

# Unit Trust Of Pakistan

Annual Report 2000

## ***Mission Statement***

*To provide value to Unitholders in terms of investment performance and customer service*

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## **Organization**

### **Management Company**

ABAMCO Limited  
1306-1307, Chapal Plaza, Hasrat Mohani Road, Karachi-74000  
Tel: (92-21) 2441311-14 Fax: (92-21) 2425652

### **Board of Directors of the Management Company**

Chairman	Mr. Jahangir Siddiqui
Directors	Mr. William H. Kleh Mr. Iyad Malas Shaikh Mukhtar Ahmed Mr. Mazhar ul Haq Siddiqui Mr. Munaf Ibrahim
Chief Executive	Mr. M. Habib-ur-Rahman
Company Secretary	Saiyid Azher Alam

### **Trustee**

Muslim Commercial Financial Services (Private) Limited  
9th Floor, Shaikh Sultan Trust Building, Beaumont Road, Karachi-75530  
Tel: (92-21) 5676172-73, 5675936 Fax: (92-21) 5684458

### **Transfer Agent**

Muslim Commercial Bank Limited  
9th Floor, Shaikh Sultan Trust Building, Beaumont Road, Karachi-75530  
Tel: (92-21) 5676172-73, 5684326 Fax: (92-21) 5684458

### **Distribution Companies**

Altowfeek Investment Bank Limited  
Jahangir Siddiqui & Co. Limited  
Muslim Commercial Bank Limited  
National Bank of Pakistan  
Prudential Commercial Bank Limited

### **Auditors**

Ford, Rhodes, Robson, Morrow - Chartered Accountants  
Finlay House, I.I. Chundrigar Road, Karachi-74000

### **Legal Advisers**

Bawaney & Partners  
205-208, Imperial Hotel Building, Q.R.5, M.T. Khan Road, Karachi-74200

## **Information about Unit Trust of Pakistan**

### **What is UTP?**

UTP is the first and the only open-ended mutual fund in the private sector with investment strategy that makes it a balanced fund.

### **What is a balanced fund?**

A balanced fund is a versatile investment program... in a single investment.

Through a portfolio of rigorously screened and monitored stocks, debt securities and short-term instruments, a balanced fund gives the investment a chance to perform two important jobs, to grow and to produce income.

### **Public offering**

UTP Units are being offered for public subscription on a continuous basis of sale and redemption from October 27, 1997, through an Offering Document. The initial offer price was Rs. 5,000/=.

### **Listing**

The Units issued by UTP are listed on the Lahore Stock Exchange.

### **Mutual fund rating**

UTP has been assigned AA(f) rating by PACRA. The rating denotes the ability of the fund to consistently outperform its peers with strong capacity to respond to future opportunities or stress situation.

### **Units of UTP**

- Units offered for public subscription on a continuous basis
- Units redeemable by surrendering to UTP
- Units are also transferable
- Par value of Units Rs. 5,000/=
- Minimum subscription for investment is one Unit and there is no upper limit set on the Units to be issued

### **Unit types**

UTP is authorized to issue four varying types of Units.

- Type "A" Units are those, which do not carry any sales load and are issued only on reinvestment of the dividend amount for purchase of Units.
- Type "B" Units carry front-end load which the applicants pay at the time of purchase of Units and is included in the sale price.
- Type "C" Units carry back-end load, which, the applicants pay at the time of redemption of their Units only.
- Type "D" Units carry contingent load, which the applicants pay at the time of redemption. However, the sales load is charged at a declining rate for every year Units are held.

Presently only Type "A" & Type "B" Units are offered. It is proposed to offer Type "D" Units in near future subject to the approval of Securities and Exchange Commission of Pakistan.

### **Unit prices**

- UTP's Offer and Redemption Prices are based on the NAV. Units are fully backed by the assets of UTR
- The Offer Price at which Type "B" Units are sold is equal to the sum of the NAV and a sales load of 2% of the net asset value of Units and rounded upwards to the nearest Rupee. Type "A" Units are issued on reinvestment of dividend amount into Units. These are issued at NAV at the year-end (June 30) and rounded upward to the nearest Rupee. The Redemption Price at which Type "A" and Type "B" Units are redeemed is equal to the NAV and rounded downwards to the nearest Rupee.
- The Offer and Redemption Prices are announced by the Management Company each Saturday and are valid for four working days (Mon -Thu) of the following week. If during the week, there is more than 2% variation in NAV, the Management Company will announce new Unit Prices for the remaining week.

### **How UTP makes investment easy for you**

\* Automatic Reinvestment of Dividend

Distributions may be received in cash or reinvested in the Fund free of sales load. Overtime, the power of compounding can significantly increase the value of your investment.

**\* Easy Access to Your Money**

Your Units may be redeemed at the NAV and capital returned in just six working days. The price of Units redeemed may be more or less than their original cost, depending on the market conditions.

**Approved security**

The Units issued by UTP are approved security under section 20(h) of the Trusts Act, 1882 and section 227(2)(c) of the Companies Ordinance, 1984 for investment by provident fund schemes without any limitations. The Units are also approved investment under the Insurance Act, 1938 and under NBFIs Rule 6(b) for maintaining liquidity of non-banking financial institutions.

**Circumstances under which UTP may be terminated**

The Management Company may terminate UTP, if the net assets at any time fall below Rupees Fifty million. The Securities and Exchange Commission of Pakistan may also terminate UTP, if the Commission considers that further continuation of the authorization of UTP will not be in the interest of the Unitholders.

**Investment of UTP funds**

**\* Goal**

The investment goal of UTP is to provide to the investors in UTP Units long-term capital appreciation, current income, preservation of principal and almost immediate access to the money if the Units are redeemed.

**\* Diversification**

UTP offers the benefit of diversification of investment of its funds in different types of financial assets.

**\* Strategy**

UTP's funds are invested in three types of high quality assets.

· Shares of companies with consistent dividend record

Historically such shares have shown improvement in dividend yield and appreciation in value and have the potential to outperform other types of investments over the long-term. However, shares also tend to have wider price fluctuations than other securities.

· Debt instruments of companies with good credit rating

They provide regular current income and a cushion against fluctuations in share prices.

· Short-term money market instruments

They represent investments of varying maturities from over-night to period not exceeding six months and are backed by Government paper or such securities, which are suitable for UTP's investment. These investments provide regular current income, a cushion against fluctuations in share price and liquidity to UTP for making optimum advantages of investment opportunities.

**Dividend distribution and income tax**

**\*Tax on UTP**

UTP will distribute at least 90% of its income to Unitholders for each financial year. On this basis, the income of UTP will be exempted from income tax under section 102-D of part 1 of the second schedule of Income Tax Ordinance, 1979.

**\* Tax on Unitholders and liability to Zakat**

The information set forth below is included for general information purposes only. In view of individual nature of tax consequences, each investor is advised to consult his/her tax adviser with respect to the specific tax consequences to him/her of investing in UTP.

· Tax on dividend: Unless exempted from such taxation by applicable law or tax treaties, the tax on profit distribution by UTP will be

· 10% for individuals;

· 5% for public companies\* in Pakistan;

· 15% for foreign companies and

· 20% for other companies.

· (Other than companies carrying general insurance business)

· Zakat: Units held by resident Pakistanis shall be subject to Zakat at 2.5% of the par value of Units under the Zakat and Ushr Ordinance, 1980, except those exempted under the said ordinance. Zakat will be deducted at source from the amount of dividend or from the redemption proceeds, if Units are redeemed during the Zakat year before payment of dividend.

**Dispatch of dividend warrants**

Dividend Warrants shall be dispatched within 30 days after the declaration of dividend.

**Transparency**

The operation of UTP is transparent.

The Management Company will provide to each Unitholder the Accounts and Report in respect of the first half of the accounting year within two months of the end of the half-year and the Annual Report together with the Audited Accounts, Auditor's Report and

a report from the Trustee within four months of the financial year. The NAV of Units is televised every week and published in leading newspapers and Karachi and Lahore Stock Exchanges' Quotations.

**For more information please call:**

The Marketing Manager; ABAMCO Limited  
1306-1307, Chapal Plaza, Hasrat Mohani Road, Karachi-74000  
Tel: (92-21) 2441311-14 Fax: (92-21) 2425652

**NB: This information sheet is not an offering document. Please call the Marketing Manager for offering document and financial statements of UTP or for a personal visit.**

## **Report of the Directors of the Management Company**

The Board of Directors of ABAMCO Limited, the management company of Unit Trust of Pakistan (UTP), presents the Third Annual Report on the working of UTP together with the audited accounts for the year ended June 30, 2000.

### **1. INCOME OF UTP**

The income for the year ended June 30, 2000 was Rs. 109.303 million (1999: Rs. 48.611 million) after providing Rs. 0.452 million as provision for diminution in market value of investments on individual investment basis (1999: Rs. 1.069 million). The income works out to Rs. 1,235 per unit (1999: Rs. 685 per unit), showing an increase of 80%. During the year, the return available in money market declined substantially. UTP's funds were therefore, moved from investment in money market instruments to equity securities. The decline in income from money market was more than offset by handsome increase in income from capital gains, which UTP was able to realise from sale of equity securities.

### **2. SALE AND REDEMPTION OF UNITS**

During the year under review, 30,838 Units with a value of Rs. 193.922 million were sold (1999:6,130 Units with a value of Rs. 33.214 million) and 13,285 Units with a value of Rs. 74.403 million were redeemed (1999:3,486 Units with a value of Rs. 17.580 million). Net sales were 17,553 Units with a value of Rs. 119.520 million (1999:2,644 Units with a value of Rs. 15.634 million). As on June 30, 2000 Units outstanding were 88,496 with a value of Rs. 469.046 million (1999:70,943 Units with a value of Rs. 358.281 million), reflecting an increase of 24.74% in number of Units and 30.92% in their values.

### **3. UNIT PRICES**

After the announcement of dividend for the year ended June 30, 1999, the ex-dividend offer and redemption prices of Units were fixed at Rs. 5,186 and Rs. 5,085 respectively for the period from July 19, 1999 to July 22, 1999, based on the net asset value (NAV) of Units on July 16, 1999. Subsequently the Unit prices were announced weekly on every Saturday for the following week, based on the NAV of Units on previous Friday. Due to market movements the variations in NAV exceeded 2% during the week January 10-13, 2000 (+2.06%) and week January 24-27, 2000 (-2.76%). The transactions in UTP Units at previous offer and redemption prices were suspended. New prices were then announced for remaining days of the week, which were Thursday, January 13, 2000 in the first case and Wednesday and Thursday, January 26 and 27, 2000 in the second case. At the end of the year on June 30, 2000, the offer and redemption prices stood at Rs. 6,432 and Rs. 6,331 respectively (June 30, 1999: Rs. 5,742 and Rs. 5,641).

The register of Unitholders was closed from July 1, 2000 to July 22, 2000 to determine the entitlement to dividend. The sale and redemption of Units will now recommence from Monday, July 24, 2000. The ex-dividend offer and redemption prices have been fixed at Rs. 5,513 and Rs. 5,412 respectively for the period Monday, July 24, 2000 to Thursday, July 27, 2000 based on NAV of Friday, July 21, 2000.

### **4. DISTRIBUTION ON UNITS AND TOTAL RETURN**

The Management Company has declared a dividend of Rs. 1,125 per Unit (1999: Rs. 675 per Unit) for the year ended June 30, 2000. This is equivalent to 22.50% (1999: 13.50%) of the par value of Units of Rs. 5,000 each. As 91.08% (1999: 98.50%) of income of the year is being distributed to Unitholders, there will be no liability for income tax. Rs. 10.87 million is being retained. After setting

aside the dividend amount, the NAV of Units comes to Rs. 5,300 on June 30, 2000 (June 30, 1999: Rs. 5,050).

The dividend warrants and Unit certificates/account statements for Units acquired through reinvestment of dividend are under preparation and will be dispatched to Unitholders by August 20, 2000.

## 5. RETURN ON UTP UNITS

UTP has been showing a steady and consistent performance since its public offering. The following table will show the total return earned by Unitholders who were holding their investment on June 30, 2000.

<b>Date of Investment</b>	<b>Offer Price</b>	<b>Total return on an annualized basis upto June 30, 2000</b>
October 27, 1997 (1)*	Rs. 5,000	19.80%
July 6, 1998 (2)*	Rs. 5,112	19.58%
July 19, 1999 (2)*	Rs. 5,186	25.13%

(1)\* The date of initial public offering

(2)\* The date of ~

## 6. APPROVED SECURITY STATUS AND LEVEL PLAYING FIELD

The Securities and Exchange Commission of Pakistan (SECP) has notified UTP as approved investment under the Insurance Act, 1938 and the State Bank of Pakistan (SBP) has approved UTP under NBF1 Rule 6 for investment of Statutory Liquidity Reserve (SLR) of non-banking financial institutions initially for a period of two years.

We thank the SECP and SBP for removing these anomalies. We expect that SBP will soon remove the restriction of two years on UTP's approval.

We also thank the Honourable Finance Minister for his support in resolving these pending issues and bringing level playing field.

UTP has still not been approved under the Banking Ordinance, 1962 for investment of SLR of banking companies, whereas public sector unit trust scheme is approved for this purpose. We hope that in line with the Government policy this anomaly will also be removed.

## 7. AUDITORS

The Management Company has re-appointed Messrs. Ford, Rhodes, Robson, Morrow - Chartered Accountants as auditors of UTP for the financial year 2000-2001.

## 8. THANKS

The Board of Directors of the Management Company thanks the Securities and Exchange Commission of Pakistan for their valuable support, understanding and guidance.

For and on behalf of the Board

Karachi  
July 20, 2000

**M. Habib-ur-Rahman**  
Chief Executive

## Report of the Trustee

### Report of the Trustee pursuant to Rule 18(f) of the Asset Management Companies Rules, 1995.

ABAMCO Limited, the Management Company of Unit Trust of Pakistan has in all material respects managed Unit Trust of Pakistan in accordance with the provisions of the Trust Deed dated April 26, 1997 of Unit Trust of Pakistan and the Asset Management Rules, 1995, during the period July 1, 1999 to June 30, 2000.

Karachi  
July 8, 2000

**A. Razak H. Adam**  
Managing Director  
Muslim Commercial Financial Services (Private) Limited

## Auditors' Report to the Unitholders

We have audited the annexed statement of assets and liabilities of UNIT TRUST OF PAKISTAN as at June 30, 2000 and the related income statement, distribution statement and statement of movement in Unitholders' funds, together with the notes forming part thereof, for the year then ended. These financial statements are the responsibility of the management company. Our responsibility is to express an opinion on these financial statements. based on our audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of assets and liabilities, income statement, distribution statement and statement of movement in Unitholders' funds, together with the notes forming part thereof have been prepared in accordance with the relevant provisions of the Trust Deed and the Asset Management Companies Rules, 1995 and present a true and fair view of the state of affairs as at June 30, 2000 and of the transactions of the scheme for the year then ended.

**Karachi**  
**July 20, 2000**

**Ford, Rhodes, Robson, Morrow**  
**Chartered Accountants**

## Statement of Assets and Liabilities AS AT JUNE 30, 2000

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
<b>Assets</b>			
Investments			
Marketable securities			
Equity securities	4.1	96,928,116	38,507,542
Term finance certificates	4.2	50,232,040	35,000,000
	4.3	147,160,156	73,507,542
Clean placements	5	2,000,000	60,000,000
Receivable against sale of marketable securities	6	438,122,496	8,625,000
Other receivables	7	6,632,162	7,183,574
Bank balances	8	41,993,590	266,732,380
		-----	-----
Total assets		635,908,404	416,048,496
<b>Liabilities</b>			
Short-term borrowing	9	50,000,000	--
Remuneration payable to Management Company	10	14,501,244	9,103,061
Remuneration payable to Trustee		153,674	135,552
Creditors and accruals	11	2,645,938	641,118
Distribution payable		99,561,092	47,887,635
		-----	-----
Total liabilities		166,861,948	57,767,366
		-----	-----
<i>Net assets</i>		469,046,456	358,281,130
		=====	=====
<b>Unitholders' funds (as per statement attached)</b>		469,046,456	358,281,130
		=====	=====
Contingencies and commitments		Nil	Nil
		=====	=====
Number of Units in issue		88,496	70,943
		=====	=====

Net asset value 5,300      5,050

=====

The annexed notes form an integral part of these accounts.

For ABAMCO Limited  
(Management Company)

**M. Habib-ur-Rahman**  
Chief Executive

**Munaf Ibrahim**  
Director

**Shaikh Mukhtar Ahmed**  
Director

For Muslim Commercial Financial Services (Private) Limited  
(Trustee)

**A. Razak H. Adam**  
Managing Director

## Income Statement

### FOR THE YEAR ENDED JUNE 30, 2000

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
<b>Income</b>			
Net gain on sale of marketable securities		59,212,715	13,579,748
Dividend income		25,983,700	5,551,252
Markup on term finance certificates		7,629,872	639,424
Profit on money market transactions		3,055,762	24,438,608
Return on bank balances		10,486,480	14,372,490
Other income		--	590,500
Element of income and capital gains in prices of Units sold less those in Units redeemed		26,062,959	2,067,644
		-----	-----
		132,431,488	61,239,666
Provision for diminution in market value of marketable securities on an individual investment basis		(452,369)	(1,068,625)
		-----	-----
		131,979,119	60,171,041
<b>Expenses</b>			
Borrowing charges		4,100,996	--
Remuneration of !0		14,501,244	9,103,061
Remuneration of Trustee		1,632,634	1,463,832
Brokerage expenses		26,838	58,162
Bank and settlement charges		1,824,476	812,019
Auditors' remun <span style="float: right;">12</span>		132,750	122,500
Credit rating fee		456,784	--
		-----	-----
		22,675,722	11,559,574
		-----	-----
Net income		109,303,397	48,611,467
		=====	=====

The annexed notes form an integral part of these accounts.

For ABAMCO Limited  
(Management Company)

**M. Habib-ur-Rahman**  
Chief Executive

**Munaf Ibrahim**  
Director

**Shaikh Mukhtar Ahmed**  
Director

For Muslim Commercial Financial Services (Private) Limited  
(Trustee)

**A. Razak H. Adam**  
Managing Director

**Distribution Statement**  
**FOR THE YEAR ENDED JUNE 30, 2000**

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>Undistributed income brought forward</b>	1,124,098	399,156
Net income for the year	109,303,397	48,611,467
	-----	-----
	110,427,495	49,010,623
Final distribution @ Rs. 1,125/- per unit to be distributed on August 20, 2000 (1999: Rs. 675/- per unit distributed on August 7, 1999)	99,558,000	47,886,525
	-----	-----
<b>Undistributed income carried forward</b>	10,869,495	1,124,098
	=====	=====

For ABAMCO Limited  
(Management Company)

**M. Habib-ur-Rahman**  
Chief Executive

**Munaf Ibrahim**  
Director

**Shaikh Mukhtar Ahmed**  
Director

For Muslim Commercial Financial Services (Private) Limited  
(Trustee)

**A. Razak H. Adam**  
Managing Director

**Statement of Movement**  
**FOR THE YEAR ENDED JUNE 30, 2000**

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
Net assets as at the beginning of the year	358,281,130	341,896,048
Amounts received on issue of 30,838 Units (1999:6,130 Units)	193,922,383	33,214,262
Amounts paid on redemption of 13,285 Units (1999:3,486 Units)	(74,402,643)	(17,580,435)
	-----	-----
	119,519,740	15,633,827
Element of income and capital gains in prices of Units sold less those in Units redeemed	(26,062,959)	(2,067,644)
Net unrealised appreciation in market value of marketable securities on an individual investment basis	7,563,148	2,093,957
Net income for the year less distribution	9,745,397	724,942
	-----	-----
Net assets as at the end of the year	469,046,456	358,281,130
	=====	=====



For ABAMCO Limited  
(Management Company)

**M. Habib-ur-Rahman**  
Chief Executive

**Munaf Ibrahim**  
Director

**Shaikh Mukhtar Ahmed**  
Director

For Muslim Commercial Financial Services (Private) Limited  
(Trustee)

**A. Razak H. Adam**  
Managing Director

## **Notes to the Accounts**

### **FOR THE YEAR ENDED JUNE 30, 2000**

#### **1- Legal Status and Nature of Business**

Unit Trust of Pakistan (UTP) has been established under the Asset Management Companies Rules, 1995 and has been approved as an investment scheme by the Securities and Exchange Commission of Pakistan (formerly Corporate Law Authority) on June 9, 1997. It has been constituted under a Trust Deed, dated April 26, 1997 between ABAMCO Limited as the Management Company, a company incorporated under the Companies Ordinance, 1984 and Muslim Commercial Financial Services (Private) Limited as the Trustee, also incorporated under the Companies Ordinance, 1984 and a wholly owned subsidiary of Muslim Commercial Bank Limited.

UTP is an open ended mutual fund and offers Units for public subscription on a continuous basis. The Units are transferable and can also be redeemed by surrendering to UTP. The Units are listed on the Lahore Stock Exchange.

The principal activity of UTP is to make investments in securities listed on the stock exchanges registered in Pakistan under the Securities and Exchange Ordinance, 1969, as well as other debt securities including Government of Pakistan paper, commercial paper and various other money market instruments.

#### **2- Basis of Presentation**

These financial statements have been prepared in accordance with the requirements of the Trust Deed and the Asset Management Companies Rules, 1995.

#### **3- Accounting Policies**

##### **3.1 Accounting convention**

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of marketable securities to market value at the year end.

##### **3.2 Investments**

Investments in marketable securities are valued at market value. Market values of quoted marketable securities are taken from the stock exchange rates ruling at the year end, except for term finance certificates, in respect of which a suitable adjustment is made to account for the fact that these are not actively traded on the stock exchanges. Sales and purchases of marketable securities are recognised on the date of contract. Net unrealised appreciation in value of marketable securities on an individual investment basis is taken to Unitholders' funds whereas net unrealised diminution in value of marketable securities on an individual investment basis is taken to income statement.

Clean placements are stated at contracted amounts.

Transactions of purchase under resale (reverse-repo) of government securities and term finance certificates are entered into at contracted rates for specified periods of time with other financial institutions. The securities purchased under resale obligations are recognised as investments at the

contracted purchase prices and deleted upon resale. The differential between the initial and maturity values of the contracts is amortized over the period of the respective contract and recorded as income under profit from money market transactions.

### 3.3 Borrowing

Unsecured borrowing is stated at contracted amounts.

Transactions of sale under repurchase (repo) of term finance certificates are entered into at contracted rates for specific periods of time with other financial institutions. The securities sold under repurchase obligations are recognised as liabilities at the contracted sale prices. The differential between the initial and the maturity values of the contracts is amortized over the period of the respective contract and recorded as expenses under borrowing charges.

### 3.4 Issue and redemption of Units

Units issued are recorded at the offer price prevalent during the week in which the Units are issued. The offer price represents the net asset value of Units at the end of the previous week plus the allowable sales load. The sales load is payable to the distribution company and the management company as processing fee. Issue of Units is recorded on receipt of application for sale.

Units redeemed are recorded at the redemption price prevalent during the week in which the Units are redeemed. The redemption price represents the net asset value at the end of the previous week. Redemption of Units is recorded on receipt of application for redemption.

### 3.5 Element of income and capital gains in prices of Units sold less those in Units redeemed

To prevent the dilution of per unit income and distribution of income already paid out on redemption, as dividend, an equalisation account called "element of income and capital gains in prices of Units sold less those in Units redeemed" is created.

The element of income and capital gains account is credited with the amount representing income accrued and realised capital gains prior to the date of issue and included in the sale proceeds of Units. Upon redemption of Units, the element of income and capital gains account is debited with the amount paid out of income accrued and realised capital gains prior to the date of redemption and included in the payment on account of redemption.

The net element of income and capital gains during an accounting period is transferred to the income statement.

### 3.6 Revenue recognition

Gain or loss on sale of marketable securities is accounted for in the year in which it arises.

Dividend income is recorded at the time of the closure of share transfer book of the company declaring the dividend. Dividend received on marketable securities acquired after the announcement of dividend till the book closure date are not taken to income but reflected as reduction in the cost of investment.

Markup on term finance certificates, profit on money market transactions and return on bank balances are recognised on a time proportion basis.

### 3.7 Taxation

UTP is exempt from taxation under clause 102D of the 2nd Schedule of the Income Tax Ordinance, 1979, subject to the condition that not less than 90% of its income for the year is distributed amongst the Unitholders.

### 3.8 Foreign currency

Foreign currency transactions are translated into Pak Rupees at the rate of exchange prevailing on the date of each transaction. Assets and liabilities denominated in foreign currency are translated into Pak Rupees at the rate of exchange ruling at the year end. Exchange differences are recognised as income or expense in the year in which they arise.

## 4- Marketable Securities

<i>No. of holdings at</i>	<i>Acquired</i>	<i>Disposed</i>	<i>No. of</i>
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**4.1 EQUITY SECURITIES\***

Sector/Company	<i>the beginning of the year</i>	<i>during the year</i>	<i>Bonus shares</i>	<i>during the year</i>	<i>holdings at the end of the year</i>	<i>Market value (Rupees)</i>	<i>% of Net Assets</i>
<b>MUTUAL FUNDS</b>							
ICP SEMF	--	300,000	--	300,000	--	--	--
<b>INVESTMENT COMPANIES/BANKS</b>							
Askari Commercial Bank Ltd.	--	2,003,500	--	2,003,500	--	--	--
Crescent Investment Bank Ltd.	--	500,000	--	500,000	--	--	--
Faysal Bank Ltd.	--	50,000	--	50,000	--	--	--
Muslim Commercial Bank Ltd.	--	9,122,300	--	8,229,800	892~500	27,489,000	5.86
Pakistan Industrial Credit and Investment Corporation Ltd.	--	600,000	--	600,000	--	--	--
The Bank of Punjab	--	283,200	--	283,200	--	--	--
<b>INSURANCE</b>							
Adamjee Insurance Co. Ltd.	--	3,881,800	--	3,681,800	--	--	--
EFU General Insurance Ltd.	--	1,415,299	8,699	1,336,999	86,999	2,957,966	0.63
EFU Life Assurance Ltd.	--	2,716,500	--	2,442,000	274,500	8,646,750	1.84
International General Insurance Co. of Pakistan Ltd.	79,625	--	10,500	9,625	80,500	4,669,000	0.99
<b>TEXTILE COMPOSITE</b>							
Nafees Cotton Mills Ltd.	--	41,000	--	41,000	--	--	--
Nishat Mills Ltd.	--	12,769,000	--	12,769,000	--	--	--
<b>SYNTHETIC AND RAYON</b>							
Dewan Salman Fibre Ltd.	--	1,053,000	--	1,053,000	--	--	--
Ibrahim Fibres Ltd.	--	2,144,500	--	2,044,500	100,000	1,440,000	0.31
<b>SUGAR AND ALLIED</b>							
AI-Abbas Sugar Mills Ltd.	--	1,150,000	--	1,150,000	--	--	--
<b>CEMENT</b>							
D.G. Khan Cement Co. Ltd.	--	500,000	--	500,000	--	--	--
<b>FUEL AND ENERGY</b>							
National Refinery Ltd.	--	537,500	--	537,500	--	--	--
Pakistan State Oil Co. Ltd.	--	10,598,000	6,000	10,558,000	46,000	7,481,900	1.59
Shell Pakistan Ltd.	--	1,030,100	--	960,100	70,000	19,250,000	4.10
Sui Northern Gas Pipelines Ltd.	--	5,499,800	--	5,499,800	--	--	--
Sui Southern Gas Co. Ltd.	--	270,000	--	270,000	--	--	--
The Hub Power Co. Ltd.	--	41,943,500	--	41,943,500	--	--	--
The Karachi Electric Supply Corporation Ltd.	--	2,000,000	--	2,000,000	--	--	--
<b>AUTO AND ALLIED</b>							
AI Ghazi Tractors Ltd. (Ordinary shares of Rs. 5 each)	--	203,000	--	200,000	3,000	216,000	0.05
Millat Tractors Ltd.	--	744,000	--	737,000	7,000	595,000	0.13
<b>CABLE AND ELECTRICAL GOODS</b>							
Philips Electrical Industries of Pakistan Ltd. Refrigerators Manufacturing Co. Pakistan Ltd.	78,901	--	--	78,901	--	--	--
	26,027	3,600	--	29,627	--	--	--
<b>TRANSPORT AND COMMUNICATION</b>							
Pakistan Telecommunication Co. Ltd. Telecard Ltd.	--	67,801,500	--	67,301,500	500,000	13,500,000	2.88
	--	400,000	--	400,000	--	--	--
<b>CHEMICAL AND PHARMACEUTICALS</b>							
Abbot Laboratories (Pakistan) Ltd. BOC Pakistan Ltd.	--	600	--	600	--	--	--
	--	28,800	--	28,800	--	--	--

Engro Chemical Pakistan Ltd.	--	3,524,700	--	3,524,700	--	--	--
Fauji Fertilizer Co. Ltd.	667,500	9,681,100	--	10,173,600	175,000	6,886,250	1.47
FFC-Jordan Fertilizer Co. Ltd.	--	6,500,000	--	6,500,000	--	--	--
ICI Pakistan Ltd.	--	6,119,500	--	6,094,500	251,000	375,000	0.08
Reckitt & Colman of Pakistan Ltd.	100,000	--	--	100,000	--	--	--
Searle Pakistan Ltd.	--	3,797,000	--	3,797,000	--	--	--

**PAPER & BOARD**

Packages Ltd.	--	115,000	--	57,500	57,500	3,421,250	0.73
---------------	----	---------	----	--------	--------	-----------	------

**FOOD & ALLIED**

Lever Brothers Pakistan Ltd. (Ordinary shares of Rs. 50 each)	--	44,850	--	44,850	--	--	--
--	----	--------	----	--------	----	----	----

**MISCELLANEOUS**

Spencer & Co. (Pakistan) Ltd.	--	150,000	--	150,000	--	--	--
Tri-Pack Films Ltd.	--	193,500	--	193,500	--	--	--

-----  
96,928,116  
-----

-----  
20.66  
-----

<b>4.2 Term Finance Certificates</b>	<i>Note</i>	<i>No. of holdings at the beginning of the year</i>	<i>Acquired during the year</i>	<i>Bonus shares</i>	<i>Disposed during the year</i>	<i>No. of holdings at the end of the year</i>	<i>Market value (Rupees)</i>	<i>% of Net Assets</i>
Dewan Salman Fibre Limited	4.6	7,000	--	--	--	7,000	39,534,180	8.43
National Development Leasing Corporation Limited	4.7	--	1,000	--	--	1,000	10,697,860	2.28
							-----	-----
							50,232,040	10.71
							-----	-----
4.3 Market value of investments in marketable securities as at June 30, 2000							147,160,156	31.37
							=====	=====
4.4 Cost of investments in marketable securities as at June 30, 2000							137,955,420	
							=====	
4.5 Investments in marketable securities stated at lower of cost and market value on an individual investment basis as at June 30, 2000							137,503,051	
							=====	

4.6 These represent 7,000 certificates having a face value of Rs. 5,000 each. These term finance certificates carry a markup rate of 19% per annum receivable half-yearly in arrears and will mature in November 2003. These term finance certificates are secured by first pari passu charge over immovable property and hypothecation over movable property (excluding book debts and stocks) of the company.

4.7 These represent 1,000 certificates having a face value of Rs.10,000 each. These term finance certificates carry a markup rate of 17% per annum receivable half-yearly in arrears and will mature in December 2004. These term finance certificates are secured by first hypothecation charge over all present and future leased assets and corresponding rentals receivable excluding those already charged/hypothecated in favour of existing creditors.

4.8 Maximum credit risk in respect of term finance certificates is to the extent of the amount mentioned thereagainst plus accrued Markup thereon.

5- Maximum credit risk in respect of clean placements is to the extent of the amount mentioned thereagainst plus accrued profit thereon.

6- Receivable against sale of marketable securities has been fully settled subsequently.

<b>7. Other Receivables- considered good</b>	<b>2000 Rupees</b>	<b>1999 Rupees</b>
Dividend receivable	4,362,400	2,674,800

Markup receivable on term finance certificates	769,961	639,424
Profit receivable on money market transactions	630	136,575
Return receivable on bank balances	1,430,668	3,489,272
Others	68,503	243,503
	-----	-----
	6,632,162	7,183,574
	=====	=====

**8. Bank Balances**

On current accounts	9,092	3,110
On deposit accounts	41,984,498	266,729,270
	-----	-----
	41,993,590	266,732,380
	=====	=====

**9. Short-Term Borrowing**

Unsecured borrowing	9.1	50,000,000	--
		=====	=====

9.1 This represents short-term financing obtained from a financial institution. The rate of markup is 12.8% per annum and the finance is for a period of 3 months.

**10. Remuneration Payable to Management Company**

The Management Company is entitled to a remuneration for services rendered to the Fund under the provisions of the Asset Management Companies Rules, 1995 upto a maximum of 3% of net assets of the Fund as at the year end. The Management Company is also entitled to additional remuneration upto a maximum of 50% of the amount in excess of 20% of distribution for the current year. The additional remuneration works out to Rs. 5,531,000 which has been restricted by the Management Company to Rs. 2,250,000.

**11. Creditors and Accruals**

Payable against purchase of marketable securities		
Sales load	--	416,482
Accrued borrowing charges	717,300	9,250
Accrued expenses	1,525,480	--
Others	382,375	209,777
	20,783	5,609
	-----	-----
	2,645,938	641,118
	=====	=====

**12. Auditors' Remuneration**

Audit fee	110,000	100,000
Other services	2,750	2,500
Out of pocket expenses	20,000	20,000
	-----	-----
	132,750	122,500
	=====	=====

**13. Taxation**

The income tax assessment of Unit Trust of Pakistan upto the assessment year 1999-2000 has been finalized by the Income Tax Department creating a nil demand. No provision for taxation has been made in the financial statements in view of the exemption under clause 102D of the 2nd Schedule of the Income Tax Ordinance, 1979, subject to the condition that not less than 90% of its income for the year is distributed among the Unitholders.

**14- Market Rate of Return (MROR) Sensitivity Position**

14.1 The Fund's MROR sensitivity related to financial assets and financial liabilities can be determined from the following:

<b>Exposed to MROR risk</b>	
<b>More than three</b>	<b>Not exposed</b>

DESCRIPTION	Within three months Rupees	months and les than one year Rupees	More than one year Rupees	to MROR risk Rupees	Total Rupees
<b>Assets</b>					
Marketable securities - shares - term finance certificates	--	--	--	96,928,116	96,928,116
Clean placements	2,000,000	--	50,223,040	--	50,232,040
Receivable against sale of marketable securities	--	--	--	438,122,496	438,122,496
Other receivables	--	--	--	6,632,162	6,632,162
Bank balances	40,098,768	1,842,033	--	52,789	41,993,590
	-----	-----	-----	-----	-----
	42,098,768	1,851,003	50,223,040	541,735,563	635,908,404
<b>Liabilities and Unitholders' funds</b>					
Short-term borrowing	50,000,000	--	--	--	50,000,000
Remuneration payable to Management Company	--	--	--	14,501,244	14,501,244
Remuneration payable to Trustee	--	--	--	153,674	153,674
Creditors and accruals	--	--	--	2,645,938	2,645,938
Distribution payable	--	--	--	99,561,092	99,561,092
Unitholders' funds	--	--	--	469,046,456	469,046,456
	-----	-----	-----	-----	-----
	50,000,000	--	--	585,908,404	635,908,404
Total MROR sensitivity gap	(7,901,232)	1,851,033	50,223,040	(44,172,841)	--
Cumulative MROR sensitivity gap	(7,901,232)	(6,050,199)	44,172,841	--	--

14.2 The effective MROR for financial assets and financial liabilities are as follows:

Assets	%
Term finance certificates	13.5% - 14%
Clean placements	11.50%
Bank balances	5% - 14%

#### Liabilities

Short-term borrowing	12.80%
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### 15. Market Risk, Credit Risk, etc.

#### 15.1 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Management Company manages market risk by monitoring exposure on marketable securities by following the internal guidelines of the Investment Committee and regulations laid down by Securities and Exchange Commission of Pakistan.

#### 15.2 Credit risk

Credit risk arising from the inability of the counterparties to meet the terms of the Fund's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty obligations exceed the obligations of the Fund. The Fund's policy is to enter into financial instrument contracts by following internal guidelines duly approved by the Investment Committee such as evaluating credit worthiness, assigning counterparty credit limits, approving credit and obtaining adequate collateral. Therefore, the Fund does not expect to incur material credit losses on its risk management or other financial instruments.

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

### 15.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Management Company manages liquidity risk by following internal guidelines of the Investment Committee such as monitoring maturities of financial assets and financial liabilities and investing in highly liquid financial assets.

### 15.4 Market rate of return (MROR) risk

MROR risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Fund manages this risk by ensuring that borrowing rates are locked in below lending rates.

## 16. Fair Value of Financial Instruments

The estimated fair value of financial assets and liabilities is considered not significantly different from book value as the items are short-term in nature.

## 17. Transactions with connected persons

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>ABAMCO Limited</b>		
Remuneration of Management Company	14,501,244	9,103,061
Sales load	2,083,325	334,325
<b>Jahangir Siddiqui &amp; Company Limited</b>		
Brokerage fee	2,766,921	1,131,129
TFCs purchased under resale commitment	56,500,000	--
TFCs purchased under resale commitment matured	56,500,000	--
Profit on money market transactions	68,083	--
TFCs sold under repurchase commitments	125,000,000	--
TFCs sold under repurchase commitments matured	125,000,000	--
Borrowing charges	1,059,210	--
Issue of Units (8,097 Units)	50,625,426	--
Redemption of Units (5,000 Units)	31,909,000	--
Sales load	977,875	107,400
<b>Jahangir Siddiqui Investment Bank Limited</b>		
Clean placements made	127,000,000	--
Clean placements matured	125,000,000	--
Profit on money market transactions	920,905	--
Unsecured borrowing obtained	35,000,000	--
Unsecured borrowing repaid	35,000,000	--
TFCs sold under repurchase commitments	25,000,000	--
TFCs sold under repurchase commitments matured	25,000,000	--
Borrowing charges	533,699	--
<b>Prudential Commercial Bank Limited</b>		
Return on bank balances	2,352,981	2,838,478
Bank charges	800	--
<b>Prudential Securities Limited</b>		
Brokerage fee	131,040	--

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

## 18. General

18.1 Corresponding figures have been rearranged, wherever necessary, for the purposes of comparison.

18.2 Figures have been rounded off to the nearest Rupee.

For ABAMCO Limited  
(Management Company)

**M. Habib-ur-Rahman**  
Chief Executive

**Munaf Ibrahim**  
Director

**Shaikh Mukhtar Ahmed**  
Director

For Muslim Commercial Financial Services (Private) Limited  
(Trustee)

**A. Razak H. Adam**  
Managing Director

## Performance Table

	<i>June 30, 2000</i>	<i>June 30, 1999</i>	<i>June 30, 1998</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Net assets	469,046,456	358,281,130	341,896,048
Net asset value	5,300	5,050	5,006
Highest issue price during the year	6,572	5,807	5,614
Lowest redemption price during the year	5,085	5,011	5,068