of the Fund are past due/ impaired except as disclosed in note 6.4.6 to these financial statements.

#### Concentration of credit risk

Concentration is the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. 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. Details of Fund's concentration of credit risk of the financial instruments by industrial distribution are given in the respective notes to the financial statements.

## 22.2 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The Fund is exposed to daily cash redemptions of units held by the fund. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed. Only a limited proportion of its assets in investments are not actively traded. Further, the Fund may under exceptional circumstances, with the approval of trustee, for meeting redemption request exceeding fifteen per cent or such other limit as specified by the Commission of the total net asset value of the fund may borrow. Amount borrowed shall be repayable within a period of ninety days. However no borrowings were made during the year.

In order to manage the Fund's overall liquidity, the Fund also has the ability to defer daily redemption requests on any one dealing day exceeding ten per cent of the total number of units in issue to the next dealing day as per the provisions of NBFC Regulation and such request would be treated as redemption request 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 Management Company in extra ordinary circumstances as per NBFC Regulations. Furthermore, an interval of six working days between the receipt of a redemption request and issuance of payment instruments against it to the holder also provides a cushion in the repayment of on-demand redemption of units.

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

#### Maturity analysis for financial liabilities

	Carrying amount	Gross nominal inflow / outflow	Less than 1 months	1 to 3 months
<b>30 June 2010</b>				
----- (Rupees in '000) -----				
Non-derivative liabilities				
Payable to Management Company	1,382	1,382	1,382	-
Remuneration payable to Trustee	87	87	87	-
Payable to Securities and Exchange Commission of Pakistan	632	632	-	632
Payable on redemption of units	485	485	485	-
Creditors and accrued expenses	3,003	3,003	-	3,003
	<u>5,589</u>	<u>5,589</u>	<u>1,954</u>	<u>3,635</u>
<b>30 June 2009</b>				
----- (Rupees in '000) -----				
Non-derivative liabilities				
Payable to Management Company	222	222	222	-
Remuneration payable to Trustee	138	138	138	-
Payable to Securities and Exchange Commission of Pakistan	798	798	-	798
Payable on redemption of units	20,834	20,834	20,834	-
Creditors and accrued expenses	861	861	92	769
	<u>22,853</u>	<u>22,853</u>	<u>21,286</u>	<u>1,567</u>

Units of the Fund are redeemable on demand at the holder's option. However, unit holders typically retain them from medium to long term.

## 22.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates, market price or the changes in the foreign exchange rate 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 Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan.

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

### 22.3.1 Currency risk

Currency Risk is the risk that the fair value of future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. The Fund has investment in foreign mutual funds and is exposed to foreign exchange risk.

In accordance with the Fund's policy, the Fund Manager monitors the Fund's foreign exposure on continuous basis. Investment Committee monitors and reviews the investment performance and considers the investment position critically and Board of Directors reviews it on a quarterly basis.

The Fund's total exposure to foreign exchange risk at 30 June were as follow:

	2010		2009	
	in Rupees	in USD	in Rupees	in USD
	------(Amount in '000)-----			
Bank balances	20	1	26	1
Investment in Foreign Mutual Funds classified as 'At fair value through profit and loss'	39,411	462	58,542	721
	<u>39,431</u>	<u>463</u>	<u>58,568</u>	<u>722</u>

### Sensitivity Analysis

A five percent strengthening of Pakistani Rupee against US Dollar would have increased the unit holder's fund and profit by Rs. 1.972 million (2009:Rs. 2.928 million). Weakening of Pakistani Rupees by the same percentage would have a vice versa impact. This analysis assumes that all other variable in particular interest rate remain constant. The analysis is performed on the same basis for the comparative year.

### 22.3.2 Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows.

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

The Fund holds floating rate debt securities and Syndicated musharaka which are linked with KIBOR and profit and loss sharing bank accounts, that expose the Fund to cash flow interest rate risk.

At the year end, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

Variable rate instruments	2010 (Rupees in '000')	2009
Bank balances	39,125	14,806
Investments in debt securities		
- At fair value through Profit and Loss-upon initial recognition	26,626	37,672
- Available-for-sale investments	136,299	197,684
Syndicated Loan Musharaka	<u>19,444</u>	<u>25,000</u>
	<u>221,494</u>	<u>275,162</u>

An increase / decrease of 100 basis points in interest rates at the year end would have increased / decreased the unit holders' fund and profit by Rs. 0.353 million (2009: Rs. 1.190 million). The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the comparative year.

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

Presently, the Fund do not have investment in any fixed interest rate bearing securities.

The composition of the Fund's investment portfolio and KIBOR rates is expected to change overtime. Accordingly, the actual trading results may differ from the above sensitivity analysis and the difference could be material.

A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

30 June 2010	Less than one month	one month to three months	three months to one year	Total
----- (Rupees in '000) -----				
<b>Assets</b>				
Bank balances	39,125	-	-	39,125
Investments	36,033	80,309	46,583	162,925
Syndicated loan musharaka	-	19,444	-	19,444
<b>Total assets</b>	<b>75,158</b>	<b>99,753</b>	<b>46,583</b>	<b>221,494</b>
<b>Liabilities</b>				
There are no interest bearing liabilities				
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest sensitivity gap</b>	<b>75,158</b>	<b>99,753</b>	<b>46,583</b>	<b>221,494</b>
30 June 2009	Less than one month	one month to three months	three months to one year	Total
----- (Rupees in '000) -----				
<b>Assets</b>				
Bank balances	14,806	-	-	14,806
Investments	50,982	123,574	60,800	235,356
Syndicated loan musharaka	-	25,000	-	25,000
<b>Total assets</b>	<b>65,788</b>	<b>148,574</b>	<b>60,800</b>	<b>275,162</b>
<b>Liabilities</b>				
There are no interest bearing liabilities				
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest sensitivity gap</b>	<b>65,788</b>	<b>148,574</b>	<b>60,800</b>	<b>275,162</b>

### 22.3.3 Price risk

Price risk is the risk of unfavorable changes in the fair value of equity securities and units of mutual funds as a result of changes in the levels of respective indices and the value of individual securities. This arises from the investment held by the Fund for which prices in the future are uncertain. The Fund policy is to manage price risk through diversification and selection of securities within specified limits set by internal risk management guidelines.

The Fund manages this risk by limiting exposure to a single entity to 15 % of NAV and to a single stock exchange sector to 30% of NAV. A summary analysis of local investments by industry sector, the percentage in relation to Fund's assets and the issued capital of the investee company is presented in note 6.1 to these financial statements. Furthermore, the Fund's policy requires that the overall Fund position is monitored on a daily basis by the Fund Manager and is reviewed on weekly basis by the Investment Committee and by the Board of Directors in every board meeting. Compliance with the Fund's investment policies are reported to the Board of Directors.

The Fund's investments in equity securities are publicly traded and are valued at the rates quoted on the relevant stock exchanges.

As at 30 June, the fair value of equity securities and units of mutual funds exposed to price risk are disclosed in note 6.1 and 6.2 to these financial statements.

### Sensitivity Analysis

The table below summarises the sensitivity of the Fund's net asset value attributable to unit holders to equity price movements as at 30 June. The analysis is based on the assumption that the KSE-100 index/ respective market indices increases by 5% (2009: 5%), with all other variables remain constant and the fair value of equity securities and units of mutual funds moved according to their historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE-100 index/ respective market indices, having regards to the historical volatility of index of past 3 years (2009: 2 years). Whereas, for foreign investment made in mutual funds, the analysis is based on the assumption that the NAVs of the mutual funds would increase/ decrease by 5% (2009: 5%) if the indexes where these funds are invested increased/ decreased by 5% (2009: 5%):

Effect on income statement, net assets attributable to unit holders of an increase / decrease in the index	2010 (Rupees in '000)	2009
Domestic equity investments	12,680	23,585
Investments in units of mutual funds outside Pakistan	1,971	2,927

A decrease of 5 % would have equal but opposite effect to the amounts shown above, on the basis that all other variable remains same.

The sensitivity analysis presented is based upon the portfolio composition as at 30 June and the historical correlation of the securities comprising the portfolio to the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE / respective market indices, is expected to change over time. Accordingly, the sensitivity analysis prepared as at 30 June is not necessarily indicative of the effect on the Fund's net assets attributable to unit holders of future movements in the level of the KSE / respective market indices.

#### 22.4 Unitholder's fund risk management (capital risk)

Capital risk is the risk that the capital of the fund changes significantly and causes adverse effects on the Fund's existence as going concern. The capital of the Fund is represented by the net assets attributable to unit holders. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund. The Fund is not exposed to externally imposed minimum capital maintenance requirements.

In order to maintain or adjust the capital structure, the Fund's policy is to perform the following:

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

#### 22.5 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. The responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to
- address the risks identified
- ethical and business standards
- risk mitigation, including insurance where this is effective.

## 22.6 Fair value of financial instruments

The Fund's accounting policy on fair value measurements of investments is discussed in note 4. 1. 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.

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:

	Level 1	Level 2	Level 3	Total
	(Rupees in '000')			
<b>Financial assets at fair value through profit and loss- upon initial recognition</b>				
Equity securities	253,607	-	-	253,607
Debt securities - Sukuk Certificates	-	-	26,626	26,626
Foreign investment (Mutual Funds)	39,411	-	-	39,411
<b>Available for Sale</b>				
Debt securities - Sukuk Certificates	-	-	136,299	136,299
	<u>293,018</u>	<u>-</u>	<u>162,925</u>	<u>455,943</u>

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy.

	30 June 2010 (Rupees in '000')
Balance as at 01 July 2009	150,802
Revaluation gain / (loss) for the year	(663)
Purchase during the year (at cost)	47,503
Redemption during the period	(25,281)
Sale during the year	(20,160)
Provision made during the year	(7,499)
Transferred from level 2 to level 3 during the year	18,223
<b>Balance as at 30 June 2010</b>	<u>162,925</u>

## 23. LIST OF TOP BROKERS BY PERCENT OF THE COMMISSION PAID

Broker name	2010 (Percentage)
FDM Capital Securities (Private) Limited	9.72%
IGI Finex Securities Limited	8.10%
Invest Capital Investment Bank Limited	8.05%
Elixir Securities Pak. (Private) Limited	8.04%
Shehzad Chamdia Securities (Private) Limited	8.00%
KASB Securities Limited	7.88%
Crosby Securities Pakistan Private Limited	6.82%
JS Global Capital Limited	5.82%
Foundation Securities (Private) Limited	5.18%
Arif Habib Limited	3.75%

Broker name	2009 (Percentage)
KASB Securities Limited	6.95%
Arif Habib Limited	6.29%
Elixir Securities Pakistan (Private) limited	6.02%
Global Securities Limited	5.92%
Shehzad Chamdia Securities (Private) Limited	5.86%
Al-Habib Capital Markets (Private) Limited	5.74%
JS Global Capital Limited	5.47%
Invest & Finance Securities Limited	5.46%
Crosby Securities Pakistan (Private) Limited	5.19%
Bhayani Securities (Private) Limited	5.10%

## 24. INVESTMENT COMMITTEE

Following are the members of investment committee:

Mr. Mir Muhammad Ali, CFA - Chief Executive Officer

Mr. Hasnain Raza Nensey - Chief Investment Officer

Mr. Aly Osman - Head of Risk Management and Compliance

Mr. Rahim Khakiani - Chief Financial Officer & Company Secretary

Mr. Syed Ali Turab Alvi - Head of Research

Mr. Wahaj Aslam - Fund Manager, United Composite Islamic Fund



#### **Mr. Mir Muhammad Ali, CFA - Chief Executive Officer (CEO)**

Mir Muhammad Ali has extensive experience in investment banking and fund management during the last 17 years. Prior to joining UBL Fund Managers Limited (UBLFM), he was with Asian Development Bank (ADB). He represented ADB on the board of several companies including an asset management company. Prior to joining ADB, Mir worked as Divisional Head Investment Banking of United Bank Limited. During his career, he has also worked for various institutions such as Pakistan Kuwait Investment Company, IBM World Trade Corporation and ANZ Grindlays Bank. Mir is an MSc. in Finance from University of Strathclyde in Glasgow, Scotland. He is an MBA from the Institute of Business Administration and is also a CFA Charter Holder.

#### **Mr. Hasnain Raza Nensey - Chief Investment Officer (CIO)**

Hasnain Raza Nensey is the CIO at UBLFM. Prior to this, he was Chief Investment Officer at JS Investments Limited, where he was also a member of the Investment Committee. Hasnain started his career in 1993 with JS Group where he worked as an Equity Analyst covering the Energy and Textile Sector companies listed on the Karachi Stock Exchange. Hasnain has also been involved in the textile and property development businesses for a number of years from 1997 onwards. Hasnain has a BSBA Degree with a concentration in Finance and Marketing from Boston University in Massachusetts, USA. He is also an MBA from Babson College in Massachusetts, USA.

#### **Mr. Aly Osman- Head of Risk Management and Compliance**

Mr. Aly Osman is the Head of Risk Management, Compliance and Product Development at UBL Fund Managers Limited. He is primarily responsible for identifying, evaluating or measuring significant risks inherent in the organization as well establishing controls to mitigate such risks. He is also responsible for reviewing compliance with the laws, rules and regulations, internal organization policy and industry standards on an ongoing basis and reporting on compliance matters. Mr. Aly Osman is an Associate Member of Institute of Cost and Management Accountant Pakistan (ACMA). Mr. Aly Osman has over ten years of professional experience. Prior to his joining UBL Fund Managers Limited, he was working as the Chief Compliance & Risk Officer at JS Investments Limited for the last 2.5 years. Prior to that, he was working with the Securities and Exchange Commission of Pakistan (SECP) as Joint Director, Heading the Stock Exchanges, Depository and Clearing, Policy and Regulation Wing of the Securities Market Division.

Mr. Aly Osman has also completed the United States SEC Institute of Securities Market Development Course 2004 in Washington DC which is a recognized course covering all aspects of securities market structures, systems and regulation.

#### **Mr. Rahim Khakiani - Chief Financial Officer & Company Secretary**

Rahim Khakiani brings with him a diversified experience of over eleven years of in finance, external audit and management consulting. Prior to joining UBL Fund Managers, he was associated with JS Investments Limited as Head of Finance for over three years, where he was instrumental in running the entire finance department. His achievement includes successful listing and IPO of ordinary shares of JS Investments Limited, securitization of future management fee of PKR 700 million and streamlining the systems and procedures of the finance department and implementation of full scale ERP based asset management software.

Prior to JS Investments, he was associated with chartered accountancy practice with two of the leading accounting firms i.e. KPMG Taseer Hadi & Co. and Ford Rhodes Sidat Hyder & Co. There, he was involved in finalization of various important assignments which includes external audits, due diligence and business valuation and other management consulting assignments for leading clients. Rahim is a qualified Chartered Accountant and a Cost and Management Accountant. In addition to this he has passed MA (Economics) from Karachi University with concentration in mathematical economics and econometrics. He has also cleared Level 1 of CFA Institute.

### Mr. Syed Ali Turab Alvi - Head of Research

Ali Alvi the Head of Research at UBL Funds where his responsibilities include devising portfolio strategies based on fundamental and technical analysis. Ali has over seven years of experience of managing investments both in the Pakistani and Global financial markets. Ali started his career as a technical analyst and later moved into portfolio management at Franklin Group, New York, US. After moving back to Pakistan, he joined AKD Investment management Ltd (AKDIML) and played a major role in setting up the Asset Management Company and launching equity, fixed income and index tracker funds, Ali honed his research skills as the key research analyst covering multiple sectors, and later held the designation of fund manager and a member of investment committee at AKDIML.

Ali has Bachelors in computer Science and Electrical Engineering degree from Cornell university, New York, US. He also holds the Series 7 and Series 63 certification from NASD, US.

### Mr. Wahaj Aslam- Fund Manager, United Composite Islamic Fund

Wahaj joined UBL Fund Managers Limited in 2005 and has over five years of professional experience in capital markets. He is currently serving in capacity of Fund Manager for United Composite Islamic Fund and United Islamic Income Fund. Prior to this, he has been managing the Fixed Income Funds where he was involved in the active management of over Rs. 30 Billion in Funds Under Management.

Wahaj earned an MBA from Shaheed Zulfiqar Ali Bhutto Institute of Science & Technology (SZABIST). He has also cleared CFA Level-I exam and has appeared in CFA Level-II.

## 25. DIRECTORS' MEETING ATTENDANCE

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

Name of Director	Meetings attended	Dates						
		6 July 2009	21 August 2009	21 October 2009	13 January 2010	26 January 2010	23 February 2010	20 April 2010
* Mr. Atif Bokhari	4	-	1	1	-	1	1	N/A
Mr. Mohammad Asghar	6	1	1	1	1	1	1	-
Mr. Aameer Karachiwala	6	1	-	1	1	1	1	1
Mr. Saeed Iqbal	7	1	1	1	1	1	1	1
Mr. Ali Sameer Farooqi	6	1	1	1	1	-	1	1
Mr. Mir Muhammad Ali	6	-	1	1	1	1	1	1
* Mr. Shabbir Hussain Hashmi	5	N/A	-	1	1	1	1	1
* Mr. Tariq Kirmani	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* Mr. Shabbir Hussain Hashmi and Mr. Tariq Kirmani were inducted in the Board of directors on 19 August 2009 and 7 May 2010 respectively, while Mr. Atif Bokhari resigned on 08 April 2010.

## 26. RATING OF THE MANAGEMENT COMPANY & FUND

The Management Company has been rated at AM2 (2009: AM2 minus) by JCR-VIS through their letter dated 4 February 2010.

The Fund has been ranked at MFR - 4 star (2009: not ranked) by JCR-VIS through their letter dated 31 December 2009.

27. **CONTRIBUTION TO WORKERS' WELFARE FUND**

Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. The Mutual Funds Association of Pakistan (MUFAP), on behalf of its members filed a constitutional petition in the High Court of Sindh (SHC) praying it to declare that the funds are not establishments and as a result are not liable to pay contribution to the WWF. The honourable court has rejected the petition on technical grounds stating that MUFAP is not the aggrieved party in this case and required the aggrieved parties to approach the courts for the said petition. In response a petition has been filed in the SHC by some of the mutual funds through their trustees along with a few investors. However, subsequent to filing of the petition, the Ministry of Labour and Manpower issued a letter 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 incomes are exempt from income tax under any provisions of any law, and West Pakistan Shops and Establishment Ordinance, 1969 is not applicable to any public limited company and any organized financial institutions because they are ruled and governed by separate laws as of mutual funds.

The MUFAP, on behalf of its member AMCs, obtained a legal opinion to assess the implications of the letter 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 letter 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 and still maintains that mutual funds are not establishments for the purpose of WWF Ordinance and as a result are not liable to pay contribution to WWF.

28. **NON-ADJUSTING EVENT AFTER THE REPORTING DATE**

The Board of Directors of the Management Company in its meeting held on 07 July 2010 has approved 28.30 bonus units for every 100 units in respect of the year ended 30 June 2010 (30 June 2009: Nil units) amounting to Rs 155.868 million (30 June 2009: Rs Nil) in total. These financial statements do not reflect this approved issue of units, and will be recognised in the financial statements for the year ending 30 June 2011.

29. **GENERAL**

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

For UBL Fund Managers Limited  
(Management Company)



Mir Muhammad Ali, CFA  
Chief Executive



Saeed Iqbal  
Director