

HBL

ASSET MANAGEMENT LTD.

ایس ایٹ مینجمنٹ لمیٹڈ



HBL Pension Fund
HBL Islamic Pension Fund
Annual Report
2017

MOVING TOWARDS
EXCELLENCE

TABLE OF CONTENTS

<i>Vision / Mission</i>	02
<i>Corporate Values</i>	03
<i>Corporate Information</i>	04
<i>Report of the Directors of the Management Company</i>	05-08

HBL ISLAMIC PENSION FUND

<i>Fund Information</i>	10
<i>Trustee Report to the Unit Holders</i>	11
<i>Al-Hilal Shariah Advisor</i>	12
<i>Statement of Compliance with Shariah Principle</i>	13
<i>Independent Auditor's Report to the Unit Holder's</i>	14-15
<i>Balance Sheet</i>	16
<i>Statement & other Comprehensive Income</i>	17
<i>Statement of Movement in Participants Sub-Fund</i>	18
<i>Cash Flow Statement</i>	19
<i>Notes to the Financial Statement</i>	20

HBL PENSION FUND

<i>Fund Information</i>	49
<i>Performance Table</i>	50
<i>Trustee Report to the Unit Holders</i>	51
<i>Independent Auditor's Report to the Unit Holders</i>	52-53
<i>Balance Sheet</i>	54
<i>Statement & other Comprehensive Income</i>	55
<i>Statement of Movement in Participants Sub-Fund</i>	56
<i>Cash Flow Statement</i>	57
<i>Notes to the Financial Statement</i>	58

OUR VISION

Enabling people to
advance with
confidence and
success.

OUR MISSION

To make our
Investor (s) prosper,
our staff excel and
to create value for
our stakeholders.

PROGRESSIVENESS

We believe in the advancement of society through the adoption of enlightened working practice, innovative new products and processes and a spirit of enterprise.

MERITOCRACY

We believe in giving opportunities and advantages to our employees on the basis of their ability. We believe in rewarding achievement and in providing first class career opportunities for all.

EXCELLENCE

The markets in which we operate are becoming increasingly competitive and our investors now have an abundance of choice. Only through being the very best - in terms of the service we offer, our product and premises - can we hope to be successful and grow.

OUR CORPORATE VALUES

Our values are based upon the fundamental principles that define our culture and are brought to life in our attitude and behavior. It is our values that make us unique and stem from five basic principles.

CUSTOMER FOCUS

We need to understand fully the need of our investors and to adopt our product and services to meet these. We must strive always to put the satisfaction of our investor first.

INTEGRITY

We are an Asset Management Company in Pakistan and our success depends upon the performance of the Fund(s) which are under management and our investors and society in general expect us to possess and steadfastly adhere to high moral principles and professional standards.

CORPORATE INFORMATION

Management Company

HBL Asset Management Limited.

Board of Directors

Chairman	Mr. Towfiq Habib Chinoy	(Independent Non-Executive Director)
Directors	Mr. Rehan N. Shaikh	(Executive Director)
	Mr. Rizwan Haider	(Non-Executive Director)
	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Mr. Salim Amlani	(Non-Executive Director)
	Ms. Sima Kamil	(Non-Executive Director)
	Ms. Sadia Khan	(Independent Non-Executive Director)

Audit Committee

Chairman	Mr. Salim Amlani	(Non-Executive Director)
Members	Mr. Rizwan Haider	(Non-Executive Director)
	Mr. Salahuddin Manzoor	(Non-Executive Director)

Human Resource Committee

Chairperson	Ms. Sima Kamil	(Non-Executive Director)
Members	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Mr. Rehan N. Shaikh	(Executive Director)
	Ms. Sadia Khan	(Independent Non-Executive Director)

Risk Management Committee

Chairman	Mr. Rizwan Haider	(Non-Executive Director)
Members	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Mr. Rehan N. Shaikh	(Executive Director)

Company Secretary & Chief Financial Officer

Mr. Noman Qurban

AMC Rating

`AM2` (Positive Outlook)

Legal Advisors

Mandviwalla & Zafar, Advocates and Legal Consultants,
Mandviwalla Chambers, C-15, Block 2, Clifton, Karachi.

Website

www.hblasst.com

Head Office

24-C, Khayaban-e-Hafiz, Phase VI, D.H.A., Karachi.

Registered Office

24-C, Khayaban-e-Hafiz, Phase VI, D.H.A., Karachi.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of HBL Asset Management Limited is pleased to present its report along with Financial Statements Report of HBL Pension Fund and HBL Islamic Pension Fund (the Funds) for the year ended June 30, 2017.

Economic Review

Pakistan's economic performance in FY17 continued to post an improvement compared to the year before with real GDP growth accelerating to 5.3% compared to 4.5% in the year before. FY17's GDP growth rate was the highest in the past 10 years. Key factors behind the higher GDP growth rate was a turnaround in the agricultural sector, which posted 3.5% growth vs. just 0.3% growth in the previous year; meanwhile, industrial growth came in at 5.0% and services sector posted 6.0% growth. CPI inflation, though historically still very low, has surged to 4.16% in FY17 compared to 2.86% in the same period last year; higher fuel and food prices were the primary contributors to acceleration in inflation. Pakistan's fiscal deficit shown a deterioration in 9MFY17 where the fiscal deficit-to-GDP ratio has risen to 3.7% from 3.4% in the comparable period last year due to growth of 8.6% in tax revenues which was not sufficient to offset 10.9% increase in defense spending and 8.4% increase in development spending. Concerns on the external accounts position have re-emerged as the current account deficit for FY17 has increased to 4.0% of GDP vs. 1.7% in the same period last year on the back of falling textile exports, rising oil & machinery imports, and a decline in foreign remittance inflow especially from the Middle East. This slippage in the current account deficit occurred despite an inflow of USD 550 million under Coalition Support Fund (CSF) in early March. Foreign exchange reserves fell by 7.5% in FY17; nevertheless, the SBP's foreign exchange reserves provide adequate import cover of ~3.4 months. Challenges posed by the twin-deficit situation are likely to linger, however, with adequate support from strategic regional economies, the Pakistani economy looks set to overcome these. Pakistan's Economic outlook is positive with GDP growth expected to accelerate to 6.0% in FY18 (as per government target), inflation likely to remain comfortably in single-digits, and pro-growth policy action in the run-up to general elections next year.

Money Market Review

The GoP held an Ijara Sukuk (fixed-rate) auction against the M1 Motorway as the underlying Asset on June 23, 2017, wherein a 3-year instrument was offered with a target of PKR 71.69 billion. Total bids received amounted to PKR 167.08 billion and the GoP raised PKR 71.01 billion from the auction at a cut-off rate of 5.24% p.a. Despite the latest auction, there is still a shortage of Shariah compliant investments, and therefore, yields on the Ijara Sukuks continue to be unappealing to investors. However, during 2HFY17, some corporate Sukuks were brought to market, which were well-received by investors. The yield curve has steepened during the period as secondary market yields on 3, 5 and 10-year PIBs have increased by 42, 48 and 58 bps respectively. Meanwhile, yields on the 3, 6 and 12-month T-Bills rose by 9, 13 and 13 bps respectively. The GoP raised PKR 894 billion through PIBs compared to the cumulative target of PKR 800 billion and maturities of PKR 1,936 billion. All PIB auctions held during 2QFY17 were scrapped. However, following the release of below-expected CPI data for the month of December 2016, the market anticipated that there would be no hike in the discount rate, and thus placed bids at more appropriate levels. The 5 and 10-year PIB cutoffs declined by 1 bp and 8 bps respectively FY17TD whereas the 3-year PIB cutoff remained unchanged. The large maturity of PIBs resulted in a sharp decline in government's borrowing from the commercial banks; from 1 July 2016 till 16 June 2017, the GoP had borrowed a mere PKR 29 billion on net basis compared to PKR 1,152 billion in the same period last year. Meanwhile, government borrowing from the SBP came in at PKR 1,083 billion during the period vs. a net retirement of PKR 370 billion in the same period last year. Through T-Bills, the GoP raised PKR 7,716 billion (including NCB) compared to the cumulative target of PKR 7,200 billion and maturities of PKR 6,431 billion. Going forward, monetary policy is likely to remain unchanged as the SBP would have to balance the need for growth with rising inflationary pressure and worsening current account deficit.

Stock Market Review

Driven by strong inflow of domestic liquidity, optimism surrounding Pakistan's upgrade to "Emerging Market" status by MSCI and higher GDP growth expectations, the KSE100 and KMI30 indices surged by 23% and 19% respectively in FY17. However, most of the gains for the fiscal year were concentrated in the first half of the year; in the second half, political turmoil and regulatory actions stifled market performance. Mutual funds emerged as the largest net buyers (USD 576 million), followed by insurance firms (USD 220 million) and companies (USD 127 million). This strong buying by local institutional investors was sufficient to absorb the steady selling of foreign investors, who offloaded USD 652 million (net) of Pakistani equities. The rally was driven mainly by selected scrips in the banking sector, where investors expected that interest rates had bottomed-out, and selected scrips in the E&P and cement sectors which were expected to benefit from higher oil prices, strong growth in volumetric sales and new investment projects respectively. On the flip side, selected scrips in the fertilizer, textile and pharmaceutical sectors were the main drags on the market's performance. Furthermore, average daily trading volume shares posted a sizable improvement of 68% Y/Y in FY17 to 350 million shares, while average turnover increased by 61% Y/Y to PKR 15.3 billion. M&A and IPO activity also remained robust in the period, particularly in the food & personal care, cement, engineering and automobile parts sectors. During the year a consortium of Chinese investors and HBL acquired 40% stake in the PSX; subsequently, the book-building and IPO were conducted and the first trading session of the PSX stock was held on 29 June. Initial market response to the PSX book-building was muted, mainly due to tighter regulations surrounding the transaction, however, after three extensions in the book-building duration, the issue was eventually oversubscribed by a narrow margin. Going forward, we expect the market to continue its upward trajectory, given that Pakistan is still trading at a sizable discount to its Emerging Market peers in terms of P/E multiples and dividend yield. Pakistan also has the second-highest earnings growth in the region. These attractive valuations should act as a catalyst for inflows from foreign investors, adding to the anticipated inflow from passive Emerging Market Index funds. The recent acquisition of a large stake in the PSX by Chinese investors should also pave the way for the introduction of new products and greater visibility of the Pakistani market on the global stage. Over the longer term, the gathering momentum of the China-Pakistan Economic Corridor (CPEC) projects are likely to stimulate investment-led GDP growth which bodes well for Pakistan's equity market too.

Fund's Performance

HBL Pension Fund

The Fund comprises of three sub funds namely Equity sub-fund, Debt sub-fund and Money Market sub-fund. The Fund as a whole earned total and net income of Rs. 64.90 million and Rs. 53.98 million respectively during the year under review. The fund size increased from Rs 481.93 million as on June 30, 2016 to Rs. 574.35 million as at June 30, 2017 thereby showing a growth of 19% during the year under review. Performance review for each sub Fund is given below:

Equity Sub-Fund

During the year under review, the Equity sub-fund earned total and net income of Rs. 42.26 million and Rs 37.87 million respectively. The net assets of the Equity sub-fund was Rs. 229.20 million representing Net Asset Value (NAV) of Rs. 408.1194 per unit as at June 30, 2017. The Sub Fund earned a return of 27.33% for the year under review. The Fund is invested to the extent of 95.28% in equities.

Debt Sub-Fund

During the year under review, the Debt sub-fund earned total and net income of Rs. 12.91 million and Rs. 9.36 million respectively. The net assets of the Debt sub-fund was Rs. 185.12 million representing Net Asset Value (NAV) of Rs. 153.4136 per unit as at June 30, 2017. The Fund yielded annualized return of 4.37% for the year under review.

Money Market Sub-Fund

During the year under review, the Money Market sub-fund earned total and net income of Rs. 9.73 million and Rs.6.76 million respectively. The net assets of the Money Market sub-fund was Rs. 160.03 million representing Net Asset Value (NAV) of Rs. 141.0836 per unit as at June 30, 2017. An annualized return of 4.50% was earned by the Fund for the year under review.

HBL Islamic Pension Fund

The Fund comprises of three sub funds namely Equity sub-fund, Debt sub-fund and Money Market sub-fund.

The Fund as a whole earned total and net income of Rs. 56.24 million and Rs. 48.53 million respectively during the year under review. The fund size increased from Rs 315.04 million as at June 30, 2016 to Rs. 381.95 million as at June 30, 2017 showing growth of 21%. Performance review for each sub Fund is given below:

Equity Sub-Fund

During the year under review, the Equity sub-fund earned total and net income of Rs. 45.73 million and Rs. 41.15 million respectively. The net assets of the Equity sub-fund was Rs. 207.43 million representing Net Asset Value (NAV) of Rs. 441.3274 per unit as at June 30, 2017. The Fund yielded a return of 27.56% for the year. The Sub Fund is invested to the extent of 91.04% in equities.

Debt Sub-Fund

During the year under review, the Debt sub-fund earned total and net income of Rs. 6.32 million and Rs. 4.52 million respectively. The net assets of the Debt sub-fund was Rs. 95.94 million representing Net Asset Value (NAV) of Rs. 137.8331 per unit as at June 30, 2017. The Fund yielded annualized return of 5.06% for the year under review.

Money Market Sub-Fund

During the year under review, the Money Market sub-fund earned total and net income of Rs. 4.20 million and Rs. 2.86 million respectively. The net assets of the Money Market sub-fund was Rs.78.58 million representing Net Asset Value (NAV) of Rs. 134.7699 per unit as at June 30, 2017. An annualized return of 4.15% was earned by the Fund for the year under review.

Auditors

The existing auditors M/s Deloitte Yousuf Adil, Chartered Accountants has served as auditors of HBL Pension Fund & HBL Islamic Pension Fund for three consecutive years and hence they are non-eligible (as per Voluntary Pension Schemes Rules, 2005) to offer themselves for re-appointment for the annual

audit for the year ending June 30, 2018. The Audit Committee of the Management Company has recommended the appointment of M/s KPMG Taseer Hadi & Co. Chartered Accountants as the Fund's auditors for the year ending June 30, 2018.

PATTERN OF UNIT-HOLDERS

The pattern of Unit-holding as on June 30, 2017 is given in respective notes to the financial statements.

ATTENDANCE IN BOARD OF DIRECTORS MEETINGS

The details of attendance of Board of Directors meetings & Board Committee meetings are provided below:

Board of Directors Meeting

During the year ended June 30, 2017 five Board of Directors meetings were held. Below is the attendance of meeting of Board of Directors.

Name	Meeting Date				
	August 26, 2016	October 31, 2016	December 16, 2016	February 24, 2017	April 27, 2017
Towfiq H. Chinoy	Present	Present	Present	Present	Present
Ava Ardeshir Cowasjee	Present	Present	Present	Present	Present
Nadeem Abdullah	Present	Present	Present	Present	Leave
Farid Ahmed Khan ¹	N/A	Present	Present	Present	Present
Rehan N. Shaikh ²	Present	N/A	N/A	N/A	N/A
Sima Kamil ³	Present	Present	Present	Present	N/A
Rizwan Haider	Present	Present	Present	Present	Leave
Salahuddin Manzoor	Present	Present	Present	Present	Present
Aamir Irshad ⁴	N/A	N/A	N/A	N/A	N/A
Rayomond Kotwal ⁵	N/A	N/A	N/A	N/A	N/A

1 Appointed on September 01, 2016 by Board of Directors in meeting held on August 26, 2016.

2 Resigned on August 31, 2016.

3 Resigned on March 16, 2017.

4 Appointed on April 27, 2017 and resigned on June 6, 2017.

5 Appointed on June 22, 2017.

Board Audit Committee

During the year ended June 30, 2017 four BAC meetings were held. Below is the attendance of BAC.

Name	Meeting Date			
	April 21, 2017	February 24, 2016	October 31, 2016	August 25, 2017
Nadeem Abdullah ¹	Present	Present	Present	N/A
Syed Rizwan Haider	Present	Present	Present	Present
Ava A. Cowasjee	Present	Present	Present	Present
Salahuddin Manzoor ²	N/A	N/A	N/A	Present

2 Released as member of BAC effective from August 26, 2016.

Board Human Resource and Remuneration Committee (HR&R)

During the year ended June 30, 2017 one HR&R Committee meeting was held. Below is the attendance of BAC.

Name	Meeting Date April 27, 2017
Taufiq H. Chinoy	Present
Sima Kamil ¹	N/A
Farid Ahmed Khan	Present
Salahuddin Manzoor ²	Present
Rayomond H. Kotwal ³	N/A

- 1 Resigned from Board of Directors effective from March 16, 2017.
- 2 Attended meeting on special invitation.
- 3 Appointed as committee member effective from August 25, 2017.

Board Risk Management Committee (BRMC)

During the year ended June 30, 2017 one BRMC meeting was held. Below is the attendance of BAC.

Name	Meeting Date Feb 16, 2017
Syed Rizwan Haider	Present
Salahuddin Manzoor	Present
Farid Ahmed Khan	Present

Acknowledgement

The Board takes this opportunity to thank its valued unit-holders for their confidence and patronage. It would like to place on record its appreciation for the help and guidance provided by Securities & Exchange Commission of Pakistan, Central Depository Company of Pakistan as Trustee, the Lahore Stock Exchange and State Bank of Pakistan.

The Board also wishes to place on record its appreciation for the hard work and dedication shown by the staff.

On behalf of the Board of
HBL Asset Management Limited

Chief Executive Officer

Director

HBL

Islamic Pension Fund

FUND INFORMATION

NAME OF FUND	HBL Islamic Pension Fund
NAME OF AUDITOR	Deloitte Yousuf Adil, Chartered Accountants
NAME OF TRUSTEE	A.F. Ferguson & Co., Chartered Accountants.
NAME OF BANKERS	Habib Bank Limited Faysal Bank Limited Bank Islami Paksitan Limited Soneri Bank Bank Al Habib Limited Meezan Bank
FUND RATING	'AM2

**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 PARTICIPANTS

HBL ISLAMIC PENSION FUND

Report of the Trustee pursuant to Rule 31(h) of the Voluntary Pension System Rules, 2005

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Pension Fund (the Fund) are of the opinion that HBL Asset Management Limited being the Pension Fund Manager of the Fund has in all material respects managed the Fund during the year ended June 30, 2017 in accordance with the provisions of the constitutive documents of the Fund and the Voluntary Pension System Rules, 2005.

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

Karachi, October 23, 2017





Al-Hilal
— Shariah Advisors —

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

The purpose of this report is to provide an opinion on the Shariah Compliance of the Fund's investment and operational activities with respect to Shariah guidelines provided.

It is the core responsibility of the Management Company to operate the Fund and invest the amount of money in such a manner which is in compliance with the Shariah principles as laid out in the Shariah guidelines. In the capacity of the Shariah Advisor, our responsibility lies in providing Shariah guidelines and ensuring compliance with the same by review of activities of the fund. We express our opinion based on the review of the information, provided by the management company, to an extent where compliance with the Shariah guidelines can be objectively verified.

Our review of Fund's activities is limited to enquiries of the personnel of Management Company and various documents prepared and provided by the management company.

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2017 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Pension Fund (HBL-IPF) are halal and in accordance with Shariah principles.

May Allah (SWT) bless us and forgive our mistakes and accept our sincere efforts in accomplishment of cherished tasks and keep us away from sinful acts.

For and on behalf of Shariah Supervisory Counsel of Al-Hilal Shariah Advisors.

Mufti Irshad Ahmad Aijaz
Shariah Advisor



Faraz Younus Bandukda
Chief Executive

Al-Hilal Shariah Advisors (Pvt) Limited
(Formerly Fortune Islamic Services (Pvt) Limited)

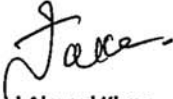
3rd Floor, Razi Tower, BC-13, Block No. 9, KDA Scheme No. 5, Clifton, Karachi.
Tel: +92.21.3530.9119, Fax: +92.21.3530.9156, Web: www.alhilalsa.com

HBL

ASSET MANAGEMENT LTD.
ايسيت مينجمنت لميٹڈ

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Pension Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2017. This has been duly confirmed by the Shariah Advisor of the Fund.



Farid Ahmed Khan

Chief Executive Officer

Dated: August 25, 2017



HBL Asset Management Limited
Head Office
7th Floor
Emerald Tower
G-19 Block-5,
Main Clifton Road,
Clifton, Karachi

UAN (021) 111-425-262
Fax (021) 35168455
www.hblasaset.com

Independent auditors' report to the participants of HBL Islamic Pension Fund

We have audited the annexed financial statements comprising:

- i. Balance Sheet;
- ii. Income Statement and Other Comprehensive Income;
- iii. Statement of Movement in Participants' Sub-Funds; and
- iv. Cash Flow Statement

of **HBL Islamic Pension Fund** ("the Fund") as at June 30, 2017 together with the notes forming part thereof, for the year then ended.

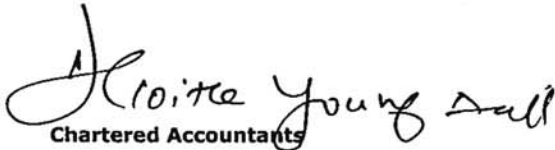
It is the responsibility of HBL Asset Management Limited (the Pension Fund Manager) to establish and maintain a system of internal controls; and prepare and present the financial statements of the Fund in conformity with the International Accounting Standards notified under the sub-section(3) of section 234 of the Companies Ordinance, 1984, and technical releases issued by the Institute of Chartered Accountants of Pakistan from time to time and the requirements of the Voluntary Pensions System Rules, 2005 and the Companies Ordinance, 1984. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

- a) the accounts prepared for the year ended June 30, 2017 have been properly drawn in accordance with the relevant provisions of the trust deed and the Voluntary Pension System Rules, 2005 including the guidelines thereunder;
- b) a true and fair view is given of the disposition of the Fund as at June 30, 2017 and the transactions of the Fund for the year then ended in accordance with approved accounting standards as applicable in Pakistan;
- c) the allocation and reallocation of units of the sub-funds for all the participants have been made according to the Voluntary Pension System Rules, 2005;

- d) the cost and expenses debited to the Fund and apportionment of expenses between sub-funds are as specified in the constitutive documents of the Fund;
- e) the accounts prepared are in agreement with the Fund's books and records;
- f) we were able to obtain all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit; and
- g) no zakat was deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980).


Chartered Accountants

Engagement Partner
Naresh Kumar

Date: September 22, 2017
Place: Karachi

HBL ISLAMIC PENSION FUND
BALANCE SHEET
As at June 30, 2017

	2017				2016				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	EquitySub-Fund	DebtSub-Fund	Money MarketSub-Fund	Total	
Note	------(Rupees in '000)-----				------(Rupees in '000)-----				
Assets									
Bank balances	4	22,092	63,363	79,212	15,080	19,016	40,838	74,934	
Investments - net	5	188,834	30,577	-	151,679	68,863	22,810	243,352	
Dividend and profit receivable	6	812	481	257	395	1,287	602	2,284	
Advances, deposits, prepayments and other receivables	7	100	2,500	-	100	100	-	200	
Total assets		211,838	96,921	79,469	388,228	167,254	89,266	64,250	320,770
Liabilities									
Payable to the Pension Fund Manager	8	296	132	109	537	232	125	91	448
Payable to the Trustee	9	30	13	11	54	23	12	9	44
Payable to Securities and Exchange Commission of Pakistan	10	66	30	23	119	51	28	20	99
Accrued expenses and other liabilities	11	4,016	804	746	5,566	3,331	916	894	5,141
Total liabilities		4,408	979	889	6,276	3,637	1,081	1,014	5,732
Net assets		207,430	95,942	78,580	381,952	163,617	88,185	63,236	315,038
Participants' sub-funds (as per statement attached)		207,430	95,942	78,580	381,952	163,617	88,185	63,236	315,038
Contingencies and commitments									
Number of units in issue	13	470,012	696,065	583,084	1,749,161	472,936	672,201	488,681	1,633,818
Net assets value per unit	Rupees	441.3274	137.8331	134.7699		345.9646	131.1891	129.4022	

The annexed notes 1 to 26 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive

Director

HBL ISLAMIC PENSION FUND STATEMENT AND OTHER COMPREHENSIVE INCOME

For the year ended June 30, 2017

Note	2017				2016			
	EquitySub-Fund	DebtSub-Fund	Money MarketSub-Fund	Total	EquitySub-Fund	DebtSub-Fund	Money MarketSub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
Income								
	7,228	-	-	7,228	5,936	-	-	5,936
Dividend income	618	2,021	2,950	5,589	622	706	1,033	2,361
Profit on bank deposits	-	2,952	707	3,659	-	3,508	1,887	5,395
Mark-up / return on investments	37,880	1,346	540	39,766	20,959	(770)	(378)	19,811
Capital gain / (loss) on sale of investments	45,726	6,319	4,197	56,242	27,517	3,444	2,542	33,503
Expenses								
	3,379	1,559	1,149	6,087	3,019	1,644	1,208	5,871
Remuneration of the Pension Fund Manager	338	147	114	599	257	140	103	500
Remuneration of the Trustee	66	30	23	119	51	28	20	99
Annual fee to Securities and Exchange Commission of Pakistan	119	119	119	357	119	119	119	357
Auditors' remuneration	50	13	7	70	32	10	5	47
Settlement and bank charges	61	-	-	61	88	-	-	88
Charity expense	7	7	7	21	6	-	-	6
Legal and professional charges	4,020	1,875	1,419	7,314	3,572	1,941	1,455	6,968
Total expenses	41,706	4,444	2,778	48,928	23,945	1,503	1,087	26,535
Net income from operating activities	1,397	269	223	1,889	-	-	-	-
Reversal of provision for Workers' Welfare Fund	(1,952)	(195)	(145)	(2,292)	-	-	-	-
Provision for Sindh Workers' Welfare Fund	(555)	74	78	(403)	-	-	-	-
Net income for the year before taxation	41,151	4,518	2,856	48,525	23,945	1,503	1,087	26,535
Taxation	-	-	-	-	-	-	-	-
Net income for the year after taxation	41,151	4,518	2,856	48,525	23,945	1,503	1,087	26,535
Other comprehensive income for the year								
Items that may be reclassified subsequently to Income statement:								
	41,862	1,183	540	43,585	6,078	(120)	(175)	5,783
Unrealised gain / (loss) on re-measurement of investments classified as available-for-sale	(37,880)	(1,346)	(540)	(39,766)	(20,959)	770	378	(19,811)
Reclassification adjustments relating to available-for-sale financial assets disposed of during the year	3,982	(163)	-	3,819	(14,881)	650	203	(14,028)
Total comprehensive income for the year	45,133	4,355	2,856	52,344	9,064	2,153	1,290	12,507

Earning per unit 3.10

The annexed notes 1 to 26 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive

Director

HBL ISLAMIC PENSION FUND
STATEMENT OF MOVEMENT IN PARTICIPANTS' SUB-FUNDS
For the year ended June 30, 2017

Note	2017				2016				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	EquitySub-Fund	DebtSub-Fund	MoneyMarketSub-Fund	Total	
	------(Rupees in '000)-----				------(Rupees in '000)-----				
Net assets at the beginning of the year	163,617	88,185	63,236	315,038	151,736	74,923	58,291	284,950	
Issuance of units	15	35,872	23,277	30,385	89,534	8,841	12,980	6,266	28,087
Redemption of units	14	(37,118)	(19,893)	(17,953)	(74,964)	(1,126)	(5,483)	(3,897)	(10,506)
Reallocation among sub-funds		(74)	18	56	-	(4,898)	3,612	1,286	-
Capital gain / (loss) on sale of investments	37,880	1,346	540	39,766	20,959	(770)	(378)	19,811	
Net unrealized gain / (loss) on re-measurement of investments classified as available-for-sale	3,982	(163)	-	3,819	(14,881)	650	203	(14,028)	
Other net income for the year	3,271	3,172	2,316	8,759	2,986	2,273	1,465	6,724	
Total comprehensive income for the year	45,133	4,355	2,856	52,344	9,064	2,153	1,290	12,507	
Net assets at the end of the year	207,430	95,942	78,580	381,952	163,617	88,185	63,236	315,038	

The annexed notes 1 to 26 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive

Director

HBL ISLAMIC Pension FUND
CASH FLOW STATEMENT
For the year ended June 30, 2017

	2017				2016			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Note	(Rupees in '000)				(Rupees in '000)			
Cash flows from operating activities								
Net income for the year before taxation	41,151	4,518	2,856	48,525	23,945	1,503	1,087	26,535
Adjustments								
Dividend income	(7,228)	-	-	(7,228)	(5,936)	-	-	(5,936)
Profit on bank deposits	(618)	(2,021)	(2,950)	(5,589)	(622)	(706)	(1,033)	(2,361)
Mark-up / return on investments	-	(2,952)	(707)	(3,659)	-	(3,508)	(1,887)	(5,395)
Capital (gain) / loss on sale of investments	(37,880)	(1,346)	(540)	(39,766)	(20,959)	770	378	(19,811)
Reversal of provision for Workers' Welfare Fund	(1,397)	(269)	(223)	(1,889)	-	-	-	-
Provision for Sindh Workers' Welfare Fund	1,952	195	145	2,292	-	-	-	-
	(4,020)	(1,875)	(1,419)	(7,314)	(3,572)	(1,941)	(1,455)	(6,968)
Decrease / (increase) in assets								
Investments - net	4,707	39,469	23,350	67,526	(5,747)	(3,782)	31,910	22,381
Advances, deposits, prepayments and other receivables	-	(2,400)	-	(2,400)	-	-	-	-
	4,707	37,069	23,350	65,126	(5,747)	(3,782)	31,910	22,381
Increase / (decrease) in liabilities								
Payable to the Pension Fund Manager	64	7	18	89	21	19	4	44
Payable to the Trustee	7	1	2	10	6	3	2	11
Payable to Securities and Exchange Commission of Pakistan	15	2	3	20	8	5	-	13
Accrued expenses and other liabilities	130	(38)	(70)	22	1,106	284	362	1,752
	216	(28)	(47)	141	1,141	311	368	1,820
	903	35,166	21,884	57,953	(8,178)	(5,412)	30,823	17,233
Dividend income received	6,842	-	-	6,842	5,855	-	-	5,855
Mark-up income received	587	5,779	4,002	10,368	600	3,096	2,695	6,391
Net cash generated / (used in) from operating activities	8,332	40,945	25,886	75,163	(1,723)	(2,316)	33,518	29,479
Cash flows from financing activities								
Amount received on issue of units	35,872	23,277	30,385	89,534	8,841	12,980	6,266	28,087
Amount paid on redemption of units	(37,118)	(19,893)	(17,953)	(74,964)	(1,126)	(5,483)	(3,897)	(10,506)
Reallocation among sub-funds	(74)	18	56	-	(4,898)	3,612	1,286	-
Net cash (used in) / generated from financing activities	(1,320)	3,402	12,488	14,570	2,817	11,109	3,655	17,581
Net increase in cash and cash equivalents	7,012	44,347	38,374	89,733	1,094	8,793	37,173	47,060
Cash and cash equivalents at the beginning of the year	15,080	19,016	40,838	74,934	13,986	10,223	3,665	27,874
Cash and cash equivalents at the end of the year	22,092	63,363	79,212	164,667	15,080	19,016	40,838	74,934

The annexed notes 1 to 26 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive

Director

HBL ISLAMIC PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

HBL Islamic Pension Fund ("the Fund") was established under a Trust Deed, dated August 17, 2011, between HBL Asset Management Limited as the Pension Fund Manager and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was authorized by the Securities and Exchange Commission of Pakistan (SECP) as a pension fund on October 05, 2011.

The Pension Fund Manager has been licensed to act as a Pension Fund Manager under the Voluntary Pension System Rules, 2005 (VPS Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24-C, Khayaban-e-Hafiz, Phase VI, D.H.A, Karachi, Pakistan. Subsequent to the year ended June 30, 2017, the registered office has been relocated at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.

The Fund is an unlisted pension scheme and offers units for public subscription on a continuous basis. The units are non-transferable except in the circumstances mentioned in VPS Rules and can be redeemed by surrendering to the Fund. Further, as per the offering document, no distribution of income or dividend is allowed from any of the sub-funds.

The Fund has been formed to enable the participants to contribute in a diversified portfolio of securities, which are Shariah compliant. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah. The Pension Fund Manager has appointed Mufti Yahya Asim as Shariah Advisor to the Pension Fund to ensure that the activities of the Fund are in compliance with the principles of Shariah.

The Fund consists of three sub-funds namely, HBL Islamic Pension Fund Equity Sub-Fund ("Equity Sub-Fund"), HBL Islamic Pension Fund Debt Sub-Fund ("Debt Sub-Fund") and HBL Islamic Pension Fund Money Market Sub-Fund ("Money Market Sub-Fund") (collectively the "Sub-Funds"). The investment policy for each of the sub-funds are as follows:

- The Equity sub-fund consists of a minimum 90% of net assets invested in Shariah compliant listed equity securities. Investment in a single company is restricted to lower of 10% of Net Asset Value (NAV) or paid-up capital of the investee company. Investment in a single stock exchange sector is restricted to the higher of 30% of NAV or index weight, subject to a maximum of 35% of NAV. Remaining assets of the Equity Sub-Fund may be invested in any government security having less than one year time to maturity, or be deposited with Islamic Commercial banks or Islamic window of a commercial bank having at least 'A' rating.
- The Debt Sub-Fund consist of tradable debt securities with weighted average duration of the investment portfolio of the sub-fund not exceeding five years. At least twenty five percent (25%) of the assets in the sub-fund shall be invested in debt securities issued by the Federal Government. Up to twenty five percent (25%) may be deposited with banks having not less than 'AA+' rating. Composition of the remaining portion of the investments shall be as defined in the offering document.
- The Money Market Sub-Fund consists of short term debt instruments with weighted average time to maturity not exceeding one year. There is no restriction on the amount of investment in securities issued by the Federal Government and the commercial banks having 'A+' or higher rating provided that deposit with any one bank shall not exceed twenty (20%) of net assets. Investment in securities issued by provincial government, city government, government entity with 'A' or higher rating or a corporate entity with 'A+' or higher rating shall be made up to 10%, 5%, 5% and 5% of net assets of the sub-fund respectively.

The Fund offers five types of allocation schemes, as prescribed by the SECP under VPS Rules, to the contributors of the Fund namely High Volatility, Medium Volatility, Low Volatility, Lower Volatility and Life Cycle Allocation. The participants of the Fund voluntarily determine the contribution amount, subject to the minimum limit fixed by the Pension Fund Manager. The allocation to the sub-funds has to be done at the date of opening of contributor's pension account and on an anniversary date thereafter. The contribution amount may be paid by the contributor on a periodic basis such as annual, semi annual, quarterly or monthly basis.

The Pension Fund Manager also offers a HBL Monthly Islamic Pension Plan ("the Income Plan") to the participants of the Fund or any other approved pension fund, at the retirement date of participants. The Income Plan intends to provide investors a monthly income stream based on investment according to the investor's desired risk exposure, within the prescribed allocation limits.

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2 (positive outlook)' (2016: 'AM2-') to the Pension Fund Manager while the Fund is currently not rated.

Title to the assets of the Fund are held in the name of CDC as the trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the 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, technical releases issued by the Institute of Chartered Accountants of Pakistan from time to time and the requirements of the Voluntary Pension System Rules, 2005 (the VPS Rules). Wherever the requirements of the VPS Rules differ with the requirements of the IFRS, the requirements of the VPS Rules shall prevail.

HBL ISLAMIC PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

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

2.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention except for the investments which are stated at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest thousand rupees, except otherwise stated.

2.4 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2017

The following standards and improvements are effective for the year ended June 30, 2017. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after:
Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception	January 01, 2016
Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations	January 01, 2016
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative	January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortisation	January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants	January 01, 2016
Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements	January 01, 2016
Certain annual improvements have also been made to a number of IFRSs.	

2.5 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after:
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018

HBL ISLAMIC PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

	Effective from accounting period beginning on or after a date to be determined.
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2017
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018.
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

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

2.6 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

In the process of applying the Fund's accounting policies, management has made the following estimates and judgments which are significant to the financial statements.

- (a) classification of investments (Note 3.2.1)
- (b) impairment of financial asset (Note 3.2.5)
- (c) provisions (Note 3.5)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below.

3.1 Cash and cash equivalents

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried in the balance sheet at cost.

HBL ISLAMIC PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

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

2.6 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

In the process of applying the Fund's accounting policies, management has made the following estimates and judgments which are significant to the financial statements.

- (a) classification of investments (Note 3.2.1)
- (b) impairment of financial asset (Note 3.2.5)
- (c) provisions (Note 3.5)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below.

3.1 Cash and cash equivalents

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried in the balance sheet at cost.

3.2 Financial assets

3.2.1 Classification

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

a) Financial assets at fair value through profit or loss - held-for-trading

An investment that is acquired principally for the purpose of generating profit from short-term fluctuations in prices is classified as "fair value through profit or loss - held-for-trading". Currently there are no investments of the fund classified as at fair value through profit or loss - held-for-trading.

b) Loans and receivables

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

c) Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as

- (i) loans and receivables,
- (ii) held to maturity investments or
- (iii) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

HBL ISLAMIC PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

3.2.2 Regular way contracts

All regular purchases / sales of investments are recognised on the trade date i.e. the date that the Fund commits to purchase / sell the investments. Purchases / sales of investments require delivery of securities within the time frame established by the regulations.

3.2.3 Initial recognition and measurement

All financial assets are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the acquisition, except in case of "financial assets at fair value through profit or loss - held-for-trading", in which case the transaction costs are charged off to the Income Statement and Other Comprehensive Income.

3.2.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as 'at fair value through profit or loss - held for trading' and 'available-for-sale' are valued as follows:

a) Basis of valuation of debt securities (other than Government securities)

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Fund Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its circular no. 1 of 2009 dated January 6, 2009 and circular no. 33 of 2012 dated October 24, 2012. In the determination of the rates MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

b) Basis of valuation of equity securities

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

c) Basis of valuation of Government securities

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

Net gains and losses arising from changes in the fair value of financial assets carried 'at fair value through profit or loss - held for trading' are taken to the income statement and other comprehensive income.

Net gains and losses arising from changes in fair value of 'available-for-sale' financial assets are taken to the statement of comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the statement of comprehensive income is transferred to the income statement and other comprehensive income.

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

3.2.5 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever, the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement and other comprehensive income.

a) Debt securities

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under circular no. 33 of 2012 dated October 24, 2012 issued by the SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Pension Fund Manager.

b) Equity Securities

The Fund assess at each reporting date whether there is objective evidence that a financial asset or a group of financial asset is impaired. In case of investments classified as 'available-for-sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for 'available-for-sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income statement is reclassified from other comprehensive income and recognised in the income statement. However, the decrease in impairment loss on equity securities are not reversed through the income statement.

HBL ISLAMIC PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

c) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the assets carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

3.2.6 Derecognition

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

3.2.7 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously.

3.3 Financial liabilities

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

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

3.4 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchanges and other expenses. These costs are being amortized over a period of three years in accordance with the requirements set out in the Trust Deed of the Fund and the VPS Rules.

3.5 Provisions

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

3.6 Revenue recognition

- Capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealized gains / (losses) arising on revaluation of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Dividend income is recognised when the right to receive the dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Mark-up / return on government securities, sukuks, bank balances and term deposit receipts are recognised on a time proportion basis using the effective interest method.

3.7 Taxation

The income of the Fund is exempt from income tax under clause 57(3)(viii) of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A(i) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

3.8 Issue and redemption of units

Contribution received in the individual pension account after deduction of applicable front end fee is used to purchase the units of sub-funds of the pension fund according to the Allocation Scheme selected by the participant. The units are allotted at the net asset value notified by the Pension Fund Manager at the close of the business day for each sub-fund on the date on which funds are actually realized against application. The front end fee is payable to the distributors and the Pension Fund Manager.

The Pension Fund Manager makes reallocation of the sub-fund units between the sub-funds at least once a year to ensure that the allocation of the sub-fund units of all the participants are according to the Allocation Schemes selected by the participants. In case of withdrawal before

HBL ISLAMIC PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

retirement, units are redeemed at the net asset value of each of the sub-fund as of the close of the business day on which such request is received by the distributor before the cut off time. Redemption of units is recorded on acceptance of application for redemption.

In case of retirement of the participant, units are redeemed at the net asset value of each of the sub-fund as of the close of the business day on which retirement age is reached.

In case of change of Pension Fund Manager, units are redeemed at the net asset value of each of the sub-fund as of the close of the business day corresponding to the date of change specified by the participant.

3.9 Net Asset Value per unit

The Net Asset Value (NAV) per unit, as disclosed in the balance sheet, is calculated by dividing the net assets of each of the sub-fund by the number of units in circulation of that sub-fund at the year end.

3.10 Earnings per unit (EPU)

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

3.11 Expenses

All expenses including NAV based expenses (namely management fee, trustee fee and annual fee payable to the SECP) are recognised in the Income Statement and Other Comprehensive Income on a time apportion basis using the effective interest method.

4. BANK BALANCES

Note	2017				2016				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	EquitySub-Fund	DebtSub-Fund	MoneyMarket Sub-Fund	Total	
	(Rupees in '000)				(Rupees in '000)				
Current accounts									
Savings accounts	4.1	22,092	45,363	65,212	132,667	15,080	19,016	40,838	74,934
Term Deposit Receipts (TDRs)	4.2	-	18,000	14,000	32,000	-	-	-	-
		<u>22,092</u>	<u>63,363</u>	<u>79,212</u>	<u>164,667</u>	<u>15,080</u>	<u>19,016</u>	<u>40,838</u>	<u>74,934</u>

4.1 This represents bank accounts held with various banks. Mark-up rates on these accounts range between 3.50% to 6.75% (2016: 4% to 7%) per annum.

4.2 This represents TDRs placed with Dubai Islamic Bank Limited, carrying mark-up at the rate of 5.75% per annum and maturing on September 29, 2017.

5. INVESTMENTS - NET

Note	2017				2016				
	EquitySub-Fund	DebtSub-Fund	Money Market Sub Fund	Total	EquitySub-Fund	DebtSub-Fund	Money Market Sub Fund	Total	
	(Rupees in '000)				(Rupees in '000)				
Investments by category									
Available-for-sale investments									
Listed equity securities	5.1	188,834	-	-	188,834	151,084	-	-	151,084
Unlisted equity securities		-	-	-	-	595	-	-	595
Government of Pakistan - Ijarah Sukuks	5.2	-	24,737	-	24,737	-	64,914	19,810	84,724
Sukuk certificates	5.3	-	5,840	-	5,840	-	3,949	3,000	6,949
		<u>188,834</u>	<u>30,577</u>	<u>-</u>	<u>219,411</u>	<u>151,679</u>	<u>68,863</u>	<u>22,810</u>	<u>243,352</u>

HBL ISLAMIC PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

5.1 Listed equity securities

5.1.1 Held by Equity Sub-Fund

Fully paid up ordinary shares of Rs. 10 each except K-Electric Limited and Thal Limited which have face value of Rs. 3.5 and Rs. 5 each respectively.

Name of the investee company	As at July 1, 2016	Purchases during the year	Bonus / Right issue during the year	Sales during the year	As at June 30, 2017	Market value	Market value as a % of net assets of the sub-fund	Market value as a % of total investment of the sub-fund	% of paid-up capital of the investee company
	-----Number of shares-----					Rupees in '000	-----%-----		
Oil and Gas Exploration Companies									
Pakistan Petroleum Limited	59,000	61,000	-	70,000	50,000	7,407	3.57	3.92	0.0025
Oil and Gas Development Company Limited	-	129,500	-	68,800	60,700	8,540	4.12	4.52	0.0014
Mari Petroleum Company Limited	3,500	7,200	-	5,200	5,500	8,666	4.18	4.59	0.0050
Pakistan Oilfields Limited	15,900	30,200	-	29,200	16,900	7,743	3.73	4.10	0.0071
	78,400	227,900	-	173,200	133,100	32,356	15.60	17.13	
Oil and Gas Marketing Companies									
Pakistan State Oil Company Limited	-	12,100	-	-	12,100	4,687	2.26	2.48	0.0045
Hascol Petrol Limited	-	20,800	-	-	20,800	7,095	3.42	3.76	0.0172
Shell Pakistan Limited	-	8,500	-	-	8,500	4,891	2.36	2.59	0.0079
Sui Northern Gas Pipelines Limited	-	136,500	-	79,500	57,000	8,488	4.09	4.49	0.0090
Sui Southern Gas Company Limited	-	85,000	-	85,000	-	-	-	-	-
	-	262,900	-	164,500	98,400	25,161	12.13	13.32	
Refinery									
Attock Refinery Limited	-	7,500	-	7,500	-	-	-	-	-
	-	7,500	-	7,500	-	-	-	-	-
Fertilizer									
Engro Corporation Limited	33,000	29,500	-	23,200	39,300	12,808	6.17	6.78	0.0075
Engro Fertilizers Limited	77,500	136,000	-	213,500	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	35,000	-	-	35,000	-	-	-	-	-
Fauji Fertilizer Company Limited	-	30,000	-	30,000	-	-	-	-	-
	145,500	195,500	-	301,700	39,300	12,808	6.17	6.78	
Chemical									
Akzonobel Pakistan Limited	-	10,000	-	10,000	-	-	-	-	-
Engro Polymer & Chemicals Limited	-	167,000	-	33,000	134,000	4,891	2.36	2.59	0.0202
ICI Pakistan Limited	-	21,200	-	16,400	4,800	5,254	2.53	2.78	0.0052
Sitara Chemical Industries Limited	-	7,950	-	-	7,950	3,535	1.70	1.87	0.0371
Dawood Hercules Corporation Limited	-	94,000	-	94,000	-	-	-	-	-
	-	300,150	-	153,400	146,750	13,680	6.60	7.24	

HBL ISLAMIC PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

Name of the investee company	As at July 1, 2016	Purchases during the year	Bonus / Right issue during the year	Sales during the year	As at June 30, 2017	Market value	Market value as a % of net assets of the sub-fund	Market value as a % of total investment of the sub-fund	% of paid-up capital of the investee company
	Number of shares			Rupees in '000		%			
Cement									
Kohat Cement Company Limited	16,000	-	-	16,000	-	-	-	-	-
Lucky Cement Limited	20,900	15,500	-	18,600	17,800	14,885	7.18	7.88	0.0055
Fauji Cement Company Limited	-	288,000	-	288,000	-	-	-	-	-
Maple Leaf Cement Factory Limited	-	34,000	-	34,000	-	-	-	-	-
D.G. Khan Cement Company Limited	44,000	-	-	15,000	29,000	6,182	2.98	3.27	0.0066
Cherat Cement Company Limited	-	67,100	-	18,000	49,100	8,778	4.23	4.65	0.0278
Bestway Cement Limited	-	5,900	-	5,900	-	-	-	-	-
Pioneer Cement Limited	46,500	28,500	-	18,700	56,300	7,319	3.53	3.88	0.0248
	127,400	439,000	-	414,200	152,200	37,164	17.92	19.68	
Engineering									
Amreli Steels Limited	123,000	22,500	-	145,000	500	61	0.03	0.03	0.0002
Crescent Steel & Allied Products Limited	61,700	31,500	-	80,200	13,000	3,101	1.49	1.64	0.0167
International Industries Limited	-	16,100	-	16,100	-	-	-	-	-
International Steel Limited**	-	49,000	-	-	49,000	6,267	3.02	3.32	0.0113
Mughal Iron And Steel Industries	50,000	-	-	50,000	-	-	-	-	-
	234,700	119,100	-	291,300	62,500	9,429	4.55	4.99	
Pharmaceuticals									
Glaxosmithkline Pakistan Limited	32,000	-	-	32,000	-	-	-	-	-
GlaxoSmithKline Consumer Healthcare Pakistan Limited	9,600	-	-	9,600	-	-	-	-	-
Abbot Laboratories (Pakistan) Limited	-	6,000	-	-	6,000	5,608	2.70	2.97	0.0061
The Searl Company Limited ***	9,460	19,350	975	15,100	14,685	7,518	3.62	3.98	0.0095
	51,060	25,350	975	56,700	20,685	13,126	6.33	6.95	
Food & Personal Care Products									
Engro Foods Limited	25,000	25,000	-	50,000	-	-	-	-	-
Treet Corporation Limited	-	62,000	-	62,000	-	-	-	-	-
	25,000	87,000	-	112,000	-	-	-	-	-
Power Generation & Distribution									
The Hub Power Company Limited	116,500	87,500	-	105,900	98,100	11,520	5.55	6.10	0.0085
K-Electric Limited	865,000	610,000	-	1,475,000	-	-	-	-	-
Kot Addu Power Company Limited	-	118,000	-	118,000	-	-	-	-	-
	981,500	815,500	-	1,698,900	98,100	11,520	5.55	6.10	

HBL ISLAMIC PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

Name of the investee company	As at July 1, 2016	Purchases during the year	Bonus / Right issue during the year	Sales during the year	As at June 30, 2017	Market value	Market value as a % of net assets of the sub-fund	Market value as a % of total investment of the sub-fund	% of paid-up capital of the investee company
	Number of shares					Rupees in '000	%		
Cable and Electrical Goods									
Pak Elektron Limited	83,500	93,500	-	91,000	86,000	9,488	4.57	5.02	0.0173
	83,500	93,500	-	91,000	86,000	9,488	4.57	5.02	
Paper & Board									
Packages Limited**	11,400	5,800	-	9,450	7,750	5,391	2.60	2.85	0.0087
	11,400	5,800	-	9,450	7,750	5,391	2.60	2.85	
Transport									
Pakistan National Shipping Corporation**	72,300	-	-	72,300	-	-	-	-	-
	72,300	-	-	72,300	-	-	-	-	
Textile Composite									
Nishat Mills Limited	30,000	69,000	-	61,500	37,500	5,951	2.87	3.15	0.0107
	30,000	69,000	-	61,500	37,500	5,951	2.87	3.15	
Automobile Assembler									
Pak Suzuki Motor Company Limited	-	8,650	-	400	8,250	6,438	3.10	3.41	0.0100
Honda Atlas Cars (Pakistan) Limited	12,200	6,500	-	18,700	-	-	-	-	-
Gandhara Industries Limited	-	8,050	-	8,050	-	-	-	-	-
Millat Tractors Limited	-	7,000	-	2,400	4,600	6,322	3.05	3.35	0.0104
	12,200	30,200	-	29,550	12,850	12,760	6.15	6.76	
Leather and Tanneries									
Service Industries Limited	-	6,600	-	6,600	-	-	-	-	-
	-	6,600	-	6,600	-	-	-	-	
Glass and Ceramics									
Tariq Glass Industries Limited	-	71,000	-	71,000	-	-	-	-	-
	-	71,000	-	71,000	-	-	-	-	

HBL ISLAMIC PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

Name of the investee company	As at July 1, 2016	Purchases during the year	Bonus / Right issue during the year	Sales during the year	As at June 30, 2017	Market value	Market value as a % of net assets of the sub-fund	Market value as a % of total investment of the sub-fund	% of paid-up capital of the investee company
	-----Number of shares-----					Rupees in '000	-----%-----		
Automobile Parts & Accessories									
The General Tyre & Rubber Company Limited	24,000	35,600	-	59,600	-	-	-	-	-
Thal Limited	-	4,000	-	4,000	-	-	-	-	-
	24,000	39,600	-	63,600	-	-	-	-	-
	1,876,960	2,795,600	975	3,778,400	895,135	188,834	91.04	100	
Carrying Value as at June 30, 2017						174,588			

** Related party under common directorship

*** This includes gross bonus shares as per Fund's entitlement declared by the investee company. Finance Act, 2014 had brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5 percent is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the investee company which shall be considered as final discharge of tax liability on such income. However, the Pension Fund Manager of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan, has filed a petition in \ Honorable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption available to mutual funds under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld the share equivalent to 5% of bonus announcement of the Fund having fair market value of Rs. 0.07 million at June 30, 2017 (June 30, 2016: Rs. 0.04 million) and not yet deposited on CDC account of department of Income tax. Pension Fund Manager is of the view that the decision will be in favor of the Fund and accordingly has recorded the bonus shares on gross basis at fair value in investments of the Fund at year end.

5.2 Government of Pakistan - Ijarah Sukuk

5.2.1 Held by Debt Sub-Fund

Note	Issue date	Face value				Amortised cost as at June 30, 2017	Market value as at June 30, 2017	Market value as a percentage of		
		As at July 1, 2016	Purchases during the year	Sales / matured during the year	As at June 30, 2017			Total investment of the sub-fund	Net assets of the sub-fund	
							----- (Rupees in '000) -----			
GoP Ijarah Sukuk	5.2.1.1	December 18, 2015	13,000	-	-	13,061	13,259	43.36	13.82	
GoP Ijarah Sukuk	5.2.1.2	February 15, 2016	51,000	-	44,800	6,200	6,382	20.87	6.65	
GoP Ijarah Sukuk	5.2.1.3	March 29, 2016	-	5,000	-	5,000	5,096	16.67	5.31	
			64,000	5,000	44,800	24,200	24,351	24,737	80.90	25.78

5.2.1.1 These carry mark-up at the rate of 5.45% (June 30, 2016: 5.89%) per annum receivable semi-annually in arrears, maturing in December 2018.

5.2.1.2 These carry mark-up at the rate of 6.10% (June 30, 2016: 6.10%) per annum receivable semi-annually in arrears, maturing in February 2019.

5.2.1.3 These carry mark-up at the rate of 6.15% per annum receivable semi-annually in arrears, maturing in March 2019.

HBL ISLAMIC PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

Issue date	Face value				Amortised cost as at June 30, 2017	Market value as at June 30, 2017	Market value as a percentage of	
	As at July 1, 2016	Purchases during the year	Sales /maturedduring theyear	As at June 30, 2017			Total investment of the sub-fund	Net assets of the sub-fund
	------(Rupees in '000)-----						------%-----	
GoP Ijarah Sukuk February 15, 2016	19,500	-	19,500	-	-	-	-	-

5.3 Sukuk certificates

5.3.1 Held by Debt Sub-Fund

Name of the Investee Company	Number of certificates				Amortised cost as at June 30, 2017	Market / Carrying value as at June 30, 2017	Market value as a percentage of	
	As at July 1, 2016	Purchases during the year	Sales / maturedduring theyear	As at June 30, 2017			Total investment of the sub-fund	Net assets of the sub-fund
	-----%				------(Rupees in '000)-----		------%-----	
Multi-utilities								
Water and Power Development Authority	474	-	-	474	1524	1,598	5.23	1.67
K-Electric	-	400	-	400	2000	2,093	6.85	2.18
	474	400	-	874	3,524	3,691	12.07	3.85
Fertilizers								
Engro Fertilizers Limited	2	-	2	-	-	-	-	-
Fatima Fertilizer Company Limited	-	457	-	457	2,096	2,149	7.03	2.24
	2	457	2	457	2,096	2,149	7.03	2.24
Total	476	857	2	1,331	5,620	5,840	19.10	6.09

5.3.1.1 Significant terms and conditions of Sukuk Certificates outstanding as at June 30, 2017 are as follows:

Name of security	Remaining principal (per certificate) (Rupees)	Mark-up rate (per annum)	Issue date	Maturity date
Water and Power Development Authority	3,215	6 month KIBOR + 1%	14-Oct-13	14-Oct-21
Fatima Fertilizer Company Limited	4,500	6 month KIBOR + 1.1%	28-Nov-16	28-Nov-21
K-Electric	5,000	3 month KIBOR + 1%	17-Jun-15	17-Jun-22

5.3.2 Held by Money Market Sub-Fund

Name of the Investee Company	Number of certificates				Amortised cost as at June 30, 2017	Market / Carrying value as at June 30, 2017	Market value as a percentage of	
	As at July 1, 2016	Purchases during the year	Sales / maturedduring theyear	As at June 30, 2017			Total investment of the sub-fund	Net assets of the sub-fund
	-----%				------(Rupees in '000)-----		------%-----	
Fertilizers								
Engro fertilizers Limited	3	-	3	-	-	-	-	-

HBL ISLAMIC PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2017

6. DIVIDEND AND PROFIT RECEIVABLE

	2017				2016			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	MoneyMarket Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
Dividend receivable	739	-	-	739	353	-	-	353
Profit accrued on deposits with banks	73	191	257	521	42	60	140	242
Mark-up accrued on sukuk certificates	-	43	-	43	-	43	20	63
Mark-up accrued on investment in GoP Ijarah Sukuk	-	247	-	247	-	1,184	442	1,626
	812	481	257	1,550	395	1,287	602	2,284

7. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2017				2016			
		EquitySub-Fund	Debt Sub-Fund	MoneyMarket Sub-Fund	Total	EquitySub-Fund	Debt Sub-Fund	MoneyMarket Sub-Fund	Total
		(Rupees in '000)				(Rupees in '000)			
Security Deposit with the Central Depository Company of Pakistan Limited		100	100	-	200	100	100	-	200
Advance against Initial Public Offer (IPO) of Sukuks	7.1	-	2,400	-	2,400	-	-	-	-
		100	2,500	-	200	100	100	-	200

7.1 This represent advance paid to subscribe Sukuk Certificates of AGP Limited.

8. PAYABLE TO THE PENSION FUND MANAGER

	Note	2017				2016			
		EquitySub-Fund	Debt Sub-Fund	MoneyMarket Sub-Fund	Total	EquitySub-Fund	Debt Sub-Fund	MoneyMarket Sub-Fund	Total
		(Rupees in '000)				(Rupees in '000)			
Management fee	8.1	262	117	96	475	200	108	78	386
Sindh Sales Tax	8.2	34	15	13	62	32	17	13	62
		296	132	109	537	232	125	91	448

8.1 As per rule 11 of the VPS Rules, the Pension Fund Manager is allowed to charge maximum annual management fee of 1.5% of the average of the values of the net assets of each of the sub-fund calculated during the year. Accordingly, the management fee has been accrued at 1.5% of the average annual net assets of each of the sub-funds.

8.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (June 30, 2016: 14%) on the services provided by the Pension Fund Manager as required by Sindh Sales Tax on Services Act, 2011.

HBL ISLAMIC PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2017

9. PAYABLE TO THE TRUSTEE

		2017				2016			
		EquitySub-Fund	Debt Sub-Fund	MoneyMarket Sub-Fund	Total	EquitySub-Fund	Debt Sub-Fund	MoneyMarket Sub-Fund	Total
Note		(Rupees in '000)				(Rupees in '000)			
	Remuneration payable to the Trustee	27	12	10	48	20	11	8	39
	Sindh Sales Tax on remuneration	4	1	1	6	3	1	1	5
		30	13	11	54	23	12	9	44

9.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified there in, based on the daily Net Asset Value (NAV) of the Fund. The remuneration is paid to the trustee monthly in arrears.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2017 is as follows:

Net assets

Tariff per annum

Up to Rs. 1,000 million

Exceeding Rs. 1,000 million up to Rs. 3,000 million

Exceeding Rs. 3,000 million up to Rs. 6,000 million

Exceeding Rs. 6,000 million

Rs. 0.3 million or 0.15% p.a of NAV, whichever is higher

Rs. 1.5 million plus 0.10% p.a of NAV exceeding Rs. 1,000 million

Rs. 3.5 million plus 0.08% p.a of NAV exceeding Rs. 3,000 million

Rs. 5.9 million plus 0.06% p.a of NAV exceeding Rs. 6,000 million

9.2 The Sindh Revenue Board through Circular No. SRB-3-4/TP/01/2015/86554 dated June 13, 2015, amended the definition of services of shares, securities and derivatives and included the custodianship services within the purview of the Sindh Sales Tax. Accordingly Sindh Sales Tax of 13 % is applicable on Trustee fee which is now covered under section 2(79A) of the Sindh Sales Tax on Services Act, 2011.

10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

10.1 This represents annual fee payable to the SECP in accordance with rule 36 of the VPS Rules whereby the Fund is required to pay SECP an amount equal to one thirtieth of 1% of the average annual net asset value of the pension fund.

11. ACCRUED EXPENSES AND OTHER LIABILITIES

		2017				2016			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Note		(Rupees in '000)				(Rupees in '000)			
	Auditors' remuneration	83	83	83	249	74	74	74	222
	Payable against purchase of investment	945	-	-	945	290	-	-	290
	Federal Excise Duty	879	488	383	1,750	879	488	383	1,750
	Provision for Workers' Welfare Fund	-	-	-	-	1,397	269	223	1,889
	Provision for Sindh Workers' Welfare Fund	1,952	195	145	2,292	-	-	-	-
	Other payable	157	38	135	330	691	85	214	990
		4,016	804	746	5,566	3,331	916	894	5,141

11.1 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Pension Fund Manager has been applied effective from June 13, 2013. The Pension Fund Manager is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan along-with Central Depository Company of Pakistan Limited with the Sindh High Court (SHC) on September 04, 2013.

HBL ISLAMIC PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

While disposing the above petition through order dated June 30, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

The finance act 2016 excluded the mutual funds from the levy of FED with effect from July 01, 2016. therefore, no provision is charged during the year ending June 30, 2017.

However, since the appeal is pending in Supreme Court of Pakistan, the Pension Fund Manager, as a matter of abundant caution, has made a provision on FED on remuneration of Pension Fund Manager, aggregating to Rs. 0.879 million, Rs. 0.488 million and Rs. 0.383 million for Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively. Had the provision not being made, the Net Asset Value per unit as at June 30, 2017 would have been higher by Rs. 1.87 (June 30, 2016: Rs. 1.86) per unit, Rs. 0.70 (June 30, 2016: Rs. 0.73) per unit and Rs. 0.65 (June 30, 2016: Rs. 0.78) per unit for Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively.

12. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2017 and June 30, 2016.

13. NUMBER OF UNITS IN ISSUE

	2017				2016			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	-----Number of units-----				-----Number of units-----			
Opening units in issue	472,936	672,201	488,681	1,633,818	462,955	589,580	463,203	1,515,738
Units issued during the year	84,179	172,056	231,597	487,832	28,514	96,607	45,731	170,852
Less: Units redeemed	(87,535)	(148,331)	(136,981)	(372,847)	(3,415)	(42,277)	(30,490)	(76,182)
Reallocation effect	432	139	(213)	358	(15,118)	28,291	10,237	23,410
Closing units in issue	470,012	696,065	583,084	1,749,161	472,936	672,201	488,681	1,633,818

14. CONTRIBUTION TABLE

Contributions received are as follows:

	2017							
	Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund		Total	
	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)
From:								
Individuals	84,179	35,872	172,056	23,277	231,597	30,385	487,832	89,534
	2016							
	Equity Sub Fund		Debt Sub Fund		Money Market Sub Fund		Total	
	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)
From:								
Individuals	28,514	8,841	96,607	12,980	45,731	6,266	170,852	28,087

HBL ISLAMIC PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2017

15. MARK-UP / RETURN ON INVESTMENTS

	2017				2016			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
Mark-up / return on:								
Government of Pakistan - Ijarah Sukuk	-	2,377	424	2,801	-	3,338	1,867	5,205
Sukuku certificates	-	314	79	393	-	170	20	190
Term deposits receipts	-	261	204	465	-	-	-	-
	-	2,952	707	3,659	-	3,508	1,887	5,395

16. AUDITOR'S REMUNERATION

	2017				2016			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
Annual Audit fee	46	67	67	180	46	67	67	180
Half yearly review fee	31	33	33	97	31	33	33	97
Shariah compliance certificati	25	-	-	25	25	-	-	25
Out of pocket expenses	17	19	19	55	17	19	19	55
	119	119	119	357	119	119	119	357

17. WORKERS' WELFARE FUND (WWF) AND SINDH WORKERS' WELFARE FUND (SWWF)

"The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication. The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 1, 2015. "

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 15, 2010 clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section 4 of the WWF Ordinance. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 has cancelled ab-initio clarificatory letter dated October 6, 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honorable High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

"During the year ended June 30, 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

HBL ISLAMIC PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

During the year ended June 30, 2014, the Honorable Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) have adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution."

However, in the current year, the Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, deciding that amendments made through the Finance Acts through which WWF was levied are unlawful, as such are not in nature of tax; therefore, it could not be introduced through the money bill. However, the Federal Board of Revenue has filed a review petition in the SCP against the said judgment, which is pending for hearing in the SCP.

Further, the Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. The Mutual Fund Association of Pakistan, in the previous years based on opinion obtained from the tax consultants, concluded that SWWF is not applicable on mutual funds. MUFAP also wrote to the Sindh Revenue Board (SRB) that mutual funds are not establishments and are pass through vehicles; therefore, they do not have any worker and, as a result, no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, and thus SWWF is payable by them. MUFAP has taken up the matter with the concerned ministry [Sindh Finance Ministry] for appropriate resolution of the matter.

Considering the above developments, the Pension Fund Manager assessed the position of the Fund with regard to reversal of provision of WWF and recognition of provision of SWWF, and decided that:

- As an abundant caution, the Sindh Workers' Welfare Fund (SWWF) should be recognised from July 01, 2014, and
- Provision computed for SWWF should be adjusted against provision of WWF, as the SCP declared WWF unlawful. It was also decided that if any further provision is required, then it should be recognised in books of the Fund. If provision of WWF is in excess of provision required for SWWF, the remaining provision of WWF should be carried forward unless further clarification is received from the MUFAP.

As a result, the Pension Fund Manager assessed that no further provision is required for SWWF and additional provision of WWF should be carried forward till the matter is cleared.

In the wake of the aforesaid developments, the MUFAP called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognised earlier should be reversed in light of the decision made by the Supreme Court of Pakistan; and as an abundant caution, Sindh Workers' Welfare Fund (SWWF) should be recognised effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017, advised that the adjustment should be prospective and supported by adequate disclosures.

As a result of the above recommendations of the MUFAP, the Pension Fund Manager on January 12, 2017, reversed the excess provision of WWF of Rs. 1.397 million, Rs. 0.269 million and Rs. 0.223 million for Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively. Further, the Fund has recognised provision for SWWF effective from July 1, 2014 amounting to Rs. 1.952 million, Rs. 0.195 million and Rs. 0.145 million for Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively. Had the provision not been made, the Net Asset Value per unit as at June 30, 2017 would have been higher by Rs. 4.153, Rs. 0.28 and Rs. 0.24 for Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively.

18. TAXATION

No provision for taxation for the year ended June 30, 2017 has been made in view of the exemption available under clause 57 (3) (viii) of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

19. TRANSACTIONS WITH CONNECTED PERSONS

19.1 "Connected persons / related parties comprise HBL Asset Management Limited being the Pension Fund Manager, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited being the Trustee of the Fund, collective investment schemes managed by the Pension Fund Manager, directors and officers of the Pension Fund Manager and of the connected persons. Transactions with connected persons / related parties are made in the normal course of business, at agreed/ contracted rates and terms determined in accordance with market rates. Remuneration payable to Pension Fund Manager and Trustee is determined in accordance with the provisions of the VPS Rules and the Trust Deed respectively.

Details of the transactions with connected persons / related parties during the period and balances with them at period / year end, if not disclosed elsewhere in this condensed interim financial information, are as follows:"

HBL ISLAMIC PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2017

19.2 Transactions during the year

		2017				2016			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
		(Rupees in '000)				(Rupees in '000)			
HBL Asset Management Limited - Pension Fund Manager									
Management fee		3,379	1,559	1,149	6,087	3,019	1,644	1,208	5,871
Habib Bank Limited - Sponsor									
Bank charges		8	7	7	22	3	3	5	11
Profit earned on deposits with bank		285	170	343	798	466	212	284	962
Profit received on deposits with bank		279	158	330	767	405	195	253	853
International Steel Limited - Common Directorship									
Dividend earned during the year		123	-	-	123	-	-	-	-
Packages Limited - Common Directorship									
Dividend earned during the year		319	-	-	319	171	-	-	171
Directors and Executives of the Pension Fund Manager and their relatives									
Executives and their relatives									
Issue of units	Number	3,820	5,861	3,841	13,522	-	-	-	-
Amount of units issued		1,790	802	516	3,108	-	-	-	-
Reallocation of units	Number	1,068	125	(3,841)	(2,648)	(39)	105	-	66
Amount of units reallocated		499	17	(516)	-	(14)	14	-	-
Central Depository Company of Pakistan Limited - Trustee									
Remuneration		338	147	114	599	257	140	103	500
Central Depository System Charges		42	5	-	47	16	3	-	19
Directors of connected persons									
Issue of units	Number	4,055	10,722	5,445	20,222	4,055	10,722	5,445	20,222
Amount of units issued		1,400	1,400	700	3,500	1,400	1,400	700	3,500
Reallocation of units	Number	(1,241)	2,230	1,089	2,078	(1,241)	2,230	1,089	2,078
Amount of units reallocated		(421)	284	137	-	(421)	284	137	-

		2017				2016			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
		(Rupees in '000)				(Rupees in '000)			
19.3	HBL Asset Management Limited - Pension Fund Manager								
	Management fee payable	262	117	96	475	200	108	78	386
	Sindh Sales Tax	34	15	13	62	32	17	13	62
	Federal Excise Duty payable	879	488	383	1,750	879	488	383	1,750

HBL ISLAMIC PENSION FUND NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

		2017				2016			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
		(Rupees in '000)				(Rupees in '000)			
Habib Bank Limited - Sponsor									
Units held	Number	300,000	300,000	300,000	900,000	300,000	300,000	300,000	900,000
Amount of units held		132,398	41,350	40,431	214,179	103,789	39,357	38,821	181,967
Profit accrued on deposits with bank		48	27	45	120	16	3	8	27
Balance in savings account		12,693	10,320	17,201	40,214	7,192	4,385	4,072	15,649
Directors and Executives of the Pension Fund Manager and their relatives									
Executives and their relatives									
Units held	Number	4,891	5,989	-	10,880	909	710	158	1,777
Amount of units held		2,159	825	-	2,984	314	93	20	427
Central Depository Company of Pakistan Limited - Trustee									
Remuneration payable		30	13	11	54	23	12	9	44
Security deposit		100	100	-	200	100	100	-	200

20. FINANCIAL INSTRUMENTS BY CATEGORY

		2017									
		Equity Sub-Fund			Debt Sub-Fund			Money Market Sub-Fund			Total
		Loans and receivables	Available for sale	Total	Loans and receivables	Available for sale	Total	Loans and receivables	Available for sale	Total	
		(Rupees in '000)									
Financial Assets											
Bank balances		22,092	-	22,092	63,363	-	63,363	79,212	-	79,212	164,667
Investments - net		-	188,834	188,834	-	30,577	30,577	-	-	-	219,411
Dividend and profit receivable		812	-	812	481	-	481	257	-	257	1,550
Advances, deposits and other receivables		100	-	100	2,500	-	2,500	-	-	-	2,600
		23,004	188,834	211,838	66,344	30,577	96,921	79,469	-	79,469	388,228

		2017			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
		(Rupees in '000)			
Financial liabilities					
Payable to the Pension Fund Manager		296	132	109	537
Payable to the Trustee		30	13	11	54
Accrued expenses and other liabilities		1,185	121	218	1,524
Participants' sub-funds		207,430	95,942	78,580	381,952
		208,941	96,208	78,918	384,067

HBL ISLAMIC PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

	2016									Total
	Equity Sub-Fund			Debt Sub-Fund			Money Market Sub-Fund			
	Loans and receivables	Available for sale	Total	Loans and receivables	Available for sale	Total	Loans and receivables	Available for sale	Total	
----- (Rupees in '000) -----										
Financial Assets										
Bank balances	15,080	-	15,080	19,016	-	19,016	40,838	-	40,838	74,934
Investments - net	-	151,679	151,679	-	68,863	68,863	-	22,810	22,810	243,352
Dividend and profit receivable	395	-	395	1,287	-	1,287	602	-	602	2,284
Advances, deposits and other receivables	100	-	100	100	-	100	-	-	-	200
	<u>15,575</u>	<u>151,679</u>	<u>167,254</u>	<u>20,403</u>	<u>68,863</u>	<u>89,266</u>	<u>41,440</u>	<u>22,810</u>	<u>64,250</u>	<u>320,770</u>

	2016				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	
	At amortised cost				
----- (Rupees in '000) -----					
Financial liabilities					
Payable to the Pension Fund Manager		232	125	91	448
Payable to the Trustee		23	12	9	44
Accrued expenses and other liabilities		1,934	647	671	3,252
Participants' sub-funds		163,617	88,185	63,236	315,038
		<u>165,806</u>	<u>88,969</u>	<u>64,007</u>	<u>318,782</u>

21. FINANCIAL RISK MANAGEMENT

The Fund primarily invests in a portfolio of equity, debt and money market investments such as shares of listed companies, investment - grade debt securities, government securities and other money market instruments. These activities are exposed to a variety of financial risks i.e. market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

21.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Pension Fund Manager manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan. The maximum risk resulting from financial instruments equals their fair values.

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

21.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk as all transactions are carried out in Pakistani Rupees.

HBL ISLAMIC PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2017

21.1.2 Interest rate risk

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

a) Sensitivity analysis for fixed rate instruments

As at June 30, 2017, the Fund does not hold any fixed rate instruments that could expose the Fund to fair value interest rate risk.

b) Sensitivity analysis for variable rate instruments

As at June 30, 2017, the Debt Sub-Fund and Money Market Sub-Fund hold GoP Ijarah Sukuks and Sukuk certificates which are classified as 'available-for-sale', exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in mark-up rates on June 30, 2017, with all other variables held constant, the impact on the net assets and total comprehensive income for the year is as follows:

	Total Exposure					
	2017			2016		
	Debt Sub-Fund	Money Market Sub-Fund	Total	Debt Sub-Fund	Money Market Sub-Fund	Total
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Government of Pakistan - Ijarah Sukuks	24,737	-	24,737	64,914	19,810	84,724
Sukuk certificates	5,840	-	5,840	3,949	3,000	6,949
	30,577	-	30,577	68,863	22,810	91,673

	Effect on total comprehensive income and net assets					
	2017			2016		
	Debt Sub-Fund	Money Market Sub-Fund	Total	Debt Sub-Fund	Money Market Sub-Fund	Total
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Change in basis points						
100	306	-	306	679	225	904
(100)	(306)	-	(306)	(679)	(225)	(904)

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by the Financial Market Association are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2017 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

HBL ISLAMIC PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2017

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

June 30, 2017																			
Equity Sub-Fund					Debt Sub-Fund					Money Market Sub-Fund					Total				
Exposed to yield / interest rate risk					Exposed to yield / interest rate risk					Exposed to yield / interest rate risk									
Yield / Interest rate	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	Total	Yield / Interest rate	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	Total	Yield / Interest rate	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	Total		
%	(Rupees in '000)					%	(Rupees in '000)					%	(Rupees in '000)						
On-balance sheet financial instruments																			
Financial assets																			
Bank balances	3.50 - 6.25	22,092	-	-	-	22,092	3.50 - 6.25	63,363	-	-	-	63,363	3.50 - 6.25	79,212	-	-	-	79,212	164,667
Investments - net		-	-	-	188,834	188,834	5.45 - 7.37	-	5,840	24,737	-	30,577		-	-	-	-	-	219,411
Dividend and profit receivable		-	-	-	812	812		-	-	-	481		-	-	-	-	257	257	1,550
Advances, deposits and other receivables		-	-	-	100	100		-	-	-	2,500		-	-	-	-	-	-	2,600
		22,092	-	-	189,746	211,838		63,363	5,840	24,737	2,981	96,921		79,212	-	-	257	79,469	388,228
Financial liabilities																			
Participants' sub-funds		-	-	-	207,430	207,430		-	-	-	95,942	95,942		-	-	-	78,580	78,580	381,952
Payable to the Pension Fund Manager		-	-	-	296	296		-	-	-	132	132		-	-	-	109	109	537
Payable to the Trustee		-	-	-	30	30		-	-	-	13	13		-	-	-	11	11	54
Accrued expenses and other liabilities		-	-	-	1,185	1,185		-	-	-	121	121		-	-	-	218	218	1,524
		-	-	-	208,941	208,941		-	-	-	96,208	96,208		-	-	-	78,918	78,918	384,067
On-balance sheet gap		22,092	-	-	(19,195)	2,897		63,363	5,840	24,737	(93,227)	713		79,212	-	-	(78,661)	551	4,161
Off-balance sheet financial instruments																			
		-	-	-	-	-		-	-	-	-	-		-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-		-	-	-	-	-		-	-	-	-	-	-

June 30, 2016																			
Equity Sub-Fund					Debt Sub-Fund					Money Market Sub-Fund					Total				
Exposed to yield / interest rate risk					Exposed to yield / interest rate risk					Exposed to yield / interest rate risk									
Yield / Interest rate	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	Total	Yield / Interest rate	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	Total	Yield / Interest rate	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	Total		
%	(Rupees in '000)					%	(Rupees in '000)					%	(Rupees in '000)						
On-balance sheet financial instruments																			
Financial assets																			
Bank balances	3.14 - 9.25	15,080	-	-	-	15,080	4.00 - 7.00	19,016	-	-	-	19,016	4.00 - 7.00	40,838	-	-	-	40,838	74,934
Investments - net		-	-	-	151,679	151,679	5.89 - 7.37	-	3,949	64,914	-	68,863	6.1 - 6.57	-	3,000	19,810	-	22,810	243,352
Dividend and profit receivable		-	-	-	395	395		-	-	-	1,287		-	-	-	-	602	602	2,284
Advances, deposits and other receivables		-	-	-	100	100		-	-	-	100		-	-	-	-	-	-	200
		15,080	-	-	152,174	167,254		19,016	3,949	64,914	1,387	89,266		40,838	3,000	19,810	602	64,250	320,770

HBL ISLAMIC PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2017

June 30, 2016																
Yield / Interest rate	Equity Sub-Fund					Debt Sub-Fund					Money Market Sub-Fund				Total	
	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk		Total
	Up to three months	More than three months and up to one year	More than one year			Up to three months	More than three months and up to one year	More than one year			Up to three months	More than three months and up to one year	More than one year			
%	(Rupees in '000)				%	(Rupees in '000)				%	(Rupees in '000)					
Financial liabilities																
Participants' sub-funds				163,617	163,617				88,185	88,185				63,236	63,236	315,038
Payable to the Pension Fund Manager	-	-	-	232	232	-	-	-	125	125	-	-	-	91	91	448
Payable to the Trustee	-	-	-	23	23	-	-	-	12	12	-	-	-	9	9	44
Accrued expenses and other liabilities	-	-	-	1,934	1,934	-	-	-	647	647	-	-	-	671	671	3,252
	-	-	-	165,806	165,806	-	-	-	88,969	88,969	-	-	-	64,007	64,007	318,782
On-balance sheet gap	15,080	-	-	(13,632)	1,448	19,016	3,949	64,914	(87,582)	297	40,838	3,000	19,810	(63,405)	243	1,988
Off-balance sheet financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

21.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instrument traded in the market.

The Fund manages its exposure to price risk by analyzing the investment portfolio by industrial sectors and benchmarking the sector weighting \ to that of the KMI-30 Index. The Fund's policy is to concentrate the investment portfolio in sectors where management believes the Fund can maximize the returns derived for the level of risk to which the Fund is exposed.

In case of 5% increase / decrease in KMI-30 index on June 30, 2017, with all other variables held constant, the net assets of the sub-fund and other comprehensive income would increase / decrease by Rs. 9.44 million (2016: Rs. 7.58 million) as a result of gains / losses on equity securities classified as 'available-for-sale'.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KMI-30 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI index, is expected to change over the time. Accordingly, the sensitivity analysis prepared as of June 30, 2017 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KMI-30 Index.

21.1.4 Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. Credit risk arises from the inability of the relevant brokerage house or the counter party to fulfill their obligations. There is a possibility of default by participants or failure of the financial markets / stock exchanges, the depositories, the settlements or clearing system, etc.

The Fund's credit risk is primarily attributable to its investment in debt securities and government securities, balances with banks and advances, deposits and other receivables. The credit risk of the Fund is limited as the investments are made and balances are maintained with counter parties that are financial institutions with reasonably high credit ratings. Risk attributable to investment in government securities is limited as these are guaranteed by the Federal Government.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through the assignment of credit limits and by following strict credit evaluation criteria laid down by the Pension Fund Manager.

The analysis below summarises the credit quality of the Fund's bank balances as at June 30, 2017 and June 30, 2016:

HBL ISLAMIC PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

Balances with banks by rating category

Name of bank	Balances held as at June 30, 2017				Latest available published rating as at June 30, 2017	Rating Agency
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total		
Meezan Bank Limited	-	202	518	720	AA	JCR-VIS
Dubai Islamic Bank	8,282	18,636	15,190	42,108	A+	JCR-VIS
Bank Islami Pakistan Limited	1,875	16,128	15,707	33,710	A+	PACRA
Bank Al-Habib Limited	-	17,576	15,815	33,391	AA+	PACRA
Habib Bank limited	12,234	10,741	16,731	39,706	AAA	JCR-VIS
Habib Metropolitan Bank Limited	-	80	98	178	AA+	PACRA
Soneri Bank Limited	-	-	15,153	15,153	AA-	PACRA
	22,391	63,363	79,212	164,966		

Name of bank	Balances held as at June 30, 2016				Latest available published rating as at June 30, 2016	Rating Agency
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total		
Meezan Bank Limited	-	961	8,125	9,086	AA	JCR-VIS
Dubai Islamic Bank	5,626	759	11,230	17,615	A+	JCR-VIS
Bank Islami Pakistan Limited	2,262	5,091	7,088	14,441	A+	PACRA
Bank Al-Habib Limited	-	7,740	10,050	17,790	AA+	PACRA
Habib Bank limited	7,192	4,386	4,072	15,650	AAA	JCR-VIS
Habib Metropolitan Bank Limited	-	79	273	352	AA+	PACRA
	15,080	19,016	40,838	74,934		

The maximum exposure to credit risk before any credit enhancement is the carrying amount of the financial assets.

Concentration of credit risk

Concentration of credit risk exists 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.

21.1.5 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the participant's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP). The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking

HBL ISLAMIC PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

damages to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and cannot be readily disposed and are considered readily realizable.

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

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 amounts in the table are the contractual undiscounted cash flows:

	June 30, 2017												
	Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Total
	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	
(Rupees in '000)													
Financial Liabilities													
Payable to the Pension Fund Manager	296	-	-	296	132	-	-	132	109	-	-	109	537
Payable to the Trustee	30	-	-	30	13	-	-	13	11	-	-	11	54
Accrued expenses and other liabilities	1,185	-	-	1,185	121	-	-	121	218	-	-	218	1,524
Participants' sub-funds	207,430	-	-	207,430	95,942	-	-	95,942	78,580	-	-	78,580	381,952
	208,941	-	-	208,941	96,208	-	-	96,208	78,918	-	-	78,918	384,067

	June 30, 2016												
	Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Total
	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	
(Rupees in '000)													
Financial Liabilities													
Payable to the Pension Fund Manager	232	-	-	232	125	-	-	125	91	-	-	91	448
Payable to the Trustee	23	-	-	23	12	-	-	12	9	-	-	9	44
Accrued expenses and other liabilities	1,934	-	-	1,934	647	-	-	647	671	-	-	671	3,252
Participants' sub-funds	163,617	-	-	163,617	88,185	-	-	88,185	63,236	-	-	63,236	315,038
	165,806	-	-	165,806	88,969	-	-	88,969	64,007	-	-	64,007	318,782

The above mentioned financial liabilities do not carry any mark-up.

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

22. PARTICIPANTS' FUNDS RISK MANAGEMENT (CAPITAL RISK)

The participants' fund is represented by redeemable units. These units are entitled to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date.

The Fund has no restrictions on the subscription and redemption of units. There is no specific capital requirement which is applicable to the Fund.

"The Fund's objectives when managing participants' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to participants and to maintain a strong base of assets under management."

In accordance with the risk management policies stated in note 21, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption. Since the participants of the Fund have invested with long term objective,

HBL ISLAMIC PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

the possibility of a significant redemption pressure is limited, such liquidity is augmented by borrowing arrangements (which can be entered if necessary) or disposal of investments, where necessary.

All units, including the core units, and fractions thereof represents an undivided share in the pertinent sub-funds of the Fund and rank pari passu as their rights in the net assets and earning of the sub-fund are not tradable or transferable. Each participant has a beneficial interest in the sub-fund proportionate to the units held by such participant in such sub-fund.

23. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the reporting date. The quoted market price used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Fair value measurements using Inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs) (level3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

		June 30, 2017							
		Carrying amount			Fair Value				
Note	Available-for-sale	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total	
(Rupees in '000)									
On-balance sheet financial instruments									
Financial assets measured at fair value									
Investments:	5								
- Listed equity securities		188,834	-	-	188,834	188,834	-	-	188,834
- Government of Pakistan - Ijarah Sukuks		24,737	-	-	24,737	-	24,737	-	24,737
- Sukuk certificates		5,840	-	-	5,840	-	5,840	-	5,840
		219,411	-	-	219,411	188,834	30,577	-	219,411
Financial assets not measured at fair value									
	23.1								
Bank balances		-	164,667	-	164,667	-	-	-	-
Dividend receivable and accrued mark-up		-	1,550	-	1,550	-	-	-	-
Advances, deposits and other receivables		-	200	-	200	-	-	-	-
		-	166,417	-	166,417	-	-	-	-

HBL ISLAMIC PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2017

		June 30, 2017						
		Carrying amount			Fair Value			
Note	Available-for-sale	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----								
On-balance sheet financial instruments								
Financial liabilities not measured at fair value 23.1								
	-	-	537	537	-	-	-	-
Payable to the Pension Fund Manager								
Payable to the Trustee	-	-	54	54	-	-	-	-
Payable to the Securities and Exchange Commission of Pakistan	-	-	119	119	-	-	-	-
Accrued expenses and other liabilities	-	-	5,566	5,566	-	-	-	-
Participants' sub-funds	-	-	381,952	381,952	-	-	-	-
	-	-	388,228	388,228	-	-	-	-
----- (Rupees in '000) -----								
		June 30, 2016						
		Carrying amount			Fair Value			
	Available-for-sale	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----								
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments:								
- Listed equity securities	151,084	-	-	151,084	151,084	-	-	151,084
- Government of Pakistan - Ijarah Sukuks	84,724	-	-	84,724	-	84,724	-	84,724
- Sukuk certificates - Unlisted	6,949	-	-	6,949	-	6,949	-	6,949
	242,757	-	-	242,757	151,084	91,673	-	242,757
Financial assets not measured at fair value 23.1								
Bank balances	-	74,934	-	74,934	-	-	-	-
Investments:								
-Unlisted Equity Securities	595	-	-	595	-	-	-	-
Dividend receivable and accrued mark-up	-	2,284	-	2,284	-	-	-	-
Advances, deposits and other receivables	-	200	-	200	-	-	-	-
	595	77,418	-	78,013	-	-	-	-

HBL ISLAMIC PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

		June 30, 2016							
		Carrying amount			Fair Value				
		Available-for-sale	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----									
On-balance sheet financial instruments									
Financial liabilities not measured at fair value	23.1								
Payable to the Pension Fund Manager		-	-	448	448	-	-	-	-
Payable to the Trustee		-	-	44	44	-	-	-	-
Payable to the Securities and Exchange Commission of Pakistan		-	-	99	99	-	-	-	-
Accrued expenses and other liabilities		-	-	1,502	1,502	-	-	-	-
Participants' sub-funds		-	-	315,038	315,038	-	-	-	-
		-	-	317,131	317,131	-	-	-	-

23.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or reprice frequently. Therefore, their carrying amounts are reasonable approximation of fair value.

24. FINANCIAL PERFORMANCE

24.1 Equity sub-fund

	Equity Sub-Fund					
	2017	2016	% Change	2015	2014	2013
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Net income for the year	41,151	23,945	72%	31,185	25,902	9,308
Realized capital gains / (losses)	37,880	20,959	81%	30,170	23,574	6,942
Unrealized capital gains / (losses)	3,982	(14,881)	-127%	(422)	8,621	12,639
Dividend income / profit on bank deposits	7,846	6,558	20%	4,695	5,118	3,953
NAV per unit (Rupees)	441.3274	345.9646	28%	327.7553	260.2925	180.2516
Transactions in securities						
Purchases	339,346	339,370	0%	169,639	172,340	43,603
Sales	344,054	333,622	3%	134,511	161,645	41,024
Total contribution received						
Individuals	35,872	8,841	306%	10,540	13,741	4,403
HBL - Sponsor	-	-	-	-	-	-

24.2 Debt sub-fund

	Debt Sub-Fund					
	2017	2016	% Change	2015	2014	2013
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Net income for the year	4,518	1,503	201%	3,852	3,257	3,652
Realized capital gains / (losses)	1,346	(770)	100%	-	(88)	-
Unrealized capital (losses) / gains	(163)	650	-125%	(465)	664	245
Mark-up income	4,973	4,214	18%	5,565	4,819	4,793

HBL ISLAMIC PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

	Debt Sub-Fund					
	2017	2016	% Change	2015	2014	2013
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
NAV per unit (Rupees)	137.8331	131.1891	5%	127.0785	121.0647	113.0976
Transactions in securities						
Purchases	11,861	117,270	-90%	17,600	88,570	17,000
Sales	46,965	50,235	100%	-	10,505	-
Total contribution received						
Individuals	23,277	12,980	79%	11,638	17,878	8,756
HBL - Sponsor	-	-	-	-	-	-

24.3 Money market sub-fund

	Money Market Sub-Fund					
	2017	2016	% Change	2015	2014	2013
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Net income for the year	2,856	1,087	163%	3,009	2,548	3,656
Realized capital gains / (losses)	540	(378)	100%	-	6	-
Unrealized capital gains / (losses)	-	203	-100%	(84)	306	(31)
Mark-up income	3,657	2,920	25%	4,431	3,771	4,823
NAV per unit (Rupees)	134.7699	129.4022	4%	125.8416	119.5334	112.6871
Transactions in securities						
Purchases	-	47,559	-100%	16,000	71,555	35,000
Sales	20,368	24,625	100%	-	9,014	-
Total contribution received						
Individuals	30,385	6,266	385%	4,372	16,711	9,801
HBL - Sponsor	-	-	-	-	-	-

24.4 Highest and lowest issue price of units during the year

	Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund	
	2017	2016	2017	2016	2017	2016
	----- (Rupees in '000) -----					
Highest issue price	501.6896	351.4108	137.8635	131.1891	134.7774	129.4022
Lowest issue price	348.1134	299.9012	131.3379	127.1904	129.4728	125.9450

25. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on _____ by the Board of Directors of the Pension Fund Manager.

26. GENERAL

26.1 Figures have been rounded off to the nearest thousand rupees.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL

Pension Fund

FUND INFORMATION

NAME OF FUND	HBL Pension Fund
NAME OF AUDITOR	Deloitte Yousuf Adil, Chartered Accountants
NAME OF TRUSTEE	A.F. Ferguson & Co., Chartered Accountants.
NAME OF BANKERS	Habib Bank Limited Faysal Bank Limited Bank Islami Paksitan Limited Soneri Bank Bank Al Habib Limited Meezan Bank
FUND RATING	'AM2

HBL PENSION FUND PERFORMANCE TABLE

	For the period ended June 30,2017			For the period ended June 30,2016			For the period ended June 30,2013			For the period ended November 29, 2011 to June 30,2012		
	Equity	Debt	Money Market	Equity	Debt	Money Market	Equity	Debt	Money Market	Equity	Debt	Money Market
NET ASSETS AND PRICES												
Net assets at the period end(Rs'000)	229,202	185,117	160,032	86,355	117,382	120,939	60,828	91,964	104,436	38,987	57,644	61,204
Net asset value per unit at the period end/period end(Rs)	408.1194	153.4136	141.0836	223.5688	122.5372	121.2766	178.0362	114.0548	113.2084	122.4358	104.7196	104.9036
Selling price/repurchasing price	294.1652	136.0234511	129.6234	223.5688	122.5372	121.2766	178.0362	114.0548	113.2084	122.4358	104.7196	104.9036
Earning per unit(Rs) (note 3.9)												
Highest selling price per unit(Rs)	296.8667	137.0814	129.6234	232.0345	122.5372	121.2765	189.6871	114.0548	113.2084	130.1718	104.7196	104.9036
Lowest selling price per unit(Rs)	208.4281	122.5855	121.3152	178.2438	114.1116	113.2668	122.4302	104.7196	104.9036	99.0419	100.00	100.00
Highest repurchase price per unit(Rs)	296.8667	137.0814	129.6234	232.0345	122.5372	121.2765	189.6871	114.0548	113.2084	130.1718	104.7196	104.9036
Lowest repurchasing price per unit(Rs)	208.4281	122.5855	121.3152	178.2438	114.1116	113.2668	122.4302	104.7196	104.9036	99.0419	100.00	100.00
RETURN (%)												
Total return	31.58%	11.01%	6.88%	25.56%	7.44%	7.13%	45.43%	8.91%	7.92%	32.43%	9.38%	8.80%
Capital growth	31.58%	11.01%	6.88%	25.56%	7.44%	7.13%	45.43%	8.91%	7.92%	32.43%	9.38%	8.80%
AVERAGE RETURNS (%)												
Average annual return	27.33%	4.37%	4.50%	25.56%	7.44%	7.13%	45.43%	8.91%	7.92%	32.43%	9.38%	8.80%
Average return since inception	308.12%	9.64%	7.41%	123.57%	8.71%	8.23%	78.06%	8.86%	8.33%	32.43%	9.38%	8.80%
Weighted average portfolio during (No. of days)	-	385	36	-	386	53	-	141	67	-	113	30

Disclaimer:

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

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



TRUSTEE REPORT TO THE PARTICIPANTS

HBL PENSION FUND

Report of the Trustee pursuant to Rule 31(h) of the Voluntary Pension System Rules, 2005

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Pension Fund (the Fund) are of the opinion that HBL Asset Management Limited being the Pension Fund Manager of the Fund has in all material respects managed the Fund during the year ended June 30, 2017 in accordance with the provisions of the constitutive documents of the Fund and the Voluntary Pension System Rules, 2005.

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

Karachi, October 23, 2017



Independent auditors' report to the participants of HBL Pension Fund

We have audited the annexed financial statements comprising:

- i. Balance Sheet;
- ii. Income Statement and Other Comprehensive Income;
- iii. Statement of Movement in Participants' Sub-Funds; and
- iv. Cash Flow Statement

of **HBL Pension Fund** ("the Fund") as at June 30, 2017 together with the notes forming part thereof, for the year then ended.

It is the responsibility of HBL Asset Management Limited (the Pension Fund Manager) to establish and maintain a system of internal controls; and prepare and present the financial statements of the Fund in conformity with the International Accounting Standards notified under the sub-section(3) of section 234 of the Companies Ordinance, 1984, and technical releases issued by the Institute of Chartered Accountants of Pakistan from time to time and the requirements of the Voluntary Pensions System Rules, 2005 and the Companies Ordinance, 1984. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

- a) the accounts prepared for the year ended June 30, 2017 have been properly drawn in accordance with the relevant provisions of the trust deed and the Voluntary Pension System Rules, 2005 including the guidelines thereunder;
- b) a true and fair view is given of the disposition of the Fund as at June 30, 2017 and the transactions of the Fund for the year then ended in accordance with approved accounting standards as applicable in Pakistan;
- c) the allocation and reallocation of units of the sub-funds for all the participants have been made according to the Voluntary Pension System Rules, 2005;

- d) the cost and expenses debited to the Fund and apportionment of expenses between sub-funds are as specified in the constitutive documents of the Fund;
- e) the accounts prepared are in agreement with the Fund's books and records;
- f) we were able to obtain all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit; and
- g) no zakat was deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980).


Chartered Accountants

Engagement Partner
Naresh Kumar

Date: September 22, 2017
Place: Karachi

HBL PENSION FUND

Balance Sheet

As at June 30, 2017

Note	2017				2016				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	
	(Rupees in '000)				(Rupees in '000)				
Assets									
Bank balances	4	15,488	18,391	96,629	130,508	12,682	8,171	42,240	63,093
Investments - net	5	218,388	167,775	64,791	450,954	146,084	170,010	111,909	428,003
Dividend receivable and accrued mark-up	6	627	917	664	2,208	274	2,098	47	2,419
Advances, deposits, prepayments and other receivables	7	100	100	-	200	100	100	-	200
Total assets		234,603	187,183	162,084	583,870	159,140	180,379	154,196	493,715
Liabilities									
Payable to the Pension Fund Manager	8	345	247	213	805	217	254	215	686
Payable to the Trustee	9	34	26	21	81	21	25	21	67
Payable to Securities and Exchange Commission of Pakistan	10	66	58	51	175	45	52	47	144
Accrued expenses and other liabilities	11	4,956	1,735	1,767	8,458	6,750	1,826	2,311	10,887
Total liabilities		5,401	2,066	2,052	9,519	7,033	2,157	2,594	11,784
Net assets		229,202	185,117	160,032	574,351	152,107	178,222	151,602	481,931
Participants' sub-funds (as per statement attached)		229,202	185,117	160,032	574,351	152,107	178,222	151,602	481,931
Contingencies and commitments									
Number of units in issue	13	561,606	1,206,656	1,134,303	2,902,565	474,557	1,212,480	1,122,870	2,809,907
Net assets value per unit	Rupees	408.1194	153.4136	141.0836		320.5217	146.9919	135.0112	

The annexed notes 1 to 27 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive

Director

HBL PENSION FUND

Income Statement and Other Comprehensive Income

For the year ended June 30, 2017

Note	2017				2016			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
------(Rupees in '000)-----								
Income								
	7,066	-	-	7,066	4,964	-	-	4,964
15	826	714	1,977	3,517	376	169	374	919
16	-	10,746	7,771	18,517	-	11,138	8,557	19,695
	34,438	1,450	(15)	35,873	17,542	3,250	12	20,804
	42,330	12,910	9,733	64,973	22,882	14,557	8,943	46,382
	(71)	-	-	(71)	-	-	-	-
Total income	42,259	12,910	9,733	64,902	22,882	14,557	8,943	46,382
Expenses								
	3,334	2,966	2,591	8,891	2,711	3,072	2,775	8,558
	335	298	260	893	230	261	236	727
	66	58	51	175	46	52	47	145
17	119	119	119	357	119	119	119	357
	23	11	5	39	26	9	22	57
Total expenses	3,877	3,452	3,026	10,355	3,132	3,513	3,199	9,844
Net income from operating activities	38,382	9,458	6,707	54,547	19,750	11,044	5,744	36,538
18	1,125	534	470	2,129	-	-	-	-
18	(1,643)	(635)	(415)	(2,693)	-	-	-	-
	(518)	(101)	55	(564)	-	-	-	-
Net income for the year before taxation	37,864	9,357	6,762	53,983	19,750	11,044	5,744	36,538
19	-	-	-	-	-	-	-	-
Net income for the year after taxation	37,864	9,357	6,762	53,983	19,750	11,044	5,744	36,538
Other comprehensive income for the year								
Items that may be reclassified subsequently to income statement:								
	37,078	(587)	(35)	36,456	10,045	4,292	(46)	14,291
	(34,367)	(1,450)	15	(35,802)	(17,542)	(3,250)	(12)	(20,804)
	2,711	(2,037)	(20)	654	(7,497)	1,042	(58)	(6,513)
Total comprehensive income for the year	40,575	7,320	6,742	54,637	12,253	12,086	5,686	30,025
Earning per unit	3.10							

The annexed notes 1 to 27 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive

Director

HBL PENSION FUND

Statement of Movement in Participants' Sub-funds

For the year ended June 30, 2017

Note	2017				2016			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	------(Rupees in '000)-----				------(Rupees in '000)-----			
Net assets at the beginning of the year	152,107	178,222	151,602	481,931	133,225	150,186	138,726	422,137
Issuance of units	14 83,481	54,384	42,570	180,435	23,019	42,012	27,413	92,444
Redemption of units	13 (46,794)	(53,380)	(42,478)	(142,652)	(9,014)	(30,014)	(23,647)	(62,675)
Reallocation among sub funds	(167)	(1,429)	1,596	-	(7,376)	3,952	3,424	-
Capital gain / (loss) on sale of investments	34,438	1,450	(15)	35,873	17,542	3,250	12	20,804
Net unrealised gain / (loss) on re-measurement of investments classified as available-for-sale	2,711	(2,037)	(20)	654	(7,497)	1,042	(58)	(6,513)
Other net income for the year	3,426	7,907	6,777	18,110	2,208	7,794	5,732	15,734
Total comprehensive income for the year	40,575	7,320	6,742	54,637	12,253	12,086	5,686	30,025
Net assets at the end of the year	229,202	185,117	160,032	574,351	152,107	178,222	151,602	481,931

The annexed notes 1 to 27 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive

Director

HBL Pension FUND
Cash Flow Statement
For the year ended June 30, 2017

	2017				2016			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Note	(Rupees in '000)				(Rupees in '000)			
Cash flows from operating activities								
Net income for the year before taxation	37,864	9,357	6,762	53,983	19,750	11,044	5,744	36,538
Adjustments for non-cash items								
Dividend income	(7,066)	-	-	(7,066)	(4,964)	-	-	(4,964)
Mark-up on deposits with bank	(826)	(714)	(1,977)	(3,517)	(376)	(169)	(374)	(919)
Mark-up / return on investments	-	(10,746)	(7,771)	(18,517)	-	(11,138)	(8,557)	(19,695)
Capital (gain) / loss on sale of investments	(34,438)	(1,450)	15	(35,873)	(17,542)	(3,250)	(12)	(20,804)
Impairment loss on investments classified as 'available-for-sale'	71	-	-	71	-	-	-	-
Reversal of provision for Workers' Welfare Fund	(1,125)	(534)	(470)	(2,129)	-	-	-	-
Provision for Sindh Workers' Welfare Fund	1,643	635	415	2,693	-	-	-	-
	(3,877)	(3,452)	(3,026)	(10,355)	(3,132)	(3,513)	(3,199)	(9,844)
(Increase) / decrease in assets								
Investments - net	(35,226)	1,648	47,083	13,505	(11,085)	(26,561)	17,920	(19,726)
Increase / (decrease) in liabilities								
Payable to the Pension Fund Manager	128	(7)	(2)	119	39	44	22	105
Payable to the Trustee	13	1	-	14	5	7	5	17
Payable to Securities and Exchange Commission of Pakistan	21	6	4	31	9	11	7	27
Accrued expenses and other liabilities	(2,312)	(192)	(489)	(2,993)	5,112	710	1,270	7,092
	(2,150)	(192)	(487)	(2,829)	5,165	772	1,304	7,241
	(41,253)	(1,996)	43,570	321	(9,052)	(29,302)	16,025	(22,329)
Dividend income received	6,845	-	-	6,845	4,753	-	-	4,753
Mark-up income received	694	12,641	9,131	22,466	402	12,242	8,901	21,545
Net cash (used in) / generated from operating activities	(33,714)	10,645	52,701	29,632	(3,897)	(17,060)	24,926	3,969
Cash flows from financing activities								
Amount received on issue of units	83,481	54,384	42,570	180,435	23,019	42,012	27,413	92,444
Amount paid on redemption of units	(46,794)	(53,380)	(42,478)	(142,652)	(9,014)	(30,014)	(23,647)	(62,675)
Reallocation among sub-funds	(167)	(1,429)	1,596	-	(7,376)	3,952	3,424	-
Net cash generated from / (used in) financing activities	36,520	(425)	1,688	37,783	6,629	15,950	7,190	29,769
Net increase / (decrease) in cash and cash equivalents	2,806	10,220	54,389	67,415	2,732	(1,110)	32,116	33,738
Cash and cash equivalents at the beginning of the year	12,682	8,171	42,240	63,093	9,950	9,281	10,124	29,355
Cash and cash equivalents at the end of the year	15,488	18,391	96,629	130,508	12,682	8,171	42,240	63,093

The annexed notes 1 to 27 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive

Director

HBL PENSION FUND

Notes To The Financial Statements

For the year ended June 30, 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

HBL Pension Fund ("the Fund") was established under a Trust Deed, dated August 17, 2011, between HBL Asset Management Limited as the Pension Fund Manager and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was authorized by the Securities and Exchange Commission of Pakistan (SECP) as a pension fund on October 05, 2011.

The Pension Fund Manager has been licensed to act as a Pension Fund Manager under the Voluntary Pension System Rules, 2005 (VPS Rules) through a certificate of registration issued by the SECP. The registered office of the Pension Fund Manager is situated at 24-C, Khayaban-e-Hafiz, Phase VI, D.H.A, Karachi, Pakistan. Subsequent to the year ended June 30, 2017, the registered office has been relocated at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.

The Fund is an unlisted pension scheme and offers units for public subscription on a continuous basis. The units are non-transferable except in the circumstances mentioned in VPS Rules and can be redeemed by surrendering to the Fund. Further, as per the offering document, no distribution of income or dividend is allowed from any of the sub-funds.

The objective of the Fund is to provide individuals with a portable, individualized, funded and flexible pension scheme, assisting and facilitating them to plan and provide for their retirement.

The Fund consists of three sub-funds namely, HBL Pension Fund Equity Sub-Fund ("Equity Sub-Fund"), HBL Pension Fund Debt Sub-Fund ("Debt Sub-Fund") and HBL Pension Fund Money Market Sub-Fund ("Money Market Sub-Fund") (collectively the "Sub-Funds"). The investment policy for each of the sub-funds are as follows:

- The Equity Sub-Fund consists of a minimum 90% of net assets invested in listed equity securities. Investment in a single company is restricted to lower of 10% of Net Asset Value (NAV) or paid-up capital of the investee company. Investment in a single stock exchange sector is restricted to the higher of 30% of NAV or index weight, subject to a maximum of 35% of NAV. Remaining assets of the Equity Sub-Fund shall be invested in any government security having less than one year time to maturity, or be deposited with scheduled commercial banks having at least 'A' rating.
- The Debt Sub-Fund consists of tradable debt securities with weighted average duration of the investment portfolio of the sub-fund not exceeding five years. At least twenty five percent (25%) of the assets in the sub-fund shall be invested in debt securities issued by the Federal Government. Up to twenty five percent (25%) may be deposited with banks having not less than 'AA+' rating. Composition of the remaining portion of the investments shall be as defined in the offering document.
- The Money Market Sub-Fund consists of short term debt instruments with weighted average time to maturity not exceeding ninety days. There is no restriction on the amount of investment in securities issued by the Federal Government and the commercial banks having 'A+' or higher rating provided that deposit with any one bank shall not exceed twenty (20%) of net assets. Investment in securities issued by provincial government, city government, government entity with 'A' or higher rating or a corporate entity with 'A+' or higher rating shall be made up to 10%, 5%, 5% and 5% of net assets of the sub-fund respectively.

The Fund offers five types of allocation schemes, as prescribed by the SECP under VPS Rules, to the contributors of the Fund namely High Volatility, Medium Volatility, Low Volatility, Lower Volatility and Life Cycle Allocation. The participants of the Fund voluntarily determine the contribution amount, subject to the minimum limit fixed by the Pension Fund Manager. The allocation to the sub-funds has to be done at the date of opening of contributor's pension account and on an anniversary date thereafter. The contribution amount may be paid by the contributor on a periodic basis such as annual, semi annual, quarterly or monthly basis.

The Pension Fund Manager also offers a HBL Monthly Pension Plan ("the Income Plan") to the participants of the Fund or any other approved pension fund, at the retirement date of participants. The Income Plan intends to provide investors a monthly income stream based on investment according to the investor's desired risk exposure, within the prescribed allocation limits.

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2 (positive outlook)' (2016: 'AM2-') to the Pension Fund Manager while the Fund is currently not rated.

Title to the assets of the Fund are held in the name of CDC as the trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the 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, technical releases issued by the Institute of Chartered Accountants of Pakistan from time to time and the requirements of the Voluntary Pension System Rules, 2005 (the VPS Rules). Wherever the requirements of the VPS Rules differ with the requirements of the IFRS, the requirements of the VPS Rules shall prevail.

HBL PENSION FUND

Notes To The Financial Statements

For the year ended June 30, 2017

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for the investments which are stated at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest thousand rupees, except otherwise stated.

2.4 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2017

The following standards, amendments and interpretations are effective for the year ended June 30, 2017. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after:
Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception	January 01, 2016
Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations	January 01, 2016
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative	January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortisation	January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants	January 01, 2016
Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements	January 01, 2016

Certain annual improvements have also been made to a number of IFRSs.

2.5 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after:
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective from accounting period beginning on or after a date to be determined.
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2017
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018.
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. Certain annual improvements have also been made to a number of IFRSs.	January 01, 2019

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

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

2.6 Use of judgments and estimates

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

In the process of applying the Fund's accounting policies, management has made the following estimates and judgments which are significant to the financial statements.

- (a) classification of investments (Note 3.2.1)
- (b) impairment of financial asset (Note 3.2.5)
- (c) provisions (Note 3.5)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below.

3.1 Cash and cash equivalents

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

3.2 Financial assets

3.2.1 Classification

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

a) Financial assets at fair value through profit or loss - held-for-trading

An investment that is acquired principally for the purpose of generating profit from short-term fluctuations in prices is classified as "fair value through profit or loss - held-for-trading". Currently there are no investments of the fund classified as at fair value through profit or loss - held-for-trading.

b) Loans and receivables

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

c) Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as

- (i) loans and receivables,
- (ii) held to maturity investments or
- (iii) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

3.2.2 Regular way contracts

All regular purchases / sales of investments are recognised on the trade date i.e. the date that the Fund commits to purchase / sell the investments. Purchases / sales of investments require delivery of securities within the time frame established by the regulations.

3.2.3 Initial recognition and measurement

All financial assets are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the acquisition, except in case of "financial assets at fair value through profit or loss - held-for-trading", in which case the transaction costs are charged off to the Income Statement and Other Comprehensive Income.

3.2.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as 'at fair value through profit or loss - held-for-trading' and 'available-for-sale' are valued as follows:

a) Basis of valuation of debt securities (other than Government securities)

The debt securities are valued on the basis of rates determined by the Mutual Fund Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan (SECP) for valuation of debt securities vide its circular no. 33 of 2012 dated October 24, 2012 (which is essentially the same as contained in circular no. 1 of 2009, previously used). In the determination of the rates MUFAP takes into account the holding pattern of these securities and categorizes them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

b) Basis of valuation of equity securities

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

c) Basis of valuation of Government securities

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

Net gains and losses arising from changes in the fair value of financial assets carried at fair value through profit or loss - held-for-trading' are taken to the Income Statement and Other Comprehensive Income.

Net gains and losses arising from changes in fair value of 'available-for-sale' financial assets are taken to the statement of comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the statement of comprehensive income is transferred to the income statement and other comprehensive income.

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

3.2.5 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever, the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement and other comprehensive income.

a) Debt securities

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under circular no. 33 of 2012 dated October 24, 2012 issued by the SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Pension Fund Manager.

b) Equity securities

The fund assess at each reporting date whether there is objective evidence that a financial asset or a group of financial asset is impaired. In case of investments classified as 'available-for-sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for 'available-for-sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income statement is reclassified from other comprehensive income and recognised in the income statement. However, the decrease in impairment loss on equity securities are not reversed through the income statement and other comprehensive income.

c) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the assets carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

3.2.6 Derecognition

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

3.2.7 Offsetting of financial assets and financial liabilities

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

3.3 Financial liabilities

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

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

3.4 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchanges and other expenses. These costs are being amortised over a period of three years in accordance with the requirements set out in the Trust Deed of the Fund and the VPS Rules.

3.5 Provisions

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

made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.6 Revenue recognition

- Capital gains / (losses) arising on sale of investments are included in the income statement and other comprehensive income on the date at which the transaction takes place.
- Unrealized gains / (losses) arising on revaluation of investments classified as 'financial assets at fair value through profit or loss - held-for-trading' are included in the income statement and other comprehensive income in the period in which they arise.
- Dividend income is recognised when the right to receive the dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Markup / return on government securities, term finance certificate, sukuk certificates, commercial papers, clean placements, bank balances and term deposit receipts are recognised on a time apportion basis using the effective interest method.

3.7 Taxation

The income of the Fund is exempt from income tax under clause 57(3)(viii) of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A(i) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

3.8 Issue and redemption of units

Contribution received in the individual pension account after deduction of applicable front end fee is used to purchase the units of sub-funds of the pension fund according to the Allocation Scheme selected by the participant. The units are allotted at the net asset value notified by the Pension Fund Manager at the close of the business day for each sub-fund on the date on which funds are actually realized against application. The front end fee is payable to the distributors and the Pension Fund Manager.

The Pension Fund Manager makes reallocation of the sub-fund units between the sub-funds at least once a year to ensure that the allocation of the sub-fund units of all the participants are according to the Allocation Schemes selected by the participants. In case of withdrawal before retirement, units are redeemed at the net asset value of each of the sub-fund as of the close of the business day on which such request is received by the distributor before the cut off time. Redemption of units is recorded on acceptance of application for redemption.

In case of retirement of the participant, units are redeemed at the net asset value of each of the sub-fund as of the close of the business day on which retirement age is reached.

In case of change of Pension Fund Manager, units are redeemed at the net asset value of each of the sub-fund as of the close of the business day corresponding to the date of change specified by the participant.

3.9 Net Asset Value per unit

The Net Asset Value (NAV) per unit, as disclosed in the balance sheet, is calculated by dividing the net assets of each of the sub-fund by the number of units in circulation of that sub-fund at the year end.

3.10 Earnings per unit (EPU)

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

3.11 Expenses

All expenses including NAV based expenses (namely management fee, trustee fee and annual fee payable to the SECP) are recognised in the Income Statement and Other Comprehensive Income on a time apportion basis using the effective interest method.

HBL PENSION FUND
Notes To The Financial Statements
For the year ended June 30, 2017

4. BANK BALANCES

Note	2017				2016				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	
	(Rupees in '000)				(Rupees in '000)				
Savings accounts	4.1	15,488	18,391	71,629	105,508	12,682	8,171	42,240	63,093
Term deposit receipts (TDRs)	4.2	-	-	25,000	25,000	-	-	-	-
		15,488	18,391	96,629	130,508	12,682	8,171	42,240	63,093

4.1 This represents bank accounts held with various banks. Mark-up rates on these accounts range between 4.0% to 6.5% (2016: 4.0% to 7.0%) per annum.

4.2 This represents TDRs placed with JS Bank Limited, carrying markup at the rate of 6.8% per annum and maturing on August 2, 2017.

5. INVESTMENTS - NET

Note	2017				2016			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			

Investments by category

Available-for-sale investments

Listed equity securities	5.1	218,388	-	-	218,388	145,600	-	-	145,600
Unlisted equity securities		-	-	-	-	484	-	-	484
Government securities									
- Treasury bills	5.2	-	-	37,791	37,791	-	49,665	104,909	154,574
- Pakistan investment bonds	5.3	-	101,502	-	101,502	-	115,561	-	115,561
Term finance certificates and sukuk bonds	5.4	-	34,273	-	34,273	-	4,784	7,000	11,784
		218,388	135,775	37,791	391,954	146,084	170,010	111,909	428,003

Loans and receivables

Term deposits receipts	5.5	-	32,000	27,000	59,000	-	-	-	-
		218,388	167,775	64,791	450,954	146,084	170,010	111,909	428,003

HBL PENSION FUND
Notes To The Financial Statements
For the year ended June 30, 2017

5.1 Listed equity securities

5.1.1 Held by Equity Sub-Fund

Fully paid up ordinary shares of Rs. 10 each except for Thal Limited and K-Electric Limited having face value of Rs. 5 & Rs. 3.5 each respectively.

Sector and Name of the investee company	As at July 1, 2016	Purchases during the period	Bonus / Right issue during the period	Sales during the period	As at June 30, 2017	Market value as at June 30, 2017	Market value as a % of net assets of the sub-fund	Market value as a % of total investment of the sub-fund	Holding as a % of paid-up capital of the investee company
	-----Number of shares-----			-----Rupees in '000-----			-----%		
Automobile Assembler									
Millat Tractors Limited	-	7,600	-	3,000	4,600	6,322	2.76	2.90	0.0104
Gandhara Industries Limited	-	7,950	-	7,750	200	130	0.06	0.06	0.0009
Pak Suzuki Motor Company Limited	-	3,000	-	-	3,000	2,341	1.02	1.07	0.0036
Honda Atlas Cars Pakistan Limited	10,000	4,800	-	14,800	-	-	-	-	-
	<u>10,000</u>	<u>23,350</u>	<u>-</u>	<u>25,550</u>	<u>7,800</u>	<u>8,793</u>	<u>3.84</u>	<u>4.03</u>	
Automobile Parts & Accessories									
Thal Limited	-	36,500	-	28,000	8,500	5,151	2.25	2.36	0.0105
General Tyre and Rubber Company of Pakistan Limited	24,100	11,000	-	35,100	-	-	-	-	-
	<u>24,100</u>	<u>47,500</u>	<u>-</u>	<u>63,100</u>	<u>8,500</u>	<u>5,151</u>	<u>2.25</u>	<u>2.36</u>	
Cable and Electrical Goods									
Pak Elektron Limited	50,000	110,500	-	76,000	84,500	9,322	4.07	4.27	0.0170
Cement									
Lucky Cement Limited	19,100	16,700	-	18,400	17,400	14,551	6.35	6.66	0.0054
Bestway Cement Limited	-	25,400	-	25,400	-	-	-	-	-
Cherat Cement Company Limited	-	61,000	-	11,000	50,000	8,939	3.90	4.09	0.0283
Fauji Cement Company Limited	40,000	225,000	-	265,000	-	-	-	-	-
Maple Leaf Cement Factory Limited	42,500	32,000	-	74,500	-	-	-	-	-
Pioneer Cement Limited	40,500	43,400	-	20,500	63,400	8,242	3.60	3.78	0.0279
D.G. Khan Cement Company Limited	40,000	28,500	-	22,800	45,700	9,741	4.25	4.46	0.0104
	<u>182,100</u>	<u>432,000</u>	<u>-</u>	<u>437,600</u>	<u>176,500</u>	<u>41,473</u>	<u>18.10</u>	<u>18.99</u>	
Chemical									
ICI Pakistan Limited	-	15,900	-	12,000	3,900	4,269	1.86	1.96	0.0042
Engro Polymer & Chemicals Limited	-	188,000	-	31,000	157,000	5,731	2.50	2.62	0.0237
Sitara Chemical Industries Limited	-	5,950	-	-	5,950	2,645	1.15	1.21	0.0278
Akzo Nobel Pakistan Limited	-	10,000	-	10,000	-	-	-	-	-
	<u>-</u>	<u>219,850</u>	<u>-</u>	<u>53,000</u>	<u>166,850</u>	<u>12,645</u>	<u>5.51</u>	<u>5.79</u>	
Commercial Banks									
Askari Bank Limited	-	70,000	-	70,000	-	-	-	-	-
Bank ALHabib Limited	-	70,000	-	70,000	-	-	-	-	-
Habib Metropolitan Bank	-	55,000	-	55,000	-	-	-	-	-
United Bank Limited	34,500	55,000	-	20,500	69,000	16,251	7.09	7.44	0.0056
Meezan Bank Limited	-	-	-	-	-	-	-	-	-
National Bank of Pakistan	-	45,000	-	45,000	-	-	-	-	-
MCB Bank Limited	40,500	43,000	-	35,000	48,500	10,206	4.45	4.67	0.0044
Bank Al Falah Limited	195,000	146,000	-	341,000	-	-	-	-	-
	<u>270,000</u>	<u>484,000</u>	<u>-</u>	<u>636,500</u>	<u>117,500</u>	<u>26,457</u>	<u>11.54</u>	<u>12.11</u>	

HBL PENSION FUND
Notes To The Financial Statements
For the year ended June 30, 2017

Sector and Name of the investee company	As at July 1, 2016	Purchases during the period	Bonus / Right issue during the period	Sales during the period	As at June 30, 2017	Market value as at June 30, 2017	Market value as a % of net assets of the sub-fund	Market value as a % of total investment of the sub-fund	Holding as a % of paid-up capital of the investee company
	Number of shares				Rupees in '000		%		
Engineering									
Mughal Iron and Steel Industries Limited **	40,000	-	-	39,000	1,000	81	0.04	0.04	0.0008
Mughal Iron and Steel Industries Limited - LoR	-	325	-	325	-	-	-	-	0.0008
Amreli Steels Limited	66,500	69,000	-	100,500	35,000	4,303	1.88	1.97	0.0118
International Industries Limited	-	17,400	-	3,700	13,700	5,049	2.20	2.31	0.0114
International Steels Limited ***	-	44,000	-	-	44,000	5,627	2.45	2.57	0.0101
Crescent Steel & Allied Products Limited	53,775	37,000	-	76,700	14,075	3,358	1.47	1.54	0.0181
	160,275	167,725	-	220,225	107,775	18,418	8.04	8.43	
Fertilizer									
Engro Corporation Limited	27,100	29,100	-	25,700	30,500	9,940	4.34	4.55	0.0058
Engro Fertilizers Limited	25,000	79,000	-	104,000	-	-	-	-	-
Dawood Hercules Corporation	-	44,000	-	44,000	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	87,500	-	87,500	-	-	-	-	-
Fauji Fertilizer Company Limited	-	30,000	-	30,000	-	-	-	-	-
	52,100	269,600	-	291,200	30,500	9,940	4.34	4.55	
Food and Personal Care Products									
Treet Corporation Limited	-	50,000	-	50,000	-	-	-	-	-
Glass and Ceramics									
Tariq Glass Limited	-	66,000	-	66,000	-	-	-	-	-
Insurance									
Adamjee Insurance Company Limited	-	87,000	-	87,000	-	-	-	-	-
Leather & Tanneries									
Service Industries Limited	-	5,100	-	5,100	-	-	-	-	-
Miscellaneous									
Tri-Pack Films Limited	-	12,000	-	12,000	-	-	-	-	-
Oil and Gas Exploration Companies									
Oil and Gas Development Company Limited	44,000	43,500	-	30,200	57,300	8,062	3.52	3.69	0.0013
Pakistan Petroleum Limited	20,000	12,000	-	9,500	22,500	3,333	1.45	1.53	0.0011
Mari Petroleum Company Limited	2,000	10,560	-	6,800	5,760	9,076	3.96	4.16	0.0052
Pakistan Oilfields Limited	7,000	25,200	-	19,500	12,700	5,819	2.54	2.66	0.0054
	73,000	91,260	-	66,000	98,260	26,290	11.47	12.04	

HBL PENSION FUND
Notes To The Financial Statements
For the year ended June 30, 2017

Sector and Name of the investee company	As at July 1, 2016	Purchases during the period	Bonus / Right issue during the period	Sales during the period	As at June 30, 2017	Market value as at June 30, 2017	Market value as a % of net assets of the sub-fund	Market value as a % of total investment of the sub-fund	Holding as a % of paid-up capital of the investee company
	Number of shares			Rupees in '000			%		
Oil and Gas Marketing Companies									
Pakistan State Oil Company Limited	25,700	17,300	-	27,800	15,200	5,888	2.57	2.70	0.0056
Sui Northern Gas Pipelines Limited	-	140,500	-	76,500	64,000	9,531	4.16	4.36	0.0101
Sui Southern Gas Company Limited	-	65,000	-	65,000	-	-	-	-	-
Hi-Tech Lubricants Limited	-	67,500	-	67,500	-	-	-	-	-
Hascol Petroleum Limited	-	26,500	-	-	26,500	9,039	3.94	4.14	0.0220
	<u>25,700</u>	<u>316,800</u>	<u>-</u>	<u>236,800</u>	<u>105,700</u>	<u>24,458</u>	<u>10.67</u>	<u>11.20</u>	
Paper and Board									
Cherat Packaging Limited	11,200	-	-	11,200	-	-	-	-	-
Century Paper and Board Mills Limited	-	50,000	-	50,000	-	-	-	-	-
Packages Limited ***	-	13,050	-	6,750	6,300	4,382	1.91	2.01	0.0070
	<u>11,200</u>	<u>63,050</u>	<u>-</u>	<u>67,950</u>	<u>6,300</u>	<u>4,382</u>	<u>1.91</u>	<u>2.01</u>	
Pharmaceuticals									
Searle Pakistan Limited **	8,938	23,000	914	16,700	16,152	8,270	3.61	3.79	0.0115
Abbot Laboratories (Pakistan) Limited	-	4,000	-	-	4,000	3,738	1.63	1.71	0.0041
GlaxoSmithKline Pakistan Limited	26,000	-	-	26,000	-	-	-	-	-
GlaxoSmithKline Consumer Healthcare Pakistan Limited	7,800	-	-	7,800	-	-	-	-	-
	<u>42,738</u>	<u>27,000</u>	<u>914</u>	<u>50,500</u>	<u>20,152</u>	<u>12,008</u>	<u>5.24</u>	<u>5.50</u>	
Power Generation and Distribution									
Hub Power Company Limited	67,700	69,000	-	40,000	96,700	11,355	4.95	5.20	0.0084
Kot Addu Power Company Limited	30,500	44,000	-	74,500	-	-	-	-	-
K-Electric Limited	625,000	590,000	-	1,215,000	-	-	-	-	-
	<u>723,200</u>	<u>703,000</u>	<u>-</u>	<u>1,329,500</u>	<u>96,700</u>	<u>11,355</u>	<u>4.95</u>	<u>5.20</u>	
Refinery									
Attock Refinery Limited	-	7,500	-	7,500	-	-	-	-	-
Textile Composite									
Nishat Mills Limited	17,500	61,000	-	30,000	48,500	7,696	3.36	3.52	0.0138
Gul Ahmed Textile Mills Limited	-	112,000	-	112,000	-	-	-	-	-
	<u>17,500</u>	<u>173,000</u>	<u>-</u>	<u>142,000</u>	<u>48,500</u>	<u>7,696</u>	<u>3.36</u>	<u>3.52</u>	
Transport									
Pakistan National Shipping Corporation Limited ***	72,000	-	-	72,000	-	-	-	-	-
Total as at June 30, 2017	<u>1,713,913</u>	<u>3,356,235</u>	<u>914</u>	<u>3,995,525</u>	<u>1,075,537</u>	<u>218,388</u>	<u>95.28</u>	<u>100.00</u>	
Cost of investment as at June 30, 2017						<u>206,327</u>			

HBL PENSION FUND
Notes To The Financial Statements
For the year ended June 30, 2017

This represents gross bonus shares as per Fund's entitlement declared by the investee company. Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5 percent is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the investee company which shall be considered as final discharge of tax liability on such income. However, the Pension Fund Manager jointly with other asset management companies and Mutual Fund Association of Pakistan, has filed a petition in Honorable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption given to pension funds under clause 57 (3) (viii) of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld the share equivalent to 5% of bonus announcement having aggregate fair value of Rs 161,449 at June 30, 2017 (June 30, 2016: Rs. 115,680) and not yet deposited on CDC account of department of Income tax. Management is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis.

*** Related party due to common directorship.

5.1.2 Net unrealised appreciation on remeasurement of investments classified as available-for-sale	2017				2016			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
Market value of investments	218,388	135,775	37,791	391,954	146,084	170,010	111,909	428,003
Cost of investments	206,327	135,293	37,796	379,416	136,663	167,491	111,894	416,048
Impairment loss on equity securities classified as available-for-sale	(71)	-	-	(71)	-	-	-	-
	206,256	135,293	37,796	379,345	136,663	167,491	111,894	416,048
	12,132	482	(5)	12,609	9,421	2,519	15	11,955

5.2 Government securities - Treasury Bills

5.2.1 Held by Debt Sub-Fund

Treasury bills - having face value of Rs. 100 each	Issue date	Face value				Amortised cost as at June 30, 2017	Market value as at June 30, 2017	Market value as a	
		As at July 1, 2016	Purchases during the year	Sales / matured during the year	As at June 30, 2017			Total investment of the sub-fund	Net assets of the sub-fund
		(Rupees in '000)						%	
Treasury Bill - 3 months	May 12, 2016	22,000	-	22,000	-	-	-	-	
Treasury Bill - 3 months	May 26, 2016	28,000	-	28,000	-	-	-	-	
Treasury Bill - 12 months	October 15, 2015	-	35,000	35,000	-	-	-	-	
Treasury Bill - 6 months	March 31, 2016	-	4,000	4,000	-	-	-	-	
Treasury Bill - 6 months	May 12, 2016	-	105,000	105,000	-	-	-	-	
Treasury Bill - 6 months	June 9, 2016	-	100,000	100,000	-	-	-	-	
Treasury Bill - 6 months	June 23, 2016	-	75,000	75,000	-	-	-	-	
Treasury Bill - 6 months	July 21, 2016	-	4,000	4,000	-	-	-	-	
Treasury Bill - 6 months	August 4, 2016	-	17,000	17,000	-	-	-	-	
Treasury Bill - 3 months	August 4, 2016	-	25,000	25,000	-	-	-	-	
Treasury Bill - 6 months	August 18, 2016	-	29,000	29,000	-	-	-	-	
Treasury Bill - 3 months	September 1, 2016	-	35,000	35,000	-	-	-	-	
Treasury Bill - 3 months	September 29, 2016	-	4,000	4,000	-	-	-	-	
Treasury Bill - 3 months	October 27, 2016	-	75,000	75,000	-	-	-	-	
Treasury Bill - 3 months	November 10, 2016	-	81,000	81,000	-	-	-	-	
Treasury Bill - 3 months	November 24, 2016	-	5,000	5,000	-	-	-	-	
Treasury Bill - 6 months	February 2, 2017	-	25,000	25,000	-	-	-	-	
Treasury Bill - 3 months	February 16, 2017	-	6,000	6,000	-	-	-	-	
Treasury Bill - 3 months	April 27, 2017	-	4,500	4,500	-	-	-	-	
Treasury Bill - 3 months	May 25, 2017	-	30,000	30,000	-	-	-	-	
		50,000	659,500	709,500	-	-	-	-	

HBL PENSION FUND
Notes To The Financial Statements
For the year ended June 30, 2017

5.2.2 Held by Money Market Sub-Fund

Treasury bills - having face value of Rs. 100 each	Issue date	Face value				Amortised cost as at June 30, 2017	Market value as at June 30, 2017	Market value as a	
		As at July 1, 2016	Purchases during the year	Sales / matured during the year	As at June 30, 2017			Total investment of the sub-fund	Net assets of the sub-fund
		(Rupees in '000)						%	
Treasury Bill - 12 months	August 6, 2015	50,000	-	50,000	-	-	-	-	-
Treasury Bill - 6 months	January 21, 2016	8,500	-	8,500	-	-	-	-	-
Treasury Bill - 6 months	March 3, 2016	7,000	-	7,000	-	-	-	-	-
Treasury Bill - 3 months	May 12, 2016	38,000	-	38,000	-	-	-	-	-
Treasury Bill - 3 months	May 26, 2016	2,000	-	2,000	-	-	-	-	-
Treasury Bill - 12 months	August 20, 2015	-	8,500	8,500	-	-	-	-	-
Treasury Bill - 12 months	January 21, 2016	-	2,000	2,000	-	-	-	-	-
Treasury Bill - 6 months	May 12, 2016	-	30,000	30,000	-	-	-	-	-
Treasury Bill - 12 months	June 23, 2016	-	20,000	20,000	-	-	-	-	-
Treasury Bill - 6 months	July 21, 2016	-	20,000	20,000	-	-	-	-	-
Treasury Bill - 3 months	August 4, 2016	-	75,000	75,000	-	-	-	-	-
Treasury Bill - 3 months	August 18, 2016	-	25,000	25,000	-	-	-	-	-
Treasury Bill - 6 months	August 18, 2016	-	11,000	11,000	-	-	-	-	-
Treasury Bill - 3 months	September 1, 2016	-	7,000	7,000	-	-	-	-	-
Treasury Bill - 3 months	November 10, 2016	-	61,000	61,000	-	-	-	-	-
Treasury Bill - 3 months	November 24, 2016	-	15,000	15,000	-	-	-	-	-
Treasury Bill - 6 months	December 22, 2016	-	25,000	25,000	-	-	-	-	-
Treasury Bill - 3 months	January 19, 2017	-	75,000	75,000	-	-	-	-	-
Treasury Bill - 3 months	February 2, 2017	-	7,000	7,000	-	-	-	-	-
Treasury Bill - 6 months	February 16, 2017	-	20,000	-	20,000	19,847	19,847	30.63	0.12
Treasury Bill - 3 months	March 16, 2017	-	14,000	14,000	-	-	-	-	-
Treasury Bill - 3 months	April 13, 2017	-	27,000	27,000	-	-	-	-	-
Treasury Bill - 3 months	April 27, 2017	-	68,500	50,500	18,000	17,949	17,944	27.70	0.11
Treasury Bill - 3 months	May 11, 2017	-	25,000	25,000	-	-	-	-	-
Treasury Bill - 3 months	May 25, 2017	-	28,000	28,000	-	-	-	-	-
		105,500	564,000	631,500	38,000	37,796	37,791	58.33	0.23

5.2.2.1 These treasury bills carry maturities ranging from July 2017 to August 2017.

5.3 Government Securities - Pakistan Investment Bonds

5.3.1 Held by Debt Sub-Fund

	Issue date	Face value				Amortised cost as at June 30, 2017	Market value as at June 30, 2017	Market value as a percentage of	
		As at July 1, 2016	Purchases during the year	Sales / matured during the year	As at June 30, 2017			Total investment of the	Net assets of the sub-fund
		(Rupees in '000)						%	
Pakistan Investment Bond - 3 years	March 26, 2015	50,000	100,000	150,000	-	-	-	-	-
Pakistan Investment Bond - 3 years	April 21, 2016	25,000	140,000	165,000	-	-	-	-	-
Pakistan Investment Bond - 5 years	April 21, 2016	35,000	-	35,000	-	-	-	-	-
Pakistan Investment Bond - 5 years	August 18, 2015	1,000	-	1,000	-	-	-	-	-
Pakistan Investment Bond - 5 years	July 17, 2014	-	50,050	50,000	50	56	55	0.03	0.03
Pakistan Investment Bond - 5 years	July 18, 2013	-	80,000	80,000	-	-	-	-	-
Pakistan Investment Bond - 10 years	April 21, 2016	-	25,000	25,000	-	-	-	-	-
Pakistan Investment Bond - 3 years	December 29, 2016	-	100,000	-	100,000	101,400	101,447	60.47	54.80
		111,000	495,050	506,000	100,050	101,456	101,502	60.50	54.83

HBL PENSION FUND
Notes To The Financial Statements
For the year ended June 30, 2017

5.3.1.1 Pakistan Investment Bonds held as at June 30, 2017, carry coupon at the rate of 7.00% to 11.50% (2016: 7.00% to 11.50%) with maturities ranging from July 2019 to December 2019.

5.4 Term Finance Certificates and Sukuk bonds

5.4.1 Held by Debt Sub-Fund

Name of the Investee Company	Number of certificates			As at June 30, 2017	Amortised cost as at June 30, 2017	Market / Carrying value as at June 30, 2017	Market value as a	
	As at July 1, 2016	Purchases during the year	Sales / matured during the year				Total investment of the sub-fund	Net assets of the sub-fund
----- (Rupees in '000) -----								
Commercial Banks								
Standard Chartered Bank (Pakistan) Limited	300	-	300	-	-	-	-	-
JS Bank Limited	-	2,000	1,150	850	4,249	4,281	2.55	2.31
Bank Al-Habib Limited	-	2,500	-	2,500	12,640	12,688	7.56	6.85
Bank of Punjab	-	85	-	85	8,525	8,598	5.13	4.64
NIB Bank Limited	-	800	-	800	4,028	4,050	2.41	2.19
	300	5,385	1,450	4,235	29,442	29,617	17.65	15.99
Multiutilities								
Water and Power Development Authority	798	-	-	798	2,565	2,690	1.60	1.45
	798	-	-	798	2,565	2,690	1.60	1.45
Fertilizers								
Fatima Fertilizers Company Limited	-	418	-	418	1,881	1,966	1.17	1.06
	-	418	-	418	1,881	1,966	1.17	1.06
Total	1,098	5,803	1,450	5,451	33,888	34,273	20.42	18.50

5.4.1.1 Significant terms and conditions of Term Finance Certificates and Sukuk Bonds outstanding as at June 30, 2017 are as follows:

Name of security	Remaining principal (per TFC) (Rupees)	Mark-up rate (per annum)	Issue date	Maturity date
Term Finance Certificates and Sukuk bonds - Listed				
NIB Bank Limited	4,994	6 month KIBOR + 1.15%	19-Jun-14	19-Jun-22
Fatima Fertilizers Limited	4,500	6 month KIBOR + 1.1%	28-Nov-16	28-Nov-21
Term Finance Certificates and Sukuk bonds - Unlisted				
JS Bank Limited	4,999	6 month KIBOR + 1.4%	14-Dec-16	14-Dec-23
Bank Al-Habib Limited	4,998	6 month KIBOR + 0.75%	17-Mar-16	17-Mar-26
Bank of Punjab	99,980	6 month KIBOR + 1%	23-Dec-16	23-Dec-26
Water and Power Development Authority	3,214	6 month KIBOR + 1%	14-Oct-13	14-Oct-21

HBL PENSION FUND
Notes To The Financial Statements
For the year ended June 30, 2017

5.4.2 Held by Money Market Sub-Fund

Name of the Investee Company

Name of the Investee Company	Number of certificates			Amortised cost as at June 30, 2017	Market / Carrying value as at June 30, 2017	Market value as a percentage of	
	As at July 1, 2016	Purchases during the year	Sales / matured during the year			Total investment of the sub-fund	Net assets of the sub-fund
----- (Rupees in '000) ----- % -----							
Fertilizers							
Engro Fertilizers Limited	7	-	7	-	-	-	-

5.5 This represents TDR placed with Zarai Taraqiati Bank Limited carrying mark-up at the rate of 6.50% per annum and maturing on November 27, 2017.

6. DIVIDEND RECEIVABLE AND ACCRUED MARK-UP

	2017				2016			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
----- (Rupees in '000) -----								
Dividend receivable	495	-	-	495	274	-	-	274
Markup accrued on deposits with banks	132	206	664	1,002	-	-	-	-
Markup accrued on term finance certificates	-	52	-	52	-	1	-	1
Markup accrued on sukuk bonds	-	611	-	611	-	49	47	96
Markup accrued on government securities - Pakistan Investment Bonds	-	48	-	48	-	2,048	-	2,048
	627	917	664	2,208	274	2,098	47	2,419

7. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2017				2016			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
----- (Rupees in '000) -----								
Security Deposit with the Central Depository Company of Pakistan Limited	100	100	-	200	100	100	-	200

8. PAYABLE TO THE PENSION FUND MANAGER

	Note	2017				2016			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
----- (Rupees in '000) -----									
Management fee	8.1	305	219	188	712	187	219	185	591
Sindh Sales Tax	8.2	40	28	25	93	30	35	30	95
		345	247	213	805	217	254	215	686

HBL PENSION FUND
Notes To The Financial Statements
For the year ended June 30, 2017

- 8.1** As per rule 11 of the VPS Rules, the Pension Fund Manager is allowed to charge maximum annual management fee of 1.5% of the average of the values of the net assets of each of the sub-fund calculated during the year. Accordingly, the management fee has been accrued at 1.5% of the average annual net assets of each of the sub-funds.
- 8.2** This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (June 30, 2016: 14%) on the services provided by the Pension Fund Manager as required by Sindh Sales Tax on Services Act, 2011.

9. PAYABLE TO THE TRUSTEE

		2017				2016			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Note		(Rupees in '000)				(Rupees in '000)			
Remuneration payable to the Trustee	9.1	30	23	19	72	18	22	19	59
Sindh Sales Tax on remuneration	9.2	4	3	2	9	3	3	2	8
		34	26	21	81	21	25	21	67

- 9.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified there in, based on the daily Net Asset Value (NAV) of the Fund. The remuneration is paid to the trustee monthly in arrears.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2017 is as follows:

Net assets	Tariff per annum
Up to Rs. 1,000 million	Rs. 0.3 million or 0.15% p.a of NAV, whichever is higher
Exceeding Rs. 1,000 million up to Rs. 3,000 million	Rs. 1.5 million plus 0.10% p.a of NAV exceeding Rs. 1,000 million
Exceeding Rs. 3,000 million up to Rs. 6,000 million	Rs. 3.5 million plus 0.08% p.a of NAV exceeding Rs. 3,000 million
Exceeding Rs. 6,000 million	Rs. 5.9 million plus 0.06% p.a of NAV exceeding Rs. 6,000 million

- 9.2** The Sindh Revenue Board through Circular No. SRB-3-4/TP/01/2015/86554 dated June 13, 2015, amended the definition of services of shares, securities and derivatives and included the custodianship services within the purview of the Sindh Sales Tax. Accordingly Sindh Sales Tax of 13% is applicable on Trustee fee which is now covered under section 2(79A) of the Sindh Sales Tax on Services Act, 2011.

10. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to the SECP in accordance with rule 36 of the VPS Rules whereby the Fund is required to pay SECP an amount equal to one thirtieth of 1% of the average annual net asset value of the pension fund.

11. ACCRUED EXPENSES AND OTHER LIABILITIES

		2017				2016			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Note		(Rupees in '000)				(Rupees in '000)			
Auditors' remuneration		83	83	83	249	62	62	62	186
Payable against purchase of investment		2,427	-	-	2,427	280	13	-	293
Federal Excise Duty	11.1	763	878	836	2,477	763	878	836	2,477
Provision for Workers' Welfare Fund	18	-	-	-	-	1,125	534	470	2,129
Provision for Sindh Workers' Welfare Fund	18	1,643	635	415	2,693	-	-	-	-
Other payables		40	139	433	612	4,520	339	943	5,802
		4,956	1,735	1,767	8,458	6,750	1,826	2,311	10,887

HBL PENSION FUND
Notes To The Financial Statements
For the year ended June 30, 2017

11.1 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Pension Fund Manager has been applied effective from June 13, 2013. The Pension Fund Manager is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan along-with Central Depository Company of Pakistan Limited with the Sindh High Court (SHC) on September 04, 2013.

While disposing the above petition through order dated June 30, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

The finance act 2016 excluded the mutual funds from the levy of FED with effect from July 01, 2016. therefore, no provision is charged during the year ending June 30, 2017.

However, since the appeal is pending in Supreme Court of Pakistan, the Pension Fund Manager, as a matter of abundant caution, has made a provision on FED on remuneration of Pension Fund Manager aggregating to Rs. 0.763 million, Rs. 0.878 million and Rs. 0.836 million for Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively as at June 30, 2017. Had the provision not been made, the Net Asset Value per unit as at June 30, 2017 would have been higher by Rs. 1.36 per unit, Rs. 0.73 per unit and Rs. 0.74 per unit of Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively.

12. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding at June 30, 2017 and June 30, 2016.

13. NUMBER OF UNITS IN ISSUE

	2017				2016			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Opening units in issue	474,557	1,212,480	1,122,870	2,809,907	452,883	1,104,116	1,070,215	2,627,214
Units issued during the year	202,057	358,489	308,803	869,349	75,570	292,140	205,572	573,282
Less: Units redeemed	(114,490)	(354,602)	(309,189)	(778,281)	(29,661)	(212,192)	(179,239)	(421,092)
Reallocation effect	(518)	(9,711)	11,819	1,590	(24,235)	28,416	26,322	30,503
Closing units in issue	561,606	1,206,656	1,134,303	2,902,565	474,557	1,212,480	1,122,870	2,809,907

14. CONTRIBUTION TABLE

Contributions received are as follows:

	2017							
	Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund		Total	
	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)
From:								
Individuals	202,057	83,481	358,489	54,384	308,803	42,570	869,349	180,435

	2016							
	Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund		Total	
	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)
From:								
Individuals	75,570	23,019	292,140	42,012	205,572	27,413	573,282	92,444

HBL PENSION FUND
Notes To The Financial Statements
For the year ended June 30, 2017

15. MARK-UP ON DEPOSITS WITH BANKS

	2017				2016			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
Mark-up on savings accounts	826	714	1,977	3,517	376	169	374	919

16. MARK-UP / RETURN ON INVESTMENTS

	2017				2016			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
Mark-up / return on:								
Government of Pakistan securities								
- Treasury bills	-	1,942	5,523	7,465	-	3,227	7,568	10,795
- Pakistan investment bonds	-	6,528	-	6,528	-	7,523	942	8,465
Term deposit receipts	-	949	2,063	3,012	-	-	-	-
Term finance certificates	-	1,038	-	1,038	-	113	-	113
Sukuk bonds	-	289	185	474	-	275	47	322
	-	10,746	7,771	18,517	-	11,138	8,557	19,695

17. AUDITORS' REMUNERATION

	2017				2016			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
Annual Audit fee	67	67	67	201	67	67	67	201
Half yearly review fee	33	33	33	99	33	33	33	99
Out of pocket expenses	19	19	19	57	19	19	19	57
	119	119	119	357	119	119	119	357

18. PROVISION FOR WORKERS' WELFARE FUND AND SINDH WORKERS' WELFARE FUND

"The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication. The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 1, 2015. "

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 15, 2010 clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section 4 of the WWF Ordinance. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic \ Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry stating that mutual funds are a product

and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 has cancelled ab-initio clarificatory letter dated October 6, 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honorable High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

"During the year ended June 30, 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

During the year ended June 30, 2014, the Honorable Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) have adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution."

However, in the current year, the Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, deciding that amendments made through the Finance Acts through which WWF was levied are unlawful, as such are not in nature of tax; therefore, it could not be introduced through the money bill. However, the Federal Board of Revenue has filed a review petition in the SCP against the said judgment, which is pending for hearing in the SCP.

Further, the Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. The Mutual Fund Association of Pakistan, in the previous years based on opinion obtained from the tax consultants, concluded that SWWF is not applicable on mutual funds. MUFAP also wrote to the Sindh Revenue Board (SRB) that mutual funds are not establishments and are pass through vehicles; therefore, they do not have any worker and, as a result, no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, and thus SWWF is payable by them. MUFAP has taken up the matter with the concerned ministry [Sindh Finance Ministry] for appropriate resolution of the matter.

Considering the above developments, the Management Company assessed the position of the Fund with regard to reversal of provision of WWF and recognition of provision of SWWF, and decided that:

- As an abundant caution, the Sindh Workers' Welfare Fund (SWWF) should be recognised from July 01, 2014, and
- Provision computed for SWWF should be adjusted against provision of WWF, as the SCP declared WWF unlawful. It was also decided that if any further provision is required, then it should be recognised in books of the Fund. If provision of WWF is in excess of provision required for SWWF, the remaining provision of WWF should be carried forward unless further clarification is received from the MUFAP. "

As a result, the Pension Fund Manager assessed that no further provision is required for SWWF and additional provision of WWF should be carried forward till the matter is cleared.

In the wake of the aforesaid developments, the MUFAP called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognised earlier should be reversed in light of the decision made by the Supreme Court of Pakistan; and as an abundant caution, Sindh Workers' Welfare Fund (SWWF) should be recognised effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017, advised that the adjustment should be prospective and supported by adequate disclosures.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 1.12 million, Rs. 0.53 million and 0.47 million for Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively. Further, the Fund has recognised provision for SWWF amounting to Rs. 1.64 million, Rs. 0.63 million and 0.42 million for Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively in these financial statements. Had the provision not being made, the Net Asset Value per unit as at June 30, 2017 would have been higher by Rs. 2.93 per unit, Rs. 0.53 per unit and Rs. 0.37 per unit of Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively.

19. TAXATION

No provision for taxation for the year ended June 30, 2017 has been made in view of the exemption available under clause 57 (3) (viii) of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

20. TRANSACTIONS WITH CONNECTED PERSONS

"Connected persons include HBL Asset Management Limited being the Pension Fund Manager, Habib Bank Limited being the Sponsor, Central

HBL PENSION FUND
Notes To The Financial Statements
For the year ended June 30, 2017

Depository Company of Pakistan Limited being the Trustee of the Fund, collective investment schemes managed by the Pension Fund Manager, directors and officers of the Pension Fund Manager and directors of the connected persons.

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

Remuneration payable to the Pension Fund Manager and Trustee is determined in accordance with the provisions of the VPS Rules and the Trust Deed respectively.

Details of the transactions with connected persons and balances with them, if not disclosed elsewhere in these financial statements are as follows:"

20.1 Transactions during the year

	2017				2016			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	------(Rupees in '000)-----				------(Rupees in '000)-----			
HBL Asset Management Limited - Pension Fund Manager								
Management fee	<u>3,334</u>	<u>2,966</u>	<u>2,591</u>	<u>8,891</u>	<u>2,711</u>	<u>3,072</u>	<u>2,775</u>	<u>8,558</u>
Habib Bank Limited - Sponsor								
Bank charges	<u>5</u>	<u>3</u>	<u>3</u>	<u>11</u>	<u>5</u>	<u>6</u>	<u>5</u>	<u>16</u>
Mark-up earned on deposits with bank	<u>379</u>	<u>326</u>	<u>384</u>	<u>1,089</u>	<u>316</u>	<u>169</u>	<u>115</u>	<u>600</u>
Mark-up received on deposits with bank	<u>304</u>	<u>318</u>	<u>290</u>	<u>912</u>	<u>342</u>	<u>188</u>	<u>122</u>	<u>652</u>

	2017				2016			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	------(Rupees in '000)-----				------(Rupees in '000)-----			
International Steels Limited - Common Directorship								
Dividend Income	<u>85</u>	<u>-</u>	<u>-</u>	<u>85</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Packages Limited - Common Directorship								
Dividend Income	<u>241</u>	<u>-</u>	<u>-</u>	<u>241</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Executives and their relatives								
Issue of units	Number	<u>3,363</u>	<u>5,021</u>	<u>2,777</u>	<u>11,161</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amount of units issued		<u>1,405</u>	<u>767</u>	<u>390</u>	<u>2,562</u>	<u>-</u>	<u>-</u>	<u>-</u>
Reallocation of units	Number	<u>309</u>	<u>945</u>	<u>(1,932)</u>	<u>(678)</u>	<u>(1)</u>	<u>3</u>	<u>2</u>
Amount of units reallocated		<u>129</u>	<u>143</u>	<u>(272)</u>	<u>-</u>	<u>(390)</u>	<u>390</u>	<u>-</u>
Central Depository Company of Pakistan Limited - Trustee								
Remuneration		<u>335</u>	<u>298</u>	<u>260</u>	<u>893</u>	<u>230</u>	<u>261</u>	<u>236</u>
Central Depository System Charges		<u>15</u>	<u>7</u>	<u>-</u>	<u>22</u>	<u>14</u>	<u>3</u>	<u>17</u>

HBL PENSION FUND
Notes To The Financial Statements
For the year ended June 30, 2017

20.2 Balances outstanding as at year end

**HBL Asset Management Limited -
Pension Fund Manager**

Management fee payable	305	219	188	712	187	219	185	591
Sindh Sales Tax	40	28	25	93	30	35	30	95
Federal Excise Duty	763	878	836	2,477	763	878	836	2,477
Front end load payable	-	-	-	-	291	208	99	598

Habib Bank Limited - Sponsor

Units held	Number	300,000	300,000	300,000	900,000	300,000	300,000	300,000	900,000
Amount of units held		122,436	46,024	42,325	210,785	96,157	44,098	40,503	180,758
Mark-up accrued on deposits with bank		75	8	94	177	-	-	-	-
Balance in savings account		4,712	15,159	35,994	55,865	9,589	8,166	22,668	40,423

**Directors and Executives of the
Pension Fund Manager and
their relatives**

Directors and their relatives

Units held	Number	-	-	-	-	7,845	13,865	3,684	25,394
Amount of units held		-	-	-	-	2,515	2,038	497	5,050

Executives and their relatives

Units held	Number	4,478	7,214	1,809	13,501	35	19	-	54
Amount of units held		1,828	1,107	256	3,190	11	3	-	14

**Central Depository Company of
Pakistan Limited - Trustee**

Remuneration payable	34	26	21	81	21	25	21	67
Security deposit receivable	100	100	-	200	100	100	-	200

21. FINANCIAL INSTRUMENTS BY CATEGORY

	2017									
	Equity Sub-Fund			Debt Sub-Fund			Money Market Sub-Fund			Total
	Loans and receivables	Available-for-sale	Total	Loans and receivables	Available-for-sale	Total	Loans and receivables	Available-for-sale	Total	
	(Rupees in '000)									
Financial Assets										
Bank balances	15,488	-	15,488	18,391	-	18,391	96,629	-	96,629	130,508
Investments - net	-	218,388	218,388	-	167,775	167,775	-	64,791	64,791	450,954
Dividend receivable and accrued mark-up	627	-	627	917	-	917	664	-	664	2,208
Advances, deposits and other receivables	100	-	100	100	-	100	-	-	-	200
	16,215	218,388	234,603	19,408	167,775	187,183	97,293	64,791	162,084	583,870

HBL PENSION FUND
Notes To The Financial Statements
For the year ended June 30, 2017

Financial liabilities

Payable to the Pension Fund Manager
Payable to the Trustee
Accrued expenses and other liabilities
Participants' sub funds

2017			
Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
At amortised cost			
----- (Rupees in '000) -----			
345	247	213	805
34	26	21	81
2,550	222	516	3,288
229,202	185,117	160,032	574,351
232,131	185,612	160,782	578,525

2016

Equity Sub-Fund			Debt Sub-Fund			Money Market Sub-Fund			Total
Loans and receivables	Available-for-sale	Total	Loans and receivables	Available-for-sale	Total	Loans and receivables	Available-for-sale	Total	
----- (Rupees in '000) -----									
12,682	-	12,682	8,171	-	8,171	42,240	-	42,240	63,093
-	146,084	146,084	-	170,010	170,010	-	111,909	111,909	428,003
274	-	274	2,098	-	2,098	47	-	47	2,419
100	-	100	100	-	100	-	-	-	200
13,056	146,084	159,140	10,369	170,010	180,379	42,287	111,909	154,196	493,715

Financial Assets

Bank balances
Investments - net
Dividend receivable and accrued mark-up
Advances, deposits and other receivables

2016			
Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
At amortised cost			
----- (Rupees in '000) -----			
217	254	215	686
21	25	21	67
4,862	414	1,005	6,281
152,107	178,222	151,602	481,931
157,207	178,915	152,843	488,965

Financial liabilities

Payable to the Pension Fund Manager
Payable to the Trustee
Accrued expenses and other liabilities
Participants' sub funds

22. FINANCIAL RISK MANAGEMENT

The Fund primarily invests in a portfolio of equity, debt and money market investments such as shares of listed companies, investment - grade debt securities, government securities and other money market instruments. These activities are exposed to a variety of financial risks i.e. 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 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Pension Fund Manager 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 price risk.

HBL PENSION FUND
Notes To The Financial Statements
For the year ended June 30, 2017

22.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk as all transactions are carried out in Pakistani Rupees.

22.1.2 Interest rate risk

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

a) Sensitivity analysis for variable rate instruments

As at June 30, 2017, the Debt Sub-Fund and Money Market Sub-Fund holds KIBOR based interest bearing term finance certificates and sukuk bond which have been classified as 'available-for-sale', exposing the Fund to cash flow interest rate risk. Fund's exposure in term finance certificates and sukuk bond as at June 30, 2017 and impact of 100 basis points increase/decrease in KIBOR on June 30, 2017, on income statement and other comprehensive income, with all other variables held constant, is as follows:

	Total Exposure					
	2017			2016		
	Debt Sub-Fund	Money Market Sub-Fund	Total	Debt Sub-Fund	Money Market Sub-Fund	Total
	------(Rupees in '000)-----			------(Rupees in '000)-----		
Term finance certificates	29,617	-	29,617	1,504	-	1,504
Sukuk bonds	4,656	-	4,656	3,280	7,000	10,280
	34,273	-	34,273	4,784	7,000	11,784
	Effect on total comprehensive income and net assets					
	------(Rupees in '000)-----			------(Rupees in '000)-----		
Change in basis points						
100	343	-	343	48	70	118
(100)	(343)	-	(343)	(48)	(70)	(118)

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2017, the Debt Sub-Fund and Money Market Sub-Fund hold Market Treasury Bills and Pakistan Investment Bonds which have been classified as 'available-for-sale', exposing the Fund to fair value interest rate risk. Fund's exposure in Treasury Bills and Pakistan Investment Bonds as at June 30, 2017 and impact of 100 basis points increase/decrease in rates announced by the Financial Market Association on June 30, 2017, on income statement and other comprehensive income, with all other variables held constant, is as follows:

	Total Exposure					
	2017			2016		
	Debt Sub-Fund	Money Market Sub-Fund	Total	Debt Sub-Fund	Money Market Sub-Fund	Total
	------(Rupees in '000)-----			------(Rupees in '000)-----		
Market treasury bills	-	37,791	37,791	49,665	104,909	154,574
Pakistan investment bonds	101,502	-	101,502	115,561	-	115,561
	101,502	37,791	139,293	165,226	104,909	270,135

HBL PENSION FUND
Notes To The Financial Statements
For the year ended June 30, 2017

Effect on total comprehensive income and net assets

	------(Rupees in '000)-----			------(Rupees in '000)-----		
Change in basis points						
100	(2,265)	(34)	(2,299)	(3,687)	(94)	(3,781)
(100)	2,330	35	2,365	3,793	97	3,890

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by the Financial Market Association are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2017 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

		2017																	
		Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Total					
		Exposed to yield / interest rate risk				Exposed to yield / interest rate risk				Exposed to yield / interest rate risk									
Yield / Interest rate	%	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	Total	Yield / Interest rate	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	Total	Yield / Interest rate	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	Total	
																			------(Rupees in '000)-----
On-balance sheet financial instruments																			
Financial assets																			
Bank balances	4 - 6.75	15,488	-	-	-	15,488	4 - 6.5	18,391	-	-	-	18,391	4 - 6.5	96,629	-	-	-	96,629	130,508
Investments - net		-	-	-	218,388	218,388	6.50-11.50	-	32,000	135,775	-	167,775	5.98-6.50	37,791	27,000	-	-	64,791	450,954
Dividend receivable and accrued - mark-up		-	-	-	627	627		-	-	-	917	917		-	-	-	664	664	2,208
Advances, deposits and other receivables		-	-	-	100	100		-	-	-	100	100		-	-	-	-	-	200
		15,488	-	-	219,115	234,603		18,391	32,000	135,775	1,017	187,183		134,420	27,000	-	664	162,084	583,870
Financial liabilities																			
Participants' Sub Funds		-	-	-	229,202	229,202		-	-	-	185,117	185,117		-	-	-	160,032	160,032	574,351
Payable to the Pension Fund Manager		-	-	-	345	345		-	-	-	247	247		-	-	-	213	213	805
Payable to the Trustee		-	-	-	34	34		-	-	-	26	26		-	-	-	21	21	81
Accrued expenses and other liabilities		-	-	-	2,550	2,550		-	-	-	222	222		-	-	-	516	516	3,288
		-	-	-	232,131	232,131		-	-	-	185,612	185,612		-	-	-	160,782	160,782	578,525
On-balance sheet gap		15,488	-	-	(13,016)	2,472		18,391	32,000	135,775	(184,595)	1,571		134,420	27,000	-	(160,118)	1,302	5,345
Off-balance sheet financial instruments																			
Off-balance sheet gap		-	-	-	-	-		-	-	-	-	-		-	-	-	-	-	-

HBL PENSION FUND
Notes To The Financial Statements
For the year ended June 30, 2017

		2016														
		Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Total		
		Exposed to yield / interest rate risk			Total	Exposed to yield / interest rate risk			Total	Exposed to yield / interest rate risk			Total			
Yield / Interest rate	%	Up to three months	More than three months and up to one year	More than one year		Not exposed to yield / interest rate risk	Yield / Interest rate	%		Up to three months	More than three months and up to one year	More than one year		Not exposed to yield / interest rate risk		
		(Rupees in '000)				(Rupees in '000)				(Rupees in '000)						
On-balance sheet financial instruments																
Financial assets																
Bank balances	4 - 7	12,682	-	-	12,682	4 - 7	8,171	-	-	8,171	4 - 7	42,240	-	-	42,240	63,093
Investments - net		-	-	146,084	146,084	5.99-8.19	55,456	-	114,554	170,010	5.9-6.41	104,909	7,000	-	111,909	428,003
Dividend receivable and accrued - mark-up		-	-	274	274		-	-	2,098	2,098		-	-	-	47	2,419
Advances, deposits and other receivables		-	-	100	100		-	-	100	100		-	-	-	-	200
		12,682	-	146,458	159,140		63,627	-	114,554	180,379		147,149	7,000	-	154,196	493,715
Financial liabilities																
Participants' sub funds		-	-	152,107	152,107		-	-	178,222	178,222		-	-	151,602	151,602	481,931
Payable to the Pension Fund Manager		-	-	217	217		-	-	254	254		-	-	215	215	686
Payable to the Trustee		-	-	21	21		-	-	25	25		-	-	21	21	67
Accrued expenses and other liabilities		-	-	4,862	4,862		-	-	414	414		-	-	1,005	1,005	6,281
		-	-	157,207	157,207		-	-	178,915	178,915		-	-	152,843	152,843	488,965
On-balance sheet gap		12,682	-	(10,749)	1,933		63,627	-	114,554	(176,717)	1,464	147,149	7,000	-	(152,796)	4,750
Off-balance sheet financial instruments																
Off-balance sheet gap		-	-	-	-		-	-	-	-		-	-	-	-	-

22.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instrument traded in the market.

The Fund manages its exposure to price risk by analyzing the investment portfolio by industrial sectors and benchmarking the sector weighting to that of the KSE-100 Index. The Fund's policy is to concentrate the investment portfolio in sectors where management believes the Fund can maximize the returns derived for the level of risk to which the Fund is exposed.

In case of 5% increase / decrease in KSE-100 index on June 30, 2017, with all other variables held constant, the net assets of the sub-fund and other comprehensive income would increase / decrease by Rs. 10.92 million (2016: Rs. 7.30 million) as a result of gains / losses on equity securities classified as 'available-for-sale'.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE-100 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over the time. Accordingly, the sensitivity analysis prepared as of June 30, 2017 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE-100 Index.

22.1.4 Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. Credit risk arises from the inability of the relevant brokerage house or the counter party to fulfill their obligations. There is a possibility of default by participants or failure of the financial markets / stock exchanges, the depositories, the settlements or clearing system, etc.

HBL PENSION FUND

Notes To The Financial Statements

For the year ended June 30, 2017

The Fund's credit risk is primarily attributable to its investment in debt securities and government securities, balances with banks and advances, deposits and other receivables. The credit risk of the Fund is limited as the investments are made and balances are maintained with counter parties that are financial institutions with reasonably high credit ratings. Risk attributable to investment in government securities is limited as these are guaranteed by the Federal Government.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through the assignment of credit limits and by following strict credit evaluation criteria laid down by the Pension Fund Manager.

The analysis below summarises the credit quality of the Fund's bank balances as at June 30, 2017 and June 30, 2016:

Balances with banks by rating category

Name of bank	Balances held as at June 30, 2017				Latest available published rating as at June 30, 2017	Rating Agency
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total		
-----Rupees in '000-----						
Habib Bank Limited	4,712	15,159	35,994	55,865	AAA	JCR-VIS
Faysal Bank Limited	132	2,151	-	2,283	AA	JCR-VIS
Askari Bank Limited	-	-	-	-	AA+	PACRA
NIB Bank Limited	-	-	-	-	AA-	PACRA
Allied Bank Limited	-	1,081	28,843	29,924	AA+	PACRA
Meezan Bank Limited	-	-	12	12	AA	JCR-VIS
Soneri Bank Limited	-	-	3	3	AA-	PACRA
JS Bank Limited	10,644	-	29,578	40,222	AA-	PACRA
Zarai Taraqiati Bank Limited	-	-	2,199	2,199	AAA	JCR-VIS
	15,488	18,391	96,629	130,508		

Name of bank	Balances held as at June 30, 2016				Latest available published rating as at June 30, 2016	Rating Agency
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total		
-----Rupees in '000-----						
Habib Bank Limited	9,589	8,166	22,668	40,423	AAA	JCR-VIS
Faysal Bank Limited	3,093	1	12	3,106	AA	JCR-VIS
Askari Bank Limited	-	-	10	10	AA	JCR-VIS
NIB Bank Limited	-	-	8	8	AA-	PACRA
Allied Bank Limited	-	4	4	8	AA+	PACRA
Meezan Bank Limited	-	-	11	11	AA	JCR-VIS
Soneri Bank Limited	-	-	19,527	19,527	AA-	PACRA
JS Bank Limited	-	-	-	-	A+	PACRA
Zarai Taraqiati Bank Limited	-	-	-	-	AAA	JCR-VIS
	12,682	8,171	42,240	63,093		

HBL PENSION FUND
Notes To The Financial Statements
For the year ended June 30, 2017

The maximum exposure to credit risk before any credit enhancement is the carrying amount of the financial assets.

Concentration of credit risk

Concentration of credit risk exists 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.

22.1.5 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the participant's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP). The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and cannot be readily disposed and are considered readily realizable.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption request. The maximum amount available to the Fund from borrowings is limited to the extent of fifteen percent of the total net asset value at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings were made during the period.

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 amounts in the table are the contractual undiscounted cash flows:

	2017												
	Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Total
	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	
(Rupees in '000)													
Financial Liabilities													
Payable to the Pension Fund Manager	345	-	-	345	247	-	-	247	213	-	-	213	805
Payable to the Trustee	34	-	-	34	26	-	-	26	21	-	-	21	81
Accrued expenses and other liabilities	2,550	-	-	2,550	222	-	-	222	516	-	-	516	3,288
Participants' sub-funds	229,202	-	-	229,202	185,117	-	-	185,117	160,032	-	-	160,032	574,351
	232,131	-	-	232,131	185,612	-	-	185,612	160,782	-	-	160,782	578,525
2016													
	Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Total
	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	
(Rupees in '000)													
Payable to the Pension Fund Manager	217	-	-	217	254	-	-	254	215	-	-	215	686
Payable to the Trustee	21	-	-	21	25	-	-	25	21	-	-	21	67
Accrued expenses and other liabilities	4,862	-	-	4,862	414	-	-	414	1,005	-	-	1,005	6,281
Participants' sub-funds	152,107	-	-	152,107	178,222	-	-	178,222	151,602	-	-	151,602	481,931
	157,207	-	-	157,207	178,915	-	-	178,915	152,843	-	-	152,843	488,965

HBL PENSION FUND
Notes To The Financial Statements
For the year ended June 30, 2017

23. PARTICIPANTS' FUNDS RISK MANAGEMENT (CAPITAL RISK)

The participants' fund is represented by redeemable units. These units are entitled to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date.

The Fund has no restrictions on the subscription and redemption of units. There is no specific capital requirement which is applicable to the Fund.

The Fund's objectives when managing participants' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to participants and to maintain a strong base of assets under management.

In accordance with the risk management policies stated in note 22, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption. Since the participants of the Fund have invested with long term objective, the possibility of a significant redemption pressure is limited, such liquidity is augmented by borrowing arrangements (which can be entered if necessary) or disposal of investments, where necessary.

All units, including the core units, and fractions thereof represents an undivided share in the pertinent sub-funds of the Fund and rank pari passu as their rights in the net assets and earning of the sub-fund are not tradable or transferable. Each participant has a beneficial interest in the sub-fund proportionate to the units held by such participant in such sub-fund.

24. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the reporting date. The quoted market price used for financial assets held by the Fund is current bid price.

"A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis."

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- "Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and"
- Fair value measurements using Inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs) (level3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	June 30, 2017							
	Carrying Amount				Fair Value			
	Available-for-sale	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
Note	----- (Rupees in '000) -----							
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments	5							
- Listed equity securities	218,388	-	-	218,388	218,388	-	-	218,388
- Treasury Bills	37,791	-	-	37,791	-	37,791	-	37,791
- Pakistan Investment Bonds	101,502	-	-	101,502	-	101,502	-	101,502
Term Finance Certificates and Sukuk Bonds - Unlisted	34,273	-	-	34,273	-	34,273	-	34,273
	391,954	-	-	391,954	218,388	173,566	-	391,954

HBL PENSION FUND
Notes To The Financial Statements
For the year ended June 30, 2017

		June 30, 2017							
		Carrying Amount			Fair Value				
		Available- for-sale	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
Note		(Rupees in '000)							
On-balance sheet financial instruments									
Financial assets not measured at fair value									
24.1	Bank balances	-	130,508	-	130,508	-	-	-	-
	Investments								
	- Unlisted equity securities	-	-	-	-	-	-	-	-
	-Term Deposit Receipts (TDRs)	-	59,000	-	59,000	-	-	-	-
	Dividend receivable and accrued mark-up	-	2,208	-	2,208	-	-	-	-
	Advances, deposits, prepayments and other receivables	-	200	-	200	-	-	-	-
		-	191,916	-	191,916	-	-	-	-

		June 30, 2017							
		Carrying Amount			Fair Value				
		Available- for-sale	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
Note		(Rupees in '000)							
Financial liabilities not measured at fair value									
24.1	Payable to the Pension Fund Manager	-	-	805	805	-	-	-	-
	Payable to the Trustee	-	-	81	81	-	-	-	-
	Payable to the Securities and Exchange Commission of Pakistan	-	-	175	175	-	-	-	-
	Accrued expenses and other liabilities	-	-	3,288	3,288	-	-	-	-
	Participants' Sub Funds	-	-	574,351	574,351	-	-	-	-
		-	-	578,700	578,700	-	-	-	-

		June 30, 2016							
		Carrying Amount			Fair Value				
		Available- for-sale	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
Note		(Rupees in '000)							
On-balance sheet financial instruments									
Financial assets measured at fair value									
5	Investments								
	- Listed equity securities	145,600	-	-	145,600	145,600	-	-	145,600
	- Treasury Bills	154,574	-	-	154,574	-	154,574	-	154,574
	- Pakistan Investment Bonds	115,561	-	-	115,561	-	115,561	-	115,561
	Term Finance Certificates and Sukuk Bonds - Unlisted	11,784	-	-	11,784	-	11,784	-	11,784
		427,519	-	-	427,519	145,600	281,919	-	427,519

HBL PENSION FUND
Notes To The Financial Statements
For the year ended June 30, 2017

	June 30, 2016							
	Carrying Amount				Fair Value			
	Available-for-sale	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments	Note ----- (Rupees in '000) -----							
Financial assets not measured at fair value	24.1							
Bank balances	-	63,093	-	63,093	-	-	-	-
Investments								
- Unlisted equity securities	484	-	-	484	-	-	-	-
-Term Deposit Receipts (TDRs)	-	-	-	-	-	-	-	-
Dividend receivable and accrued mark-up	-	2,419	-	2,419	-	-	-	-
Advances, deposits, prepayments and other receivables	-	200	-	200	-	-	-	-
	484	65,712	-	66,196	-	-	-	-
Financial liabilities not measured at fair value	24.1							
Payable to the Pension Fund Manager	-	-	686	686	-	-	-	-
Payable to the Trustees	-	-	67	67	-	-	-	-
Payable to the Securities and Exchange Commission of Pakistan	-	-	144	144	-	-	-	-
Accrued expenses and other liabilities	-	-	6,281	6,281	-	-	-	-
Participants' Sub Funds	-	-	481,931	481,931	-	-	-	-
	-	-	489,109	489,109	-	-	-	-

24.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

24.2 Valuation techniques

For level 1 investments at fair value through other comprehensive income - available-for-sale investment in respect of equity securities, Fund uses daily quotation shares which are taken from Pakistan Stock Exchange Limited at reporting date.

24.3 Transfers during the year

There were no transfers between various levels of fair value hierarchy during the year.

25. FINANCIAL PERFORMANCE

25.1 Equity sub-fund

	Equity Sub-Fund					
	2017	2016	% Change	2015	2014	2013
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Net income for the year	37,864	19,750	92%	23,282	19,179	9,649
Realized capital gains	34,438	17,542	96%	21,689	17,379	7,953
Unrealized capital gains / (losses)	2,640	(7,497)	-135%	6,109	(2,703)	8,479
Dividend income / Mark-up income	7,892	5,340	48%	4,578	4,862	3,063
NAV per unit (Rupees)	408.1194	320.5217	27%	294.1652	223.5688	178.0362
Transactions in securities						
Purchases	384,050	298,415	29%	162,440	148,497	55,242
Sales	348,770	287,330	21%	144,283	147,437	51,748
Total contribution received						
Individuals	83,481	23,019	263%	18,566	23,796	3,335
Habib Bank Limited - Sponsor	-	-	-	-	-	-

HBL PENSION FUND
Notes To The Financial Statements
For the year ended June 30, 2017

25.2 Debt sub-fund

	Debt Sub-Fund					
	2017	2016	% Change	2015	2014	2013
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Net income for the year	9,357	11,044	-15%	11,071	7,051	5,949
Realized capital gains / (losses)	1,450	3,250	-55%	2,218	(13)	402
Unrealized capital gains / (losses)	(2,037)	1,042	-295%	1,223	202	69
Mark-up income	11,460	11,307	1%	11,881	9,526	7,182
NAV per unit (Rupees)	153.4136	146.9919	4%	136.0235	122.5372	114.0548
Transactions in securities						
Purchases	1,220,562	298,469	309%	249,000	536,790	227,900
Sales	849,189	172,012	394%	121,500	52,000	50,000
Total contribution received						
Individuals	54,384	42,012	29%	51,033	36,774	28,962
Habib Bank Limited - Sponsor	-	-	-	-	-	-

25.3 Money market sub-fund

	Money Market Sub-Fund					
	2017	2016	% Change	2015	2014	2013
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Net income for the year	6,762	5,744	18%	7,934	6,905	6,014
Realized capital gains / (losses)	(15)	12	-225%	(9)	10	-
Unrealized capital gains / (losses)	(20)	(58)	-66%	78	(54)	56
Mark-up income	9,748	8,931	9%	10,867	9,335	7,795
NAV per unit (Rupees)	141.0836	135.0112	4%	129.6234	121.2766	113.2084
Transactions in securities						
Purchases	556,830	577,733	-4%	483,400	590,850	405,000
Sales	320,944	154,038	108%	24,000	13,000	-
Total contribution received						
Individuals	42,570	27,413	55%	52,528	23,341	38,113
Habib Bank Limited - Sponsor	-	-	-	-	-	-

25.4 Highest and lowest issue price of units during the year

	Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund	
	2017	2016	2017	2016	2017	2016
	----- Rupees -----					
Highest issue price	458.5737	329.4000	153.4175	147.0500	141.0932	135.0400
Lowest issue price	322.7776	276.1900	147.1504	131.7500	135.0561	126.2700

26. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on _____ by the Board of Directors of the Pension Fund Manager.

27. GENERAL

27.1 Figures have been rounded off to the nearest thousand rupees.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL

ASSET MANAGEMENT LTD.

ایس ایٹ مینجمنٹ لمیٹڈ

Head Office Karachi:
7th Floor, Emerald Tower, Clifton,
Karachi.
UAN:111 HBL AMC (111-425-262)
Fax: 021-35168455
info@hblasasset.com

Lahore:
102-103, Upper Mall, Lahore
Tel: 042-36281600
042-36281640-3
042-36281610
Fax: 042-36281686

Islamabad:
HBL Corporate Center,
HBL building, Jinnah Avenue,
Islamabad
Tel: 051-2821183
Fax: 051-2822206