

HBL

ASSET MANAGEMENT LTD.
ایسیٹ مینجمنٹ لمیٹڈ



Annual Report 2017

MOVING TOWARDS
EXCELLENCE

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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	(Non-Executive Director)
Directors	Mr. Farid Ahmed Khan	(Executive Director)
	Mr. Rizwan Haider	(Non-Executive Director)
	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Mr. Ava Ardeshir Cowasjee	(Non-Executive Director)
	Ms. Nadeem Abdullah	(Non-Executive Director)
	Mr. Rayomond Kotwal	(Non-Executive Director)

Audit Committee

Chairman	Mr. Nadeem Abdullah	(Non-Executive Director)
Members	Mr. Rizwan Haider	(Non-Executive Director)
	Mr. Ava Ardeshir Cowasjee	(Non-Executive Director)

Human Resource Committee

Chairperson	Ms. Towfiq Habib Chinoy	(Non-Executive Director)
Members	Mr. Farid Ahmed Khan	(Executive Director)
	Mr. Rayomond Kotwal	(Non-Executive Director)

Risk Management Committee

Chairman	Mr. Rizwan Haider	(Non-Executive Director)
Members	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Mr. Farid Ahmed Khan	(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.hblasset.com

Head Office

7th Floor, Emerald Tower, G-19, Block-5, Main Clifton Road, Clifton, Karachi.

Registered Office

7th Floor, Emerald Tower, G-19, Block-5, Main Clifton Road, Clifton, Karachi.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2017

The Board of Directors of HBL Asset Management Limited is pleased to present its report together with Financial Statements of **HBL Income Fund, HBL Government Securities Fund (Formerly: PICIC Income Fund), HBL Money Market Fund, HBL Cash Fund (Formerly: PICIC Cash Fund), HBL Stock Fund, HBL Equity Fund (Formerly: PICIC Stock Fund), HBL Energy Fund (Formerly: PICIC Energy Fund) and HBL Multi Asset Fund** (the Funds) for the year ended June 30, 2017.

MERGER OF THE MANAGEMENT COMPANY

During FY17 PICIC Asset Management Company Limited was merged with and into HBL Asset Management Limited under section 282L of the Companies Ordinance 1984 vide the merger order dated August 31, 2016 issued by the Securities & Exchange Commission of Pakistan. HBL Asset Management Limited had earlier acquired 100% equity stake in the PICIC Asset Management Company Limited from NIB Bank Limited during FY16. Accordingly, effective from August 31, 2017 HBL Government Securities Fund (Formerly: PICIC Income Fund), HBL Cash Fund (Formerly: PICIC Cash Fund), HBL Equity Fund (Formerly: PICIC Stock Fund) and HBL Energy Fund (Formerly: PICIC Energy Fund) comes under management of HBL Asset Management Limited. HBL Asset Management Limited is a wholly owned subsidiary of Habib Bank Limited. The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of the Habib Bank Limited.

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 IjaraSukuk (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 IjaraSukuks 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 Index surged by 23% 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

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.

FUNDS' PERFORMANCE AND PAYOUTS

HBL Income Fund

The total income and net income of the Fund was Rs. 370.66 million and Rs. 201.06 million respectively during the year ended June 30, 2017. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs. 106.0938 per unit as on June 30, 2016. The NAV of the Fund was Rs. 106.0146 per unit as on June 30, 2017 (after incorporating interim dividend of Rs. 5.00 per unit), thereby giving an annualized return of 4.64%. During the same year the benchmark (6 Month KIBOR) return was 6.10%. The size of Fund was Rs. 4.49 billion as on June 30, 2017.

The Chief Executive Officer under the authority of the Board of Directors approved interim cash distribution of Rs. 5.00 per unit to the unit holders for the year ended June 30, 2017.

JCR-VIS Credit Rating Company Limited has reaffirmed A(f) Fund Stability Rating to the Fund.

HBL Government Securities Fund (Formerly: PICIC Income Fund)

The total income and net income of the Fund was Rs. 131.20 million and Rs. 58.77 million respectively during the year ended June 30, 2017. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs. 105.2098 per unit as on June 30, 2016. The NAV of the Fund was Rs. 105.4266 per unit as on June 30, 2017 (after incorporating interim dividend of Rs. 5.60 per unit), thereby giving an annualized return of 5.54%. During the same year the benchmark (6 Month PKRV Rates) return was 5.88%. The size of Fund was Rs. 1.37 billion as on June 30, 2017.

The Chief Executive Officer under the authority of the Board of Directors approved interim cash distribution of Rs. 5.60 per unit to the unit holders for the year ended June 30, 2017.

JCR-VIS Credit Rating Company Limited has reaffirmed A(f) Fund Stability Rating to the Fund.

HBL Money Market Fund

The total income and net income of the Fund was Rs. 267.64 million and Rs. 184.06 million respectively during the year ended June 30, 2017. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs. 101.5468 per unit as on June 30, 2016. The NAV of the Fund was Rs. 101.7683 per unit as on June 30, 2017 (after incorporating interim dividend of Rs. 6.30 per unit), thereby giving an annualized return of 6.45%. During the same year the benchmark (70% 3M PKRV & 30% 3M deposit rates) return was 5.26%. The size of Fund was Rs. 3.94 billion as on June 30, 2017.

The Chief Executive Officer under the authority of the Board of Directors approved interim cash distribution of Rs. 6.30 per unit to the unit holders for the year ended June 30, 2017.

JCR-VIS Credit Rating Company Limited has reaffirmed AA(f) Fund Stability Rating to the Fund.

HBL Cash Fund (Formerly: PICIC Cash Fund)

The total income and net income of the Fund was Rs. 269.68 million and Rs. 30.14 million respectively during the year ended June 30, 2017. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs. 100.5696 per unit as on June 30, 2016. The NAV of the Fund was Rs. 100.4888 per unit as on June 30, 2017 (after incorporating interim dividend of Rs. 7.15 per unit), thereby giving an annualized return of 7.18%. During the same year the benchmark (70% 3M PKRV & 30% 3M deposit rates) return was 5.00%. The size of Fund was Rs. 5.95 billion as on June 30, 2017.

The Chief Executive Officer under the authority of the Board of Directors approved interim cash distribution of Rs. 7.15 per unit to the unit holders for the year ended June 30, 2017.

JCR-VIS Credit Rating Company Limited has reaffirmed AA(f) Fund Stability Rating to the Fund.

HBL Stock Fund

The total income and net income of the Fund was Rs. 1.04 billion and Rs. 1.08 billion respectively during the year ended June 30, 2017. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs 103.6764 per unit as on June 30, 2016. The NAV of the Fund was Rs. 121.4498 per unit as on June 30, 2017 (after incorporating interim dividend of Rs. 7.00 per unit), thereby giving an annualized return of 23.89%. During the same year the benchmark KSE 30 index return was 20.79%.The size of Fund was Rs. 6.35 billion as on June 30, 2017.

The Chief Executive Officer under the authority of the Board of Directors approved interim cash distribution of Rs. 7.00 per unit to the unit holders for the year ended June 30, 2017.

HBL Equity Fund (Formerly: PICIC Stock Fund)

The total income and net income of the Fund was Rs. 87.84 million and Rs. 107.04 million respectively during the year ended June 30, 2017. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs 107.2297 per unit as on June 30, 2016. The NAV of the Fund was Rs. 124.6444 per unit as on June 30, 2017 (after incorporating interim dividend of Rs. 12.00 per unit), thereby giving an annualized return of 27.67%. During the same year the benchmark KSE 100 index return was 23.24%.The size of Fund was Rs 0.47 billion as on June 30, 2017.

The Chief Executive Officer under the authority of the Board of Directors approved interim cash distribution of Rs. 12.00 per unit to the unit holders for the year ended June 30, 2017.

HBL Energy Fund (Formerly: PICIC Energy Fund)

The total income and net income of the Fund was Rs. 214.33 million and Rs. 190.55 million respectively during the year ended June 30, 2017. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs. 12.0122 per unit as on June 30, 2016. The NAV of the Fund was Rs. 15.0359 per unit as on June 30, 2017 (after incorporating interim dividend of Rs. 0.60 per unit), thereby giving an annualized return of 30.12%. During the same year the benchmark KSE 30 index return was 20.79%.The size of Fund was Rs. 0.79 billion as on June 30, 2017.

The Chief Executive Officer under the authority of the Board of Directors approved interim cash distribution of Rs. 0.60 per unit to the unit holders for the year ended June 30, 2017.

HBL Multi Asset Fund

The total income and net income of the Fund was Rs. 145.77 million and Rs. 139.40 million respectively during the year ended June 30, 2017. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs. 98.0474 per unit as on June 30, 2016. The NAV of the Fund was Rs. 112.0924 per unit as on June 30, 2017 (after incorporating interim dividend of Rs. 4.00 per unit), thereby giving an annualized return of 18.40%. During the same year the benchmark index (Weighted average daily return KSE 100 and 6 Month PKRV rates) return was 16.21%.The size of Fund was Rs. 0.97 billion as on June 30, 2017.

The Chief Executive Officer under the authority of the Board of Directors approved interim cash distribution of Rs. 4.00 per unit to the unit holders for the year ended June 30, 2017.

MANAGEMENT COMPANY RATING

The JCR-VIS Credit Rating Company Limited (JCR-VIS) has maintained management quality rating of 'AM2 (positive outlook)' to the Management Company.

AUDITORS

M/s Deloitte Yousuf Adil, Chartered Accountants existing auditors of HBL Income Fund, HBL Government Securities Fund (Formerly: PICIC Income Fund), HBL Money Market Fund, HBL Cash Fund (Formerly: PICIC Cash Fund), HBL Stock Fund, HBL Equity Fund (Formerly: PICIC Stock Fund), HBL Energy Fund (Formerly: PICIC Energy Fund) and HBL Multi Asset Fund retired and being eligible, offered themselves for re-appointment. The Board of Directors, on the recommendation of the Audit Committee, has re-appointed M/s Deloitte Yousuf Adil, Chartered Accountants as Auditors of HBL Income Fund, HBL Government Securities Fund (Formerly: PICIC Income Fund), HBL Money Market Fund, HBL Cash Fund (Formerly: PICIC Cash Fund), HBL Stock Fund, HBL Equity Fund (Formerly: PICIC Stock Fund), HBL Energy Fund (Formerly: PICIC Energy Fund) and HBL Multi Asset Fund for the next term.

DIRECTORS' STATEMENT IN COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

This part of the Directors' report to unit-holders is given as required under section 236 of the Companies Ordinance 1984:

1. The financial statements, prepared by the management company of the Funds, present fairly the state of affairs of the Funds, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of Funds have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Funds' ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. Summary of key financial data is provided in Performance Table of the relevant Fund.
9. The Directors, CEO, CFO, Head of Internal Audit & Company Secretary and their spouses have made no transactions in the Fund's units during the year except as provided below and disclosed in respective notes to the financial statements of funds.

HLB Income Fund

Name	Designation	Beginning Units	Units Issued	Units Redeemed	Bonus Units	Closing Units
Noman Qurban	CFCO & Company Secretary	321	-	321	-	-

HLB Government Securities Fund (Formerly: PICIC Income Fund)

Nil

HLB Money Market Fund

Name	Designation	Beginning Units	Units Issued	Units Redeemed	Bonus Units	Closing Units
Farid Ahmed Khan	CEO & Director	-	255,866	127,002	-	128,864

HLB Cash Fund (Formerly: PICIC Cash Fund)

Name	Designation	Beginning Units	Units Issued	Units Redeemed	Bonus Units	Closing Units
Farid Ahmed Khan	CEO & Director	-	465,507	342,029	-	123,478

HLB Stock Fund

Name	Designation	Beginning Units	Units Issued	Units Redeemed	Bonus Units	Closing Units
Farid Ahmed Khan	CEO & Director	-	19,487	-	-	19,487
Noman Qurban	CFO & Company Secretary	9,493	12,143	2,548	-	19,088

HLB Equity Fund (Formerly: PICIC Stock Fund)

Nil

HLB Energy Fund (Formerly: PICIC Energy Fund)

Name	Designation	Beginning Units	Units Issued	Units Redeemed	Bonus Units	Closing Units
Farid Ahmed Khan	CEO & Director	-	181,108	-	-	181,108

HLB Multi Asset Fund

Nil

Note: The Board of Directors of the Management Company has set a threshold of Rs. 1,200,000/- of annual basic salary earned by employees to categorized as "Executive".

10. The details of attendance of Board of Directors meeting is disclosed in the financial statements of respective funds. The details of attendance of Board Committee meetings are provided below:

Board Audit Committee (BAC)

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

Name	Meeting Date			
	Apr 21, 2017	Feb 24, 2017	Oct 31, 2016	Aug 25, 2016
Nadeem Abdullah ¹	Present	Present	Present	N/A
Rizwan Haider	Present	Present	Present	Present
Ava A. Cowasjee	Present	Present	Present	Present
Salahuddin Manzoor ²	N/A	N/A	N/A	Present

¹Appointed as member of BAC effective from August 26, 2016.

²Released 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 HR&R.

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

¹Resigned from Board of Directors effective from March 16, 2017.

²Attended meeting on special invitation.

³Appointed 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 BRMC.

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

11. The details as required by the code of corporate governance regarding the pattern of unit holding are provided in the respective financial statements of the Funds. The break up of unit holding by size is provided in the respective section of Fund Manager Report in the respective financial statements of the Funds. The name wise detail of associated companies, undertakings, related parties and unit holders holding more than 5% units are hereunder:

HBL Income Fund

Description	Unit Holding
Directors and Associated Companies :	
Habib Bank Limited	19,506,241

HBL Government Securities Fund (Formerly: PICIC Income Fund)

Description	Unit Holding
Directors and Associated Companies :	
HBL Asset Management Limited	1,764,572
Persons holding 5% or more units in fund :	
NIB Bank Limited	4,892,987
Pakistan Society for the Welfare of Mentally Retarded Children	1,838,343

HBL Money Market Fund

Description	Units Holding
Directors and Associated Companies :	
Habib Bank Limited	1,781,757
Farid Ahmed Khan- CEO & Director	128,864
Persons holding 5% or more units in fund :	
Millat Tractors Limited	4,578,999
K & N Foods (Pvt.) Limited	3,777,954
Ferozsons Laboratories Limited	2,041,354
Official Assignee - Lahore High Court	2,035,360

HBL Cash Fund (Formerly: PICIC Cash Fund)

Description	Units Holding
Directors and Associated Companies :	
HBL Asset Management Limited	348,649
Farid Ahmed Khan- CEO & Director	123,478
Persons holding 5% or more units in fund :	
Maple Leaf Capital Limited	8,991,001
Thal Limited	7,587,183
GETZ Pharma (Pvt.) Limited	6,117,539
Coronet Foods (Pvt.) Limited	5,333,302
English Biscuits Manufacturers (Pvt.) Limited	5,332,052
Fauji Oil Terminal and Distribution Co. Limited	4,107,266
Barrett Hodgson Pakistan (Pvt.) Limited	3,256,443

HBL Stock Fund

Description	Units Holding
Directors and Associated Companies :	
Habib Bank Limited	37,754,700
HBL Employees Provident Fund Trust	7,125,389
Farid Ahmed Khan – CEO & Director	19,487
Persons holding 5% or more units in fund :	
Habib Metropolitan Bank Limited	3,159,044

HBL Equity Fund (Formerly: PICIC Stock Fund)

Description	Units Holding
Directors and Associated Companies :	
HBL Asset Management Limited	814,872
Persons holding 5% or more units in fund :	
NIB Bank Limited	1,022,050
Pakistan Society for the Welfare of Mentally Retarded Children	443,531
Wartsila Pakistan (Pvt.) Limited – Employees Provident Fund Trust	265,231

HBL Energy Fund (Formerly: PICIC Energy Fund)

Description	Units Holding
Directors and Associated Companies :	
HBL Asset Management Limited	10,002,825
Farid Ahmed Khan - CEO & Director	181,108
Persons holding 5% or more units in fund :	
NIB Bank Limited	6,468,401

HBL Multi Asset Fund

Description	Units Holding
Directors and Associated Companies :	
Habib Bank Limited	6,996,574

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 Pakistan Stock Exchange Limited 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

Karachi
August 25, 2017

نے پاکستان انویسٹمنٹ بانڈز کے ذریعے 800 ارب روپے کے مجموعی ہدف اور 1,926 ارب روپے کی ادائیگیوں کے مقابلے میں 894 ارب روپے جمع کئے۔ ویلام جو مالی سال 2017ء کے دوسرے نصف میں منعقد ہونے سے متعلق ہونے کے لیے سی بی آئی ڈیٹا جو توقع سے نیچے جاری ہوا کے بعد مارکیٹ نے پیش بینی کی تھی کہ شرح رعایت میں کوئی اضافہ نہ ہوگا اور اسی لیے بڈجٹ (بویوں) کا تعین قدرے مناسب سطحوں پر کیا گیا۔ 5 اور 10 سال کے لیے سی بی آئی ڈیٹا مالی سال 2017ء میں اب تک علی الترتیب 1 بی بی ایس اور 8 بی بی ایس سے کم ہو گئیں جبکہ 3 سالہ پی آئی بی آمدن میں کوئی تبدیلی نہیں ہوئی۔ پی آئی بی کی بڑی ادائیگیاں تجارتی بینکوں سے حکومتی قرضہ جات میں تیزی سے کمی کی وجہ بنی۔ یکم جولائی 2016ء سے 16 جون 2017ء تک حکومت پاکستان نے پچھلے سال کی اسی عرصے میں 1,152 ارب روپے کے مقابلے میں خالص بنیاد پر صرف 29 ارب روپے کا قرض لیا۔ اسی اثناء میں بینک دولت پاکستان سے حکومتی قرضہ جات پچھلے سال کے اسی عرصے میں 370 ارب روپے کے خالص ادائیگی کے مقابلے میں دوران عرصہ 1,083 ارب روپے پر پہنچ گئے ہیں۔ حکومت پاکستان نے ٹی۔ بلز کے ذریعے 7,200 ارب روپے کے مجموعی ہدف اور 16,431 ارب روپے کی ادائیگیوں کے مقابلے میں 7,716 ارب روپے (بشمول این بی سی) اٹھائے۔ آگے بڑھتے ہوئے مالیاتی پالیسی ممکن ہے تبدیل نا ہو کیونکہ بینک دولت پاکستان کو بڑھتے ہوئے افراط زر کے دباؤ اور بگڑتی ہوئی حسابات جاریہ کی صورت حال کے ساتھ شرح نمو کے لئے توازن کی ضرورت ہوگی۔

بازار حصص کا جائزہ:

مستحکم ملکی زر سال کے بہاؤ ایم ایس سی آئی کی جانب سے ایمر جنگ مارکیٹ حیثیت تک پاکستان کی بلند درجہ بندی کے پر امید ماحول اور بلند شرح نمو کی توقعات سے متحرک، مالی سال 2017ء میں کے ایس ای انڈیکس 100 میں 23% کا اضافہ ہوا، تاہم مالی سال کے لئے زیادہ تر منافع سال کے پہلے نصف میں ہی سرگزر رہا، دوسرے نصف میں سیاسی ہل چل اور انتظامی اقدامات نے مارکیٹ کی کارکردگی کو متاثر کیا۔ میچول فنڈز سب سے بڑے خالص خریدار (576 ملین ڈالر) کے طور پر سامنے آئے، دوسرے نمبر پر بیمہ ادارے (220 ملین ڈالر) اور ریٹیل (127 ملین ڈالر) رہے۔ مقامی ادارہ جاتی سرمایہ کاروں کی جانب سے یہ زبردست خریداری غیر ملکی سرمایہ کاروں کی مسلسل فروخت کو جذب کرنے کے لئے کافی تھی۔ جنھوں نے پاکستانی حصص 652 ملین ڈالر (خالص) مالیت کے فروخت کئے۔ یہ درجہ بندی (یعنی مظاہرہ) زیادہ تر بینکاری شعبے میں مخصوص حصص کی طرف متحرک رہی، جہاں سرمایہ کاروں نے توقع کر لی کہ شرح سود کم کر دی گئی اور ای بی ایڈ پی اور سینٹ کے شعبوں میں منتخب حصص جن میں امید تھی کہ وہ بلند تیل کی قیمتوں باجم فروخت (یعنی وسیع پیمانے پر فروخت) میں مستحکم اضافے اور سرمایہ کاری کے لئے منصوبہ جات سے علی الترتیب مستفید ہو گئے۔ دوسری طرف کھاد، بیگسٹائل اور ادویات سازی کے شعبہ جات میں کچھ منتخب حصص ہی مارکیٹ کی کارکردگی میں گراؤ کی وجہ بنے۔ مزید یہ کہ روزانہ لین دین میں آنے والے حصص کے اوسط حجم نے مالی سال 2017ء میں سال بہ سال 68% کے قابل ذکر بہتری ظاہری کی جو کہ 350 ملین حصص رہا، جبکہ اوسط ٹرن اوور (یعنی دورہ سرمایہ) سال بہ سال 61% کے اضافے سے 15.3 ارب روپے ہو گیا۔ ایم ایڈ اے اور آئی پی او سرگرمی بھی اس عرصے میں زبردست رہی، خاص طور پر فوڈ اور پرسنل کیئر، سینٹ، انجینئرنگ اور آٹوموبائل پارٹس کے شعبہ جات۔ دوران سال پاکستان اسٹاک ایکسچینج میں چینی سرمایہ کاروں اور انجینئرنگ بی ایل کے ایک کنسورٹیم نے 40% کا حصہ حاصل کر لیا۔ نتیجتاً بک بلڈنگ اور آئی پی او کا انعقاد کیا گیا اور 29 جون 2017ء کو پاکستان اسٹاک ایکسچینج کا پہلا اسٹاک ٹریڈنگ سیشن منعقد ہوا۔

پاکستان اسٹاک ایکسچینج بک بلڈنگ کی طرف پہلا عمل تو چپ چاپ رہا جس کی بڑی وجہ لین دین کے ارگرد سخت ضوابط تھے۔ لیکن بک بلڈنگ کے دورانے میں تین ہفتوں میں بعد ازاں (ایٹو) آخر کار بہت باریک مارجن سے اور سبسکرائیڈ ہو گیا۔ آگے بڑھتے ہوئے ہم توقع رکھتے ہیں کہ مارکیٹ کا اوپر کی جانب سفر جاری رہے گا۔ کیونکہ پاکستان اب بھی P/E ملٹی پلر اور منافع مضمرہ آمدن کے لحاظ سے ایمر جنگ مارکیٹ کے دوسرے ساتھیوں کے مقابلے میں قابل ذکر رعایت پر ہے۔ پاکستان خطے میں دوسری سب سے بڑی آمدن شرح نمو کا حامل بھی ہے۔ یہ پرکشش تخمینہ جات غیر ملکی سرمایہ کاروں کی طرف سے بہاؤ (توم لانے) کے لئے لازماً عمل انگیز کے طور پر کام کرنے چاہئیں، جس سے (Passive) پسیو ایمر جنگ مارکیٹ انڈیکس فنڈز سے بہاؤ کی پیش بینی اپنی قدم میں اضافہ ہوگا۔ چینی سرمایہ کاروں کی جانب سے پاکستان اسٹاک ایکسچینج میں ایک بڑے حصے کے حالیہ حصول سے نئی مصنوعات متعارف کرانے کی راہ ہموار ہونی چاہئے اور اس سے عالمی منظر نامے پر پاکستانی مارکیٹ کی وسیع تر پذیرائی کی راہ بھی ہموار ہونی چاہئے۔ وسیع تر تناظر میں سی بی بی کے منصوبہ جات میں زبردست تیزی سے امکانات ہیں کہ سرمایہ کاری سے بڑے مجموعی ملکی پیداوار کی شرح نمو میں ہل چل اور حرکت ہو جو پاکستان کے بازار حصص (ای بی وی مارکیٹ) کے لئے بھی بہت اچھا ہے۔

فنڈز کی کارکردگی اور ادائیگیاں:

ایچ بی ایل انکم فنڈ:

30 جون 2017ء کو ختم ہونے والے سال کے دوران فنڈ کی کل آمدن اور خالص آمدن علی الترتیب 370.66 ملین روپے اور 201.06 ملین روپے رہی۔ بمطابق 30 جون 2016ء فنڈ کی ایکس-ڈیویڈنڈ خالص مالیت اثاثہ فی یونٹ 106.0938 روپے تھی۔ فنڈ کی خالص مالیت اثاثہ فی یونٹ بمطابق 30 جون 2017ء (5 روپے فی یونٹ عبوری منافع منقسمہ شامل کرنے کے بعد) 106.0146 روپے فی یونٹ تھی۔ جسکے ذریعے 4.64% کا سالانہ منافع دیا گیا۔ اسی سال کے دوران بیچ مارک منافع (6 ماہہ کا پی بور) 6.1% تھا۔ فنڈ کی جسامت بمطابق 30 جون 2017ء 4.49 ارب روپے تھی۔

بورڈ آف ڈائریکٹرز کے اختیار کے تحت افسر منتظم اعلیٰ نے 30 جون 2017ء کو ختم ہونے والے سال کیلئے یونٹ ہولڈرز کو 5.00 روپے فی یونٹ کی عبوری نقد تقسیم کی منظوری دی۔

جے سے آر۔ وی آئی ایس کریڈیٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ کو اے (ایف) فنڈ اسٹیبلشمنٹ ریٹنگ کوٹیشن کی ہے۔

ایچ بی ایل گورنمنٹ سیکیورٹیز فنڈ (سابقہ پبک انکم فنڈ):

30 جون 2017ء کو ختم ہونے والے سال کے دوران فنڈ کی کل آمدن اور خالص آمدن علی الترتیب 131.20 ملین روپے اور 58.77 ملین روپے رہی۔ فنڈ کی سابقہ منافع منقسمہ خالص مالیت اثاثہ بمطابق 30 جون 2016ء 115.2098 روپے فی یونٹ تھی۔ فنڈ کی خالص مالیت اثاثہ بمطابق 30 جون 2017ء 105.4266 روپے فی یونٹ (5.60 روپے فی یونٹ عبوری منافع منقسمہ شامل کرنے کے بعد) تھی جس کے ذریعے 5.54% کا سالانہ منافع دیا گیا۔ اسی سال کے دوران بیچ مارک منافع (6 ماہہ پی کے آروی شرمیں) 5.58% تھا۔ فنڈ کی جسامت بمطابق 30 جون 2017ء 1.37 ارب روپے تھی۔

بورڈ آف ڈائریکٹرز کے اختیار کے تحت افسر منتظم اعلیٰ نے 30 جون 2017ء کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو 5.60 روپے فی یونٹ کی عبوری نقد تقسیم کی منظوری دی۔

جے سی آر۔ وی آئی ایس کریڈیٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ کیلئے اے (ایف) فنڈ اسٹیبلشمنٹ ریٹنگ کی توثیق کی ہے۔

ایچ بی ایل منی مارکیٹ فنڈ:

30 جون 2017ء کو ختم ہونے والے سال کے دوران فنڈ کی کل آمدن اور خالص آمدن علی الترتیب 267.64 ملین روپے اور 186.06 ملین روپے رہی۔ فنڈ کی فی یونٹ سابقہ منافع منقسمہ خالص مالیت اثاثہ 30 جون 2016ء کے مطابق 101.5468 روپے فی یونٹ تھی۔ فنڈ کی خالص مالیت اثاثہ بمطابق 30 جون 2017ء 101.7683 روپے فی یونٹ (نقد 6.30 روپے فی یونٹ عبوری منافع منقسمہ شامل کرنے کے بعد) تھی جس کے ذریعے 6.45% کا سالانہ منافع دیا گیا۔ اسی سال کے دوران بیچ مارک منافع 5.26% (70% تین ماہہ پی کے آروی اور 30% تین ماہہ ڈپازٹ شرمیں) تھا۔ فنڈ کی جسامت بمطابق 30 جون 2017ء 3.94 ارب روپے تھی۔

بورڈ آف ڈائریکٹرز کے اختیار کے تحت افسر منتظم اعلیٰ نے 30 جون 2017ء کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو 6.30 روپے فی یونٹ عبوری نقد تقسیم کی منظوری دی۔

جے سی آر۔ وی آئی ایس کریڈیٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ کیلئے اے (ایف) فنڈ اسٹیبلشمنٹ ریٹنگ کی توثیق کی ہے۔

ایچ بی ایل کیش فنڈ (سابقہ پکک کیش فنڈ):

30 جون 2017ء کو ختم ہونے والے سال کے دوران فنڈ کی کل آمدن اور خالص آمدن علی الترتیب 269.68 ملین روپے اور 30.14 ملین روپے رہی۔ فنڈ کی فی یونٹ سابقہ منافع منقسمہ خالص مالیت اٹاٹھ 30 جون 2016ء کے مطابق 100.5696 روپے فی یونٹ تھی۔ فنڈ کی خالص مالیت اٹاٹھ بمطابق 30 جون 2017ء 100.4888 روپے فی یونٹ (نقد 7.15 روپے فی یونٹ عبوری منافع منقسمہ شامل کرنے کے بعد) تھی جس کے ذریعے 7.18% کا سالانہ منافع دیا گیا۔ اسی سال کے دوران بیچ مارک منافع 5.00% (70% تین ماہہ پی کے آر دی اور 30% تین ماہہ ڈپازٹ شرحیں) تھا۔ فنڈ کی جسامت بمطابق 30 جون 2017ء 5.95 ارب روپے تھی۔

بورڈ آف ڈائریکٹرز کے اختیار کے تحت افسر منتظم اعلیٰ نے 30 جون 2017ء کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو 7.15 روپے فی یونٹ عبوری نقد تقسیم کی منظوری دی۔

جے سی آر۔ وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ کیلئے اے اے (ایف) فنڈ اسمبلی ریٹنگ کی توثیق کی ہے۔

ایچ بی ایل اسٹاک فنڈ:

30 جون 2017ء کو ختم ہونے والے سال کے دوران فنڈ کی کل آمدن اور خالص آمدن علی الترتیب 1.04 ارب روپے اور 1.08 ارب روپے رہی۔ فنڈ کی فی یونٹ سابقہ منافع منقسمہ خالص مالیت اٹاٹھ 30 جون 2016ء کے مطابق 103.6764 روپے فی یونٹ تھی۔ فنڈ کی خالص مالیت اٹاٹھ فی یونٹ بمطابق 30 جون 2017ء 121.4498 روپے فی یونٹ (7.00 روپے فی یونٹ عبوری منافع منقسمہ شامل کرنے کے بعد) رہی۔ جس کے ذریعے 23.89% کا سالانہ منافع دیا گیا۔ اسی سال کے دوران بیچ مارک کے ایس ای 30 انڈیکس منافع 20.79% تھا۔ فنڈ کی جسامت بمطابق 30 جون 2017ء 6.35 ارب روپے تھی۔

بورڈ آف ڈائریکٹرز کے اختیار کے تحت افسر منتظم اعلیٰ نے 30 جون 2017ء کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو 7.00 روپے فی یونٹ کی عبوری نقد تقسیم کی منظوری دی۔

ایچ بی ایل ایکویٹی فنڈ (سابقہ پکک اسٹاک فنڈ):

30 جون 2017ء کو ختم ہونے والے سال کے دوران فنڈ کی کل آمدن اور خالص آمدن علی الترتیب 87.89 ملین روپے اور 107.04 ملین روپے رہی۔ فنڈ کی فی یونٹ سابقہ منافع منقسمہ خالص مالیت اٹاٹھ 30 جون 2016ء کے مطابق 107.229 روپے فی یونٹ تھی۔ فنڈ کی فی یونٹ مالیت اٹاٹھ فی یونٹ بمطابق 30 جون 2017ء 124.6446 روپے فی یونٹ (12.00 روپے فی یونٹ عبوری منافع منقسمہ شامل کرنے کے بعد) رہی۔ جس کے ذریعے 27.67% کا سالانہ منافع دیا گیا۔ اسی سال کے دوران بیچ مارک کے ایس ای 100 انڈیکس منافع 23.24% تھا۔ فنڈ کی جسامت بمطابق 30 جون 2017ء 0.47 ملین روپے تھی۔

بورڈ آف ڈائریکٹرز کے اختیار کے تحت افسر منتظم اعلیٰ نے 30 جون 2017ء کو ختم ہونے والے سال کیلئے یونٹ ہولڈرز کو 12.00 روپے فی یونٹ کی عبوری نقد تقسیم کی منظوری دی۔

ایچ بی ایل انرجی فنڈ (سابقہ پکک انرجی فنڈ):

30 جون 2017ء کو ختم ہونے والے سال کے دوران فنڈ کی کل آمدن اور خالص آمدن علی الترتیب 214.33 ملین روپے اور 190.55 ملین روپے رہی۔ فنڈ کی فی یونٹ سابقہ منافع منقسمہ خالص مالیت اٹاٹھ 30 جون 2016ء کے مطابق 12.0122 روپے فی یونٹ تھی۔ فنڈ کی فی یونٹ مالیت اٹاٹھ جات فی یونٹ بمطابق 30 جون 2017ء 15.0359 روپے فی یونٹ (0.60 روپے فی یونٹ عبوری منافع منقسمہ شامل کرنے کے بعد) رہی۔ جس کے ذریعے 30.12% کا سالانہ منافع دیا گیا۔ اسی سال کے دوران بیچ مارک کے ایس ای 30 انڈیکس کا منافع 20.79% تھا۔ فنڈ کی جسامت بمطابق 30 جون 2017ء 0.79 ارب روپے تھی۔

بورڈ آف ڈائریکٹرز کے اختیار کے تحت افسر منتظم اعلیٰ نے 30 جون 2017ء کو ختم ہونے والے سال کیلئے یونٹ ہولڈرز کو 0.60 روپے فی یونٹ کی عبوری نقد تقسیم کی منظوری دی۔

ایچ بی ایل ملٹی ایسیٹ فنڈ:

30 جون 2017ء کو ختم ہونے والے سال کے دوران فنڈ کی کل آمدن اور خالص آمدن علی الترتیب 145.77 ملین روپے اور 139.40 ملین روپے رہی۔ فنڈ کی فی یونٹ سابقہ منافع منقسمہ خالص مالیت اثاثہ برطانیہ 30 جون 2016ء کو 98.0474 روپے فی یونٹ تھی۔ فنڈ کی خالص مالیت اثاثہ برطانیہ 30 جون 2017ء کو 112.0924 روپے فی یونٹ (4.00 روپے فی یونٹ عبوری منافع منقسمہ شامل کرنے کے بعد) تھی۔ جس کے ذریعے 18.40% کا سالانہ منافع دیا جا رہا ہے۔ اسی سال کے دوران بیچ مارک انڈیکس منافع (بھاری اوسط روزانہ کے ای ای 100 منافع اور 6 ماہ کی پی کے آروی شرحیں 16.12% تھیں۔ فنڈ کی جسامت برطانیہ 30 جون 2017ء کو 0.97 ارب روپے تھی۔

بورڈ آف ڈائریکٹرز کے اختیار کے تحت افسر منتظم اعلیٰ نے 30 جون 2017ء کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو 4.00 روپے فی یونٹ عبوری نقد تقسیم کی منظوری دی۔

مینیجمنٹ کمپنی ریٹنگ:

جے سی آر۔ وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ (JCR-VIS) نے مینیجمنٹ کمپنی اے ایم 2 (ثبت توقع) کی مینیجمنٹ کو ایچ بی ایل ریٹنگ برقرار رکھی۔

آڈٹرز:

(میسرز ڈی لائیٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس) ایچ بی ایل ایل اے فنڈ، ایچ بی ایل ایل اے گورنمنٹ سیکورٹیز فنڈ (سابقہ پبلک اکنم فنڈ)، ایچ بی ایل ایل اے مارکیٹ فنڈ، ایچ بی ایل ایل اے کیش فنڈ (سابقہ پبلک کیش فنڈ)، ایچ بی ایل ایل اے اسٹاک فنڈ، ایچ بی ایل ایل اے ٹیکنالوجی فنڈ (سابقہ پبلک اسٹاک فنڈ)، ایچ بی ایل ایل اے انرجی فنڈ (سابقہ پبلک انرجی فنڈ) اور ایچ بی ایل ایل اے ایف ڈی اے آڈٹ کیسٹری کے آڈٹ کرنے والے ہیں۔ بورڈ آف ڈائریکٹرز نے آڈٹ کیسٹری کی سفارش پر میسرز ڈی لائیٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس کو ایچ بی ایل ایل اے گورنمنٹ سیکورٹیز فنڈ (سابقہ پبلک اکنم فنڈ)، ایچ بی ایل ایل اے مارکیٹ فنڈ، ایچ بی ایل ایل اے ٹیکنالوجی فنڈ (سابقہ پبلک اسٹاک فنڈ)، ایچ بی ایل ایل اے انرجی فنڈ (سابقہ پبلک انرجی فنڈ) اور ایچ بی ایل ایل اے ایف ڈی اے آڈٹ کرنے کے طور پر تقرری کر دی ہے۔

ادارہ جاتی نظم کے ضابطے کے ساتھ موافقت میں ڈائریکٹرز کا بیان:

- 1 فنڈ کی مینیجمنٹ کمپنی کی جانب سے تیار کردہ مالیاتی گوشوارہ جات فنڈ کے امور کاراس کے افعال کا نتیجہ، نقد بہاؤ اور فنڈ کے یونٹ ہولڈرز کی نقل و حرکت کا بیان منصفانہ طور پر پیش کرتے ہیں
- 2 فنڈ کے حسابات کی مناسب کتب برقرار رکھی گئی ہیں۔
- 3 مالیاتی گوشوارہ جات کی تیاری میں مناسب حساباتی پالیسیز کو مسلسل بروئے کار لانا جاتا رہا ہے۔ حساباتی تخمینہ معقول اور محتاط آراء پر مبنی ہیں۔
- 4 انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈز، جیسے پاکستان میں لاگو ہیں، مالیاتی گوشوارہ جات کی تیاری میں پیروی کی جاتی رہی ہے۔
- 5 انٹرنل کنٹرول کا نظام ترتیب و تشکیل میں اچھا ہے اور اسے موثر طریقے سے نافذ کیا گیا اور اسکی نگرانی کی گئی ہے۔
- 6 فنڈ کی بطور ایک جاری کاروبار تسلسل کی صلاحیت پر کوئی خیر شک و شبہ نہیں ہے۔
- 7 ادارہ جاتی نظم کے بہترین طور طریقوں سے جیسا کہ ضوابط میں تفصیل دی گئی ہے کوئی بڑا اختلاف نہیں ہے۔
- 8 کلیدی مالیاتی معلومات کا خلاصہ متعلقہ فنڈ کے کارکردگی جدول (پرفارمنس ٹیبل) میں مہیا کر دیا گیا ہے۔

دوران سال فنڈ کے یونٹس میں ڈائریکٹرز سی ای او، سی ایف او، ہیڈ آف انٹرنل آڈٹ اور کینیڈی سیکریٹری اور ان کے زوجین نے کوئی لین دین نہیں کیا سوائے اس کے جو فنڈز کے مالیاتی گوشوارہ جات اور متعلقہ ملاحظات میں نیچے فراہم اور ظاہر کر دیے گئے ہیں۔

منجنت کینی کے بورڈ آف ڈائریکٹرز نے ایگزیکٹیو کے طور پر درجہ بندی کرنے کے لئے ملازمین کی 1,200,000 روپے سالانہ بنیادی تنخواہ کی حد مقرر کر دی ہے۔

ایچ بی ایل انکم فنڈ :

نام	عہدہ	ابتدائی یونٹس	خریدے گئے یونٹس	فروخت کی گئے یونٹس	بونس یونٹس	اختتامی یونٹس
نعمان قربان	چیف فنانشل آفیسر	321	-	321	-	-

ایچ بی ایل گورنمنٹ سیکیورٹیز فنڈ (سابقہ پک انکم فنڈ):

کچھ نہیں

ایچ بی ایل منی مارکیٹ فنڈ :

نام	عہدہ	ابتدائی یونٹس	خریدے گئے یونٹس	فروخت کی گئے یونٹس	بونس یونٹس	اختتامی یونٹس
فرید احمد خان	سی ای او اور ڈائریکٹر	-	255,866	127,002	-	128,864

ایچ بی ایل کیش فنڈ (سابقہ پک کیش فنڈ):

نام	عہدہ	ابتدائی یونٹس	خریدے گئے یونٹس	فروخت کی گئے یونٹس	بونس یونٹس	اختتامی یونٹس
فرید احمد خان	سی ای او اور ڈائریکٹر	-	465,507	342,029	-	123,478

ایچ بی ایل اسٹاک فنڈ :

نام	عہدہ	ابتدائی یونٹس	خریدے گئے یونٹس	فروخت کی گئے یونٹس	بونس یونٹس	اختتامی یونٹس
فرید احمد خان	سی ای او اور ڈائریکٹر	-	19,487	-	-	19,487
نعمان قربان	چیف فنانشل آفیسر	9,493	12,143	2,548	-	19,088

ایچ بی ایل ایکویٹی فنڈ (سابقہ پک اسٹاک فنڈ):

کچھ نہیں

ایچ بی ایل انرجی فنڈ (سابقہ پک انرجی فنڈ):

نام	عہدہ	ابتدائی یونٹس	خریدے گئے یونٹس	فروخت کی گئے یونٹس	بونس یونٹس	اختتامی یونٹس
فرید احمد خان	سی ای او اور ڈائریکٹر	-	181,108	-	-	181,108

ایچ بی ایل ملٹی ایسیٹ فنڈ :

کچھ نہیں

۱۰ بورڈ آف ڈائریکٹرز اجلاس کی تفصیلات متعلقہ فنڈز کے مالیاتی گوشوارہ جات میں ظاہر کر دی گئی ہیں۔ بورڈ آف ڈائریکٹرز کی ذیلی کمیٹی کے اجلاس کی حاضری کی تفصیلات ذیل میں فراہم کر دی گئی ہیں۔

بورڈ آڈٹ کمیٹی (بی ای سی):

30 جون 2017ء کو ختم ہونے والے سال کے دوران بے ای سی کے چار اجلاس منعقد ہوئے بے ای سی کی حاضری درج ذیل ہے:

نام	21 اپریل 2017ء	24 فروری 2017ء	31 اکتوبر 2016ء	25 اگست 2016ء
ندیم عبداللہ ¹	حاضر	حاضر	حاضر	N/A
رضوان حیدر	حاضر	حاضر	حاضر	حاضر
آواے کاؤنجی	حاضر	حاضر	حاضر	حاضر
صلاح الدین منظور ²	N/A	N/A	N/A	حاضر

¹ 26 اگست 2017ء سے بے ای سی کے رکن کے طور پر تقرری موثر

² 26 اگست 2017ء سے بے ای سی کے رکن کے طور پر سبکدوشی موثر

بورڈ آف ہیومن ریسورس اور ریمینیشن کمیٹی (ایچ آراینڈ آر):

30 جون 2017ء کو ختم ہونے والے سال کے دوران ایک ایچ آراینڈ آر کمیٹی اجلاس منعقد ہوا۔ ایچ آراینڈ آر کی حاضری درج ذیل ہے:

نام	تاریخ اجلاس
توفیق ایچ چینائی	27 اپریل 2017ء
سیما کمال ¹	حاضر
فرید احمد خان	N/A
صلاح الدین منظور ²	حاضر
ریمنڈ ایچ کوٹوال ³	حاضر

¹ 16 مارچ 2017ء سے بورڈ آف ڈائریکٹرز کے عہدے سے سبکدوشی موثر

² خصوصی دعوت پر اجلاس میں حاضری

³ 25 اگست 2017ء سے ایچ آراینڈ آر کمیٹی کے رکن پر تقرری موثر

بورڈ رسک مینجمنٹ کمیٹی (بی آر ایم سی):

30 جون 2017ء کو ختم ہونے والے سال کے دوران بی آر ایم سی کا ایک اجلاس منعقد ہوا۔ بی آر ایم سی کی حاضری درج ذیل ہے۔

تاریخ اجلاس

16 فروری 2017ء

نام

رضوان حیدر حاضر

صلاح الدین منظور حاضر

فرید احمد خان حاضر

11 یونٹ ہولڈرز کے اسلوب سے متعلق تفصیلات جیسا کہ ادارہ جاتی نظم کے ضابطے کی جانب سے درکار ہیں۔ فنڈز کے متعلقہ مالیاتی گوشوارہ جات میں فراہم کردی گئی۔ جسامت کے لحاظ سے یونٹ ہولڈنگ کے حصے فنڈز کے متعلقہ مالیاتی گوشوارہ جات میں فنڈ منیجر رپورٹ کے متعلقہ حصے میں دیئے گئے ہیں۔ منسلکہ کمپنیز، متعلقہ فریقین اور 5% سے زیادہ یونٹ ہولڈنگ والے یونٹ ہولڈرز کی باحفاظ نام تفصیل درج ذیل کے مطابق ہیں۔

ایچ بی ایل انکم فنڈ:

یونٹ ہولڈنگ

تفصیل

ڈائریکٹرز اور منسلکہ کمپنیز:

19,506,241

حبیب بینک لمیٹڈ

ایچ بی ایل گورنمنٹ سیکیورٹیز فنڈ (سابقہ پبک انکم فنڈ):

یونٹ ہولڈنگ

تفصیل

ڈائریکٹرز اور منسلکہ کمپنیز:

1,764,572

ایچ بی ایل ایسٹ مینجمنٹ لمیٹڈ

فنڈ میں 5% یا اس سے زائد کی ہولڈنگ:

4,892,987

این آئی بی بینک لمیٹڈ

1,838,343

پاکستان سوسائٹی فار دی ویلفیئر آف میٹلی ریٹارڈڈ چلڈرن

ایچ بی ایل منی مارکیٹ فنڈ:

پوش ہولڈنگ	تفصیل
	ڈائریکٹرز اور منسلکہ کمپنیز:
1,781,757	حبیب بینک لمیٹڈ
128,864	فرید احمد خان - سی ای او اور ڈائریکٹر
	فنڈ میں %5 یا اس سے زائد کی ہولڈنگ:
4,578,999	ملٹ ٹریڈرز لمیٹڈ
3,777,954	کے اینڈ این فوڈز (پرائیویٹ) لمیٹڈ
2,041,354	فیروز سنز لیبارٹریز لمیٹڈ
2,035,350	لاہور ہائی کورٹ - آپریشنل اساتذی

ایچ بی ایل کیش فنڈ (سابقہ پیک فنڈ):

پوش ہولڈنگ	تفصیل
	ڈائریکٹرز اور منسلکہ کمپنیز:
348,648	ایچ بی ایل ایسٹ مینجمنٹ لمیٹڈ
123,478	فرید احمد خان - سی ای او اور ڈائریکٹر
	فنڈ میں %5 یا اس سے زائد کی ہولڈنگ:
8,991,001	میچل ایف کیپیٹل لمیٹڈ
7,587,183	تھل لمیٹڈ
6,117,539	گیٹو فارما (پرائیویٹ) لمیٹڈ
5,333,302	کورونیت فوڈز (پرائیویٹ) لمیٹڈ
4,107,266	فوجی آپریشنل اینڈ ڈی سٹری بیوشن کمپنی لمیٹڈ
5,332,052	انگلش سکلنس مینوفیکچررز (پرائیویٹ) لمیٹڈ
3,256,443	بیریت ہڈ جسٹن پاکستان (پرائیویٹ) لمیٹڈ

ایچ بی ایل اسٹاک فنڈ:

پوش ہولڈنگ	تفصیل
	ڈائریکٹرز اور منسلکہ کمپنیز:
37,754,700	حبیب بینک لمیٹڈ
7,125,389	ایچ بی ایل ایمپلائیز پروویڈنٹ فنڈ ٹرسٹ
19,487	فرید احمد خان - سی ای او اور ڈائریکٹر
	فنڈ میں %5 یا اس سے زائد کی ہولڈنگ:
3,159,044	حبیب میٹرو پولیٹن بینک لمیٹڈ

ایچ بی ایل ایکویٹی فنڈ (سابقہ پک اسٹاک فنڈ):

پوش ہولڈنگ	تفصیل
	ڈائریکٹرز اور منسلک کمپنیز
814,872	ایچ بی ایل ایسٹ مینجمنٹ لمیٹڈ
	فنڈ میں 5% یا اس سے زائد کی ہولڈنگ:
1,022,050	این آئی بی بینک لمیٹڈ
443,531	پاکستان سوسائٹی فار ویلفیئر آف منٹلی ریٹارڈڈ چلڈرن
265,231	وارٹھسلا پاکستان (پرائیویٹ) لمیٹڈ ایمپلائیز پروویڈنٹ فنڈ ٹرسٹ

ایچ بی ایل انرجی فنڈ (سابقہ پک انرجی فنڈ):

پوش ہولڈنگ	تفصیل
	ڈائریکٹرز اور منسلک کمپنیز
10,002,825	ایچ بی ایل ایسٹ مینجمنٹ لمیٹڈ
181,108	فرید احمد خان - سی ای او اور ڈائریکٹر
	فنڈ میں 5% یا اس سے زائد کی ہولڈنگ:
6,468,401	این آئی بی بینک لمیٹڈ

ایچ بی ایل ملٹی ایسیٹ فنڈ:

پوش ہولڈنگ	تفصیل
	ڈائریکٹرز اور منسلک کمپنیز
6,996,574	حبیب بینک لمیٹڈ

اعتراف:

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے اپنے تمام یونٹ ہولڈرز کا انکے اعتماد اور سرپرستی کیلئے دل کی گہرائیوں سے شکر یہ ادا کرتا ہے۔ بورڈ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان سنٹرل ڈپازٹری کمیٹی آف پاکستان بطور سٹی پاکستان اسٹاک ایکسچینج لمیٹڈ اور بینک دولت پاکستان کی جانب سے فراہم کردہ اعانت اور راہنمائی کے لئے ان کی کاوشات کی قدر کرتا ہے اور معترف بھی ہے۔ بورڈ عملے کی جانب سے انتھک محنت اور لگن کو بھی سراہتا ہے۔

منجانب بورڈ

ایچ بی ایل ایسٹ مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو آفسر

مورخہ 25 اگست 2017ء

بمقام: کراچی



HBL MONEY MARKET FUND
Annual Report 2017

FUND INFORMATION

NAME OF FUND	HBL Money Market Fund
NAME OF AUDITOR	Deloitte Yousuf Adil Chartered Accountants
NAME OF TRUSTEE	Central Depository Company of Pakistan Limited
NAME OF BANKERS	Habib Bank Limited Bank Al-Habib Limited Habib Metropolitan Bank Limited Bank Al Falah Limited Faysal Bank Limited Allied Bank Limited Meezan Bank Limited Askari Bank Limited Samba Bank Limited Zarai Taraqati Bank Limited
FUND RATING	AA(f) (JCR-VIS)

FUND MANAGER'S REPORT - HBL MONEY MARKET FUND

As at June 30, 2017

Type and Category of Fund

Open end Money Market Fund

Investment Objective and Accomplishment of Objective

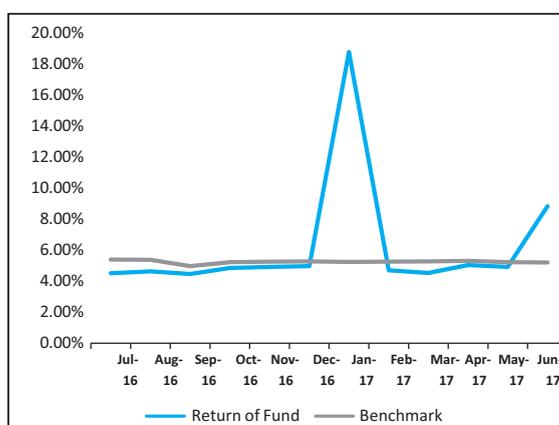
The investment objective of the Fund is to seek high liquidity and competitive return for investors by investing in low risk securities of shorter duration and maturity. The investment objective is achieved.

Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is 70% 3 - Month PKRV + 30% 3 - Month Deposit Rate of 3 AA and above rated Banks as per MUFAP.

The comparison of the fund return with benchmark is given below:

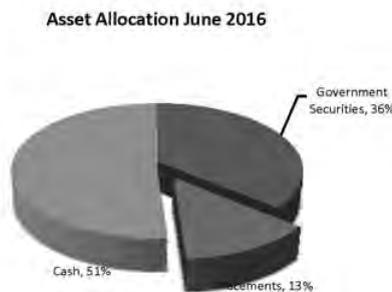
Month	Return of Fund	Benchmark
Jun-17	8.83%	5.22%
May-17	4.91%	5.23%
Apr-17	5.03%	5.31%
Mar-17	4.53%	5.29%
Feb-17	4.70%	5.27%
Jan-17	18.77%	5.25%
Dec-16	4.96%	5.29%
Nov-16	4.91%	5.26%
Oct-16	4.85%	5.23%
Sep-16	4.46%	4.98%
Aug-16	4.63%	5.39%
Jul-16	4.51%	5.40%



Strategies and Policies employed during the Year

In line with the investment policy of the Fund, the Fund continued to hold major investments in the form of Government Securities and Bank Deposits. However, during the year under review, better opportunities were offered in Placements which were utilized to optimize Funds return.

Asset Allocation



Significant Changes in Asset Allocation during the Year

The investment in Government Securities was decreased by 36% of total assets to nil, while placements at the close of financial year reduced from 13% to 9% of total assets, realized amount was placed with Bank which were offering higher rates due to year end.

Fund Performance

The total income and net income of the Fund was Rs.267.64 million and Rs. 184.06 million respectively during the year ended June 30, 2017. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs 101.5468 per unit as on June 30, 2016. The NAV of the Fund was Rs. 101.7683 per unit as on June 30, 2017 (after incorporating interim dividends of Rs. 6.30 per unit), thereby giving an annualized return of 6.45%. During the same year the benchmark (70% 3M PKRV & 30% 3M deposit rates) return was 5.26%.The size of Fund was Rs. 3.94 billion as on June 30, 2017.

Market Review

During the year, State Bank Pakistan kept the discount rate static at 6.25% on the back of lower inflation and managed external accounts position. Government of Pakistan (GoP) raised PKR 7,716 billion (including NCB) through the T-bills auction compared to the cumulative target of PKR 7,200 billion and maturities of PKR 6,431 billion. In the secondary market, T-bills yields increased by a total of 9 bps, 13 bps and 13 bps for 3, 6 and 12 months respectively. In PIB auctions GOP raised PKR 894 billion against the cumulative target of PKR 800 billion and maturities of PKR 1,936 billion. All PIB auctions held in 2QFY17 were scrapped as the bids were at higher yields and there was no desperation showed by the GoP on stretching the maturities towards longer duration at higher costs. 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 in FY17, and thus placed bids at more appropriate levels. The 5 and 10-year PIB cutoffs declined by 1 bps and 8 bps respectively in FY17TD whereas the 3-year PIB cutoff remained unchanged. Consequently, money market saw flattened yield curve during the year.

The GoP also 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 whereas GoP accepted PKR 71.01 billion at a cut-off rate of 5.24% p.a. During 2HFY17, few corporate Sukuks were offered in the market, which were well-received by investors and the instruments with strong credit ratings were oversubscribed.

Going forward, we expect monetary policy to remain unchanged during first half FY18, however in later half potential rate hike is expected on the ground of higher CPI, imbalances in trade deficit and falling foreign reserves.

Distribution

The Fund has distributed cash dividend at Rs. 6.30 per unit during the year ended June 30, 2017.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs during the year under review.

Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 - 100	286	10,938
101 - 500	89	19,821
501 - 1,000	40	28,931
1,001 - 10,000	333	1,579,282
10,001 - 100,000	297	9,795,282
100,001 - 500,000	48	8,429,840
500,001 - 1,000,000	5	3,643,332
1,000,001 - 5,000,000	6	15,227,714
5,000,001 and more	-	-
Total	1,104	38,735,140

Unit Splits

There were no unit splits during the year.

Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

Soft Commission

The Management Company from time to time receives research reports and presentations from brokerage houses.

PERFORMANCE TABLE - HBL MONEY MARKET FUND

As at June 30, 2017

	2017	2016	2015	2014	2013	2012
Net assets at the period end (Rs'000)	3,942,010	3,522,715	5,081,207	9,777,546	10,381,264	9,437,404
NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES						
Redemption	101.7683	101.5468	101.1823	100.4122	101.2604	102.8926
Offer	101.7683	101.5468	101.1823	100.4122	101.2604	102.8926
OFFER / REDEMPTION DURING THE PERIOD - RUPEES						
Highest offer price per unit	107.6259	106.2966	108.2936	101.0903	102.8147	103.8223
Lowest offer price per unit	101.5871	101.1538	100.5311	100.2636	100.3569	100.2768
Highest redemption price per unit	107.6259	106.2966	108.2936	101.0903	102.8147	103.8223
Lowest redemption price per unit	101.5871	101.1538	100.5311	100.2636	100.3569	100.2768
RETURN (%)						
Total return	6.45%	5.13%	8.79%	8.08%	9.28%	11.54%
Income distribution	6.30%	4.80%	8.00%	7.59%	8.90%	11.05%
Capital growth	0.15%	0.33%	0.79%	0.49%	0.38%	0.49%
DISTRIBUTION						
First Interim dividend distribution (Rs)	-	-	-	0.54	2.40	2.75
Date of Income Distribution						
Second Interim dividend distribution (Rs)	-	-	-	0.54	0.76	-
Date of Income Distribution						
Third Interim dividend distribution (Rs)	-	-	-	0.54	0.72	-
Date of Income Distribution						
Fourth Interim dividend distribution (Rs)	-	-	-	0.57	0.78	2.75
Date of Income Distribution						
Fifth Interim dividend distribution (Rs)	-	-	-	0.61	0.68	-
Date of Income Distribution						
Sixth Interim dividend distribution (Rs)	-	-	-	0.73	0.59	-
Date of Income Distribution						
Seventh Interim dividend distribution (Rs)	-	-	-	0.73	0.64	2.75
Date of Income Distribution						
Eighth Interim dividend distribution (Rs)	-	-	-	0.65	0.61	-
Date of Income Distribution						
Ninth Interim dividend distribution (Rs)	-	-	-	0.77	0.62	-
Date of Income Distribution						
Tenth Interim dividend distribution (Rs)	-	-	-	0.67	-	-
Date of Income Distribution						
Eleventh Interim dividend distribution (Rs)	-	-	-	0.64	-	-
Date of Income Distribution						
Twelfth Interim dividend distribution (Rs)	-	-	-	0.60	-	-
Date of Income Distribution						
Final dividend distribution (Rs)	6.30	4.80	8.00	-	1.10	2.80
				Various dates- (As mentioned in Financial Statements of respective year)	Various dates- (As mentioned in Financial Statements of respective year)	Various dates- (As mentioned in Financial Statements of respective year)
Date of Income Distribution	22-Jun-17	27-Jun-16	23-Jun-15			
Total dividend distribution for the year/ period (Rs)	6.30	4.80	8.00	7.59	8.90	11.05
AVERAGE RETURNS (%)						
Average annual return 1 year	6.45%	5.13%	8.79%	8.08%	9.28%	11.54%
Average annual return 2 year	5.79%	6.96%	8.44%	8.68%	10.41%	11.70%
Average annual return 3 year	6.78%	7.33%	8.72%	9.63%	10.89%	11.70%
Weighted average portfolio during (No. of days)	19	13	16	66	62	37
PORTFOLIO COMPOSITION - (%)						
Percentage of Total Assets as at 30 June:						
Bank Balances	87.65%	61.00%	73.00%	27.00%	15.00%	22.00%
Placements with Banks & DFIs	9.40%	3.00%	0.00%	10.00%	0.00%	0.00%
Government Securities	0.00%	36.00%	19.00%	63.00%	85.00%	78.00%
Commercial Paper	2.41%	0.00%	0.00%	0.00%	0.00%	0.00%
Others Including receivables	0.54%	0.00%	8.00%	0.00%	0.00%	0.00%

Note:

The Launch date of the Fund is July 12, 2010

Disclaimer:

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

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S.M.C.H.S. Main Shakra-e-Faisal,
Karachi - 74400, Pakistan.
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Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com

**TRUSTEE REPORT TO THE UNIT HOLDERS****HBL ISLAMIC MONEY MARKET FUND****Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Money Market Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2017 in accordance with the provisions of the following:

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

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

Karachi, September 26, 2017

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2017.

his statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19.23 of Pakistan Stock Exchange (the Stock Exchange) Regulations for the purpose of establishing a framework of good governance, whereby a listed entity is managed in compliance with the best practices of corporate governance.

HBL Asset Management Limited, an un-listed Public Limited Company, which manages the affairs of the **HBL Money Market Fund (Fund)**, has applied the principles contained in the CCG in the following manner:

1. The Management Company encourages representation of independent non-executive directors on its Board of Directors. The Management Company, being an un-listed company, does not have any minority interest. At present the Board includes:

Category	Names
Independent Directors	Mr. Nadeem Abdullah Ms. Ava Ardeshir Cowasjee
Executive Directors	Mr. Farid Ahmed Khan (Chief Executive Officer)
Non- Executive Directors	Mr. Towfiq H. Chinoy (Chairman) Mr. Rayomond H. Kotwal Mr. Rizwan Haider Mr. Salahuddin Manzoor

The independent directors meet the criteria of independence under clause 5.19.1(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurring on the board on April 27,2017 and June 22,2017 were filled up by the directors within 42 and 16 days respectively.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before all the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the Directors of their duties and responsibilities and for their orientation purpose they were informed about the recent developments / changes in applicable laws and regulations affecting the mutual fund industry. The directors are conversant of the relevant laws applicable to the Management Company, its policies, provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. The board has approved appointment of Head of Internal Audit and existing Chief Financial Officer and Company Secretary continue to serve as per their terms of employment duly approved by the Board.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by the Chief Executive Officer and the Chief Financial Officer before approval of the Board.
13. The Directors, the Chief Executive Officer and executives do not hold any interest in the units of the Fund other than that disclosed in the annual report.

14. The Management Company has complied with all the corporate and financial reporting requirements of the CCG with respect to the Fund.
15. The board has formed an Audit Committee. It comprises three Members, of whom three are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director. However due to resignation of Ms.Sima Kamil from the board effective from March 16, 2017 the committee members reduced to two. The board has reconstituted the committee effective from August 25,2017 and it comprise of three members.
18. The Board has outsourced the internal audit function of the Fund to EYFord Rhodes, Chartered Accountants, Karachi, for the year ended June 30, 2017, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company with regards to the Fund.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market/published price of Fund's unit, was determined and intimated to directors, employees and the stock exchange.
22. Material / price sensitive information has been disseminated amongst all market participants at once through the stock exchange.
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles contained in the CCG have been complied with.

For and on behalf of the board

Chief Executive Officer

Director

Karachi
August 25, 2017

Review report to the unit holders' on the Statement of Compliance with the best practices of the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of HBL Asset Management Limited, the Management Company of **HBL Money Market Fund** (the Fund) for the year ended June 30, 2017 to comply with Regulation No. 5.19 of the Rule Book of the Pakistan Stock Exchange Limited, where the Fund is listed.

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

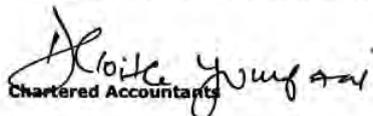
As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risk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

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

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

We draw attention to the following;

- Paragraph 17 of the Statement wherein it has been stated that the composition of the Human Resource and Remuneration (HR&R) Committee was remediated subsequent to year end.


Chartered Accountants

Dated: September 22, 2017
Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited

Independent auditors' report to the unit holders

v

Report on the financial statements

We have audited the accompanying financial statements of **HBL Money Market Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2017, and the related income statement and other comprehensive income, distribution statement, statement of movements in unit holders' funds and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Company's responsibility for the financial statements

HBL Asset Management Limited (the Management Company) is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan, and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

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

Report on other legal and regulatory requirements

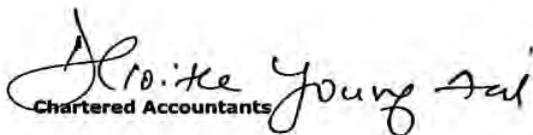
In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.



Deloitte Yousuf Adil
Chartered Accountants

Other matter

The financial statements of the Fund for the year ended June 30, 2016 were audited by another firm of Chartered Accountants who vide their report dated August 26, 2016 expressed an unmodified opinion thereon.



Chartered Accountants

Engagement Partner
Naresh Kumar

Date: September 22, 2017
Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited

HBL MONEY MARKET FUND
Statement of Assets and Liabilities
As at June 30, 2017

	Note	2017 -----Rupees in '000-----	2016
Assets			
Bank balances	5	3,542,143	2,371,639
Investments	6	477,309	1,494,422
Accrued mark-up	7	21,546	1,588
Deposit		100	-
Total assets		4,041,098	3,867,649
Liabilities			
Payable to Management Company	8	4,625	4,445
Payable to the Trustee	9	388	371
Payable to Securities and Exchange Commission of Pakistan	10	3,125	3,444
Dividend payable		-	1,818
Accrued expenses and other liabilities	11	90,950	334,856
Total liabilities		99,088	344,934
Net assets		3,942,010	3,522,715
Unit holders' fund (as per statement attached)		3,942,010	3,522,715
(Number of units)			
Number of units in issue	13	38,735,140	34,690,544
(Rupees)			
Net assets value per unit		101.7683	101.5468

The annexed notes 1 to 30 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL MONEY MARKET FUND
Income Statement and Other Comprehensive Income
For the year ended June 30, 2017

	Note	2017 -----Rupees in '000-----	2016
Income			
Mark-up / return on investments	14	79,392	218,651
Mark-up on deposits with banks	15	188,322	88,017
Loss on sale of investments - net		(75)	(2,843)
		<u>267,639</u>	<u>303,825</u>
Expenses			
Remuneration of the Management Company		47,034	60,797
Remuneration of the Trustee		4,375	4,834
Annual fee of Securities and Exchange Commission of Pakistan		3,125	3,444
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	4,162	2,533
Securities transaction costs		14	3
Settlement and bank charges		360	270
Auditors' remuneration	16	632	555
Amortisation of preliminary expenses and floatation costs		-	8
Annual listing fee		67	40
Printing fee		259	229
Annual rating fee		239	430
Legal fee		25	18
		<u>60,292</u>	<u>73,160</u>
		<u>207,347</u>	<u>230,665</u>
Element of loss and capital losses included in prices of units issued less those in units redeemed - net		(81,428)	(112,336)
Reversal of Provision for Workers' Welfare Fund	11.1	64,738	-
Provision for Sindh Workers' Welfare Fund	11.1	(6,602)	-
		<u>58,136</u>	<u>-</u>
Net income for the year before taxation		184,055	118,329
Taxation		-	-
Net income for the year after taxation		184,055	118,329
Other comprehensive income for the year		-	-
Items that may be reclassified to income statement in subsequent periods:			
Unrealised loss on re-measurement of investments classified as available-for-sale		(243)	(2,695)
Reclassification adjustments relating to available-for-sale financial assets disposed of during the year	6.5	75	2,843
		<u>(168)</u>	<u>148</u>
Total comprehensive income for the year		183,887	118,477
Earnings per unit	18		

The annexed notes 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

HBL MONEY MARKET FUND
Distribution Statement
For the year ended June 30, 2017

	2017	2016
	-----Rupees in '000-----	
Undistributed income brought forward - realised	24,925	27,368
Net income for the year	184,055	118,329
Element of income / (loss) and capital gains / (losses) included in the price of units issued less those in units redeemed, amount representing income / (loss) that form part of the unit holders' fund - net	6,256	(8,462)
Interim distribution of Rs. 6.30 per unit declared on June 22, 2017 (2016: Rs 4.80 per unit declared on June 27, 2016)	(174,947)	(112,310)
Undistributed income carried forward - realised	40,289	24,925

The annexed notes 1 to 30 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL MONEY MARKET FUND
Statement of Movement in Unit Holders' Fund
For the year ended June 30, 2017

	2017	2016
	-----Rupees in '000-----	
Net assets at beginning of the year	3,522,715	5,081,207
Issue of 172,636,657 units (2016 : 75,185,214 units)	18,188,234	7,790,304
Redemption of 168,592,061 units (2016 : 90,713,008 units)	(17,859,307)	(9,467,299)
	328,927	(1,676,995)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
Amount transferred to income statement and other comprehensive income	81,428	112,336
Amount transferred to Distribution Statement	6,256	8,462
	87,684	120,798
Capital loss on the sale of investment - net	(75)	(2,843)
Net unrealised (loss) / gain on re-measurement of investments classified as available for sale	(168)	148
Other net income for the year	184,130	121,172
Total comprehensive income for the year	183,887	118,477
Interim distribution of Rs. 6.30 per unit declared on June 22, 2017 (2016: Rs 4.80 per unit declared on June 27, 2016)	(174,947)	(112,310)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in unit redeemed - amount transferred to the Distribution Statement	(6,256)	(8,462)
Net assets at end of the year	3,942,010	3,522,715
Net asset value per unit at the beginning of the year	101.5468	101.1823
Net asset value per unit at the end of the year	101.7683	101.5468

The annexed notes 1 to 30 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL MONEY MARKET FUND

Cash Flow Statement

For the year ended June 30, 2017

	2017	2016
	-----Rupees in '000-----	
Cash flows from operating activities		
Net income for the year	184,055	118,329
Adjustments		
Return / mark-up on;		
- bank profits	(188,322)	(88,017)
- investments	(79,392)	(218,651)
Loss on sale of investments - net	75	2,843
Amortisation of preliminary expenses and floatation costs	-	8
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	81,428	112,336
Reversal of Provision for Workers' Welfare Fund	(64,738)	-
Provision for Sindh Workers' Welfare Fund	6,602	-
	<u>(60,292)</u>	<u>(73,152)</u>
Decrease / (increase) in assets		
Investments - net	<u>1,016,870</u>	<u>(506,528)</u>
Deposits	<u>(100)</u>	<u>407,416</u>
	1,016,770	(99,112)
Increase / (decrease) in liabilities		
Payable to Management Company	<u>180</u>	<u>(1,331)</u>
Payable to the Trustee	<u>17</u>	<u>(7)</u>
Payable to Securities and Exchange Commission of Pakistan	<u>(319)</u>	<u>(3,570)</u>
Dividend payable	<u>(1,818)</u>	<u>-</u>
Accrued expenses and other liabilities	<u>(188,270)</u>	<u>205,919</u>
	(190,210)	201,011
Bank profit received	168,364	99,481
Markup on investments received	79,392	218,651
Net cash generated from operating activities	<u>1,014,024</u>	<u>346,879</u>
Cash flows from financing activities		
Amount received on issue of units	<u>18,190,734</u>	<u>7,790,304</u>
Payment made against redemption of units	<u>(17,859,307)</u>	<u>(9,467,299)</u>
Cash dividend paid	<u>(174,947)</u>	<u>(114,707)</u>
Net cash generated from / (used in) financing activities	<u>156,480</u>	<u>(1,791,702)</u>
Net increase / (decrease) in cash and cash equivalents	<u>1,170,504</u>	<u>(1,444,823)</u>
Cash and cash equivalents at beginning of the year	<u>2,371,639</u>	<u>3,816,462</u>
Cash and cash equivalents at end of the year	<u>5</u> <u>3,542,143</u>	<u>2,371,639</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

1. LEGAL STATUS AND NATURE OF BUSINESS

HBL Money Market Fund (the Fund) was established under a Trust Deed, dated March 18, 2010, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Fund has been authorised by the Securities and Exchange Commission of Pakistan (the SECP) as a unit trust scheme on April 9, 2010.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company was situated at 24-C, Khayban-e-Hafiz, Phase VI, DHA, 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 open ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription 'at par from July 12, 2010 to July 14, 2010.

The principal activity of the Fund is to seek high liquidity and comparative return for investors by investing in low risk securities of shorter duration and maturity.

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2' (positive outlook) to the Management Company and assigned Fund stability rating of 'AA(f)' to the Fund.

Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statements 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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

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 that investments are measured at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency. All amounts have been rounded off to the nearest of rupees, unless otherwise indicated.

2.4 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of its accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

- (i) classification and valuation of financial assets (notes 4.2.1.1 and 4.2.1.4); and
- (ii) impairment of financial assets (note 4.2.1.5)

3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS THAT ARE EFFECTIVE FOR THE YEAR ENDED JUNE 30, 2017

3.1 Standards or interpretations that are effective in current year but not relevant to the Fund

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 for accounting periods 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'.	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs, that are not expected to have material effect on the financial reporting of the Fund.

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Cash and cash equivalents

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

4.2 Financial instruments

4.2.1 Financial assets

4.2.1.1 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) Investments 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 financial assets at fair value through profit or loss - held-for-trading. Currently there are no investment 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

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

4.2.1.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

4.2.1.3 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 to 'income statement and other comprehensive income'.

4.2.1.4 Subsequent measurement

a) Financial assets classified as 'available for sale'

Subsequent to initial measurement, financial assets classified as 'available for sale' are valued as follows:

Basis of valuation of government securities

The investment of the Fund in government securities is valued on the basis of PKRV rates published by Reuters in accordance with Circular no. 33 of 2012 issued by SECP.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are recognised as 'other comprehensive income' in the 'Income statement and other comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised as 'other comprehensive income' is transferred to income before taxation as capital gain / (loss).

b) Loans and receivables

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

Gains or losses are also recognised in the 'income statement and other comprehensive income' when financial assets carried at amortised cost are derecognised or impaired.

4.2.1.5 Impairment

The Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

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 provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

4.2.1.6 Derecognition

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

4.2.2 Financial liabilities

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

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

4.2.3 Offsetting of financial assets and liabilities

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

4.3 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

4.4 Provisions

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

4.5 Collaterals

Cash collaterals provided by the Fund are identified in the statement of assets and liabilities as margin and are not included as a component of cash and cash equivalents. For collaterals other than cash, if the party to whom the collaterals are provided has a right by contract or custom to sell or re-pledge the collaterals, the Fund classifies those collaterals in the statement of assets and liabilities separately from other assets and identifies the assets as pledged collaterals. Where the party to whom the collaterals are provided does not have the right to sell or re-pledge, a disclosure of the collaterals provided is made in the notes to the financial statements.

4.6 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

The Fund is also exempt from the provisions of section 113 (minimum tax) and section 113C (Alternative Corporate Tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and the amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

4.7 Proposed distributions

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

4.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received and funds are realised during business hours on that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net assets value per unit as of the close of the business day less any back-end load (if applicable), any duties, taxes, charges on redemption and any provision for transaction costs, if applicable. Redemption of units is recorded on acceptance of application for redemption.

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

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

The element of income and capital gains included in the prices of units issued less those in units redeemed to the extent that it is represented by distributable income earned during the year is recognised in the 'income statement and other comprehensive income' and the element of income and capital gains represented by distributable income carried forward from prior periods is included in the distribution statement.

From July 1, 2016, the Fund has revised its methodology for computation of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those redeemed.

The revised methodology, in the opinion of management, reflects a more appropriate method for recognition of element and moreover is in conformity with the general industry practice. The new methodology is being consistently implemented across all funds managed by the Management Company. Management has treated the revision in methodology as change in accounting estimate and applied it prospectively.

Amendment in the NBFC Regulations subsequent to the year end

Subsequent to the year end on August 03, 2017, the SECP has made certain amendments in the NBFC Regulations, 2008 via SRO 756 (I)/2017. The definition of element of income has been inserted via said amendment which defines element of income as difference between net assets value on the issuance or redemption date, as the case may be, of units and the net asset value at the beginning of the relevant accounting period. The said amendment also excludes element of income from accounting income for the purpose of distribution under regulation 63 of the NBFC Regulations. The said SRO also contains amendments relating to consequential changes in the income statement and statement of movement in unitholders' fund. The Management Company is in the process of assessing the impact of the said changes with the view that these changes will be effective for the period following the date of the said SRO.

4.10 Net assets value per unit

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

4.11 Revenue recognition

- Realised 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.
- Mark-up / return on Government securities, bank profits and investment in debt securities are recognized at a time apportionate basis using the effective interest method.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'available for sale' are included in 'other comprehensive income' in 'income statement and statement of comprehensive income' in the period in which they arise.
- Element of income / (loss) and capital gain / (losses) included in prices of units issued less those in units redeemed is included in the 'income statement and other comprehensive income' on the date of issue and redemption of units.

4.12 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 apportionment basis using the effective interest method.

	Note	2017 -----Rupees in '000-----	2016
5. BANK BALANCES			
Balances with bank in:			
- PLS saving accounts under mark-up arrangements	5.1	3,542,143	1,970,179
- Current account		-	1,460
- Term Deposit Receipts (TDRs)	5.2	-	400,000
		<u>3,542,143</u>	<u>2,371,639</u>

5.1 This represents bank accounts held with different banks. Mark-up rates on these accounts range between 4.00% - 6.70% per annum (2016: 4.00% - 7.00% per annum).

5.2 This represents TDRs placed with Bank Alfalah limited carrying mark-up at the rate of Nil (June 30, 2016: 6.50%) per annum.

	Note	2017 -----Rupees in '000-----	2016
6 INVESTMENTS			
Available for sale			
- Government Securities	6.1	-	1,394,422
Loans and receivables			
- Certificate of investment	6.2	-	100,000
- Term deposit receipts	6.3	380,000	
- Clean placement	6.4	97,309	-
		<u>477,309</u>	<u>1,494,422</u>

6.1 Investment in Government Securities - Available for sale

Issue Date	Tenor	Face value			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 Investments
----- (Rupees in '000) -----							
January 21, 2016	12 Month	-	1,400,000	1,400,000	-	-	-
August 20, 2015	12 Month	250,000	1,100,000	1,350,000	-	-	-
October 15, 2015	12 Month	-	200,000	200,000	-	-	-
January 19, 2017	6 Month	-	1,250,000	1,250,000	-	-	-
January 05, 2017	6 Month	-	400,000	400,000	-	-	-
January 21, 2016	6 Month	1,150,000	-	1,150,000	-	-	-
March 03, 2016	6 Month	-	1,800,000	1,800,000	-	-	-
March 31, 2016	6 Month	-	1,000,000	1,000,000	-	-	-
August 18, 2016	6 Month	-	50,000	50,000	-	-	-
August 04, 2016	6 Month	-	250,000	250,000	-	-	-
June 09, 2016	6 Month	-	210,000	210,000	-	-	-
July 21, 2016	6 Month	-	1,465,000	1,465,000	-	-	-
January 19, 2017	3 Month	-	1,733,000	1,733,000	-	-	-
February 16, 2017	3 Month	-	650,000	650,000	-	-	-
March 02, 2017	3 Month	-	825,000	825,000	-	-	-
April 13, 2017	3 Month	-	500,000	500,000	-	-	-
April 27, 2017	3 Month	-	3,090,000	3,090,000	-	-	-

Issue Date	Tenor	Face value			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 Investments
----- (Rupees in '000) -----							
May 11, 2017	3 Month	-	2,875,000	2,875,000	-	-	-
August 04, 2016	3 Month	-	390,000	390,000	-	-	-
August 18, 2016	3 Month	-	450,000	450,000	-	-	-
September 01, 2016	3 Month	-	600,000	600,000	-	-	-
November 24, 2016	3 Month	-	750,000	750,000	-	-	-
November 10, 2016	3 Month	-	245,000	245,000	-	-	-
December 22, 2016	3 Month	-	300,000	300,000	-	-	-
Total - As at June 30, 2017		1,400,000	21,533,000	22,933,000	-	-	-
Total - As at June 30, 2016		1,000,000	22,732,500	22,332,500	1,400,000	1,394,422	93.31%

6.2 The certificate of investment carries mark-up at the rate of Nil (June 30: 2016: 6.45%) per annum.

6.3 Name of Company	As at July 01, 2016	Placement made during the year	Matured during the year	As at June 30, 2017	Percentage of total value of investments	Percentage of Net Assets
----- Rupees in '000 ----- % -----						
Bank Alfalah Limited	400,000	995,000	(1,395,000)	-	-	-
Habib Bank Limited	-	250,000	(250,000)	-	-	-
Sindh Bank Limited	-	270,000	(270,000)	-	-	-
Zarai Taraqati Bank limited		1,130,000	(750,000)	380,000	79.61	9.64
Total - As at June 30, 2017	400,000	2,645,000	(2,665,000)	380,000	79.61	9.64

6.3.1 Term deposit receipts carries mark-up at the rate of 6.50% (June 30, 2016: 6.50%) per annum and will mature on November 27, 2017.

6.4 Clean placement carries mark-up at the rate of 7.91% per annum and will mature on November 07, 2017.

6.5 Unrealised gain on re-measurement of investments classified as available-for- sale	Note	2017 -----Rupees in '000-----	2016 -----Rupees in '000-----
Market value of investments	6	-	1,494,422
Less: Cost of investments		-	(1,494,254)
		-	168
7. ACCRUED MARK-UP			
Mark-up accrued on:			
- deposits with banks		19,448	253
- term deposit receipts		2,098	1,335
		21,546	1,588

	Note	2017 -----Rupees in '000-----	2016
8. PAYABLE TO THE MANAGEMENT COMPANY			
Management fee	8.1	3,760	3,521
Sindh Sales Tax	8.2	489	572
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	376	352
		<u>4,625</u>	<u>4,445</u>

8.1 As per the offering document of the Fund, the Management Company shall charge a fee at the rate of 1% of the average annual net assets on daily basis of the scheme subject to the guidelines as may be issued by the Commission from time to time. The fee is payable monthly in arrears. Management fee is also subject to Sindh Sales Tax on Services at applicable rates.

8.2 The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 percent (June 30, 2016: 14 percent) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

8.3 "As per Regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1 percent of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the year.

	Note	2017 -----Rupees in '000-----	2016
9. PAYABLE TO THE TRUSTEE			
Trustee's remuneration	9.1	388	371

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 therein, based on the daily net assets of the Fund. The fee is paid to the Trustee monthly in arrears.

The tariff structure applicable to the Fund is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Upto Rs 1,000 million	0.15% per annum of NAV
Exceeding Rs 1,000 million and upto Rs 10,000 million	Rs 1.5 million plus 0.075% per annum of NAV exceeding Rs 1,000 million upto 10,000 million
Over Rs. 10,000 million	Rs. 8.25 million plus 0.06% of NAV, exceeding Rs. 10,000 million

	Note	2017 -----Rupees in '000-----	2016
10. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	10.1	3,125	3,444

10.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 a collective investment scheme categorised as a money market scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.

	Note	2017 -----Rupees in '000-----	2016
11. ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		530	291
Brokerage payable		-	107
Withholding tax payable		26,101	19,857
Provision for Workers' Welfare Fund	11.1	-	64,738
Federal Excise Duty	11.2	41,211	41,211
Capital gain tax payable		8,152	13,051
Advance against units to be issued		2,500	3,374
Payable to HBL Income Fund against conversion of units		-	191,502
Payable to HBL Islamic Stock Fund against conversion of units		-	400
Provision for Sindh Workers' Welfare Fund		6,602	-
Other payable		5,854	325
		90,950	334,856

11.1 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 recognized 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 recognized 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 Management Company 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 recognized 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. 64.738 million. Further, the Fund has recognised provision for SWWF amounting to Rs. 6.602 million in these financial statements.

- 11.2** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law, 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 Management Company, as a matter of abundant caution, has made a provision on FED on remuneration of Management Company, aggregating to Rs. 41.211 million. Had the provision not been made, the Net Asset Value per unit as at June 30, 2017 would have been higher by Rs. 1.064 (June 30, 2016: Rs. 1.188) per unit.

12. CONTINGENCIES AND COMMITMENTS

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

13. NUMBER OF UNITS IN ISSUE

	2017	2016
	-----Number of units-----	
Total units in issue at the beginning of the year	34,690,544	50,218,338
Units issued	172,636,657	75,185,214
Units redeemed	<u>(168,592,061)</u>	<u>(90,713,008)</u>
Total units in issue at the end of the year	<u>38,735,140</u>	<u>34,690,544</u>

14. MARK-UP / RETURN ON INVESTMENTS

	2017	2016
	-----Rupees in '000-----	
Mark-up on:		
- Government securities	77,084	214,172
- Placements	2,308	4,479
	<u>79,392</u>	<u>218,651</u>

15. MARK-UP ON DEPOSITS WITH BANKS

Mark-up on:		
- Savings accounts	148,590	44,478
- Term deposit receipts	39,732	43,539
	<u>188,322</u>	<u>88,017</u>

16. AUDITORS' REMUNERATION

Annual audit fee	455	455
Fee for half yearly review	55	55
Review of compliance with the requirements of the Code of Corporate Governance	5	5
Other certifications and out of pocket expenses	117	40
	<u>632</u>	<u>555</u>

17. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. During the year, Management Company has distributed cash dividend of at least 90% of the aforementioned accounting income to the unit holders. Accordingly, no provision for taxation has been recognised in these financial statements.

18. EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed as in the opinion of management determination of cumulative weighted average number of outstanding units is not practicable.

19. FINANCIAL INSTRUMENTS BY CATEGORY

	----- As on June 30, 2017 -----		
	Loans and receivables	Available for sale	Total
	----- Rupees in '000 -----		
Assets			
Bank balances	3,542,143	-	3,542,143
Investments	-	477,309	477,309
Accrued mark-up	21,546	-	21,546
Deposit	100	-	100
	<u>3,563,789</u>	<u>477,309</u>	<u>4,041,098</u>

Liabilities

Payable to the Management Company	-	3,760	3,760
Payable to the Trustee	-	388	388
Accrued expenses and other liabilities	-	8,884	8,884
Unit holders' fund	-	3,942,010	3,942,010
	-	3,955,042	3,955,042

As on June 30, 2017		
At fair value through profit or loss	Other financial liabilities	Total
Rupees in '000		
-	3,760	3,760
-	388	388
-	8,884	8,884
	3,942,010	3,942,010
-	3,955,042	3,955,042

Assets

Bank balances	2,371,639	-	2,371,639
Investments	-	1,494,422	1,494,422
Accrued mark-up	1,588	-	1,588
	2,373,227	1,494,422	3,867,649

As on June 30, 2016		
Loans and receivables	Available for sale	Total
Rupees in '000		
2,371,639	-	2,371,639
-	1,494,422	1,494,422
1,588	-	1,588
2,373,227	1,494,422	3,867,649

Liabilities

Payable to the Management Company	-	3,521	3,521
Payable to the Trustee	-	388	388
Accrued expenses and other liabilities	-	195,999	195,999
Unit holders' fund	-	3,522,715	3,522,715
	-	3,722,623	3,722,623

As on June 30, 2016		
At fair value through profit or loss	Other financial liabilities	Total
Rupees in '000		
-	3,521	3,521
-	388	388
-	195,999	195,999
	3,522,715	3,522,715
-	3,722,623	3,722,623

20. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited, being the Trustee of the

Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company and directors of 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 Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations 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:

	2017	2016
	-----Rupees in '000-----	
20.1 Transactions during the year		
HBL Asset Management Limited - Management Company		
Management fee	47,034	60,797
Allocation of expenses related to registrar services, accounting, operation and valuation services	4,162	2,533
Issue of 2,673,815 units (2016: 181,972 units)	285,829	18,470
Redemption of 7,986,217 units (2016: 208.605 units)	833,686	22,000
Habib Bank Limited - Sponsor		
Issue of Units 104,325 units (2016: 75,747 Units)	10,568	7,688
Dividend Received	10,568	-
Bank charges paid	210	200
Mark-up earned during the period	32,563	11,044
Mark-up received during the period	30,178	10,792
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	4,375	4,834
Directors, Executives and Key Management personnel		
Issue of units 387,619 (2016: 18,561 units)	40,214	1,953
Redemption of units 250,245 (2016: 15,205 units)	26,916	1,570
Millat Tractors Limited Connected persons due to holding 10% or more units		
Issue of units - 12,808,638 (2016: Nil units)	1,315,167	-
Redemption of units 8,229,640 (2016: Nil units)	869,569	-
20.2 Amounts outstanding as at year end		
HBL Asset Management Limited - Management Company		
Management Fee	3,760	3,521
Sindh Sales Tax	489	572
Allocation of expenses related to registrar services, accounting, operation and valuation services	376	352
Investment held in the Fund : Nil units (June 30, 2016: 5,312,401 units)	-	539,457
Habib Bank Limited - Sponsor		
Investment held in the Fund : 1,781,757 units (June 30, 2016: 1,677,432 units)	181,326	170,338
Bank balances	899,493	1,133,161
Mark-up receivable on deposits with bank	2,637	252
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	695	326
Sindh Sales tax	90	45
Directors, Executives and Key Management personnel		
Investment held in the Fund : 137,374 (June 30, 2016: 36,604 units)	13,981	3,717
Millat Tractors Limited Connected persons due to holding 10% or more units		
Investment held in the Fund : 4,578,999 units (June 30, 2016: Nil units)	465,997	-

21. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Fund are as follow:

S.No.	Name	Designation	Qualification	Experience in years
1	Farid Ahmed Khan	Chief Executive Officer	CFA, MBA	23+ years
2	Muhammad Imran	Chief Investment Officer	MBA (Finance)	17+ years
3	Coling Miranda	Acting Head of Research	CFA, MBA	8+ years
4	Tauqir Shamshad	Head of Fixed Income	MBA, M.Com	31+ years
5	Faizan Saleem	Senior Fund Manager Fixed Income	MBA (Finance)	10+ years
6	Noman Ameer	Manager Risk	B.S Acturial Sciences	11+ years

22. TOP BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Top brokers during the year ended June 30, 2017

- 1 Invest Capital Markets Limited
- 2 Invest & Finance Securities Limited
- 3 Pearl Securities Limited
- 4 C & M Management (Private) Limited
- 5 Icon Securities (Private) Limited
- 6 Optimus Markets (Private) Limited
- 7 JS Global Capital Limited
- 8 Bright Capital (Private) Limited
- 9 BIPL Securities Limited
- 10 Arif Habib Limited

Top brokers during the year ended June 30, 2016

- 1 Arif Habib Limited
- 2 BMA Capital Management Limited
- 3 Global Securities Pakistan Limited
- 4 Invest & Finance Securities (Private) Limited
- 5 JS Global Capital Limited
- 6 KASB Securities Limited
- 7 Next Capital Limited
- 8 Optimus Capital Management (Private) Limited
- 9 Optimus Market
- 10 Pearl Securities Limited

23. PATTERN OF UNIT HOLDING

	2017		Percentage investment -----%-----
	Number of unit holders	Investment amount -----Rupees in '000-----	
Individuals	1,070	1,941,217	49.24
Associated companies	1	181,327	4.60
Directors	1	13,111	0.33
Banks and DFIs	-	-	-
Insurance companies	3	54,951	1.39
Retirement funds	5	23,064	0.59
Trust	4	93,991	2.38
Others	20	1,634,349	41.46
	1,104	3,942,010	100

	2016		
	Number of unit holders	Investment amount ----Rupees in '000----	Percentage investment -----%-----
Individuals	697	810,953	23.03
Associated companies	2	709,795	20.15
Banks and DFIs	1	51,157	1.45
Insurance companies	3	55,379	1.57
Retirement funds	7	36,062	1.02
Others	20	1,859,368	52.78
	<u>730</u>	<u>3,522,715</u>	<u>100</u>

24. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

Five meetings of the Board of Directors were held on August 26, 2016, October 31, 2016, December 16, 2016, February 24, 2017 and April 27, 2017 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
1 Mr. Towfiq H. Chinoy	5	5	-	-
2 Ms. Ava Ardeshir Cowasjee	5	5	-	-
3 Mr. Nadeem Abdullah	5	4	1	April 27, 2017
4 Mr. Farid Ahmed Khan ¹	4	4	-	-
5 Mr. Rehan N. Shaikh ²	1	1	-	-
6 Ms. Sima Kamil ³	4	4	-	-
7 Mr. Rizwan Haider	5	4	1	April 27, 2017
8 Mr. Salahuddin Manzoor	5	5	-	-
9 Mr. Aamir Irshad ⁴	-	-	-	-
10 Mr. Rayomond Kotwal ⁵	-	-	-	-

1 Appointed on September 1, 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 06, 2017.

5 Appointed on June 22, 2017.

25. FINANCIAL RISK MANAGEMENT

The Fund primarily invests in a portfolio of money market investments such as government securities and in other money market instruments. These activities expose the Fund to a variety of financial risks: market risk, credit risk and liquidity risk.

25.1 Market risk

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

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan.

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

25.1.1 Currency risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

25.1.2 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) Cash flow interest rate risk

The Fund's interest rate risk arises from the balances in savings accounts, Term deposit receipts and clean placements. The net income for the year would have increased / (decreased) by Rs. 1.906 (2016: Rs. 0.924 million), had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

b) Fair value interest rate risk

Since the Fund currently does not have any fixed rate instruments that are impacted by market interest rates, therefore, it is not exposed to fair value interest rate risk.

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

	2017				
	Exposed to Yield / Interest rate risk				Not exposed to Yield / Interest rate risk
	Total	Upto three months	More than three months and upto one year	More than one year	
On-balance sheet financial instruments	----- (Rupees in '000) -----				
Financial assets					
Bank balances	3,542,143	3,542,143	-	-	-
Investments	477,309	-	-	-	477,309
Accrued mark-up	21,546	-	-	-	21,546
Deposit	100	-	-	-	100
	4,041,098	3,542,143	-	-	498,955
Financial liabilities					
Payable to Management Company	4,625	-	-	-	4,625
Payable to the Trustee	388	-	-	-	388
Accrued expenses and other liabilities	43,513	-	-	-	43,513
Unit holders' fund	3,942,010	-	-	-	3,942,010
	3,990,536	-	-	-	3,990,536
On-balance sheet gap	50,562	3,542,143	-	-	(3,491,581)
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-

2016

	Exposed to Yield / Interest rate risk				Not exposed to Yield / Interest rate risk
	Total	Upto three months	More than three months and upto one year	More than one year	
On-balance sheet financial instruments	----- (Rupees in '000) -----				
Financial assets					
Bank balances	2,371,639	2,371,639	-	-	-
Investments	1,494,422	-	-	-	1,494,422
Accrued mark-up	1,588	-	-	-	1,588
	3,867,649	2,371,639	-	-	1,496,010
Financial liabilities					
Payable to Management Company	4,445	-	-	-	4,445
Payable to the Trustee	371	-	-	-	371
Accrued expenses and other liabilities	228,907	-	-	-	228,907
Unit holders' fund	3,522,715	-	-	-	3,522,715
	3,756,438	-	-	-	3,756,438
On-balance sheet gap	111,211	-	-	-	(2,260,428)
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-

25.1.3 Price risk

This 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 instruments traded in the market. The Fund is not exposed to any price risk as on June 30, 2017.

25.2 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 counter party to fulfil 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 most significant financial assets are term deposit receipts, placements, balances held with banks, and mark-up accrued on term deposit receipts and bank balances. The credit risk in respect of these balances is limited because counter parties are banks with high credit worthiness.

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

	2017	2016
	-----Rupees in '000-----	
Bank balances by rating category		
A-1+ (JCR-VIS)	2,335,720	1,133,902
A1+ (PACRA)	1,206,387	1,237,737
A-1 (JCR-VIS)	36	-
	3,542,143	2,371,640
Investments in Government Securities	-	1,394,422
Certificate of investments	-	100,000
Term deposit receipts		
A-1 (JCR-VIS)	380,000	400,000
Clean Placement		
A1+ (PACRA)	97,309	-

The maximum exposure to credit risk before considering any related collateral as at June 30, 2017 is the carrying amount of the financial assets. None of these are 'impaired' nor 'past due but not impaired'.

Concentration of credit risk

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

25.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset or such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is mainly exposed to the daily cash redemption requests on a regular basis. Units are redeemable at the holders' option based on the Fund's net asset value per unit, at the time of redemption, calculated in accordance with the Fund's constitutive document and guidelines laid down by the SECP.

The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Fund's reputation. The Fund's policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily realised.

The following table analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	2017			
	Total	Upto three months	Over three months and upto one year	Over one year
	----- (Rupees in '000) -----			
Financial liabilities				
(excluding unit holders' fund)				
Payable to Management Company	4,625	4,625	-	-
Payable to the Trustee	388	388	-	-
Accrued expenses and other liabilities	43,513	43,513	-	-
	48,526	48,526	-	-
Unit holders' fund	3,942,010	3,942,010	-	-
	2016			
	Total	Upto three months	Over three months and upto one year	Over one year
	----- (Rupees in '000) -----			
Financial liabilities				
(excluding unit holders' fund)				
Payable to Management Company	4,445	4,445	-	-
Payable to the Trustee	371	371	-	-
Dividend payable	1,818	1,818	-	-
Accrued expenses and other liabilities	228,907	228,907	-	-
	235,541	235,541	-	-
Unit holders' fund	3,522,715	3,522,715	-	-

26. UNITS HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. These unit holders of the Fund are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund. Unit holders fund risk management is carried out by the Management Company through following steps:

- Monitor the level of daily issuance and redemptions relative to the liquid assets and adjust the amount of distributions the Fund pays to the unit holders;
- Redeem and issue units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g., yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current year.

27. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid or transfer a liability in an orderly transaction between market participants and 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.

International Financial Reporting Standard (IFRS) 13, "Fair Value Measurement" requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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) (level 3).

The table below provides information on financial assets or liabilities carried at fair values, by valuation methods.

		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
On-balance sheet financial instruments	Note	----- (Rupees in '000) -----							
Financial assets measured at fair value									
Investments									
- Government Securities		-	-	-	-	-	-	-	-
Financial assets not measured at fair value									
Bank balances		-	3,542,143	-	3,542,143				
Investments									
- Term deposit receipts	6.3	-	380,000	-	380,000				
- Clean placements		-	97,309	-	97,309				
Accrued mark-up		-	21,546	-	21,546				
		-	100	-	100				
		-	4,041,098	-	4,041,098				
Financial liabilities not measured at fair value									
Payable to Management Company	27.1	-	-	4,625	4,625				
Payable to the Trustee		-	-	388	388				
Accrued expenses and other liabilities		-	-	43,513	43,513				
		-	-	48,526	48,526				
		----- (Rupees in '000) -----							
		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		----- (Rupees in '000) -----							
Financial assets measured at fair value									
Investments									
- Government Securities		1,394,422	-	-	1,394,422	-	1,394,422	-	1,394,422
		1,394,422	-	-	1,394,422	-	1,394,422	-	1,394,422
Financial assets not measured at fair value									
Bank balances		-	2,371,639	-	2,371,639				
Investments									
- Certificate of investment	6.2	-	100,000	-	100,000				
Accrued mark-up		-	1,588	-	1,588				
		-	-	-	-				
		-	2,473,227	-	2,473,227				
Financial liabilities not measured at fair value									
Payable to Management Company		-	-	4,445	4,445				
Payable to the Trustee		-	-	371	371				
Accrued expenses and other liabilities		-	-	228,907	228,907				
		-	-	233,723	233,723				

27.1 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 frequently. Therefore, their carrying amounts are reasonable approximation of fair value.

28. TOTAL EXPENSE RATIO

In accordance with the Directive 23 of 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2017 is 1.45% which includes 0.27% representing Government Levy and SECP fee.

29. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company in their meeting held on **25 August 2017**.

30. GENERAL

Figures have been rounded off to the nearest thousand rupees.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



HBL INCOME FUND
Annual Report 2017

FUND INFORMATION

NAME OF FUND	HBL Income Fund
NAME OF TRUSTEE	Central Depository Company of Pakistan Limited
NAME OF AUDITOR	Deloitte Yousuf Adil, Chartered Accountants.
NAME OF BANKERS	Habib Bank Limited Bank Al-Habib Limited Habib Metropolitan Bank Limited Bank Al Falah Limited Faysal Bank Limited Allied Bank Limited JS Bank Limited Samba Bank Limited Zarai Taraqiati Bank Limited Askari Bank Limited MCB Bank Limited NIB Bank Limited Soneri Bank Limited
Fund Rating	A(f) (JCR-VIS)

FUND MANAGER'S REPORT - HBL Income Fund

As at June 30, 2017

Type and Category of Fund

Open end Income Fund

Investment Objective and Accomplishment of Objective

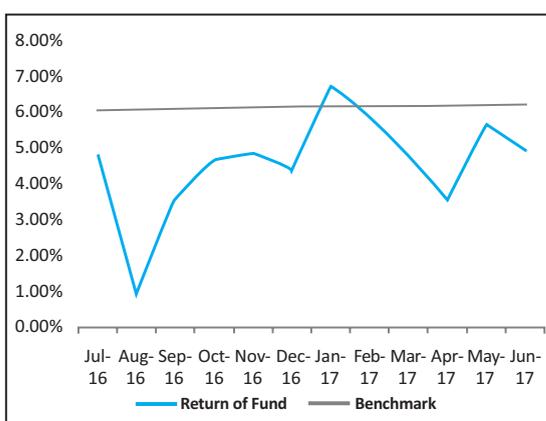
The objective of the Fund is to provide a stable stream of income with moderate level of risk by investing in fixed income securities. The investment objective is achieved.

Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is average six month KIBOR Offer rate.

The comparison of the fund return with benchmark is given below:

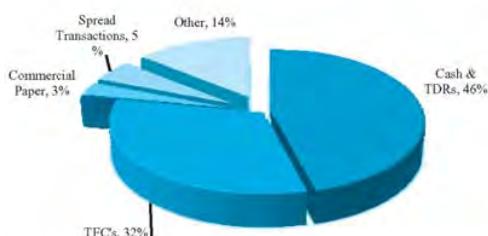
Month	Return of Fund	Benchmark
Jun-17	4.93%	6.15%
May-17	5.60%	6.15%
Apr-17	3.51%	6.16%
Mar-17	4.77%	6.13%
Feb-17	5.90%	6.13%
Jan-17	6.67%	6.12%
Dec-16	4.36%	6.14%
Nov-16	4.83%	6.08%
Oct-16	4.63%	6.06%
Sep-16	3.55%	6.06%
Aug-16	0.98%	6.03%
Jul-16	4.79%	6.03%



Strategies and Policies employed during the Year

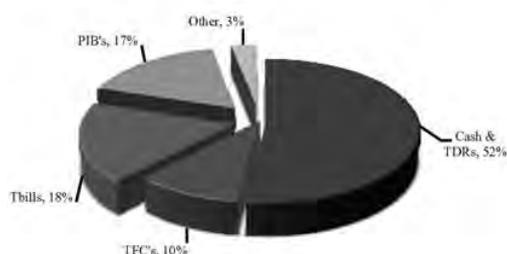
During the year under review, the exposure against TFCs increased from 9.75% to 32.20% as on June 30, 2017. The Fund was further invested in cash at bank and placements which cumulatively accounted for 53% of the portfolio on average. The Fund also continued its policy of holding quality TFCs in its portfolio. Due to increased sales and trend of fund size increase in HBL Income Fund, the fresh funds were invested in different classes of assets including TDR placements due to higher return offered by bank ahead of year-end.

Asset Allocation for June 2017



Asset Allocation

Asset Allocation for June 2016



Significant Changes in Asset Allocation during the Year

During the year under review some changes in asset allocation were witnessed. The Fund's exposure in Government Securities were reduced to zero and the same were moved to higher yielding TFCs and Spread Transactions which witnessed a spike of 22% and 5% of total assets. The exposure in Cash and TDRs also decreased from 52% to around 46% due to changing market conditions near year-end.

Fund Performance

The total income and net income of the Fund was Rs.370.66 million and Rs. 201.06 million respectively during the year ended June 30, 2017. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs 106.0938 per unit as on June 30, 2016. The NAV of the Fund was Rs 106.0146 per unit as on June 30, 2017 (after incorporating interim dividends of Rs. 5.00 per unit), thereby giving an annualized return of 4.64%. During the same year the benchmark (6 Month KIBOR) return was 6.10%.The size of Fund was Rs 4.49 billion as on June 30, 2017.

Money Market Review

During the year, State Bank Pakistan kept the discount rate static at 6.25% on the back of lower inflation and managed external accounts position. Government of Pakistan (GoP) raised PKR 7,716 billion (including NCB) through the T-bills auction compared to the cumulative target of PKR 7,200 billion and maturities of PKR 6,431 billion. In the secondary market, T-bills yields increased by a total of 9 bps, 13 bps and 13 bps for 3, 6 and 12 months respectively. In PIB auctions GOP raised PKR 894 billion against the cumulative target of PKR 800 billion and maturities of PKR 1,936 billion. All PIB auctions held in 2QFY17 were scrapped as the bids were at higher yields and there was no desperation showed by the GoP on stretching the maturities towards longer duration at higher costs. 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 in FY17, and thus placed bids at more appropriate levels. The 5 and 10-year PIB cutoffs declined by 1 bps and 8 bps respectively in FY17TD whereas the 3-year PIB cutoff remained unchanged. Consequently, money market saw flattened yield curve during the year.

The GoP also held an IjaraSukuk (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 whereas GoP accepted PKR 71.01 billion at a cut-off rate of 5.24% p.a. During 2HFY17, few corporate Sukuks were offered in the market, which were well-received by investors and the instruments with strong credit ratings were oversubscribed.

Going forward, we expect monetary policy to remain unchanged during first half FY18, however in later half potential rate hike is expected on the ground of higher CPI, imbalances in trade deficit and falling foreign reserves.

Distribution

The Fund has distributed cash dividend at Rs. 5.00 per unit during the year ended June 30, 2017.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs during the year under review.

Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 - 100	249	10,642
101 - 500	140	29,848
501 - 1,000	49	37,113
100,1 - 10,000	346	1,724,590
10,001 - 100,000	344	11,846,562
100,001 - 500,000	41	7,823,925
500,001 - 1,000,000	0	-
1,000,001 - 5,000,000	1	1,376,534
5,000,001 and above	1	19,506,241
Total	1,171	42,355,455

Unit Splits

There were no unit splits during the year.

Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

Soft Commission

The Management Company from time to time receives research reports and presentations from brokerage houses.

PERFORMANCE TABLE - HBL Income Fund

As at June 30, 2017

	2017	2016	2015	2014	2013	2012
Net assets at the period end(Rs'000)	4,490,296	6,726,060	3,376,281	2,768,352	1,947,464	1,968,874
NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES						
Redemption	106.0146	106.0938	104.9087	101.3388	102.6114	103.3147
Offer	107.8115	108.1983	104.9087	101.3388	102.6114	103.3147
OFFER / REDEMPTION DURING THE PERIOD - RUPEES						
Highest offer price per unit	112.7930	113.4354	113.5884	104.8113	103.3155	104.0714
Lowest offer price per unit	107.7564	104.9645	101.4359	100.6154	99.1319	98.7443
Highest redemption price per unit	110.9130	111.2291	113.5884	104.8113	103.3155	104.0714
Lowest redemption price per unit	105.9604	104.9645	101.4359	100.6154	99.1319	98.7443
RETURN (%)						
Total return	4.64%	6.12%	12.44%	9.91%	7.70%	12.32%
Income distribution	5.00%	5.25%	9.00%	9.00%	7.00%	10.25%
Capital growth	-0.36%	0.87%	3.44%	0.91%	0.70%	2.07%
DISTRIBUTION						
First Interim dividend distribution (Rs)	-	-	-	1.75	1.75	2.00
Date of Income Distribution						
Second Interim dividend distribution (Rs)	-	-	-	1.75	1.50	2.50
Date of Income Distribution						
Third Interim dividend distribution (Rs)	-	-	-	2.00	1.75	2.50
Date of Income Distribution						
Final dividend distribution (Rs)	5.00	5.25	9.00	3.50	2.00	3.25
				Various dates- (As mentioned in Financial Statements of respective year)	Various dates- (As mentioned in Financial Statements of respective year)	Various dates- (As mentioned in Financial Statements of respective year)
	20-Jun-17	22-Jun-16	26-Jun-15			
Date of Income Distribution						
Total dividend distribution for the year/ period (Rs)	5.00	5.25	9.00	9.00	7.00	10.25
AVERAGE RETURNS (%)						
Average annual return 1 year	4.64%	6.12%	12.44%	9.91%	7.70%	12.32%
Average annual return 2 year	5.39%	9.28%	11.18%	8.81%	10.01%	12.91%
Average annual return 3 year	7.69%	9.49%	10.02%	9.98%	10.01%	13.14%
Weighted average portfolio during (No. of days)	850	372	485	621	475	606
PORTFOLIO COMPOSITION - (%)						
Percentage of Total Assets as at 30 June:						
Bank Balances	26.29%	48.00%	29.00%	24.00%	19.00%	2.00%
TFCs	32.20%	10.00%	8.00%	13.00%	27.00%	29.00%
Government Securities	-	34.00%	62.00%	54.00%	53.00%	63.00%
Placement with Banks and DFIs	19.48%	4.00%	-	7.00%	-	1.00%
Spread Transaction	4.87%	-	-	-	-	0.00%
Commercial Paper	2.96%	-	-	-	-	-
Others Including receivables	14%	4.00%	1.00%	2.00%	1.00%	5.00%

Note:

The Launch date of the Fund is March 15, 2007

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

PROXY VOTING DISCLOSURE

As at June 30, 2017

Summary of actual proxy voted by the Management Company in relation to investee company of the collective investment scheme.

HBL Income Fund	Meetings	Resolutions	For	Against	Abstain
Number	1	8	8	-	-
(%ages)		100%	100%	-	-

(h) Management Company did not participate in shareholders' meetings.

Investee Company	Meeting Dt	Meeting Type
Hub Power Co Ltd	15-02-2017	EOGM
Engro Corporation Ltd.	06-04-2017	AGM
Pak Elektron Ltd	24-04-2017	AGM

The proxy voting policy of the Fund is available on the website of the Management Company and detailed information regarding actual proxies voted by Management Company in respect of the Fund is also available without charge, upon request, to all unit holders.

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 UNIT HOLDERS

HBL INCOME FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Income Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2017 in accordance with the provisions of the following:

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

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

Karachi, September 26, 2017

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19.23 of Pakistan Stock Exchange (the Stock Exchange) Regulations for the purpose of establishing a framework of good governance, whereby a listed entity is managed in compliance with the best practices of corporate governance.

HBL Asset Management Limited, an un-listed Public Limited Company, which manages the affairs of the **HBL Income Fund** (Fund), has applied the principles contained in the CCG in the following manner:

1. The Management Company encourages representation of independent non-executive directors on its Board of Directors. The Management Company, being an un-listed company, does not have any minority interest. At present the Board includes:

Category	Names
Independent Directors	Mr. Nadeem Abdullah Ms. Ava Ardeshir Cowasjee
Executive Directors	Mr. Farid Ahmed Khan (Chief Executive Officer)
Non- Executive Directors	Mr. Towfiq H. Chinoy (Chairman) Mr. Rayomond H. Kotwal Mr. Rizwan Haider Mr. Salahuddin Manzoor

The independent directors meet the criteria of independence under clause 5.19.1(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurring on the board on April 27,2017 and June 22,2017 were filled up by the directors within 42 and 16 days respectively.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before all the meetings .The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the Directors of their duties and responsibilities and for their orientation purpose they were informed about the recent developments / changes in applicable laws and regulations affecting the mutual fund industry. The directors are conversant of the relevant laws applicable to the Management Company, its policies, provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. The board has approved appointment of Head of Internal Audit and existing Chief Financial Officer and Company Secretary continue to serve as per their terms of employment duly approved by the Board.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by the Chief Executive Officer and the Chief Financial Officer before approval of the Board.
13. The Directors, the Chief Executive Officer and executives do not hold any interest in the units of the Fund other than that disclosed in the annual report.

14. The Management Company has complied with all the corporate and financial reporting requirements of the CCG with respect to the Fund.
15. The board has formed an Audit Committee. It comprises three Members, of whom three are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director. However due to resignation of Ms.Sima Kamil from the board effective from March 16, 2017 the committee members reduced to two. The board has reconstituted the committee effective from August 25,2017 and it comprise of three members.
18. The Board has outsourced the internal audit function of the Fund to EYFord Rhodes, Chartered Accountants, Karachi, for the year ended June 30, 2017, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company with regards to the Fund.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market/published price of Fund's unit, was determined and intimated to directors, employees and the stock exchange.
22. Material / price sensitive information has been disseminated amongst all market participants at once through the stock exchange.
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles contained in the CCG have been complied with.

For and on behalf of the board

Chief Executive Officer

Director

Karachi
August 25, 2017

Review report to the unit holders' on the Statement of Compliance with the best practices of the Code of Corporate Governance

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

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

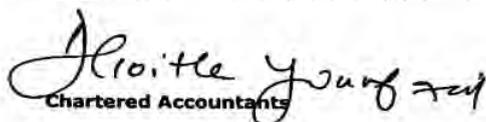
As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risk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

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

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

We draw attention to the following;

- Paragraph 17 of the Statement wherein it has been stated that the composition of the Human Resource and Remuneration (HR&R) Committee was remediated subsequent to year end.


Chartered Accountants

Dated: September 22, 2017
Place: Karachi

Independent auditors' report to the unit holders

Report on the financial statements

We have audited the accompanying financial statements of **HBL Income Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2017, and the related income statement and other comprehensive income, distribution statement, statement of movements in unit holders' funds and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Company's responsibility for the financial statements

HBL Asset Management Limited (the Management Company) is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan, and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

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

Report on other legal and regulatory requirements

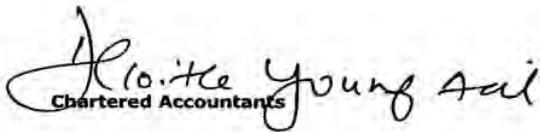
In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants

Other matter

The financial statements of the Fund for the year ended June 30, 2016 were audited by another firm of Chartered Accountants who vide their report dated August 26, 2016 expressed an unmodified opinion thereon.


Chartered Accountants

Engagement Partner
Naresh Kumar

Date: September 22, 2017
Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited

HBL INCOME FUND
Statement of Assets and Liabilities
As at June 30, 2017

	Note	2017 -----Rupees in '000-----	2016
Assets			
Bank balances	5	881,829	3,259,842
Investments	6	2,718,877	3,275,774
Accrued mark-up	7	43,405	36,410
Advances, deposits and other receivables	8	921,578	267,596
Total assets		4,565,689	6,839,622
Liabilities			
Payable to Management Company	9	8,335	15,388
Payable to the Trustee	10	498	618
Payable to Securities and Exchange Commission of Pakistan	11	4,291	4,844
Accrued expenses and other liabilities	12	62,269	92,712
Total liabilities		75,393	113,562
Net assets		4,490,296	6,726,060
Unit holders' fund (as per statement attached)		4,490,296	6,726,060
-----Number of units-----			
Number of units in issue		42,355,455	63,397,299
-----Rupees-----			
Net assets value per unit	4.10	106.0146	106.0938

The annexed notes 1 to 33 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL INCOME FUND

Income Statement and Other Comprehensive Income

For the year ended June 30, 2017

	Note	2017 -----Rupees in '000-----	2016
Income			
Mark-up / return on investments	15	152,964	356,440
Capital gain on sale of investments - net		9,611	92,636
Mark-up on deposits with banks	16	187,309	79,447
Dividend Income		20,783	-
Unrealised loss on revaluation of investments carried at fair value through profit or loss - held-for-trading		(12)	-
Total Income		370,655	528,523
Expenses			
Remuneration of the Management Company		96,972	127,747
Remuneration of the Trustee		6,050	6,911
Annual fee of Securities and Exchange Commission of Pakistan		4,291	4,844
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	5,719	4,416
Settlement and bank charges		2,633	111
Auditors' remuneration	17	340	417
Fee and subscription		310	137
Printing charges		345	-
Total Expenses		116,660	144,583
		253,995	383,940
Element of loss and capital losses included in prices of units issued less those in units redeemed		(63,654)	(8,168)
Reversal of provision for Workers' Welfare Fund	12.2	28,170	-
Provision for Sindh Workers' Welfare Fund	12.2	(17,449)	-
		10,721	-
Net income for the year before taxation		201,062	375,772
Taxation	18	-	-
Net income for the year after taxation		201,062	375,772
Other comprehensive income for the year			
Items that may be reclassified to income statement in subsequent years:			
Unrealised loss on re-measurement of investments classified as available-for-sale		(29,754)	(72,785)
Re-classification adjustments relating to available-for-sale financial assets disposed of during the year		23,546	92,636
		(6,208)	(19,851)
Total comprehensive income for the year		194,854	355,921
Earnings per unit	19		

The annexed notes 1 to 33 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL INCOME FUND Distribution Statement

For the year ended June 30, 2017

	2017	2016
	-----Rupees in '000-----	
Undistributed income brought forward - Realised	240,413	70,558
Net income for the year	201,062	375,772
Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed - amount representing (loss) / income that form part of unit holders' fund	(128,224)	68,434
Interim distribution of Rs. 5.00 per unit declared on June 20, 2017 (2016: Rs 5.25 per unit declared on June 22, 2016)	(195,593)	(274,351)
Undistributed income carried forward	117,658	240,413
Undistributed income comprising:		
- Realised income	117,670	240,413
- Unrealised loss	(12)	-
	117,658	240,413

The annexed notes 1 to 33 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL INCOME FUND

Statement of Movement in Unit Holder's Fund - Per Certificate

For the year ended June 30, 2017

	2017	2016
	-----Rupees in '000-----	
Net assets at beginning of the year	6,726,060	3,376,281
Issue of 58,376,138 units (2016: 94,908,062 units)	6,207,980	10,212,641
Redemption of 79,417,982 units (2016: 63,693,812 units)	(8,506,659)	(6,952,600)
	(2,298,679)	3,260,041
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed		
Amount transferred to the Income Statement and Other Comprehensive Income	63,654	8,168
Amount transferred to the Distribution Statement	128,224	(68,434)
	191,878	(60,266)
Net unrealised loss on re-measurement of investments classified as available-for-sale	(6,208)	(19,851)
Capital gain on sale of investments - net	9,611	92,636
Other income for the year	191,451	283,136
Total comprehensive income for the year	194,854	355,921
Interim distribution of Rs. 5.00 per unit declared on June 20, 2017 (2016: Rs 5.25 per unit declared on June 22, 2016)	(195,593)	(274,351)
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in unit redeemed - amount transferred to the Distribution Statement	(128,224)	68,434
Net assets at end of the year	4,490,296	6,726,060
	----- Rupees -----	
Net asset value per unit at the beginning of the year	106.0938	104.9087
Net asset value per unit at the end of the year	106.0146	106.0938

The annexed notes 1 to 33 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL INCOME FUND

Cash Flow Statement

For the year ended June 30, 2017

	2017	2016
Note	-----Rupees in '000-----	
Cash flows from operating activities		
Net income for the year	201,062	375,772
Adjustments:		
Return / mark-up on:		
- bank profits	(187,309)	(79,447)
- investments	(152,964)	(356,440)
- Gain on sale of investments - net	(9,611)	(92,636)
- Dividend income	(20,783)	-
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	63,654	8,168
Reversal of provision for Workers' Welfare Fund	(28,170)	-
Provision for Sindh Workers' Welfare Fund	17,449	-
	<u>(116,672)</u>	<u>(144,583)</u>
(Increase) / decrease in assets		
Investments - net	(166,971)	(528,152)
Advances, deposits and other receivables	76,755	(263,989)
	(90,216)	(792,141)
(Decrease) / increase in liabilities		
Payable to Management Company	(7,053)	9,493
Payable to the Trustee	(120)	276
Payable to Securities and Exchange Commission of Pakistan	(553)	2,348
Accrued expenses and other liabilities	(19,722)	(354,781)
	<u>(27,448)</u>	<u>(342,664)</u>
Bank profit received	176,124	80,105
Markup on investments received	157,154	374,363
Dividend Income received	17,317	-
Net cash generated from / (used in) operating activities	<u>116,259</u>	<u>(824,920)</u>
Cash flows from financing activities		
Amount received on issue of units	6,207,980	10,212,641
Payment against redemption of units	(8,506,659)	(6,952,600)
Cash dividend paid	(195,593)	(274,351)
Net cash (used in) / generated from financing activities	<u>(2,494,272)</u>	<u>2,985,690</u>
Net (decrease) / increase in cash and cash equivalents	<u>(2,378,013)</u>	<u>2,160,770</u>
Cash and cash equivalents at beginning of the year	3,259,842	1,099,072
Cash and cash equivalents at end of the year	<u>881,829</u>	<u>3,259,842</u>
5		

The annexed notes 1 to 33 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

1. LEGAL STATUS AND NATURE OF BUSINESS

HBL Income Fund (the Fund) was established under a Trust Deed, dated September 06, 2006, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) as a unit trust scheme on July 25, 2006.

The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company was located at 24-C, Khayban-e- Hafiz, Phase VI, D.H.A Karachi, Pakistan. Subsequent to the year end, the registered office has been relocated at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.

The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at par from March 15, 2007 to March 17, 2007.

The principal activity of the Fund is to make investments in fixed income securities. Other avenues of investments include ready future arbitrage in listed securities and transactions under Continuous Funding System.

JCR-VIS Credit Rating Agency has assigned an asset manager rating of 'AM2' (positive outlook) to the Management Company and fund stability rating of A(f) to the Fund.

Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as 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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

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 that certain investments are measured at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency. All amounts have been rounded off to the nearest of rupees, unless otherwise indicated.

2.4 Use of judgments and estimates

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of its accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

Areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

- (i) classification and valuation of financial assets (notes 4.2.1.1 and 4.2.1.4); and
- (ii) impairment of financial assets (note 4.2.1.5)

3 NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS THAT ARE EFFECTIVE FOR THE YEAR ENDED JUNE 30, 2017

3.1 Standards or interpretations that are effective in current year but not relevant to the Fund

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 for accounting periods 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, that are not expected to have material effect on the financial reporting of the Fund and therefore have not been discussed here.	

3.2 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 for accounting periods 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'.	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs, that are not expected to have material effect on the financial reporting of the Fund.

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

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 Cash and cash equivalents

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less.

Cash and cash equivalents are carried in the statement of assets and liabilities at cost.

4.2 Financial instruments

4.2.1 Financial assets

4.2.1.1 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) Investments 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 financial assets 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

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

4.2.1.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

4.2.1.3 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", in which case the transaction costs are charged to 'income statement and other comprehensive income'.

4.2.1.4 Subsequent measurement

a) Financial assets classified as 'fair value through profit or loss - held-for-trading'

Subsequent to initial measurement, financial assets classified as 'fair value through profit or loss - held-for-trading' are valued as follows:

Basis of valuation of equity securities (ready buy future sale transactions)

The investment of the Fund in equity securities is valued using quoted market prices obtained from Pakistan Stock Exchange Limited at each reporting date.

Net gains and losses arising from changes in fair value of 'fair value through profit or loss - held-for-trading' financial assets are recognised under operating income in the 'Income statement and other comprehensive income'.

b) Loans and receivables

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

Gains or losses are also recognised in the 'income statement and other comprehensive income' when financial assets carried at amortised cost are derecognised or impaired.

b) Available for sale

Subsequent to initial measurement, financial assets classified as 'available for sale' are valued as follows:

Basis of valuation of government securities

The investment of the Fund in government securities is valued on the basis of PKRV rates published by Reuters in accordance with Circular no. 33 of 2012 issued by Securities & Exchange Commission of Pakistan, whereas those in term finance certificates are valued on the basis of market prices published by MUFAP in accordance with circular no. 33 of 2012 issued by Securities & Exchange Commission of Pakistan.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are recognised as 'other comprehensive income' in the Income Statement until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised as 'other comprehensive income' is transferred to income before taxation as capital gain / (loss).

The investment of the funds in term finance certificates are valued on the basis of market prices published by MUFAP in accordance with circular no. 33 of 2012 issued by Securities & Exchange Commission of Pakistan

4.2.1.5 Impairment

The Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

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 provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

4.2.1.6 Derecognition

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

4.2.2 Financial liabilities

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

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

4.2.3 Offsetting of financial assets and liabilities

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

4.3 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

4.4 Provisions

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

4.5 Collaterals

Cash collaterals provided by the Fund are identified in the statement of assets and liabilities as margin and are not included as a component of cash and cash equivalents. For collaterals other than cash, if the party to whom the collaterals are provided has a right by contract or custom to sell or re-pledge the collaterals, the Fund classifies those collaterals in the statement of assets and liabilities separately from other assets and identifies the assets as pledged collaterals. Where the party to whom the collaterals are provided does not have the right to sell or re-pledge, a disclosure of the collaterals provided is made in the notes to the financial statements.

4.6 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

The Fund is also exempt from the provisions of section 113 (minimum tax) and section 113C (Alternative Corporate Tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and the amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

4.7 Proposed distributions

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

4.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received and funds are realized during business hours on that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net assets value per unit as of the close of the business day less any back-end load (if applicable), any duties, taxes, charges on redemption and any provision for transaction costs, if applicable. Redemption of units is recorded on acceptance of application for redemption.

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

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

The element of income and capital gains included in the prices of units issued less those in units redeemed to the extent that it is represented by distributable income earned during the year is recognised in the 'income statement and other comprehensive income' and the element of income and capital gains represented by distributable income carried forward from prior periods is included in the distribution statement.

From July 1, 2016, the Fund has revised its methodology for computation of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those redeemed.

The revised methodology, in the opinion of management, reflects a more appropriate method for recognition of element and moreover is in conformity with the general industry practice. The new methodology is being consistently implemented across all funds managed by the Management Company. Management has treated the revision in methodology as change in accounting estimate and applied it prospectively.

Amendment in the NBFC Regulations subsequent to the year end

Subsequent to the year end on August 03, 2017, the SECP has made certain amendments in the NBFC Regulations, 2008 via SRO 756 (I)/2017. The definition of element of income has been inserted via said amendment which defines element of income as difference between net assets value on the issuance or redemption date, as the case may be, of units and the net asset value at the beginning of the relevant accounting period. The said amendment also excludes element of income from accounting income for the purpose of distribution under regulation 63 of the NBFC Regulations. The said SRO also contains amendments relating to consequential changes in the income statement and statement of movement in unitholders' fund. The Management Company is in the process of assessing the impact of the said changes with the view that these changes will be effective for the period following the date of the said SRO.

4.10 Net assets value per unit

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

4.11 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included operating income in the 'income statement and other comprehensive income' on the date at which the transaction takes place.
- Mark-up / return on Government securities, bank profits and investment in debt securities are recognized on a time apportionment basis using the effective interest method.
- Element of income / (loss) and capital gain / (losses) included in prices of units issued less those in units redeemed is included in the 'income statement and other comprehensive income' on the date of issue and redemption of units.

4.12 Expenses

All expenses including NAV based expenses (namely management fee, trustee fee and annual fee payable to the SECP) are recognised as expenses in the 'income statement and other comprehensive income' on a time apportionment basis using the effective interest method.

4.13 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement and other comprehensive income. Derivatives with positive fair values (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities in the statement of assets and liabilities.

5	BANK BALANCES	Note	2017 -----Rupees in '000-----	2016
	Balances with bank in:			
	PLS saving deposit accounts under mark-up arrangements	5.1	881,829	3,259,782
	Current accounts		-	60
			881,829	3,259,842

- 5.1 This represents bank accounts held with different banks. Mark-up rates on these accounts range between 4.00% - 6.60% (2016: 4.00% - 7.50%) per annum.

6. INVESTMENTS	Note	2017	2016
		-----Rupees in '000-----	
Available for sale			
- Term finance certificates - listed	6.1.1	301,041	-
- Term finance certificates and sukuk bonds - unlisted	6.1.2	1,170,083	666,527
- Government securities	6.2	-	2,359,247
Fair value through profit or loss - held-for-trading			
- Investment in ready / future - spread transaction	6.5	222,649	-
		1,693,773	3,025,774
Loans and receivables			
- Placements	6.3	890,000	250,000
- Commercial paper	6.4	135,104	-
		2,718,877	3,275,774

6.1 Available for sale investments

All Term Finance Certificates and Sukuk bonds have a face value of Rs. 5,000 each unless stated otherwise.

6.1.1 Term Finance Certificates - Listed

Name of the Investee Company	Number of certificates				Market value / 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	As at June 30, 2017		Total Investments	Net Assets	
Financial Services								
- Rupees in '000 -								
Saudi Pak Leasing Company Limited - note 6.1.3	2,000	-	-	2,000	-	-	-	
	2,000	-	-	2,000	-	-	-	
Fixed Line Telecommunication								
Worldcall Telecom Limited - note 6.1.4	23,750	-	-	23,750	-	-	-	
	23,750	-	-	23,750	-	-	-	
Commercial Banks								
NIB Bank Limited	-	43,200	-	43,200	218,673	8.04%	4.87%	
	-	43,200	-	43,200	218,673	8.04%	4.87%	
Chemicals								
Fatima Fertilizer Company Limited	-	24,517	7,000	17,517	82,368	3.03%	1.83%	
Total	25,750	67,717	7,000	86,467	301,041	11.07%	6.70%	
Cost of investments at June 30, 2017						297,365		

* In case of debt securities against which a provision has been made, these are carried at amortised cost less

provision. For non-performing securities market value / valuation by MUFAP is not available.

6.1.2 Term Finance Certificates and Sukuk bonds - Unlisted

Name of the Investee Company	Number of certificates				Market value/ 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	As at June 30, 2017		Total Investments	Net Assets
Commercial Banks							
JS Bank Limited	-	46,000	-	46,000	231,642	8.52%	5.16%
Habib Bank Limited	-	2,750	40	2,710	271,569	9.99%	6.05%
Standard Chartered bank Limited	8,000	10,000	18,000	-	-	-	-
Bank of Punjab	-	2,400	-	2,400	242,760	8.93%	5.41%
Bank Al Habib	-	22,280	-	22,280	112,815	4.15%	2.51%
	8,000	83,430	18,040	73,390	858,786	31.59%	19.13%
Chemicals							
Ghani Gases Limited	-	1,200	-	1,200	116,150	4.27%	2.59%
Agritech Limited - note 6.1.7	2,000	-	-	2,000	-	-	-
Engro Fertilizer Limited - Sukuk	86,000	-	86,000	-	-	-	-
	88,000	1,200	86,000	3,200	116,150	4.27%	2.59%
Multiutilities							
WAPDA TFC	50,000	10,200	-	60,200	195,147	7.18%	4.35%
	50,000	10,200	-	60,200	195,147	7.18%	4.35%
Others							
New Allied Electronics Industries (Pvt) Limited - note 6.1.8	9,000	-	-	9,000	-	-	-
New Allied Electronics Industries (Pvt) Limited - Sukuk - note 6.1.8	9,000	-	-	9,000	-	-	-
	18,000	-	-	18,000	-	-	-
Total	164,000	94,830	104,040	154,790	1,170,083	43.04%	26.06%
Cost of investments at June 30, 2017					1,287,632		

* In case of debt securities against which a provision has been made, these are carried at amortised cost less provision. For non-performing securities market value / valuation by MUFAP is not available.

6.1.3 Saudi Pak Leasing Company Limited defaulted towards payment falling due in September 2010. Accordingly, the exposure was classified as non-performing and provision was recognised in accordance with the SECP's provisioning guidelines.

Subsequently, on the request of the Issuer, TFC holders approved the restructuring of the facility by extending repayment period from 5 years to 9 years and by reducing mark-up rate to 6% for 24 months from restructuring date and 8% for next 24 months and thereafter fixing the mark-up rate at 1 month KIBOR. Further, half of the accrued mark-up is to be paid in cash and the balance is being deferred.

The Issuer defaulted again in the payment of principal and mark-up due on September 13, 2011. In accordance with the requirements of Circular No. 33 of 2012 dated October 24, 2012 issued by the Securities Exchange Commission of Pakistan (SECP), the exposure has been classified as non-performing and no further mark-up is being accrued after classification as non performing exposure. A provision of Rs. 5.550 million equivalent to 100% of the amount outstanding has been made.

- 6.1.4** Worldcall Telecom Limited TFC's were classified by MUFAP as non-performing on November 8, 2012 after default of instalment due on October 7, 2012 (earlier default on April 7, 2012) for the second time. A restructuring agreement was signed on December 26, 2012. The restructuring included the extension of repayment period by 2 years, deferral of principal instalments till October 7, 2014 and payment of regular mark-up during the restructuring period. In accordance with Circular No. 33 of 2012 dated October 24, 2012, a provision of Rs. 47.767 million equivalent to 100% of the amount outstanding has been made.
- 6.1.5** These represent investments in privately placed Term Finance Certificates and Sukuk bonds of the investee company. These investments have been fully provided.
- 6.1.6** The Term Finance Certificates and Sukuk bonds held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the issuer.
- 6.1.7** Instalments amounting to Rs. 1,998 million became due for payment of the following TFCs / sukuku and are reflected in note 7.

	2017	2016
	(Rupees in '000)	
Bank Al Habib Limited	-	-
Agritech Limited	1,998	1,998
	1,998	1,998

- 6.1.8** 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)	Mark-up rate (per annum)	Issue date	Maturity date
Term Finance Certificates - Listed				
Saudi Pak Leasing Company Limited	2,775	6% Fixed Rate	13-Mar-08	13-Mar-17
World Call Telecom Limited	2,011	6 Month KIBOR + 1.60%	7-Oct-08	7-Oct-16
NIB Bank Limited	4,994	6 Month KIBOR + 1.15%	19-Jun-14	19-Jun-22
Fatima Fertilizer Company Limited	4,500	6 month KIBOR + 1.10%	28-Nov-16	28-Nov-21
Term Finance Certificates and Sukuk bonds - Unlisted				
New Allied Electronics Industries (Private) Limited - Sukuk	4,905	6 Month KIBOR + 2.50%	15-May-07	15-May-11
Agritech Limited	3,997	6 Month KIBOR + 1.75%	30-Nov-07	30-Nov-14
New Allied Electronics Industries (Private) Limited	2,114	6 Month KIBOR + 2.20%	3-Dec-07	3-Dec-12
Bank Al Habib Limited	4,998	6 Month KIBOR + 1%	17-Mar-16	17-Mar-26
WAPDA - TFC	3,214	6 Month KIBOR + 1%	27-Sep-13	19-Sep-21
Ghani Gases Limited	95,833	3 Month KIBOR + 1%	2-Feb-17	2-Feb-23
Habib Bank Limited	99,960	6 Month KIBOR + 0.54%	19-Feb-16	19-Feb-26
JS Bank Limited	4,999	6 Month KIBOR + 1.40%	14-Dec-16	16-Dec-23
Bank of Punjab	99,980	6 Month KIBOR + 0.50%	19-Feb-16	19-Feb-26

6.2 Investment in Government Securities - Available-for-sale

Issue Date	Tenor	Face value			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 Investments
------(Rupees in '000)-----							
Treasury bill							
May 11, 2017	3 months	-	250,000	250,000	-	-	-
April 27, 2017	3 months	-	250,000	250,000	-	-	-
February 2, 2017	6 months	-	250,000	250,000	-	-	-
January 19, 2017	3 months	-	500,000	500,000	-	-	-
January 19, 2017	6 months	-	100,000	100,000	-	-	-
October 29, 2015	12 months	250,000	-	250,000	-	-	-
January 21, 2016	12 months	439,500	-	439,500	-	-	-
January 21, 2016	6 months	50,000	-	50,000	-	-	-
March 3, 2016	6 months	50,000	500,000	550,000	-	-	-
March 3, 2016	12 months	200,000	-	200,000	-	-	-
May 26, 2016	3 months	250,000	-	250,000	-	-	-
July 21, 2016	6 months	-	250,000	250,000	-	-	-
July 21, 2016	12 months	-	600,000	600,000	-	-	-
September 1, 2016	3 months	-	800,000	800,000	-	-	-
August 18, 2016	3 months	-	100,000	100,000	-	-	-
Total - as at June 30, 2017		1,239,500	3,600,000	4,839,500	-	-	-
Total - as at June 30, 2016		1,405,000	14,384,500	14,550,000	1,239,500	1,210,878	36.95% 18.01%
Pakistan Investment Bonds							
December 29, 2016	3 Years	-	1,550,000	1,550,000	-	-	-
April 21, 2016	5 Years	385,000	1,475,000	1,860,000	-	-	-
April 21, 2016	3 Years	-	550,000	550,000	-	-	-
April 21, 2016	10 Years	-	350,000	350,000	-	-	-
March 26, 2015	5 Years	50,000	700,000	750,000	-	-	-
March 26, 2015	3 Years	550,000	-	550,000	-	-	-
July 17, 2014	3 Years	-	2,550,000	2,550,000	-	-	-
July 17, 2014	5 Years	100,000	-	100,000	-	-	-
July 19, 2012	10 Years	-	150,000	150,000	-	-	-
Total - as at June 30, 2017		1,085,000	7,325,000	8,410,000	-	-	-
Total - as at June 30, 2016		955,000	8,830,800	8,700,800	1,085,000	1,148,369	35.06% 17.08%
Grand total		2,324,500	10,925,000	13,249,500	-	-	-

- 6.3 This represents term deposit receipt which will mature on December 04, 2017 and carries profit range from 6.80% to 8.00% (June 30, 2016: 6.45% to 10.00%) per annum.
- 6.4 This represents commercial paper which will mature on November 27, 2017 and carries profit range from 6.80% to 8.00% (June 30, 2016: 6.45% to 10.00%) per annum.
- 6.5 Quoted equity securities (spread transactions)
- 6.5.1 Listed equity securities
- All equity shares have a face value of Rs. 10 each.

Name of the Investee Company	Number of shares	----- Rupees in '000 -----			Market value as a percentage of total investments	Market value as a percentage of net assets	Paid up value of shares held as a percentage of total paid up capital of the Investee Company
		As at June 30, 2017	Carrying cost	Market value as at June 30, 2017			
Cement							
D G Khan Cement Company Limited	100,000	21,300	21,310	10	0.78%	0.47%	0.02%
Fauji Cement Company Limited	10,000	417	416	(1)	0.02%	0.01%	0.00%
		21,717	21,726	9	0.80%	0.48%	0.02%
Engineering							
International Steels Limited	355,000	45,984	45,983	(1)	1.69%	1.02%	0.08%
		45,984	45,983	(1)	1.69%	1.02%	0.08%
Cable & electrical goods							
Pak Elektron Limited	153,000	17,060	17,024	(35)	0.63%	0.38%	0.03%
		17,060	17,024	(35)	0.63%	0.38%	0.03%
Oil & gas exploration companies							
Oil & Gas Development Company Limited	202,000	28,989	28,971	(18)	1.07%	0.65%	0.00%
Pakistan State Oil Company Limited	66,500	25,687	25,692	5	0.94%	0.57%	0.02%
		54,676	54,663	13	2.01%	1.22%	0.02%
Refinery							
Attock Refinery Limited	151,500	58,129	58,153	24	2.14%	1.30%	0.18%
		58,129	58,153	24	2.14%	1.30%	0.18%
Fertilizer							
Engro Fertilizers Limited	72,500	4,057	4,059	2	0.15%	0.09%	0.01%
Fauji Fertilizer Company Limited	250,000	21,038	21,041	3	0.77%	0.47%	0.02%
		25,095	25,100	5	0.92%	0.56%	0.03%
As at June 30, 2017		222,661	222,649	(12)	8.19%	4.96%	0.37%
As at June 30, 2016		-	-	-	-	-	-

6.5.2 The investment in equity securities represents spread transactions entered into by the Fund. The Fund purchases equity securities in ready settlement market and sells the securities in future settlement market on the same day, resulting in spread income due to difference in ready and future stock prices.

6.5.3 This includes unrealised mark-to-market gain on ready-buy-future sale transactions amounting to Rs. 1.838 m (June 30, 2016: Nil)

	Note	2017 -----Rupees in '000-----	2016
6.6 Net unrealised gain / (loss) on re-measurement of investments classified as available for sale			
Market value of investments	6.1.1, 6.1.2, 6.2 & 6.3	1,471,124	3,275,774
Cost of investments	6.1.1, 6.1.2, 6.2 & 6.3	1,584,997	3,383,438
Provision against non-performing TFCs and Sukuks	6.5	(124,486)	(124,486)
		1,460,511	3,258,952
		10,613	16,822
6.7 Net unrealized gain on re-measurement of investments carried at fair value through profit or loss - held-for-trading			
Market Value of investments		222,649	-
Cost of investments		(222,661)	-
Unrealised loss on revaluation of investments carried at fair value through profit or loss - held-for-trading		(12)	-
6.8 Movement in provision against investments			
Opening balance		126,484	126,484
Add: Charge for the year		-	-
Less: Reversals / write-offs		-	-
Net charge		-	-
Closing balance		126,484	126,484
Classified under investments		124,486	124,486
Classified under other receivables - overrrdue installments of term finance certificates		1,998	1,998
		126,484	126,484
7. ACCRUED MARK-UP			
Mark-up accrued on savings accounts		11,185	-
Mark-up / return accrued on term finance certificates and sukuk bonds		25,844	9,003
Mark-up / return accrued on government securities		-	25,053
Mark-up accrued on placements		6,376	2,354
		43,405	36,410

8. ADVANCES, DEPOSITS AND OTHER RECEIVABLES	Note	2017 -----Rupees in '000-----	2016
Security deposit with National Clearing Company of Pakistan Limited		183,843	3,500
Security deposit with Central Depository Company of Pakistan Limited		100	100
Receivable against investments of term finance certificates and sukuk bonds	6.1.7	1,998	1,998
Receivable against issuance of units		-	40,520
Advance Tax		645	-
Receivable against conversion of units		-	193,429
Dividend receivables		3,466	-
Receivables against investment in equity shares	8.2	733,524	
Receivable against Pre-call TFC		-	29,946
Prepaid expenses		-	100
Others		-	1
		<u>923,576</u>	<u>269,594</u>
Less: Provision against overdue instalments of Term finance certificates and Sukuk bonds	6.1.7	1,998	1,998
		<u>921,578</u>	<u>267,596</u>

8.1 This represents receivables against sale of shares in future market. This amount has been received on July 04, 2017

9. PAYABLE TO MANAGEMENT COMPANY	Note	2017 -----Rupees in '000-----	2016
Management fee	9.1	6,413	8,802
Sindh Sales Tax	9.2	960	1,430
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	436	587
Sales load payable		526	4,569
		<u>8,335</u>	<u>15,388</u>

9.1 Under the provisions of the Non-Banking Finance Companies & Notified Entities Regulations 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of one and a half percent per annum for the current year.

9.2 The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 percent (June 30, 2016: 14 percent) on the remuneration of management company through Sindh Sales Tax on Services Act, 2011.

9.3 Securities and Exchange Commission of Pakistan through its SRO 1160(I)/2016 dated November 25, 2015 has revised the Non-Banking Finance Companies and Notified Entities Regulation, 2008. In the revised regulations a new clause 60(3)(s) has been introduced allowing the management company to charge "fees and expense related to registrar services, accounting, operation and valuation services related to CIS maximum upto 0.1% of average annual net assets of the Scheme or actual whichever is less" from the mutual funds managed by it.

The expenses represent the allocation of expenses relating to registrar services, accounting, operation and valuation services at 0.1% of average net annual assets of the fund with effect from November 25, 2015.

	Note	2017 -----Rupees in '000-----	2016
10. PAYABLE TO TRUSTEE			
Trustee's remuneration	10.1	440	542
Sindh Sales Tax	10.2	58	76
		<u>498</u>	<u>618</u>

10.1 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.

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

Amount of Funds Under Management (Average NAV)	Tariff per annum
Up to Rs. 1,000 million	Rs. 0.6 million or 0.17% per annum of (NAV), whichever is higher
Exceeding Rs. 1,000 million upto Rs. 5,000 million	Rs. 1.7 million plus 0.085% per annum of (NAV), exceeding Rs. 1,000 million
Exceeding Rs. 5,000 million	Rs. 5.1 million plus 0.07% per annum of (NAV), exceeding Rs. 5,000 million

The remuneration is paid to the trustee monthly in arrears.

10.2 The Sindh Government had levied Sindh Sales Tax at the rate of 13% (June 30, 2016: 14) on the remuneration of the Central Depository Company of Pakistan through Sindh Sales Tax on Services Act, 2011 effective from July 1, 2015.

	Note	2017 -----Rupees in '000-----	2016
11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	11.1	<u>4,291</u>	<u>4,844</u>

11.1 Under the provisions of the Non Banking Finance Companies & Notified Entities Regulations, 2008, a collective investment scheme categorised as income scheme is required to pay as annual fee to the SECP, an amount equal to 0.075% (2016: 0.075%) of the average annual net assets of the scheme. HBL Income Fund has been categorised as an income scheme by the Management Company.

	Note	2017 -----Rupees in '000-----	2016
12. ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		330	324
Brokerage payable		-	15
Federal Excise Duty payable	12.1	27,578	27,578
Other payables		281	127
Payable to HBL Stock Fund against conversion of units		-	483
Capital gain tax payable		2,352	4,878
Withholding tax payable		14,279	23,986
Payable to unit holders against redemption of units		-	7,151
Provision for Workers' Welfare Fund		-	28,170
Provision for Sindh Workers' Welfare Fund	12.2	17,449	-
		<u>62,269</u>	<u>92,712</u>

- 12.1** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration. The Sindh Provincial Government has levied Sindh Sales Tax (SST) on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011. During the year SST at the rate of 13 percent (30 June 2016: 14 percent) was charged on the remuneration of Fund Manager and sales load.

While disposing the above petition through order dated July 16, 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 Management Company, as a matter of abundant caution, has made a provision on FED on remuneration of Management Company, aggregating to Rs. 7.096 million. Had the provision not been made, the Net Asset Value per unit as at June 30, 2017 would have been higher by Rs. 0.6511 (June 30, 2016: Rs. 0.4350) per unit.

- 12.2** 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 Honourable 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 Honourable 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 recognized 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 recognized 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 Management Company 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 recognized 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. 28.170 million. Further, the Fund has recognised provision for SWWF amounting to Rs. 17.449 million in these financial statements. Had the provision not been made, the net asset value per unit as at June 30, 2017 would have been higher by Rs. 0.4119 per unit

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

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

13.2 Commitments

Future sell transactions of equity securities entered into by the fund in respect of which the sell transactions have not been settled as at June 30, 2017

2017	2016
-----Rupees in '000-----	
<u>224,226</u>	<u>-</u>

14. NUMBER OF UNITS IN ISSUE

Total units in issue at the beginning of the year

Units issued

Units redeemed

Total units in issue at the end of the year

2017	2016
-----Units-----	
<u>63,397,299</u>	32,183,049
<u>58,376,138</u>	94,908,062
<u>(79,417,982)</u>	(63,693,812)
<u>42,355,455</u>	<u>63,397,299</u>

15. MARK-UP / RETURN ON INVESTMENTS

Term finance certificates - listed

Term finance certificates and sukuks - unlisted

Government securities

Clean placements

2017	2016
-----Rupees in '000-----	
<u>515</u>	-
<u>79,818</u>	30,584
<u>71,567</u>	298,681
<u>1,064</u>	27,175
<u>152,964</u>	<u>356,440</u>

	2017	2016
	-----Rupees in '000-----	
16. MARK-UP ON DEPOSITS WITH BANKS		
Mark-up on savings accounts	109,706	79,447
Mark-up on term deposit receipts	77,603	-
	<u>187,309</u>	<u>79,447</u>
17. AUDITORS' REMUNERATION		
Statutory audit fee	280	280
Half yearly review fee	55	55
Reporting on compliance with the Code of Corporate Governance	5	5
Out of pocket expenses	-	77
	<u>340</u>	<u>417</u>
18. TAXATION		

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. During the year, management has distributed cash dividend of at least 90% of the aforementioned accounting income to the unit holders. Accordingly, no provision for taxation has been recognised in these financial statements.

19 EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed as in the opinion of management determination of cumulative weighted average number of outstanding units is not practicable.

20 FINANCIAL INSTRUMENTS BY CATEGORY

	----- As on June 30, 2017 -----			
	At fair value through profit or loss	Loans and receivables	Available for sale	Total
	----- Rupees in '000 -----			
Assets				
Bank balances	-	881,829	-	881,829
Investments	222,649	1,025,104	301,041	1,548,794
Accrued mark-up	-	43,405	-	43,405
Advances, deposits and other receivables	-	921,578	-	921,578
	<u>222,649</u>	<u>2,871,916</u>	<u>301,041</u>	<u>3,395,606</u>

	----- As on June 30, 2017 -----		
	At fair value through profit or loss	Other financial liabilities	Total
	----- Rupees in '000 -----		
Liabilities			
Payable to the Management Company	-	8,335	8,335
Payable to the Trustee	-	498	498
Accrued expenses and other liabilities	-	611	611
Unit holders' fund	-	4,490,296	4,490,296
	<u>-</u>	<u>4,499,740</u>	<u>4,499,740</u>

----- As on June 30, 2016 -----				
	At fair value through profit or loss	Loans and receivables	Available for sale	Total
----- Rupees in '000 -----				
Assets				
Bank balances	-	881,829	-	881,829
Investments	-	364,000	3,025,774	3,389,774
Accrued mark-up	-	36,410	-	36,410
Advances, deposits and	-	267,596	-	267,596
	-	1,549,835	3,025,774	4,575,609

----- As on June 30, 2016 -----			
	At fair value through profit or loss	Other financial liabilities	Total
----- Rupees in '000 -----			
Liabilities			
Payable to the Management Company	-	15,388	15,388
Payable to the Trustee	-	618	618
Accrued expenses and other liabilities	-	8,100	8,100
Unit holders' fund	-	6,726,060	6,726,060
	-	6,750,166	6,750,166

21 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited, being the Trustee of the Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company and directors of 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 Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations 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:

21.1 Transactions during the year	2017	2016
	-----Rupees in '000-----	
HBL Asset Management Limited - Management Company		
Management fee	96,972	127,747
Allocation of expenses related to registrar services, accounting, operation and valuation services	5,719	4,416
Issue of Nil units (2016: 785,871 units)	-	85,000
Redemption of 377,025 units (2016: 408,846 units)	40,513	45,476
Habib Bank Limited - Sponsor		
Issue of 6,103,743 units (2016: 632,596 units)	666,345	67,042
Bank charges paid	81	65
Mark-up earned during the year	109,706	8,810
Mark-up received during the year	111,344	8,810

	2017	2016
	-----Rupees in '000-----	
Jubilee General Insurance Company - Associated company		
Issue of Nil units (2016: 1,848,255 units)	-	200,000
Redemption of Nil units (2016: 4,708,500 units)	-	523,658
Sale of GOP Ijara Sukuk	105,522	-
SFL Limited - Associated company		
Issue of Nil units (2016: 197,114 units)	-	20,909
Redemption of Nil units (2016: 190,646 units)	-	21,205
Amer Tex (Pvt) Limited - Associated company		
Issue of Nil units (2016: 1,161,479 units)	-	123,248
Redemption of Nil units (2016: 757,955 units)	-	84,307
Neelum Textile Mills (Pvt) Limited - Associated company		
Issue of Nil units (2016: 909,580 units)	-	97,128
Redemption of Nil units (2016: 600,727 units)	-	66,818
Directors and Executives of the Management Company and their relatives		
Executives and their relatives		
Issue of 2,008 units (2016: 51,911 units)	213	5,640
Redemption of 321 units (2016: 23,901 units)	35	2,603
Dividend	14	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	6,050	6,911
Central Depository system charges	11	6

	2017	2016
	-----Rupees in '000-----	
21.2 Balances outstanding as at year end		
HBL Asset Management Limited - Management Company		
Investment held by the management company in the Fund: Nil units (2016: 377,025 units)	-	40,000
Management fee payable	6,413	8,802
Sindh Sales tax	960	1,430
Allocation of expenses related to registrar services, accounting, operation and valuation services	5,719	587
Sales load payable	526	4,569
Receivable against issuance of units	-	40,520
Habib Bank Limited - Sponsor		
Investment held in the Fund: 19,506,241 units (2016: 13,402,498 units)	2,067,946	1,421,922
Bank balances	111,454	1,010,685
Investment in Term finance certificate	271,569	-

2017 2016
-----Rupees in '000-----

Jubilee General Insurance Company - Associated company

Investment held in the Fund: Nil units (2016: Nil units) - -

SFL Limited - Associated company

Investment held in the Fund: Nil units (June 30, 2016: 197,114 units) - 20,913

Amer Tex (Pvt) Limited

Investment held in the Fund: Nil units (June 30, 2016: 784,816 units) - 83,264

Neelum Textile Mills (Pvt) Limited

Investment held in the Fund: Nil units (June 30, 2016: 623,419 units) - 66,141

Directors and Executives of the Management Company and their relatives

Directors and their relatives

Investment held in the Fund: Nil units (June 30, 2016: 24,205 units) - 2,568

Executives and their relatives

Investment held in the Fund: 4,840 units (2016: 114,635 units) 513 12,162

Central Depository Company of Pakistan Limited - Trustee

Remuneration payable	440	542
Sindh Sales tax	58	76
Security deposit	100	100

22 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Fund are as follow:

	Name	Designation	Qualification	Experience in years
1	Farid Ahmed Khan	Chief Executive Officer	CFA, MBA	23+ years
2	Muhammad Imran	Chief Investment Officer	MBA (Finance)	17+ years
3	Tauqir Shamshad	Head of Fixed Income	MBA, M.Com	31+ years
4	Faizan Saleem	Sr. Fund Manager Fixed Income	MBA (Finance)	10+ years
5	Colin Miranda	Acting Head of Research	CFA, MBA	8+ years
6	Noman Ameer	Manager Risk	B.S Acturial Sciences	11+ years

23 TOP BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Top brokers during the year ended June 30, 2017

- 1 Intermarket Securities Limited
- 2 JS Global Capital Limited
- 3 EFG Hermes Pakistan Limited
- 4 Topline Securities (Private) Limited
- 5 Al Falah Securities (Private) Limited
- 6 Ismail Iqbal Securities (Private) Limited
- 7 Arif Habib Limited
- 8 Summit Capital (Private) Limited
- 9 BIPL Securities Limited

The Fund has entered into transactions with less than ten brokers during the year ended June 30, 2017.

Top brokers during the year ended June 30, 2016

- 1 Arif Habib Limited
- 2 BMA Capital Management Limited
- 3 Elixir Securities Pakistan (Private) Limited
- 4 Invest and Finance Securities (Private) Limited
- 5 JS Global Capital Limited
- 6 KASB Securities Limited
- 7 Next Capital Limited
- 8 Optimus Market Limited
- 9 Pearl Securities Limited

The Fund has entered into transactions with less than ten brokers during the year ended June 30, 2016.

24 PATTERN OF UNIT HOLDING

	2017		
	Number of unit holders	Investment amount --Rupees in '000--	Percentage investment
Individuals	1,151	2,199,480	48.98
Asset Management Company	1	2,067,946	46.05
Retirement funds	5	47,429	1.06
Trust	9	114,984	2.56
Others	5	60,456	1.35
	1,171	4,490,296	100.00

	2016		
	Number of unit holders	Investment amount --Rupees in '000--	Percentage investment
Individuals	1,718	4,318,105	64.20
Associated companies	7	1,740,819	25.88
Directors	1	2,568	0.04
Retirement funds	6	29,694	0.44
Public limited companies	2	168,515	2.51
Others	26	466,359	6.93
	1,760	6,726,060	100.00

25 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

Five meetings of the Board of Directors were held on August 26, 2016, October 31, 2016, December 16, 2016, February 24, 2017 and April 27, 2017 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
1 Mr. Towfiq H. Chinoy	5	5	-	-
2 Ms. Ava Ardeshir Cowasjee	5	5	-	-
3 Mr. Nadeem Abdullah	5	4	1	April 27, 2017
4 Mr. Farid Ahmed Khan ¹	4	4	-	-
5 Mr. Rehan N. Shaikh ²	1	1	-	-
6 Ms. Sima Kamil ³	4	4	-	-
7 Mr. Rizwan Haider	5	4	1	April 27, 2017
8 Mr. Salahuddin Manzoor	5	5	-	-
9 Mr. Aamir Irshad ⁴	-	-	-	-
10 Mr. Rayomond Kotwal ⁵	-	-	-	-

1 Appointed on September 1, 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 06, 2017.

5 Appointed on June 22, 2017.

26 FINANCIAL RISK MANAGEMENT

The Fund primarily invests in a portfolio of money market investments such as investment-grade debt securities, government securities, spread transactions, margin financing and in other money market instruments. These activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

26.1 Market risk

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

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan.

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

26.1.1 Currency risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

26.1.2 Interest rate risk

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

a) Sensitivity analysis for variable rate instruments

As at June 30, 2017, the Fund holds KIBOR based interest bearing term finance certificates that expose the Fund to cash flow interest and fair value interest rate risk. In case of 100 basis points increase in KIBOR on June 30, 2017, with all other variables held constant, the net assets of the Fund would have been lower by Rs. 14.711 million (2016: Rs. 1,814,838) and net income of the Fund would have been higher by Rs.14.711 million (2016: Rs. 0.199). In case of 100 basis points decrease in KIBOR on June 30, 2017, with all other variables held constant, the net assets of the Fund would have been higher by Rs. 14.711 million (2016: Rs. 2.075) and net income for the year would have been lower by Rs. 14.711 million (2016: Rs. 199,452).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2017, the Fund holds Treasury bills, Pakistan Investment Bonds and term finance certificates which are classified as available for sale, exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in KIBOR and rates announced by the Financial Market Association on June 30, 2017, with all other variables held constant, the net assets would have been lower by Rs. Nil (2016: Rs. 42,506,876). In case of 100 basis points decrease in KIBOR and rates announced by the Financial Market Association on June 30, 2017, with all other variables held constant, the net assets would have been higher by Rs. Nil (2016: Rs. 37,389,601).

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

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

	2017				Not exposed to Yield / Interest rate risk
	Total	Exposed to Yield / Interest rate risk			
		Upto three months	More than three months and upto one year	More than one year	
	----- Rupees in '000 -----				
On-balance sheet financial instruments					
Financial assets					
Bank balances	881,829	881,829	-	-	-
Investments	2,718,877	-	-	1,471,124	1,247,753
Accrued mark-up	43,405	-	-	-	43,405
Advances, deposits and other receivables	921,578	-	-	-	921,578
	4,565,689	881,829	-	1,471,124	2,212,736
Financial liabilities					
Payable to Management Company	8,335	-	-	-	8,335
Payable to the Trustee	498	-	-	-	498
Accrued expenses and other liabilities	611	-	-	-	611
Unit holders' fund	4,490,296	-	-	-	4,490,296
	4,499,740	-	-	-	4,499,740
On-balance sheet gap	65,949	881,829	-	1,471,124	(2,287,004)
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-

2016

	Exposed to Yield / Interest rate risk				Not exposed to Yield / Interest rate risk
	Total	Upto three months	More than three months and upto one year	More than one year	
On-balance sheet financial instruments	----- (Rupees in '000) -----				
Financial assets					
Bank balances	3,259,842	3,259,842	-	-	-
Investments	3,275,774	248,090	1,212,788	1,814,896	-
Accrued mark-up	36,410	-	-	-	36,410
Advances, deposits and other receivables	267,496	-	-	-	267,496
	6,839,522	3,507,932	1,212,788	1,814,896	303,906
Financial liabilities					
Payable to Management Company	15,388	-	-	-	15,388
Payable to the Trustee	618	-	-	-	618
Accrued expenses and other liabilities	36,964	-	-	-	36,964
Unit holders' fund	6,726,060	-	-	-	6,726,060
	6,779,030	-	-	-	6,779,030
On-balance sheet gap	60,492	3,507,932	1,212,788	1,814,896	(6,475,124)
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-

26.1.3 Price Risk

This 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 instruments traded in the market. The Fund is not exposed to any price risk as on June 30, 2017.

26.2 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 counter party to fulfil 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 Management Company.

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

	2017	2016
	-----Rupees in '000-----	
Bank balances by rating category		
A1+ (PACRA)	2,307,087	2,249,145
A-1+ (JCR-VIS)	(1,425,266)	1,010,697
A-1 (JCR-VIS)	7	-
	<u>881,829</u>	<u>3,259,842</u>
Term finance certificates by rating category		
AAA	271,569	236,527
A+	231,642	-
A	116,150	-
AA	112,815	-
AA-	543,801	430,000
	<u>1,275,977</u>	<u>666,527</u>
The fund has also made investment in TFC of WAPDA having market value of Rs. 195.147 m. The mentioned TFC is backed by the Government of Pakistan.		
Investment in Government Securities	<u>-</u>	<u>2,359,247</u>
Placements	<u>890,000</u>	<u>500,000</u>
Commercial Paper	<u>135,104</u>	<u>-</u>
Accrued mark-up	<u>43,405</u>	<u>36,410</u>
Advances, deposits and other receivables	<u>921,578</u>	<u>267,596</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2017 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 credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

26.3 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.

The Fund is exposed to daily cash redemptions of units. The Management Company manages the liquidity risk by monitoring maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

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

	2017			
	Total	Upto three months	Over three months and upto one year	Over one year
----- (Rupees in '000) -----				
Financial liabilities				
(excluding unit holder's fund)				
Payable to Management Company	8,335	8,335	-	-
Payable to the Trustee	498	498	-	-
Accrued expenses and other liabilities	2,963	2,963	-	-
	11,796	11,796	-	-
Unit holders' fund	4,490,296	4,490,296	-	-

	2016			
	Total	Upto three months	Over three months and upto one year	Over one year
----- (Rupees in '000) -----				
Financial liabilities				
(excluding unit holder's fund)				
Payable to Management Company	15,388	15,388	-	-
Payable to the Trustee	618	618	-	-
Accrued expenses and other liabilities	36,964	36,964	-	-
	57,814	57,814	-	-
Unit holders' fund	6,726,060	6,726,060	-	-

27 UNITS HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. These unit holders of the Fund are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund. Unit holders fund risk management is carried out by the Management Company through following steps:

- Monitor the level of daily issuance and redemptions relative to the liquid assets and adjust the amount of distributions the Fund pays to the unit holders;
- Redeem and issue units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and

- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g., yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current year.

28 FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid or transfer a liability in an orderly transaction between market participants and 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 "

International Financial Reporting Standard (IFRS) 13, "Fair Value Measurement" requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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) (level 3).

		June 30, 2017				Fair Value			
		Carrying amount							
		Available-for-sale	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments	<i>Note</i>	----- (Rupees in '000) -----							
Financial assets measured at fair value									
Investments									
- Term Finance Certificates and Sukuk bonds - Unlisted		1,471,124	-	-	1,471,124	-	1,471,124	-	1,471,124
- Government Securities		-	-	-	-	-	-	-	-
		<u>1,471,124</u>	<u>-</u>	<u>-</u>	<u>1,471,124</u>	<u>-</u>	<u>1,471,124</u>	<u>-</u>	<u>1,471,124</u>
Financial assets not measured at fair value									
	28.1								
Bank balances		-	881,829	-	881,829				
Investments									
- Placements		-	1,025,104	-	1,025,104				
Accrued mark-up		-	43,405	-	43,405				
Advances, deposits and other receivables		-	921,578	-	921,578				
		<u>-</u>	<u>2,871,916</u>	<u>-</u>	<u>2,871,916</u>				
Financial liabilities not measured at fair value									
	28.1								
Payable to Management Company		-	-	8,335	8,335				
Payable to Trustee		-	-	498	498				
Accrued expenses and other liabilities		-	-	2,963	2,963				
Unit holders' fund		-	-	4,490,296	4,490,296				
		<u>-</u>	<u>-</u>	<u>4,502,092</u>	<u>4,502,092</u>				

		June 30, 2016				Fair Value			
		Carrying amount			Total	Level 1	Level 2	Level 3	Total
		Available-for-sale	Loans and receivables	Other financial assets / liabilities					
----- (Rupees in '000) -----									
On-balance sheet financial instruments									
Financial assets measured at fair value									
Investments									
- Term Finance Certificates and Sukuk bonds - Unlisted		236,527	-	-	236,527	-	236,527	-	236,527
- Government Securities		2,359,247	-	-	2,359,247	-	2,359,247	-	2,359,247
		<u>2,595,774</u>	<u>-</u>	<u>-</u>	<u>2,595,774</u>	<u>-</u>	<u>2,595,774</u>	<u>-</u>	<u>2,595,774</u>
Financial assets not measured at fair value									
Bank balances	28.1	-	3,259,842	-	3,259,842				
Investments									
- Term Finance Certificates and Sukuk bonds - Unlisted		430,000	-	-	430,000				
- Placements		-	500,000	-	500,000				
Accrued mark-up		-	36,410	-	36,410				
Advances, deposits and other receivables		-	267,496	-	267,496				
		<u>430,000</u>	<u>4,063,748</u>	<u>-</u>	<u>4,493,748</u>				
Financial liabilities not measured at fair value									
Payable to Management Company	28.1	-	-	15,388	15,388				
Payable to Trustee		-	-	618	618				
Accrued expenses and other liabilities		-	-	36,964	36,964				
Unit holders' fund		-	-	6,726,060	6,726,060				
		<u>-</u>	<u>-</u>	<u>6,779,030</u>	<u>6,779,030</u>				

28.1 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.

29 TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2017 is 2.12% which includes 0.35% representing government levy and SECP fee.

30 DISCLOSURE UNDER CIRCULAR 16 OF 2010 ISSUED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - CATEGORISATION OF OPEN END SCHEME

The Securities and Exchange Commission of Pakistan vide Circular 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. HBL Asset Management Limited (Management Company) classified HBL Income Fund (the Fund) as Income Scheme' in accordance with the said circular. As at June 30, 2017, the Fund is compliant with all the requirements of the said circular except for clause 9 (v) which requires that the rating of any security in the portfolio shall not be lower than the investment grade.

Name of Non-Complaint Investment	Type of Investment	Value of Investment before Provision	Provision held (if any)	Value of Investment after Provision	% of Net Assets	% of Gross Assets
----- (Rupees in '000) -----						
New Allied Electronics Industries (Private) Limited	TFC	19,025	19,025	-	-	-
New Allied Electronics Industries (Private) Limited	Sukuk	44,149	44,149	-	-	-
Agritech Limited	TFC	9,992	9,992	-	-	-
Saudi Pak Leasing Company Limited	TFC	5,550	5,550	-	-	-
Worldcall Telecom Limited	TFC	47,768	47,768	-	-	-

31 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company in their meeting held on **25 August 2017**.

32 CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation. No significant rearrangement or reclassification was made in these financial statements during the current year.

33 GENERAL

Figures have been rounded off to the nearest thousand rupees.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



HBL ENERGY FUND
(Formerly PICIC Energy Fund)

Annual Report 2017

FUND INFORMATION

NAME OF FUND **HBL Energy Fund (Formerly PICIC Energy Fund)**

NAME OF TRUSTEE **Central Depository Company of Pakistan Limited**

NAME OF AUDITORS **Deloitte Yousuf Adil Chartered Accountant**

NAME OF BANKERS
NIB Bank Limited
Habib Bank Limited
Soneri Bank Limited

FUND MANAGER'S REPORT - HBL ENERGY FUND (Formerly PICIC Energy Fund) As at June 30, 2017

Type and Category of Fund

Equity / Open-end

Investment Objective and Accomplishment of Objective

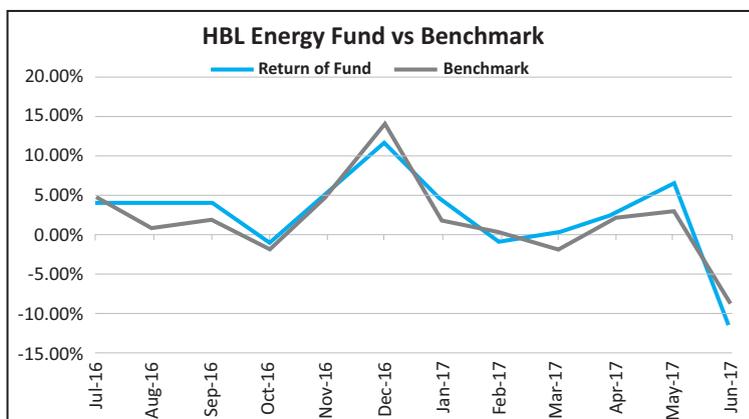
HBL Energy Fund (HBL ENF) is an open end equity fund. The objective of the Fund is to capture significant return from an actively managed portfolio by investing in listed equity securities of energy sector in Pakistan and in this respect the Fund has achieved its objective.

Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is KSE-30 Total Return Index.

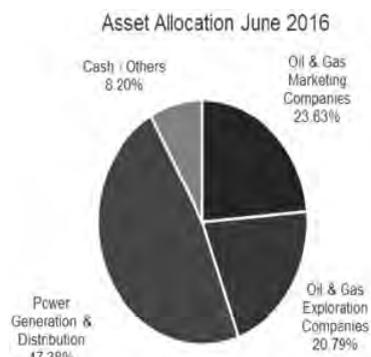
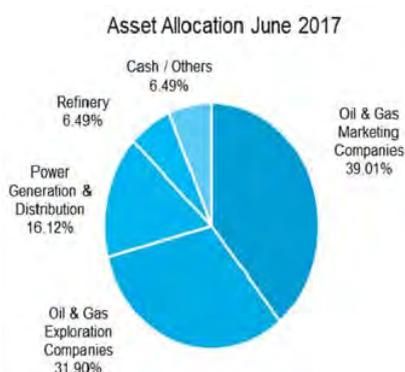
The Fund's NAV increased by 30.12%, outperforming the benchmark by 9.33% during FY17. A comparison of the funds' returns with the benchmark is given below:

Month	Return of Fund	Benchmark
June 2017	-11.76%	-8.73%
May 2017	6.40%	3.04%
April 2017	2.65%	2.04%
March 2017	0.22%	-1.93%
February 2017	-0.88%	0.27%
January 2017	4.21%	1.75%
December 2016	11.60%	13.98%
November 2016	5.09%	4.84%
October 2016	-0.79%	-1.88%
September 2016	4.01%	1.84%
August 2016	3.71%	0.71%
July 2016	3.93%	4.62%



Strategies and Policies employed during the Year

During the year under review, the Fund increased its exposure in equities marginally from 91.81% on June 30, 2016 to 93.51% on June 30, 2017. Further, sectors wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposures in Refineries, Oil and Gas marketing and Oil and Gas exploration sectors were increased while decreasing exposure to Power Generation and Distribution.



Significant Changes in Asset Allocation during the Year

The following table shows a comparison of top sector wise allocation of equity investments in the Fund as on June 30, 2017 and June 30, 2016:

SECTOR ALLOCATION (% of Total Assets)		
	June-17	June-16
Oil & Gas Marketing Companies	39.01%	23.63%
Oil & Gas Exploration Companies	31.90%	20.79%
Power Generation & Distribution	16.12%	47.38%
Refinery	6.49%	0.00%

Fund Performance

The total income and net income of the Fund was Rs.214.33 million and Rs. 190.55 million respectively during the year ended June 30, 2017. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs 12.0122 per unit as on June 30, 2016. The NAV of the Fund was Rs 15.0359 per unit as on June 30, 2017 (after incorporating interim dividends of Rs. 0.60 per unit), thereby giving an annualized return of 30.12%. During the same year the benchmark KSE 30 index return was 20.79%.The size of Fund was Rs 0.79 billion as on June 30, 2017.

Market Review

In FY17, KSE-100 index posted a gain of 23% and closed at 46,565pts as compared to FY16 return of 10%. This performance was driven by strong inflow of domestic liquidity, optimism surrounding Pakistan's upgrade to "Emerging Market" status by MSCI and higher GDP growth of 5.28%. Mutual funds emerged as the largest net buyers USD 576 million which absorbed the most of selling of foreign investors, who offloaded USD 652 million (net). Banks and Oil & Gas Exploration sectors were the prime outperformers during the period under review. 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. In USD term KSE 100 index returned 22.5% which outperformed both MSCI Emerging Index (20.4%) and MSCI Frontier Index (15.1%). During the FY17, KSE-100 index touched the all-time high 52,877pts level in May'17 in anticipation of higher foreign inflows on inclusion of PSX into MSCI emerging market index, and nation friendly FY18 budget. However lower than expected foreign inflows, and unfriendly budget for stock market wherein tax on dividend has enhanced from 10% to 12.5% and capital gain tax surged from 12.5% to 15% dragged the KSE 100 index return. Furthermore SC hearings regarding Panama-JIT in Jun'17 expedite the bearish sentiment in local bourse and massive volatility was witnessed due to uncertainty on the political front.

On the macroeconomic front Pakistan has witnessed a smooth upward trend in GDP growth rate to reach 5.28% in FY17 (source: MoF) - the highest in 10 years. The outgoing fiscal year has witnessed an impressive growth in the LSM and agriculture output as well as in the services sector. However, there remain challenges on the external front owing to declining exports and widening of the current account deficit. During FY17, the current account deficit has reached ~ USD 12bn (4.2% of GDP) mainly due to flattish exports and surging imports. Workers' remittances figure is also not encouraging, declining by 3% during FY17 due to ongoing financial crises in the GCC region.

Distribution

The Fund has distributed cash dividend at Re. 0.60 per unit during the year ended June 30, 2017.

Significant Changes in the State of Affairs

During the year the Management Company of the Fund i.e. PICIC Asset Management Company Limited merged with and into HBL Asset Management Limited effective from August 31, 2016. Subsequent to the merger of the Management Company the name of the PICIC Energy Fund changed as HBL Energy Fund.

Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 - 100	67	995
101 - 500	34	9,168
501 - 1,000	3,241	2,562,155
100,1 - 10,000	1,243	3,946,764
10,001 - 100,000	254	7,854,104
100,001 - 500,000	45	10,313,802
500,001 - 1,000,000	5	3,819,195
1,000,001 - 5,000,000	5	7,882,173
5,000,001 and above	2	16,471,225
Total	4,896	52,859,581

Unit Splits

There were no unit splits during the year.

Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

Soft Commission

The Management Company from time to time receives research reports and presentations from brokerage houses.

PERFORMANCE TABLE - HBL ENERGY FUND

As at June 30, 2017

	2017	2016	2015	2014	2013	2012
Net assets at the period end(Rs'000)	794,794	954,214	1,059,614	1,498,769	1,409,682	992,787
NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES						
Redemption	15.0359	12.0122	12.3654	11.4299	12.0356	9.9300
Offer	15.3757	12.3726	12.7364	11.7728	12.3967	10.2257
OFFER / REDEMPTION DURING THE PERIOD - RUPEES						
Highest offer price per unit	18.4426	12.9758	13.0506	16.0101	14.4404	-
Lowest offer price per unit	12.4268	10.7407	10.8197	11.6867	12.3967	-
Highest redemption price per unit	18.0350	12.5979	12.6705	15.5438	14.0198	10.8300
Lowest redemption price per unit	12.0649	10.4279	10.5046	11.3463	12.0356	8.5300
RETURN (%)						
Total return	30.12%	-2.86%	8.18%	23.92%	52.28%	9.33%
Income distribution	0.60%	0.00%	0.00%	3.45%	2.05%	0.75%
Capital growth	29.52%	-2.86%	8.18%	20.47%	50.23%	8.58%
DISTRIBUTION						
Final dividend distribution (Rs)	0.60	-	-	3.45	2.05	0.75
Date of Income Distribution	20-Jun-17					
Total dividend distribution for the year/ period (Rs)	0.60	-	-	3.45	2.05	0.75
AVERAGE RETURNS (%)						
Average annual return 1 year	30.12%	-2.86%	8.18%	23.92%	52.28%	9.33%
Average annual return 2 year	12.43%	2.52%	15.78%	38.10%	29.03%	19.71%
Average annual return 3 year	11.00%	9.20%	26.84%	28.51%	29.71%	17.61%
PORTFOLIO COMPOSITION - (%)						
Percentage of Total Assets as at 30 June:						
Bank Balances	6%	8%	5%	8%	7%	1%
Stock / Equities	94%	92%	93%	81%	93%	84%
Others Including receivables	-	-	2%	11%	-	15%

Note:

- The Launch date of the Fund is January 2006
- PICIC energy fund converted from closed end scheme to open end scheme effective from June 25, 2013

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

PROXY VOTING DISCLOSURE

As at June 30, 2017

Summary of actual proxy voted by the Management Company in relation to investee company of the collective investment scheme.

HBL Energy Fund	Meetings	Resolutions	For	Against	Abstain
Number	3	5	5	-	-
(%ages)		100%	100%	-	-

(h) Management Company did not participate in shareholders' meetings.

Investee Company	Meeting Dt	Meeting Type
Attock Petroleum Ltd	22-09-2016	AGM
Pakistan Oilfields Ltd.	29-09-2016	AGM
Hub Power Company Limited	18-10-2016	AGM
Kot Addu Power	20-10-2016	AGM
Pakistan State Oil Co. Ltd.	21-10-2016	AGM
Oil & Gas Dev.Co	26-10-2016	AGM
Hub Power Co Ltd	15-02-2017	EOGM
Pakistan Petroleum Ltd	28-02-2017	AGM
Hascol Petroleum Ltd	28-04-2017	AGM

The proxy voting policy of the Fund is available on the website of the Management Company and detailed information regarding actual proxies voted by Management Company in respect of the Fund is also available without charge, upon request, to all unit holders.

Head Office:

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

**TRUSTEE REPORT TO THE UNIT HOLDERS****HBL ENERGY FUND
(Formerly PICIC ENERGY FUND)****Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Energy Fund (Formerly PICIC Energy Fund) (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2017 in accordance with the provisions of the following:

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

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

Karachi, September 26, 2017

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2017.

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19.23 of Pakistan Stock Exchange (the Stock Exchange) Regulations for the purpose of establishing a framework of good governance, whereby a listed entity is managed in compliance with the best practices of corporate governance.

HBL Asset Management Limited, an un-listed Public Limited Company, which manages the affairs of the **HBL Energy Fund (Formerly: PICIC Energy Fund)** (Fund), has applied the principles contained in the CCG in the following manner:

1. The Management Company encourages representation of independent non-executive directors on its Board of Directors. The Management Company, being an un-listed company, does not have any minority interest. At present the Board includes:

Category	Names
Independent Directors	Mr. Nadeem Abdullah Ms. Ava Ardeshir Cowasjee
Executive Directors	Mr. Farid Ahmed Khan (Chief Executive Officer)
Non- Executive Directors	Mr. Towfiq H. Chinoy (Chairman) Mr. Rayomond H. Kotwal Mr. Rizwan Haider Mr. Salahuddin Manzoor

The independent directors meet the criteria of independence under clause 5.19.1(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurring on the board on April 27,2017 and June 22,2017 were filled up by the directors within 42 and 16 days respectively.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before all the meetings .The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the Directors of their duties and responsibilities and for their orientation purpose they were informed about the recent developments / changes in applicable laws and regulations affecting the mutual fund industry. The directors are conversant of the relevant laws applicable to the Management Company, its policies, provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. The board has approved appointment of Head of Internal Audit and existing Chief Financial Officer and Company Secretary continue to serve as per their terms of employment duly approved by the Board.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by the Chief Executive Officer and the Chief Financial Officer before approval of the Board.
13. The Directors, the Chief Executive Officer and executives do not hold any interest in the units of the Fund other than that disclosed in the annual report.

14. The Management Company has complied with all the corporate and financial reporting requirements of the CCG with respect to the Fund.
15. The board has formed an Audit Committee. It comprises three Members, of whom three are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director. However due to resignation of Ms.Sima Kamil from the board effective from March 16, 2017 the committee members reduced to two. The board has reconstituted the committee effective from August 25,2017 and it comprise of three members.
18. The Board has outsourced the internal audit function of the Fund to EYFord Rhodes, Chartered Accountants, Karachi, for the year ended June 30, 2017, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company with regards to the Fund.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market/published price of Fund's unit, was determined and intimated to directors, employees and the stock exchange.
22. Material / price sensitive information has been disseminated amongst all market participants at once through the stock exchange.
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles contained in the CCG have been complied with.

For and on behalf of the board

Chief Executive Officer

Director

Karachi
August 25, 2017

Review report to the unit holders' on the Statement of Compliance with the best practices of the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of HBL Asset Management Limited, the Management Company of **HBL Energy Fund (Formerly PICIC Energy Fund)** (the Fund) for the year ended June 30, 2017 to comply with Regulation No. 5.19 of the Rule Book of the Pakistan Stock Exchange Limited, where the Fund is listed.

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

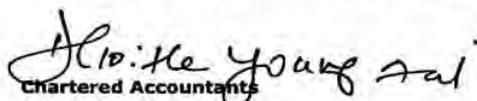
As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risk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

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

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

We draw attention to the following;

- Paragraph 17 of the Statement wherein it has been stated that the composition of the Human Resource and Remuneration (HR&R) Committee was remediated subsequent to year end.


Chartered Accountants

Dated: September 22, 2017
Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited

Independent auditors' report to the unit holders

Report on the financial statements

We have audited the accompanying financial statements of **HBL Energy Fund (Formerly PICIC Energy Fund)** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2017, and the related income statement and other comprehensive income, distribution statement, statement of movements in unit holders' funds and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Company's responsibility for the financial statements

HBL Asset Management Limited (the Management Company) is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan, and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

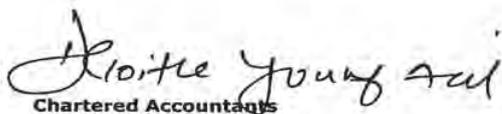
In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2017, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Report on other legal and regulatory requirements

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

Other matter

The financial statements of the Fund for the year ended June 30, 2016 were audited by another firm of Chartered Accountants who vide their report dated August 26, 2016 expressed an unmodified opinion thereon.



Chartered Accountants

Engagement Partner
Naresh Kumar

Date: September 22, 2017
Place: Karachi

HBL Energy Fund (Formerly PICIC Energy Fund)
Statement of Assets and Liabilities
As at June 30, 2017

	2017	2016
	----- Rupees in '000' -----	
Assets		
Bank balances	5 46,292	79,129
Investments	6 781,709	924,971
Dividend and profit receivable	7 2,588	551
Deposits and other receivables	8 2,814	2,848
Total assets	833,403	1,007,499
Liabilities		
Payable to the Management Company	9 2,849	1,861
Payable to the Trustee	10 338	179
Payable to Securities and Exchange Commission of Pakistan	11 803	916
Payable against redemption of units	946	3
Accrued expenses and other liabilities	12 24,961	44,895
Unclaimed dividend (including dividend payable)	8,712	5,431
Total liabilities	38,609	53,285
Net assets	794,794	954,214
Unit holders' fund (as per statement attached)	794,794	954,214
Contingencies and commitments		
	13	----- Number of units -----
Number of units in issue	14 52,859,581	79,436,797
		----- Rupees -----
Net assets value per unit	4.10 15.0359	12.0122

The annexed notes 1 to 31 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Energy Fund (Formerly PICIC Energy Fund)
Income Statement and Other Comprehensive Income
For the year ended June 30, 2017

	2017	2016
	----- Rupees in '000' -----	
Income		
Capital gain / (loss) on sale of investments - net	74,301	(5,741)
Dividend income	46,410	78,085
Profit on bank deposits	3,302	4,017
Unrealised appreciation / (diminution) on re-measurement of investments classified 'at fair value through profit or loss - held-for-trading' - net	90,317	(75,960)
Total income	214,330	401
Expenses		
Remuneration of the Management Company	9.1 16,896	19,276
Sindh Sales Tax on remuneration of the Management Company	9.2 2,196	2,699
Provision for Federal Excise Duty and additional sales tax on remuneration of the Management Company	12.1 -	3,516
Remuneration of the Trustee	10.1 1,909	2,184
Annual fee to Securities and Exchange Commission of Pakistan	11.1 803	916
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3 812	476
Selling and marketing expenses	9.4 1,193	-
Securities transaction costs	1,875	882
Auditors' remuneration	15 491	431
National Clearing Company of Pakistan Limited charges	292	256
Printing charges	109	579
Fee and subscription	183	432
Central Depository System charges	64	22
Bank charges	12	15
Total expenses	26,835	31,684
Net income / (loss) from operating activities	187,495	(31,283)
Element of (loss) / income and capital (losses) / income included in prices of units issued less those in units redeemed - net	(20,048)	3,234
Reversal of Workers' Welfare Fund	12.2 28,085	-
Provision for Sindh Workers' Welfare Fund	12.2 (4,985)	-
	23,100	-
Net income / (loss) for the year before taxation	190,547	(28,049)
Taxation	16 -	-
Net income / (loss) for the year after taxation	190,547	(28,049)
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	190,547	(28,049)
Earnings per unit	17	

The annexed notes 1 to 31 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Energy Fund (Formerly PICIC Energy Fund)
Distribution Statement
For the year ended June 30, 2017

	2017	2016
	----- Rupees in '000' -----	
Undistributed income brought forward		
- Realised income	235,804	93,678
- Unrealised (loss) / income	<u>(75,960)</u>	<u>109,011</u>
	159,844	202,689
Net element of loss and capital losses included in prices of units issued less those in unit redeemed - amount transferred to the Distribution Statement from the Unit Holder's Fund	(53,479)	(14,796)
Net income / (loss) for the year after taxation	190,547	(28,049)
Interim cash distribution of Rs 0.6 per unit declared on June 20, 2017 (2016: Nil)	(30,716)	-
Undistributed income carried forward	<u>266,196</u>	<u>159,844</u>
Undistributed income carried forward		
- Realised income	175,879	235,804
- Unrealised income / (loss)	90,317	(75,960)
	<u>266,196</u>	<u>159,844</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Energy Fund (Formerly PICIC Energy Fund)
Statement of Movement in Unit Holders' Fund
For the year ended June 30, 2017

Note	2017 ----- Rupees in '000' -----	2016
Net assets at the beginning of the year	954,214	1,059,614
Issue of 31,752,589 units (2016:1,140,436) units	475,731	13,372
Redemption of 58,329,805 units (2016: 7,395,809) units	(815,030)	(87,489)
	(339,299)	(74,117)
Element of income / (loss) and capital gain / (loss) included in prices of units issued less those in units redeemed		
- Amount transferred to the Income Statement and Other Comprehensive Income	20,048	(3,234)
- Amount transferred to the Distribution Statement	53,479	14,796
	73,527	11,562
Capital gain / (loss) on sale of investments - net	74,301	(5,741)
Unrealised appreciation / (diminution) on re-measurement of investments classified 'at fair value through profit or loss - held-for-trading' - net	90,317	(75,960)
Other net income for the year	25,929	53,652
Total comprehensive income / (loss) for the year	190,547	(28,049)
Element of loss and capital losses included in prices of units issued less those in unit redeemed - amount transferred to the Distribution Statement	(53,479)	(14,796)
Interim cash distribution of Rs 0.6 per unit declared on June 20, 2017 (2016: Nil)	(30,716)	-
Net assets at the end of the year	794,794	954,214
	----- Rupees -----	
Net asset value per unit at the beginning of the year	12.0122	12.3654
Net asset value per unit at the end of the year	15.0359	12.0122

The annexed notes 1 to 31 form an integral part of these financial statements.

**For HBL Asset Management Limited
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

HBL Energy Fund (Formerly PICIC Energy Fund)

Cash Flow Statement

For the year ended June 30, 2017

	2017	2016
Note	----- Rupees in '000' -----	
Cash flows from operating activities		
Net income / (loss) for the year before taxation	190,547	(28,049)
Adjustments:		
Capital gain / (loss) on sale of investments - net	(74,301)	5,741
Dividend income	(46,410)	(78,085)
Profit on bank deposits	(3,302)	(4,017)
Unrealised (appreciation) / diminution on re-measurement of investments at fair value through profit or loss- held for trading' - net	(90,317)	75,960
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	20,048	(3,234)
Reversal of Workers' Welfare Fund	(28,085)	-
Provision for Sindh Workers' Welfare Fund	4,985	-
	<u>(26,835)</u>	<u>(31,684)</u>
Decrease / (increase) in assets		
Investments - net	307,881	28,861
Receivable against sale of investments	-	16,150
Deposits and prepayments	34	(15)
	<u>307,915</u>	<u>44,996</u>
Increase / (decrease) in liabilities		
Payable to the Management Company	987	(400)
Payable to the Trustee	159	3
Payable to Securities and Exchange Commission of Pakistan	(113)	(195)
Accrued expenses and other liabilities	3,166	3,424
Unclaimed dividend (including dividend payable)	3,282	-
	<u>7,481</u>	<u>2,832</u>
Bank profits received	3,370	4,204
Dividend Income received	44,305	77,925
	<u>47,675</u>	<u>82,129</u>
Net cash generated from operating activities	336,236	98,273
Cash flows from financing activities		
Amount received / receivable against issuance of units	475,731	13,374
Amount paid / payable against redemption of units	(814,088)	(87,489)
Dividend paid	(30,716)	(174)
Net cash used in financing activities	(369,073)	(74,289)
Net (decrease) / increase in cash and cash equivalents during the year	-32,837	23,984
Cash and cash equivalents at the beginning of the year	79,129	55,145
Cash and cash equivalents at the end of the year	46,292	79,129

The annexed notes 1 to 31 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Energy Fund (Formerly PICIC Energy Fund)

Notes To The Financial Statements

For the year ended June 30, 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

HBL Energy Fund (formerly PICIC Energy Fund) ("the Fund") was established under a Trust Deed executed between PICIC Asset Management Company Limited (now, HBL Asset Management Limited) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee.

In accordance with clause 65(1) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a meeting of the certificate holders of the Fund was held on January 31, 2013 whereby the conversion of the Fund into an open-end scheme was duly approved through a resolution passed by the majority of the certificate holders present in the meeting who were entitled to vote. The Securities and Exchange Commission of Pakistan accorded its final approval for conversion of the Fund into an open-end scheme through its letter dated May 3, 2013. The second supplemental Trust Deed and replacement Offering Document were approved by SECP vide its letter no SCD/PRDD/AMCW/PEF/567/2013 dated May 31, 2013 and letter no SCD/PRDD/AMCW/PEF/606/2013 dated June 24, 2013 respectively. The conversion of the Fund from a closed end Fund to an open-end Fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. SCD/PRDD/AMCW/PEF/607/2013 dated June 24, 2013. The Fund converted into an open end scheme on the effective date i.e. June 25, 2013. The certificates of the closed-end Fund were cancelled on the effective date and were exchanged with the units of the open-end scheme in the swap ratio of 1:1. Each certificate holder was allotted units according to their respective holdings as at that date on the basis of a ratio of 1 certificate to 1 unit. Accordingly 100,000,000 units were issued on the date of conversion.

Since the effective date of conversion, the certificates of the closed-end scheme were de-listed from Pakistan Stock Exchange Limited. Units of the open-end scheme are listed on the Pakistan Stock Exchange Limited. The units are offered to the public for subscription on a continuous basis and are transferable and redeemable by surrendering them to the Fund.

During the year, the SECP approved merger of PICIC Asset Management Company Limited with and into HBL Asset Management Limited effective from August 31, 2016 through an order dated August 31, 2016. Effective from September 1, 2016 HBL Asset Management Limited became Management Company of the Fund which is a wholly owned subsidiary of Habib Bank Limited. Accordingly, the trust deed was revised on February 17, 2017. The Aga Khan Fund For Economic Development (AKFED), S.A. is the parent company of Habib Bank Limited.

The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. During the current year, the office of the Management Company shifted to 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.

The Fund has been categorised as an equity scheme as per the criteria laid down by the SECP for categorisation of open-end Collective Investment Schemes (CISs).

The core objective of the Fund is to invest in securities of the energy sector in Pakistan so as to provide investors an access to high quality blue chip stocks in the energy sector. The eligible stocks comprise of investment in shares of companies engaged in the following activities:

- Oil and Gas Exploration
- Oil and Gas Marketing
- Power Generation and Distribution
- Oil Refining

JCR-VIS Credit Rating Company has assigned an asset manager rating of 'AM2 (Positive outlook)' to the Management Company.

Title to the assets of the Fund is held in the name of Central Depository Company Limited as 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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

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 that investments are stated at fair values.

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of its accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

- (i) classification and valuation of financial assets (notes 4.2.1.1 and 4.2.1.4); and
- (ii) impairment of financial assets (note 4.2.1.5)

3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS THAT ARE EFFECTIVE FOR THE YEAR ENDED JUNE 30, 2017

3.1 Standards or interpretations that are effective in current year but not relevant to the Fund

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 periods 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, that are not expected to have material effect on the financial reporting of the Fund and therefore have not been discussed here.

3.2 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 periods 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'.	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs, that are not expected to have material effect on the financial reporting of the Fund.

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Cash and cash equivalents

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

4.2 Financial instruments

4.2.1 Financial assets

4.2.1.1 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) Investments 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 financial assets at fair value through profit or loss - held-for-trading.

a) 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

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss held-for-trading. 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. Currently, the Fund does not hold any financial assets categorised as 'available for sale'.

4.2.1.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

4.2.1.3 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 statement of comprehensive income.

4.2.1.4 Subsequent measurement

a) Financial assets 'at fair value through profit or loss - held-for-trading' and 'available-for-sale'

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

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 stock exchange. A security listed on the stock exchange for which no sale is reported on the reporting date is valued at its last sale price on the next preceding date on which such exchange is open and if no sale is reported for such date the security is valued at an amount neither higher than the closing ask price nor lower than the closing bid price.

Net gains and losses arising on 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.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are recognised as 'other comprehensive income' in the Income Statement until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised as 'other comprehensive income' is transferred to income before taxation as capital gain / (loss).

b) Loans and receivables

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

Gains or losses are also recognised in the income statement and statement of comprehensive income when financial assets carried at amortised cost are derecognised or impaired.

4.2.1.5 Impairment

The Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

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 provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

4.2.1.6 Derecognition

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

4.2.2 Financial liabilities

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

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

4.2.3 Offsetting of financial assets and liabilities

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

4.3 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

4.4 Provisions

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

4.5 Collaterals

Cash collaterals provided by the Fund are identified in the statement of assets and liabilities as margin and are not included as a component of cash and cash equivalents. For collaterals other than cash, if the party to whom the collaterals are provided has a right by contract or custom to sell or re-pledge the collaterals, the Fund classifies those collaterals in the statement of assets and liabilities separately from other assets and identifies the assets as pledged collaterals. Where the party to whom the collaterals are provided does not have the right to sell or re-pledge, a disclosure of the collaterals provided is made in the notes to the financial statements.

4.6 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

'The Fund is also exempt from the Provisions of Section 113 (minimum tax) and section 113C (Alternative Corporate Tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and the amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilized tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

4.7 Proposed distributions

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

4.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net assets value per unit as of the close of the business day less any back-end load (if applicable), any duties, taxes, charges on redemption and any provision for transaction costs, if applicable. Redemption of units is recorded on acceptance of application for redemption.

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

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

The element of income and capital gains included in the prices of units issued less those in units redeemed to the extent that it is represented by distributable income earned during the year is recognised in the income statement and statement of comprehensive income and the element of income and capital gains represented by distributable income carried forward from prior periods is included in the distribution statement

Amendment in the NBFC Regulations subsequent to the year end

Subsequent to the year end on August 03, 2017, the SECP has made certain amendments in the NBFC Regulations, 2008 via SRO 756 (I)/2017. The definition of element of income has been inserted via said amendment which defines element of income as difference between net assets value on the issuance or redemption date, as the case may be, of units and the net asset value at the beginning of the relevant accounting period. The said amendment also excludes element of income from accounting income for the purpose of distribution under regulation 63 of the NBFC Regulations. The said SRO also contains amendments relating to consequential changes in the income statement and statement of movement in unitholders' fund. The Management Company is in the process of assessing the impact of the said changes with the view that these changes will be effective for the period following the date of the said SRO.

4.10 Net assets value per unit

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

4.11 Revenue recognition

- Realised 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.
- Unrealised gains / (losses) arising on re-measurement 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 from equity securities is recognised when the right to receive dividend is established.
- Profit on bank deposits is recognised on a time apportionment basis using effective interest method.
- Element of income / (loss) and capital gain / (losses) included in prices of units issued less those in units redeemed is included in the income statement and other comprehensive income on the date of issue and redemption of units.

4.12 Expenses

All expenses including NAV based expenses (namely management fee, trustee fee, annual fee payable to the SECP, and selling and marketing expense) are recognised in the Income Statement on an accrual basis.

	Note	2017 -----Rupees in '000'-----	2016
5. BANK BALANCES			
In savings accounts	5.1	<u>46,292</u>	<u>79,129</u>
5.1	These accounts carry mark-up at rates ranging between 3.75% and 5.35 % (2016: 3.75% and 6.00%) per annum.		
6. INVESTMENTS			
Financial assets 'at fair value through profit or loss' - held-for-trading			
Listed equity securities	6.1	<u>781,709</u>	<u>924,971</u>

6.1 Investment in listed equity securities - 'Financial Assets at fair value through profit or loss - held-for-trading'

Shares of Listed Companies - Fully paid up ordinary shares of Rupees 10 each unless stated otherwise

Name of the Investee Company	----- Number of shares -----					Market value as at June 30, 2017 (Rupees in '000)	Market value as percentage of		Par value as a percentage of issued capital of the Investee company
	As at July 1, 2016	Purchases during the year	Bonus/Rights Issue	Sales during the year	As at June 30, 2017		Total investments	Net assets	
OIL & GAS EXPLORATION COMPANIES									
Mari Petroleum Company Limited	-	54,000	-	-	54,000	85,085	10.88	10.71	0.05
Oil and Gas Development Company Limited	487,100	110,800	-	135,000	462,900	65,125	8.33	8.19	0.01
Pakistan Oilfields Limited	222,345	42,500	-	104,500	160,345	73,462	9.40	9.24	0.07
Pakistan Petroleum Limited	418,950	188,600	-	317,550	290,000	42,961	5.50	5.41	0.01
	1,128,395	395,900	-	557,050	967,245	266,633	34.11	33.55	
OIL & GAS MARKETING COMPANIES									
Attock Petroleum Limited	244,588	-	-	165,988	78,600	49,237	6.30	6.19	0.09
Hascol Petroleum Limited	-	159,000	-	35,000	124,000	42,296	5.41	5.32	0.05
Hi-tech Lubricant Limited	-	150,000	-	150,000	-	-	-	-	-
Pakistan State Oil Company Limited	90,000	120,000	-	44,100	165,900	64,261	8.22	8.09	0.06
Shell Pakistan Limited	335,250	12,500	-	232,750	115,000	66,168	8.46	8.33	0.11
Sui Northern Gas Pipelines Limited	-	752,000	-	117,500	634,500	94,490	12.09	11.89	0.10
Sui Southern Gas Company Limited	-	820,000	-	555,000	265,000	9,649	1.23	1.21	0.03
	669,838	2,013,500	-	1,300,338	1,383,000	326,101	41.72	41.03	
POWER GENERATION & DISTRIBUTION									
Engro Powergen Qadirpur Limited	177	-	-	177	-	-	-	-	-
Hub Power Company Limited	-	608,500	-	-	608,500	71,456	9.14	8.99	0.05
K-Electric Limited	5,150,000	1,200,000	-	4,150,000	2,200,000	15,180	1.94	1.91	0.02
Kot Addu Power Company Limited	1,900,000	-	-	1,232,000	668,000	48,109	6.15	6.05	0.08
Lalpir Power Limited	5,000,000	-	-	5,000,000	-	-	-	-	-
Nishat Chunian Power Limited	1,744,000	-	-	1,744,000	-	-	-	-	-
Nishat Power Limited	1,309,500	-	-	1,309,500	-	-	-	-	-
	15,103,677	1,808,500	-	13,435,677	3,476,500	134,745	17.24	16.95	
REFINERY									
Attock Refinery Limited	-	158,100	-	58,100	100,000	38,258	4.89	4.81	0.12
National Refinery Limited	-	36,500	-	14,500	22,000	15,972	2.04	0.02	0.03
	-	194,600	-	72,600	122,000	54,230	6.94	4.83	
Total - As at June 30, 2017	16,901,910	4,412,500	-	15,365,665	5,948,745	781,709			
Carrying value as at June 30, 2017						691,392			

Shares with market value aggregating to Rs 64.148 million (2016: Rs 89.250 million) of the following companies have been pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against trading facility in the Stock Exchange:

- 500,000 shares of Kot Addu Power Company (2016: 1,000,000)
- 200,000 shares of Oil and Gas Development Company (2016: Nil)

	Note	2017 Rupees in '000'	2016
7. DIVIDEND AND PROFIT RECEIVABLE			
Dividend receivable		2,361	256
Profit receivable on bank deposits		227	295
		<u>2,588</u>	<u>551</u>
8. DEPOSITS AND OTHER RECEIVABLES			
Security deposits		2,800	2,800
Other receivables		14	48
		<u>2,814</u>	<u>2,848</u>
9. PAYABLE TO THE MANAGEMENT COMPANY			
Management fee	9.1	1,394	1,537
Sindh Sales Tax on Management Company's remuneration	9.2	181	245
Sales load payable		11	1
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	70	78
Selling and marketing expenses	9.4	1,193	-
		<u>2,849</u>	<u>1,861</u>

9.1 Under the provision of the offering document of the Fund, the Management Company is entitled to a Remuneration at the rate of 2% of the average annual net assets on daily basis of the Fund. The remuneration is paid to management company monthly in arrears.

9.2 The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 percent (June 30, 2016: 14 percent) on the remuneration of management company through Sindh Sales Tax on Services Act, 2011.

9.3 "As per Regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1 percent of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the year.

9.4 During the year SECP vide its circular No.SCD/PRDD/Circular/361/2016 dated December 30, 2016 prescribed certain conditions on Asset Management Companies (AMCs) for charging of selling and marketing expenses to collective investment schemes managed by them. According to said circular, the selling and marketing expenses have been allowed initially for a period of three years (from January 01, 2017 till December 31, 2019) being chargeable to open end equity, asset allocation and index funds. Maximum cap on the expenses has been set at 0.4% per annum of net assets of fund or actual expenses, whichever being lower. The Fund has started accruing expense on this account at 0.4% per annum of net assets of the Fund effective from March 21, 2017.

	Note	2017 Rupees in '000'	2016
10. PAYABLE TO THE TRUSTEE			
Trustee fee	10.1	337	178
CDS charges payable		1	1
		<u>338</u>	<u>179</u>

10.1 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 therein, based on the daily net assets of the Fund. The fee is paid to the Trustee monthly in arrears.

Based on the Trust Deed, the tariff structure applicable to the Fund with effect from June 25, 2013 is as follows:

Amount of Funds Under Management [Average Net Assets Value (NAV)]	Tariff per annum
Upto Rupees 250 million	Rs 0.7 million or 0.20% per annum of net assets value whichever is higher
Rs 1,000 million and above	Rs 2.0 million plus 0.10% per annum of net assets value exceeding Rs 1,000 million

	Note	2017 ----- Rupees in '000'	2016 -----
11. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	11.1	<u>803</u>	<u>916</u>

11.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as an equity scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.095 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.

	Note	2017 ----- Rupees in '000'	2016 -----
12. ACCRUED EXPENSES AND OTHER LIABILITIES			
Federal excise duty and additional sales tax on remuneration of the Management Company	12.1	13,920	13,920
Provision for Workers' Welfare Fund	12.2	-	28,085
Provision for Sindh Workers' Welfare Fund	12.2	4,985	-
Withholding Tax Payable		3,352	29
Auditors' remuneration		315	275
Brokerage		143	53
Zakat payable		194	155
Printing expenses		80	400
Others		1,972	1,978
		<u>24,961</u>	<u>44,895</u>

12.1 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law, 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 Management Company, as a matter of abundant caution, has made a provision on FED on remuneration of Management Company, aggregating to Rs. 13.92 million. Had the provision not been made, the Net Asset Value per unit as at June 30, 2017 would have been higher by Rs. 0.26 (June 30, 2016: Rs. 0.18) per unit.

12.2 Provision for Workers' Welfare Fund and Sindh Worker's 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 recognized 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 recognized 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 Management Company 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 recognized 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. 28.085 million. Further, the Fund has recognised provision for SWWF amounting to Rs. 23.100 million in these financial statements. Had the provision not being made, the net asset value per unit as at June 30, 2017 would have higher by Rs 0.094 per unit.

13. CONTINGENCIES AND COMMITMENTS

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

	2017	2016
	-----Number of units-----	
14. NUMBER OF UNITS IN ISSUE		
Total units in issue at the beginning of the year	79,436,797	85,692,170
Units issued	31,752,589	1,140,436
Units redeemed	(58,329,805)	(7,395,809)
Total units in issue at the end of the year	<u>52,859,581</u>	<u>79,436,797</u>

15. AUDITORS' REMUNERATION

Annual statutory audit fee	240	240
Fee for half yearly review	115	115
Review of compliance with the requirements of the Code of Corporate Governance	45	45
Other certifications and out of pocket	91	31
	<u>491</u>	<u>431</u>

16. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. During the year, Management Company has distributed cash dividend of at least 90% of the aforementioned accounting income to the unit holders. Accordingly, no provision for taxation has been recognised in these financial statements.

17. EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed as in the opinion of management determination of cumulative weighted average number of outstanding units is not practicable.

18. FINANCIAL INSTRUMENTS BY CATEGORY

	----- As at June 30, 2017 -----			
	Loans and receivables	At fair value through profit or loss	Available for sale	Total
	-----Rupees in '000'-----			
Assets				
Bank balances	46,292	-	-	46,292
Investments	-	781,709	-	781,709
Dividend and profit receivable	2,588	-	-	2,588
	<u>48,880</u>	<u>781,709</u>	<u>-</u>	<u>830,589</u>

Liabilities

Payable to the Management Company
Payable to Trustee
Accrued expenses and other liabilities
Unclaimed dividend
Unit holders' fund

As at June 30, 2017		
At fair value through profit or loss	Other financial liabilities	Total
Rupees in '000'		
-	2,849	2,849
-	299	299
-	2,704	2,704
-	8,712	8,712
-	794,794	794,794
-	809,357	809,357

Assets

Bank balances
Investments
Dividend and profit receivable

As at June 30, 2016			
Loans and receivables	At fair value through profit or loss	Available for sale	Total
Rupees in '000'			
79,129	-	-	79,129
-	924,971	-	924,971
551	-	-	551
79,680	924,971	-	1,004,651

Liabilities

Payable to the Management Company
Payable to Trustee
Accrued expenses and other liabilities
Unclaimed dividend
Unit holders' fund

As at June 30, 2016		
At fair value through profit or loss	Other financial liabilities	Total
Rupees in '000'		
-	1,861	1,861
-	158	158
-	2,861	2,861
-	5,431	5,431
-	954,214	954,214
-	964,525	964,525

19. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited, being the Trustee of the Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

As mentioned in note 1, PICIC Asset Management Company Limited merged with and into HBL Asset Management Limited, therefore transaction reported with management company includes transactions with PICIC Asset Management Company Limited till August 31, 2017.

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 Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

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

	2017	2016
	----- Rupees in '000' -----	
19.1 Transactions during the year		
HBL Asset Management Limited - Management Company		
Remuneration of the Management Company	16,896	19,276
Sindh Sales Tax on remuneration of the Management Company	2,196	2,699
Allocation of expenses related to registrar services, accounting, operation and valuation services	812	219
Selling and marketing costs	1,193	-
Issue of Nil units (2016: Nil Units)	-	-
NIB Bank Limited - Connected person due to holding more than 10% units		
Profit on bank deposit	3,302	4,017
Bank charges	11	15
Issue of 20,960,662 units (2016 :Nil units)	303,733	-
Redemption of 46,318,043 units (2016 :Nil units)	624,121	-
Dividend	3,733	-
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee	1,909	2,184
Central Depository System charges	64	22
Habib Bank Limited - Sponsor		
Bank charges	1	-
Directors and Executives of the Management Company		
Issue of 181,184 units (2016: Nil units)	2,593	-
Dividend	106	-
19.2 Amount outstanding as at year end		
Management Company		
Management fee payable	1,394	1,537
Sindh Sales Tax on Management Company's remuneration	181	246
Sales load payable	11	1
Allocation of expenses related to registrar services, accounting, operation and valuation services	70	78
Selling and marketing expenses	1,193	-
Outstanding 10,002,825 units (2016: 9,668,299) units	150,401	116,138

	2017	2016
	----- Rupees in '000' -----	
NIB Bank Limited - Connected person due to holding more than 10% units		
Bank balances	<u>46,253</u>	<u>79,129</u>
Profit receivable on bank deposits	<u>225</u>	<u>295</u>
Outstanding 6,468,401 units (2015: 31,825,782) units	<u>97,258</u>	<u>382,298</u>
Habib Bank Limited		
Bank Balance	<u>20</u>	<u>-</u>
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee payable	<u>337</u>	<u>178</u>
Security deposit	<u>300</u>	<u>300</u>
CDS charges payable	<u>1</u>	<u>1</u>
Directors and Executives of the Management Company		
Outstanding 183,362 units (2016: 1,248) units	<u>2,757</u>	<u>15</u>

20. FINANCIAL RISK MANAGEMENT

The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

The Fund's risk management policies are established to identify and analyze the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

20.1 Market risk

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

The Management Company manages market risk by monitoring exposure in marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of the Fund and the regulations laid down by the Securities and Exchange Commission of Pakistan.

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

20.1.1 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.

20.1.2 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) Cash flow interest rate risk

The Fund's interest rate risk arises from the balances in savings accounts. The net income for the period would have increased / (decreased) by Rs. 0.46 million (June 30, 2016 : Rs 0.79 million), had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

b) Fair value interest rate risk

Since the Fund currently does not have any fixed rate instruments that are impacted by market interest rates, therefore, it is not exposed to fair value interest rate risk.

20.1.3 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 instrument or its issuer or factors affecting all similar financial instruments traded in the market.

The Fund is exposed to equity price risk because of investments held by the Fund in listed equity securities classified on the Statement of Assets and Liabilities as 'financial assets at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within eligible stocks. The Fund's constitutive document / NBFC Regulations, 2008 also limit individual equity securities to no more than 10% of net assets of the Fund, or issued capital of the investee company.

In case of 5% increase / decrease in price of all shares held by Fund at the year end, net income for the year would increase / decrease by Rs 39.085 million (2016: Rs 46.248 million) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

20.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk mainly arises from deposits with banks and financial institutions and credit exposure arising as a result of dividend receivable on equity securities.

Management of credit risk

For banks and financial institutions, the Fund keeps deposits with reputed institutions. Credit risk on account of dividend receivable is minimal due to the statutory protections. All transactions in listed securities are settled / paid for upon delivery using the system of National Clearing Company of Pakistan Limited. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

The analysis below summarises the credit quality of the balances in deposit accounts with Banks with which the Fund has kept such balances as at June 30, 2017:

Name of the bank	Balance as at June 30, 2017	Latest available published rating as at June 30, 2017	Rating agency
Rupees in '000'			
NIB Bank Limited	46,253	AA-	PACRA
Soneri Bank Limited	19	AA-	PACRA
Habib Bank Limited	20	AAA	JCR-VIS
	<u>46,292</u>		

Name of the bank	Balance as at June 30, 2016	Latest available published rating as at June 30, 2017	Rating agency
Rupees in '000'			
NIB Bank Limited	<u>79,129</u>	AA-	PACRA
	<u>79,129</u>		

The maximum exposure to credit risk before considering any collateral as at June 30, 2017 and June 30, 2016 is the carrying amount of the financial assets. Investments in equity securities, however, are not exposed to credit risk. None of these assets are 'impaired' nor 'past due but not impaired'.

Concentration of credit risk

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

The Fund's major bank balance is held with one Bank. Management believes that such bank is a reputed institution.

20.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the total net asset value of the Fund at the time of borrowing and shall be repayable within 90 days. The facility would bear interest at commercial rates and would be secured against the assets of the Fund. The Fund has entered into an agreement for securing committed credit line for redemption purposes (refer note 28).

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. However, no such instances were witnessed by the Fund during the current 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.

-----As at June 30, 2017-----				
Total	Upto three months	More than three months and upto one year	More than one year	
-----Rupees in '000-----				
Liabilities (excluding Unit Holders' Fund)				
Payable to the Management Company	2,849	2,849	-	-
Payable to Trustee	299	299	-	-
Accrued expenses and other liabilities	2,704	2,704	-	-
Unclaimed dividend	8,712	8,712	-	-
	<u>14,564</u>	<u>14,564</u>	<u>-</u>	<u>-</u>
Unit Holders' Fund	<u>794,794</u>	<u>794,794</u>	<u>-</u>	<u>-</u>

-----As at June 30, 2016-----				
Total	Upto three months	More than three months and upto one year	More than one year	
-----Rupees in '000-----				
Liabilities (excluding Unit Holders' Fund)				
Payable to the Management Company	1,861	1,861	-	-
Payable to Trustee	158	158	-	-
Accrued expenses and other liabilities	2,861	2,861	-	-
Unclaimed dividend	5,431	5,431	-	-
	<u>10,311</u>	<u>10,311</u>	<u>-</u>	<u>-</u>
Unit Holders' Fund	<u>954,214</u>	<u>954,214</u>	<u>-</u>	<u>-</u>

21. 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) (level 3).

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			Total	Level 1	Level 2	Level 3	Total
Fair value through profit or loss- for-trading.	held-Loans and receivables	Other financial assets / liabilities							
On-balance sheet financial instruments									
Financial assets measured at fair value									
Investments in listed securities									
- Listed Securities	6	781,709	-	-	781,709	781,709	-	-	781,709
Financial assets not measured at fair value									
Bank balances	21.1	-	46,292	-	46,292	-	-	-	-
Dividend and other receivable		-	2,588	-	2,588	-	-	-	-
Financial liabilities not measured at fair value									
Payable to the Management Company		-	-	2,849	2,849	-	-	-	-
Payable to the Trustee		-	-	338	338	-	-	-	-
Payable against redemption of units		-	-	946	946	-	-	-	-
Unit Holders' Fund		-	-	794,794	794,794	-	-	-	-
				799,728	799,728	-	-	-	-

June 30, 2016

	Carrying amount			Total	Level 1	Level 2	Level 3	Total
	Fair value through profit or loss- held-for-trading.	Loans and receivables	Other financial assets / liabilities					
Note	----- Rupees in '000' -----							
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments in listed securities								
Listed Securities	6	924,971	-	924,971	924,971	-	-	924,971
		924,971	-	924,971	924,971	-	-	924,971
Financial assets not measured at fair value								
Bank balances	21.1	-	79,129	79,129	-	-	-	-
Dividend and other receivable		-	551	551	-	-	-	-
		-	79,680	79,680	-	-	-	-
Financial liabilities not measured at fair value								
Payable to the Management Company		-	-	1,861	1,861	-	-	-
Payable to the Trustee		-	-	179	179	-	-	-
Payable against redemption of units		-	-	3	3	-	-	-
Unit Holders' Fund		-	-	954,214	954,214	-	-	-
		-	-	957,174	957,174	-	-	-

21.1 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.

21.2 Valuation techniques

For level 1 investments at fair value through profit or loss - held for trading investment in respect of quoted shares, Fund uses rates in respect of quoted shares. Fund uses daily quotation shares which are taken from Pakistan Stock Exchange Limited at reporting date.

21.3 Transfers during the year

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

22. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown in the Statement of Movement in Unit Holders' Fund. The Fund has no restrictions on the subscription and redemption of units except for maintaining minimum fund size of Rs.100 million at all times. The Fund has maintained and complied with the requirements of minimum fund size during the year.

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

In accordance with the risk management policies stated in note 21, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, which would be augmented by short-term borrowings or disposal of investments where necessary.

23. LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Top ten brokers during the year ended June 30, 2017

- 1 Taurus Securities Ltd.
- 2 Next Capital Limited
- 3 Global Securities Pakistan Ltd.
- 4 WE Financial Services Ltd
- 5 IGI Finex Securities Limited
- 6 DJM Securities (Pvt) Ltd
- 7 Moonaco Securities (Private) Ltd.
- 8 BMA Capital Management Limited
- 9 Elixir Securities Pakistan (Pvt) Ltd
- 10 Shajar Capital Pakistan (Pvt) Ltd

Top ten brokers during the year ended June 30, 2016

- 1 JS Global Capital Limited
- 2 KASB Securities Limited
- 3 BMA Capital Management Limited
- 4 Bhayani Securities (Private) Limited
- 5 Taurus Securities Limited.
- 6 Global Securities Pakistan Limited
- 7 M.M. Securities (Private) Limited
- 8 Next Capital Limited
- 9 Moonaco Securities (Private) Limited
- 10 AL Habib Capital Markets (Private) Limited

24. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the investment committee of the Fund as on June 30, 2017 are as follows:

S.No.	Name	Designation	Qualification	Experience in years
1	Farid Ahmed Khan	Chief Executive Officer	CFA, MBA	23
2	Muhammad Imran	Chief Investment Officer	MBA (Finance)	17
3	Colin Miranda	Acting Head of Research	CFA, FRM	8
4	Jawad Naeem	Fund Manager - Equity	MBA (Finance)	9.5
5	Adeel Abdul Wahab	Fund Manager - Equity	ACCA	8
6	Noman Ameer	Manager Risk	B.S Acturial Sciences	11

25. PATTERN OF UNIT HOLDING

Pattern of unit holding as at June 30, 2017 is as follows:

Category	Number of unit holders	Number of units held	Investment amount	Percentage
			Rupees in '000'	
Individuals	4,846	28,318,186	425,789	53.57%
Associated Companies and Directors	1	10,183,933	153,125	19.27%
Insurance Companies	2	162,074	2,438	0.31%
Banks and DFIs	1	6,567,897	98,755	12.43%
Retirement Funds	13	3,383,058	50,868	6.40%
Other Corporate	25	3,183,532	47,867	6.02%
NBFCs	1	1,581	24	0.00%
Trust	7	1,059,320	15,928	2.00%
	4,896	52,859,581	794,794	100.00%

Pattern of unit holding as at June 30, 2016 is as follows:

Category	Number of unit holders	Number of units held	Investment amount	Percentage
			Rupees in '000'	
Individuals	5,048	28,891,137	347,047	36.37%
Associated Companies and Directors	1	9,668,299	116,139	12.17%
Insurance Companies	2	156,653	1,882	0.20%
Banks and DFIs	4	31,972,823	384,065	40.25%
Retirement Funds	13	4,646,023	55,809	5.85%
Other Corporate	25	3,077,064	36,962	3.87%
NBFCs	1	1,528	18	0.00%
Trust	7	1,023,270	12,292	1.29%
	5,101	79,436,797	954,214	100.00%

26. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

Five meetings of the Board of Directors were held on August 26, 2016, October 31, 2016, December 16, 2016, February 24, 2017 and April 27, 2017 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Towfiq H. Chinoy	5	5	-	-
2	Ms. Ava Ardeshir Cowasjee	5	5	-	-
3	Mr. Nadeem Abdullah	5	4	1	April 27, 2017
4	Mr. Farid Ahmed Khan ¹	4	4	-	-
5	Mr. Rehan N. Shaikh ²	1	1	-	-
6	Ms. Sima Kamil ³	4	4	-	-
7	Mr. Rizwan Haider	5	4	1	April 27, 2017
8	Mr. Salahuddin Manzoor	5	5	-	-
9	Mr. Aamir Irshad ⁴	0	0	-	-
10	Mr. Rayomond Kotwal ⁵	0	0	-	-

1 Appointed on September 1, 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 06, 2017.

5 Appointed on June 22, 2017.

27. TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2017 is 3.57% (YTD) which includes 0.82 % representing government levy and SECP fee.

28. COMMITTED CREDIT LINES

The Securities and Exchange Commission of Pakistan vide Direction No. 2 of 2017 dated January 13, 2017 as amended by Direction No. 7 of 2017 dated March 3, 2017, has directed all Asset Management Companies to arrange committed credit lines from banks / DFIs for the equity funds and fund of funds equivalent to 10% of its net assets for redemption purposes. Accordingly, the Fund has obtained committed credit lines of PKR 150 million which represents 19% of net asset of the Fund as at April 04, 2017 at a rate of 3 months KIBOR plus 0.45%. The Fund is required to review the committed line at least on quarterly basis against the net assets of the Fund.

29. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on **25 August 2017** by the Board of Directors of the Management Company.

30. CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation. No significant rearrangement or reclassification was made in these financial statements during the current year.

31. GENERAL

Figures have been rounded off to the nearest thousand Rupees.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



HBL EQUITY FUND
(Formerly PICIC Stock Fund)

Annual Report 2017

FUND INFORMATION

NAME OF FUND	HBL Equity Fund (Formerly PICIC Stock Fund)
NAME OF TRUSTEE	Central Depository Company of Pakistan Limited
NAME OF AUDITORS	Deloitte Yousuf Adil, Chartered Accountants.
NAME OF BANKERS	NIB Bank Limited Soneri Bank Limited

FUND MANAGER'S REPORT - HBL Equity Fund (Formerly PICIC Stock Fund)

As at June 30, 2017

Type and Category of Fund

Open end Equity Fund

Investment Objective and Accomplishment of Objective

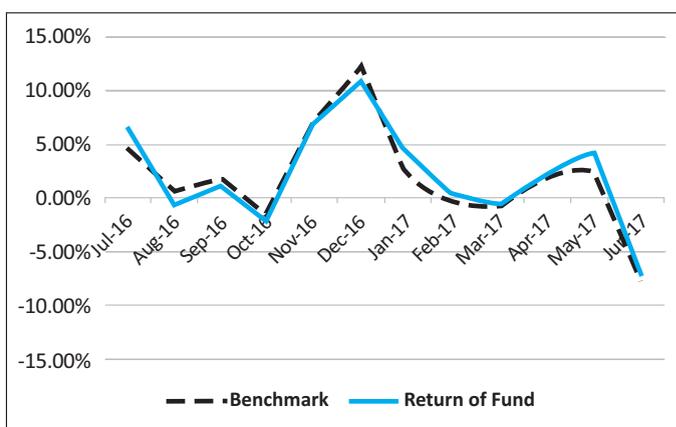
The fund objective is to provide its investors maximum risk adjusted returns over longer investment horizon by investing in a diversified equity portfolio that offers both capital gains and dividend income.

Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is KSE 100 Index.

The comparison of the fund return with benchmark is given below:

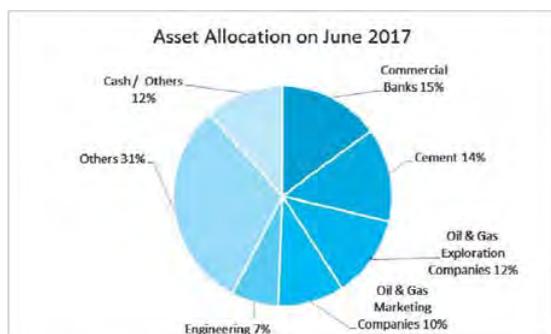
Month	Return of Fund	Benchmark
Jun-17	-7.96%	-7.27%
May-17	2.62%	4.28%
Apr-17	2.38%	2.39%
Mar-17	-0.78%	-0.49%
Feb-17	-0.46%	0.23%
Jan-17	1.99%	3.99%
Dec-16	12.16%	10.84%
Nov-16	6.84%	7.15%
Oct-16	-1.60%	-2.19%
Sep-16	1.84%	1.11%
Aug-16	0.71%	-0.60%
Jul-16	4.62%	6.48%



Strategies and Policies employed during the Year

During the year under review, the Fund increased its exposure in equity from 76% of total assets as on June 30, 2016 to 88% of total assets as on June 2017. Furthermore, sector wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in Commercial Banks, Oil & Gas Marketing and Engineering was reduced; however exposure in Oil & Gas Exploration and Cements was increased.

Asset Allocation



Significant Changes in Asset Allocation during the Year

Following table shows comparison of sector wise allocation of equity investments of Fund as on June 30, 2016 and June 30, 2017:

Sector Name	As on June 2017	As on June 2016
Commercial Banks	15%	19%
Cement	14%	10%
Oil & Gas Exploration Companies	12%	2%
Oil & Gas Marketing Companies	10%	11%
Engineering	7%	9%
Other Equities	31%	26%
Total	88%	76%

Fund Performance

The total income and net income of the Fund was Rs.1.04 billion and Rs. 1.08 billion respectively during the year ended June 30, 2017. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs 103.6764 per unit as on June 30, 2016. The NAV of the Fund was Rs 121.4498 per unit as on June 30, 2017 (after incorporating interim dividends of Rs. 7.00 per unit), thereby giving an annualized return of 23.89%. During the same year the benchmark KSE 30 index return was 20.79%.The size of Fund was Rs 6.35 billion as on June 30, 2017.

Review of Market invested in

In FY17, KSE-100 index posted a gain of 23% and closed at 46,565pts as compared to FY16 return of 10%. This performance was driven by strong inflow of domestic liquidity, optimism surrounding Pakistan's upgrade to "Emerging Market" status by MSCI and higher GDP growth of 5.28%. Mutual funds emerged as the largest net buyers USD 576 million which absorbed the most of selling of foreign investors, who offloaded USD 652 million (net). Banks and Oil & Gas Exploration sectors were the prime outperformers during the period under review. 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. In USD term KSE 100 index returned 22.5% which outperformed both MSCI Emerging Index (20.4%) and MSCI Frontier Index (15.1%). During the FY17, KSE-100 index touched the all-time high 52,877pts level in May'17 in anticipation of higher foreign inflows on inclusion of PSX into MSCI emerging market index, and nation friendly FY18 budget. However lower than expected foreign inflows, and unfriendly budget for stock market wherein tax on dividend has enhanced from 10% to 12.5% and capital gain tax surged from 12.5% to 15% dragged the KSE 100 index return. Furthermore SC hearings regarding Panama-JIT in Jun'17 expedite the bearish sentiment in local bourse and massive volatility was witnessed due to uncertainty on the political front.

On the macroeconomic front Pakistan has witnessed a smooth upward trend in GDP growth rate to reach 5.28% in FY17 (source: MoF) - the highest in 10 years. The outgoing fiscal year has witnessed an impressive growth in the LSM and agriculture output as well as in the services sector. However, there remain challenges on the external front owing to declining exports and widening of the current account deficit. During FY17, the current account deficit has reached ~ USD 12bn (4.2% of GDP) mainly due to flattish exports and surging imports. Workers' remittances figure is also not encouraging, declining by 3% during FY17 due to ongoing financial crises in the GCC region.

Distribution

During the year the Management Company of the Fund i.e. PICIC Asset Management Company Limited merged with and into HBL Asset Management Limited effective from August 31, 2016. Subsequent to the merger of the Management Company the name of the PICIC Stock Fund changed as HBL Equity Fund.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs during the year under review.

Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 - 100	11	740
101 - 500	31	8,379
501 - 1,000	13	9,034
100,1 - 10,000	66	248,391
10,001 - 100,000	25	838,585
100,001 - 500,000	3	819,262
500,001 - 1,000,000	1	814,872
1,000,001 - 5,000,000	1	1,022,050
5,000,001 and above	-	-
Total	151	3,761,312

Unit Splits

There were no unit splits during the year.

Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

Soft Commission

The Management Company from time to time receives research reports and presentations from brokerage houses.

PERFORMANCE TABLE - HBL Equity Fund

As at June 30, 2017

	2017	2016	2015	2014	2013	2012
Net assets at the period end (Rs'000)	468,825	173,508	269,694	381,325	190,415	116,701
NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES						
Redemption	124.6444	107.2297	124.8151	112.2918	113.3230	113.0291
Offer	127.4574	110.4466	128.5596	115.6606	116.7227	116.4200
OFFER / REDEMPTION DURING THE PERIOD - RUPEES						
Highest offer price per unit	156.3552	143.4474	135.0221	167.7836	160.8641	121.9965
Highest offer price per unit	111.0413	107.9068	104.7831	114.3614	107.1635	96.8059
Highest redemption price per unit	152.8997	139.2693	131.0894	162.8967	156.1787	118.4432
Lowest redemption price per unit	107.8071	104.7639	101.7312	111.0305	104.0422	93.9863
RETURN (%)						
Total return	27.67%	6.71%	11.15%	41.93%	48.18%	13.03%
Income distribution	12.00%	26.50%	-	48.00%	35.00%	13.00%
Capital growth	15.67%	-19.79%	11.15%	-6.07%	13.18%	0.03%
DISTRIBUTION						
Final dividend distribution (Rs)	12.00	26.50	-	48.00	35.00	13.00
Date of Income Distribution	22-Jun-17	24-Jun-16		25-Jun-14	26-Jun-13	6-Jul-12
Total dividend distribution for the year/ period (Rs)	12.00	26.50	-	48.00	35.00	13.00
AVERAGE RETURNS (%)						
Average annual return 1 year	27.67%	6.71%	11.15%	41.93%	48.18%	13.03%
Average annual return 2 year	16.72%	8.91%	25.60%	45.05%	29.42%	-
Average annual return 3 year	14.83%	18.96%	32.72%	33.46%	-	-
PORTFOLIO COMPOSITION - (%)						
Percentage of Total Assets as at 30 June:						
Bank Balances	10.84%	21%	19%	9%	8%	3%
Stock / Equities	88.35%	76%	68%	87%	92%	94%
Others Including receivables	0.81%	3%	13%	4%	0%	3%

Note:

The Launch date of the Fund is September 27, 2011

Disclaimer:

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

PROXY VOTING DISCLOSURE

As at June 30, 2017

Summary of actual proxy voted by the Management Company in relation to investee company of the collective investment scheme.

HBL Equity Fund	Meetings	Resolutions	For	Against	Abstain
Number	6	17	17	-	-
(%ages)		100%	100%	-	-

(h) Management Company did not participate in shareholders' meetings.

Investee Company	Meeting Dt	Meeting Type
Attock Petroleum Ltd	22-09-2016	AGM
Thal Limited.	29-09-2016	AGM
Pakistan Oilfields Ltd.	29-09-2016	AGM
Crescent Steel and Allied Proudcnts Ltd.	30-09-2016	AGM
Hub Power Company Limited	18-10-2016	AGM
Kot Addu Power	20-10-2016	AGM
Pakistan State Oil Co. Ltd.	21-10-2016	AGM
Lucky Cement Limited	29-10-2016	AGM
AMRELI STEELS LIMITED	25-10-2016	AGM
D. G. Khan Cement Co. Limited	31-10-2016	AGM
HI TECH LUBRICANTS LTD	24-10-2016	AGM
Oil & Gas Dev.Co	26-10-2016	AGM
Maple Leaf Cement Factory Limited	31-10-2016	AGM
Tariq Glass Limited	27-10-2016	AGM
MUGHAL IRON AND STEEL INDUSTRIES LTD	31-10-2016	AGM
Hub Power Co Ltd	15-02-2017	EOGM
Pak Suzuki Motor Company Limited	16-02-2017	EOGM
Pakistan Petroleum Ltd	28-02-2017	AGM
Askari Bank LTD	31-03-2017	AGM
Engro Corporation Ltd.	06-04-2017	AGM
Packages Ltd	25-04-2017	AGM
GlaxoSmithLine Pak Ltd	24-04-2017	AGM
Pak Elektron Ltd	24-04-2017	AGM
Pak Suzuki Motor Co Ltd	25-04-2017	AGM
Adamjee Insurance Co Ltd	18-04-2017	AGM
Dawood Hercules Corp	28-04-2017	AGM
Systems Limited	27-04-2017	AGM

The proxy voting policy of the Fund is available on the website of the Management Company and detailed information regarding actual proxies voted by Management Company in respect of the Fund is also available without charge, upon request, to all unit holders.

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 UNIT HOLDERS

**HBL EQUITY FUND
(Formerly PICIC STOCK FUND)**

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Equity Fund (Formerly PICIC Stock Fund) (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2017 in accordance with the provisions of the following:

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

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

Karachi, September 26, 2017

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2017

his statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19.23 of Pakistan Stock Exchange (the Stock Exchange) Regulations for the purpose of establishing a framework of good governance, whereby a listed entity is managed in compliance with the best practices of corporate governance.

HBL Asset Management Limited, an un-listed Public Limited Company, which manages the affairs of the **HBL Equity Fund (Formerly: PICIC StockFund)** (Fund), has applied the principles contained in the CCG in the following manner:

1. The Management Company encourages representation of independent non-executive directors on its Board of Directors. The Management Company, being an un-listed company, does not have any minority interest. At present the Board includes:

Category	Names
Independent Directors	Mr. Nadeem Abdullah Ms. Ava Ardeshir Cowasjee
Executive Directors	Mr. Farid Ahmed Khan (Chief Executive Officer)
Non- Executive Directors	Mr. Towfiq H. Chinoy (Chairman) Mr. Rayomond H. Kotwal Mr. Rizwan Haider Mr. Salahuddin Manzoor

The independent directors meet the criteria of independence under clause 5.19.1(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurring on the board on April 27,2017 and June 22,2017 were filled up by the directors within 42 and 16 days respectively.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before all the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the Directors of their duties and responsibilities and for their orientation purpose they were informed about the recent developments / changes in applicable laws and regulations affecting the mutual fund industry. The directors are conversant of the relevant laws applicable to the Management Company, its policies, provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. The board has approved appointment of Head of Internal Audit and existing Chief Financial Officer and Company Secretary continue to serve as per their terms of employment duly approved by the Board.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by the Chief Executive Officer and the Chief Financial Officer before approval of the Board.
13. The Directors, the Chief Executive Officer and executives do not hold any interest in the units of the Fund other than that disclosed in the annual report.

14. The Management Company has complied with all the corporate and financial reporting requirements of the CCG with respect to the Fund.
15. The board has formed an Audit Committee. It comprises three Members, of whom three are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director. However due to resignation of Ms.Sima Kamil from the board effective from March 16, 2017 the committee members reduced to two. The board has reconstituted the committee effective from August 25,2017 and it comprise of three members.
18. The Board has outsourced the internal audit function of the Fund to EYFord Rhodes, Chartered Accountants, Karachi, for the year ended June 30, 2017, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company with regards to the Fund.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market/published price of Fund's unit, was determined and intimated to directors, employees and the stock exchange.
22. Material / price sensitive information has been disseminated amongst all market participants at once through the stock exchange.
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles contained in the CCG have been complied with.

For and on behalf of the board

Chief Executive Officer

Director

Karachi
August 25, 2017

Review report to the unit holders' on the Statement of Compliance with the best practices of the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of HBL Asset Management Limited, the Management Company of **HBL Equity Fund (Formerly PICIC Stock Fund)** (the Fund) for the year ended June 30, 2017 to comply with Regulation No. 5.19 of the Rule Book of the Pakistan Stock Exchange Limited, where the Fund is listed.

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

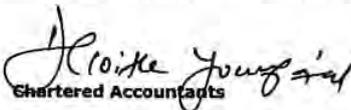
As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risk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

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

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

We draw attention to the following;

Paragraph 17 of the Statement wherein it has been stated that the composition of the Human Resource and Remuneration (HR&R) Committee was remediated subsequent to year end.


Chartered Accountants

Dated: September 22, 2017
Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited

Independent auditors' report to the unit holders

Report on the financial statements

We have audited the accompanying financial statements of **HBL Equity Fund (Formerly PICIC Stock Fund)** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2017, and the related income statement and other comprehensive income, distribution statement, statement of movements in unit holders' funds and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Company's responsibility for the financial statements

HBL Asset Management Limited (the Management Company) is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan, and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

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

Report on other legal and regulatory requirements

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

HBL Equity Fund (Formerly PICIC Stock Fund)
Statement of Assets and Liabilities
As at June 30, 2017

	Note	2017 ----- Rupees in '000 -----	2016 ----- Rupees in '000 -----
Assets			
Bank balances	5	63,886	41,775
Investments	6	521,086	150,088
Dividend and profit receivable	7	2,123	348
Deposits, prepayments and other receivable	8	2,636	2,683
Receivable against sale of investments		-	1,871
Preliminary expenses and floatation costs	9	-	54
Total assets		589,731	196,819
Liabilities			
Payable to the Management Company	10	1,945	769
Payable to the Trustee	11	236	67
Payable to Securities and Exchange Commission of Pakistan	12	396	291
Accrued expenses and other liabilities	13	15,652	13,590
Payable against purchase of investments		-	8,594
Payable against redemption of units		102,677	-
Total liabilities		120,906	23,311
Net assets		468,825	173,508
Unit holders' fund (as per statement attached)		468,825	173,508
Contingencies and commitments			
	14		
		----- Number of units -----	
Number of units in issue	15	3,761,312	1,618,100
		----- Rupees -----	
Net assets value per unit	4.10	124.6444	107.2297

The annexed notes 1 to 32 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Equity Fund (Formerly PICIC Stock Fund)
Income Statement and Other Comprehensive Income
For the year ended June 30, 2017

	Note	2017 ----- Rupees in '000 -----	2016 -----
Income			
Capital gain on sale of investments - net		60,772	13,001
Dividend income		16,767	16,590
Profit on bank deposits		2,244	1,878
Unrealised appreciation / (diminution) on re-measurement of investments at 'fair value through profit or loss - held-for-trading' - net		8,057	(431)
Total income		87,840	31,038
Expenses			
Remuneration of the Management Company	10.1	8,326	8,938
Sindh Sales Tax on remuneration of the Management Company	10.2	1,082	1,251
Federal Excise Duty and additional sales tax on the Management Fee	13.2	-	1,630
Remuneration of the Trustee	11.1	977	804
Annual fee to Securities and Exchange Commission of Pakistan	12.1	396	291
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	427	163
Selling and marketing expenses	10.4	687	-
Amortisation of preliminary expenses and floatation costs	9.1	54	227
Auditors' remuneration	16	544	454
Securities transaction costs		3,875	2,054
Fee and subscription charges		118	207
Printing and postage expenses		73	347
Bank charges		23	14
Total expenses		16,582	16,380
Net income from operating activities		71,258	14,658
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		33,654	(8,798)
Reversal of Workers' Welfare Fund	13.1	4,892	-
Provision of Sindh Workers' Welfare Fund	13.1	(2,768)	-
		2,124	-
Net income for the year before taxation		107,036	5,860
Taxation	17	-	-
Net income for the year after taxation		107,036	5,860
Other comprehensive income for the year		-	-
Total comprehensive income for the year		107,036	5,860
Earnings per unit	18		
The annexed notes 1 to 32 form an integral part of these financial statements.			

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Equity Fund (Formerly PICIC Stock Fund)
Distribution Statement
For the year ended June 30, 2017

	2017	2016
	----- Rupees in '000 -----	
Undistributed income brought forward		
- Realised income	12,132	39,301
- Unrealised (loss) / income	(431)	14,320
	<u>11,701</u>	<u>53,621</u>
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount transferred to the Distribution Statement - net, from Unit Holders' Fund	15,495	(13,466)
Net income for the year after taxation	107,036	5,860
Interim distribution at Rs. 12 (2016: Rs. 26.5) per unit declared on June 22, 2017 (2016: June 24, 2016)		
- cash dividend at Rs.12 (2016: Rs 1.50) per unit	(41,534)	(1,942)
- issue of bonus units at Nil (2016: Rs 25) per unit	-	(32,372)
Undistributed income carried forward	<u>92,698</u>	<u>11,701</u>
Undistributed income carried forward comprising of:		
- Realised income	84,641	12,132
- Unrealised income / (loss)	8,057	(431)
	<u>92,698</u>	<u>11,701</u>

The annexed notes 1 to 32 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Equity Fund (Formerly PICIC Stock Fund)
Statement of Movement in Unit Holders' Fund
For the year ended June 30, 2017

	2017	2016
	----- Rupees in '000 -----	
Net assets at the beginning of the year	173,508	269,694
Issue of 8,728,360 units (2016: 2,971,310 units)	1,140,778	376,832
Redemption of 6,585,148 units (2016: 3,809,627 units)	(877,309)	(485,734)
	263,469	(108,902)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- Amount transferred to the Income Statement and Other Comprehensive Income	(33,654)	8,798
- Amount transferred to the Distribution Statement	(15,495)	13,466
	(49,149)	22,264
Capital gain on sale of investments - net	60,772	13,001
Unrealised appreciation / (diminution) on re-measurement of investments at 'fair value through profit or loss - held-for-trading' - net	8,057	(431)
Other net income / (loss) for the year	38,207	(6,710)
Total comprehensive income for the year	107,036	5,860
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to the Distribution Statement	15,495	(13,466)
Interim distribution at Rs. 12 (2016: Rs. 26.5) per unit declared on June 22, 2017 (2016: June 24, 2016)		
- cash dividend at Rs. 12 (2016: Rs 1.50) per unit	(41,534)	(1,942)
- issue of bonus units at Nil (2016: Rs 25) per unit	-	(32,372)
Issue of Nil bonus units (2016: 295,670 bonus units)	-	32,372
Net assets at the end of the year	468,825	173,508
	468,825	173,508
	----- Rupees -----	
Net assets value per unit at the beginning of the year	107.2297	124.8151
Net assets value per unit at the end of the year	124.6444	107.2297
	124.6444	107.2297

The annexed notes 1 to 32 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Equity Fund (Formerly PICIC Stock Fund)

Cash Flow Statement

For the year ended June 30, 2017

Note	2017 ----- Rupees in '000 -----	2016
Cash flows from operating activities		
Net income for the year before taxation	107,036	5,860
Adjustments for:		
Capital gain on sale of investments - net	(60,772)	(13,001)
Dividend income	(16,767)	(16,590)
Profit on bank deposit	(2,244)	(1,878)
Unrealised (appreciation) / diminution on re-measurement of investments at 'fair value through profit or loss - held-for-trading' - net	(8,057)	431
Amortisation of preliminary expenses and floatation costs	54	227
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(33,654)	8,798
Reversal of Workers' Welfare Fund	(4,892)	-
Provision of Sindh Workers' Welfare Fund	2,768	-
	<u>(16,528)</u>	<u>(16,153)</u>
(Increase) / decrease in assets		
Investments - net	(302,170)	55,308
Deposits, prepayments and other receivable	47	(17)
Receivable against sale of investments	1,871	32,580
	<u>(300,252)</u>	<u>87,871</u>
Increase / (decrease) in liabilities		
Payable to the Management Company	1,176	(141)
Payable to the Trustee	169	11
Payable to Securities and Exchange Commission of Pakistan	105	(84)
Accrued expenses and other liabilities	4,186	4,007
Payable against purchase of investments	(8,594)	8,594
	<u>(2,958)</u>	<u>12,387</u>
Bank profits received	2,133	1,948
Dividend received	15,104	17,211
	<u>17,237</u>	<u>19,159</u>
Cash (used in) / generated from operating activities		
	<u>(302,501)</u>	<u>103,264</u>
Cash flows from financing activities		
Amount received / receivable against issue of units	1,140,778	376,832
Amount paid / payable against redemption of units	(774,632)	(489,234)
Dividend paid	(41,534)	(1,942)
	<u>324,612</u>	<u>(114,344)</u>
Net cash generated from / (used in) financing activities		
	<u>22,111</u>	<u>(11,080)</u>
Net increase / (decrease) in cash and cash equivalents during the year		
Cash and cash equivalents at the beginning of the year	41,775	52,855
Cash and cash equivalents at the end of the year	63,886	41,775

The annexed notes 1 to 32 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Equity Fund (Formerly PICIC Stock Fund)

Notes To The Financial Statements

For the year ended June 30, 2017

1. STATUS AND NATURE OF BUSINESS

- 1.1 HBL Equity Fund (formerly PICIC Stock Fund) ("the Fund") was established under a Trust Deed executed between PICIC Asset Management Company Limited (now, HBL Asset Management Limited) as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter no. SCD/NBFC-II/PSF/249/2011 dated June 1, 2011 and the trust deed was executed on June 14, 2011.

During the year, the Securities and Exchange Commission of Pakistan approved merger of PICIC Asset Management Company Limited with and into HBL Asset Management Limited effective from August 31, 2016 through an order dated August 31, 2016. Effective from September 1, 2016 HBL Asset Management Limited became Management Company of the Fund which is a wholly owned subsidiary of Habib Bank Limited. Accordingly, the trust deed was revised on February 17, 2017. The Aga Khan Fund For Economic Development (AKFED), S.A. is the parent company of Habib Bank Limited.

The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. During the year, the office of the Management Company shifted to 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.

The Fund is an open-ended mutual Fund and is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered to the public for subscription at par value of Rs 100 per unit from September 24, 2011 to September 26, 2011. Thereafter, the units are offered to the public for subscription on a continuous basis and are transferrable and redeemable by surrendering them to the Fund.

The Fund has been categorised as an equity scheme as per the criteria laid down by the SECP for categorisation of Collective Investment Schemes (CISs).

The investment objective of the Fund is to provide investors a diversified equity portfolio with a primary objective of maximizing risk-adjusted returns over longer investment horizon through a combination of capital gains and dividend income.

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

JCR-VIS Credit Rating Company has assigned an asset manager rating of 'AM2 (Positive outlook)' to the Management Company.

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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

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 that investments are measured at fair value.

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of its accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

- (i) classification and valuation of financial assets (notes 4.2.1.1 and 4.2.1.4); and
- (ii) impairment of financial assets (note 4.2.1.5)

3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS THAT ARE EFFECTIVE FOR THE YEAR ENDED JUNE 30, 2017

3.1 Standards or interpretations that are effective in current year but not relevant to the Fund

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 for accounting periods 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, that are not expected to have material effect on the financial reporting of the Fund and therefore have not been discussed here.

3.2 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 for accounting periods 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

**Effective for accounting periods
beginning on or after:**

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, that are not expected to have material effect on the financial reporting of the Fund.

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Cash and cash equivalents

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

4.2 Financial instruments

4.2.1 Financial assets

4.2.1.1 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) Investments 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 financial assets 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

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss - held-for-trading. 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. Currently, the Fund does not hold any financial assets categorised as 'available for sale'

4.2.1.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date the date on which the Fund commits to purchase or sell the asset.

4.2.1.3 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 statement of comprehensive income.

4.2.1.4 Subsequent measurement

a) Financial assets 'at fair value through profit or loss - held-for-trading' and 'available for sale'

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:

- 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 stock exchange. A security listed on the stock exchange for which no sale is reported on the reporting date is valued at its last sale price on the next preceding date on which such exchange is open and if no sale is reported for such date the security is valued at an amount neither higher than the closing ask price nor lower than the closing bid price.

Net gains and losses arising on 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 recognised as 'other comprehensive income' in the Income Statement until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised as 'other comprehensive income' is transferred to income before taxation as capital gain / (loss).

b) Loans and receivables

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

Gains or losses are recognised in the 'income statement' when financial assets carried at amortised cost are derecognised or impaired.

4.2.1.5 Impairment

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement is reclassified from other comprehensive income to income before taxation.

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 determined based on the provisioning criteria specified by the SECP.

4.2.1.6 Derecognition

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

4.2.2 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.

4.2.3 Offsetting of financial assets and liabilities

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

4.3 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the NBFC Regulations.

4.4 Provisions

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

4.5 Collaterals

Cash collaterals provided by the Fund are identified in the statement of assets and liabilities as margin and are not included as a component of cash and cash equivalents. For collaterals other than cash, if the party to whom the collaterals are provided has a right by contract or custom to sell or re-pledge the collaterals, the Fund classifies those collaterals in the statement of assets and liabilities separately from other assets and identifies the assets as pledged collaterals. Where the party to whom the collaterals are provided does not have the right to sell or re-pledge, a disclosure of the collaterals provided is made in the notes to the financial statements.

4.6 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

The Fund is also exempt from the Provisions of Section 113 (minimum tax) and section 113C (Alternative Corporate Tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and the amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

4.7 Proposed distributions

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

4.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the Net Asset Value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the Net Asset Value per unit as of the close of the business day less any back-end load (if applicable), any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

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

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

The element of income and capital gains included in the prices of units issued less those in units redeemed to the extent that it is represented by distributable income earned during the year is recognised in the income statement and statement of comprehensive income and the element of income and capital gains represented by distributable income carried forward from prior periods is included in the distribution statement.

Amendment in the NBFC Regulations subsequent to the year end

Subsequent to the year end on August 03, 2017, the SECP has made certain amendments in the NBFC Regulations, 2008 via SRO 756 (I)/2017. The definition of element of income has been inserted via said amendment which defines element of income as difference between net assets value on the issuance or redemption date, as the case may be, of units and the net asset value at the beginning of the relevant accounting period. The said amendment also excludes element of income from accounting income for the purpose of distribution under regulation 63 of the NBFC Regulations. The said SRO also contains amendments relating to consequential changes in the income statement and statement of movement in unitholders' fund. The Management Company is in the process of assessing the impact of the said changes with the view that these changes will be effective for the period following the date of the said SRO.

4.10 Net assets value per unit

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

4.11 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Dividend income from equity securities is recognised when the right to receive the dividend is established.
- Profit on bank deposits is recognised on a time apportionment basis using the effective interest method.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss - held-for-trading' are included in the Income Statement in the year / period in which they arise.
- Element of income / (loss) and capital gain / (losses) included in prices of units issued less those in units redeemed is included in the income statement and other comprehensive income on the date of issue and redemption of units.

4.12 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 apportionment basis using the effective interest method.

		2017	2016
	Note	----- Rupees in '000 -----	----- Rupees in '000 -----
5. BANK BALANCES			
In savings account	5.1	<u>63,886</u>	<u>41,775</u>
5.1	These accounts carry rate of return of 6 % per annum (2016: 6 % per annum).		
6. INVESTMENTS			
Financial assets at fair value through profit or loss - held-for-trading			
- Listed securities	6.1	<u>521,086</u>	<u>150,088</u>
		<u>521,086</u>	<u>150,088</u>

6.1 Investment in listed equity securities at 'fair value through profit or loss - held-for-trading'

Shares of listed companies - Fully paid up ordinary / preference shares of Rs 10 each unless stated otherwise

Name of the Investee Company	----- Number of shares -----					Market value as at June 30, 2017 (Rupees in '000)	Market value as a percentage of total investments	Market value as a percentage of net assets	Paid up value of shares held as a percentage of total paid up capital of the Investee Company
	As at July 1, 2016	Purchases during the year	Bonus / right issues	Sales during the year	As at June 30, 2017				
----- Percentage -----									
AUTOMOBILE ASSEMBLER									
Pak Suzuki Motor Company Limited	7,600	26,000	-	13,100	20,500	15,997	3.07	3.41	0.02
Millat Tractors Limited	-	13,000	-	5,000	8,000	10,996	2.11	2.35	0.02
	7,600	39,000	-	18,100	28,500	26,993	5.18	5.76	
AUTOMOBILE PARTS & ACCESSORIES									
Exide Pakistan Limited	-	5,450	-	5,450	-	-	-	-	-
General Tyre & Rubber Co of Pakistan Limited	-	29,500	-	29,500	-	-	-	-	-
Thal Limited (Par value of Rs 5 per share)	-	23,500	-	14,900	8,600	5,212	1.00	1.11	0.01
	-	58,450	-	49,850	8,600	5,212	1.00	1.11	
CABLE & ELECTRICAL GOODS									
Pak Elektron Limited	49,000	387,500	-	279,000	157,500	17,375	3.33	3.71	0.03
	49,000	387,500	-	279,000	157,500	17,375	3.33	3.71	
CEMENT									
Bestway Cement Limited	-	4,500	-	4,500	-	-	-	-	-
Cherat Cement Company Limited	38,000	86,500	-	55,500	69,000	12,336	2.37	2.63	0.04
D. G. Khan Cement Company Limited	-	104,000	-	22,500	81,500	17,372	3.33	3.71	0.02
Dewan Cement Limited	-	333,000	-	333,000	-	-	-	-	-
Fauji Cement Company Limited	-	299,500	-	299,500	-	-	-	-	-
Fecto Cement Limited	-	31,600	-	31,600	-	-	-	-	-
Lucky Cement Limited	12,000	52,450	-	22,650	41,800	34,956	6.71	7.46	0.01
Maple Leaf Cement Factory Limited	-	130,500	-	130,500	-	-	-	-	-
Pioneer Cement Limited (6.1.1)	60,000	116,000	-	50,000	126,000	16,380	3.14	3.49	0.06
Power Cement Limited	-	201,000	-	201,000	-	-	-	-	-
	110,000	1,359,050	-	1,150,750	318,300	81,044	15.55	17.29	
CHEMICAL									
Agritech Limited	-	400,000	-	400,000	-	-	-	-	-
Akzo Nobel Pakistan Limited	-	19,500	-	19,500	-	-	-	-	-
Engro Polymer & Chemicals	-	785,000	-	500,000	285,000	10,403	2.00	2.22	0.04
Ghani Gases Limited	-	50,000	-	50,000	-	-	-	-	-
ICI Pakistan Limited	-	5,000	-	5,000	-	-	-	-	-
Lotte Chemical Pakistan Limited	-	1,379,000	-	1,379,000	-	-	-	-	-
	-	2,638,500	-	2,353,500	285,000	10,403	2.00	2.22	
COMMERCIAL BANKS									
Askari Bank Limited	-	415,000	-	415,000	-	-	-	-	-
Allied Bank Limited	-	120,000	-	-	120,000	10,754	2.06	2.29	0.01
Bank Al-Falah Limited	347,500	280,000	-	627,500	-	-	-	-	-
Bank Al-Habib Limited	-	98,000	-	98,000	-	-	-	-	-
Habib Bank Limited (6.1.1)*	69,100	124,500	-	110,300	83,300	22,419	4.30	4.78	0.01
Habib Metropolitan Bank Limited	-	120,000	-	120,000	-	-	-	-	-
JS Bank Limited	-	351,500	-	351,500	-	-	-	-	-
MCB Bank Limited (6.1.1)	62,900	211,000	-	132,400	141,500	29,776	5.71	6.35	0.01
National Bank of Pakistan Limited	-	109,000	-	109,000	-	-	-	-	-
United Bank Limited	1,000	224,300	-	117,300	108,000	25,436	4.88	5.43	0.01
	480,500	2,053,300	-	2,081,000	452,800	88,385	16.95	18.85	

Name of the Investee Company	----- Number of shares -----					Market value as at June 30, 2017 (Rupees in '000)	Market value as a percentage of total investments	Market value as a percentage of net assets	Paid up value of shares held as a percentage of total paid up capital of the Investee Company
	As at July 1, 2016	Purchases during the year	Bonus / right issues	Sales during the year	As at June 30, 2017				
									Percentage -----
ENGINEERING									
Aisha Steel Mills Limited	-	500	-	500	-	-	-	-	-
Aisha Steel Mills Limited - Preference Shares	20,000	-	-	20,000	-	-	-	-	-
Aisha Steel Mills Limited - Conv. Cum. Pref. Shares	10,000	-	-	10,000	-	-	-	-	-
Amreli Steels Limited	186,500	247,000	-	376,500	57,000	7,008	1.34	1.49	0.02
Crescent Steel & Allied Product Limited	10,400	156,500	-	104,400	62,500	14,911	2.86	3.18	0.08
International Industries Ltd	-	38,100	-	38,100	-	-	-	-	-
International Steels Limited**	-	219,500	-	68,000	151,500	19,375	3.72	4.13	0.03
Mughal Iron & Steel Industries Limited	124,500	20,000	-	144,500	-	-	-	-	-
	351,400	681,600	-	762,000	271,000	41,294	7.92	8.80	
FERTILIZERS									
Dawood Hercules Corporation Limited	-	71,700	-	71,700	-	-	-	-	-
Engro Corporation Limited	18,400	126,500	-	66,400	78,500	25,584	4.91	5.46	0.01
Engro Fertilizers Limited	-	260,000	-	260,000	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	256,000	252,500	-	508,500	-	-	-	-	-
Fauji Fertilizer Company Limited	-	158,700	-	158,700	-	-	-	-	-
	274,400	869,400	-	1,065,300	78,500	25,584	4.91	5.46	
FOOD & PERSONAL CARE PRODUCTS									
Treet Corporation Limited	-	75,000	-	75,000	-	-	-	-	-
	-	75,000	-	75,000	-	-	-	-	
GLASS & CERAMICS									
Ghani Global Glass Limited	-	150,000	-	150,000	-	-	-	-	-
Tariq Glass Industries Limited	-	29,500	-	29,500	-	-	-	-	-
	-	179,500	-	179,500	-	-	-	-	
INSURANCE									
Adamjee Insurance Company Limited	-	444,000	-	444,000	-	-	-	-	-
TPL Direct Insurance Limited	55,894	-	-	55,894	-	-	-	-	-
IGI Insurance Limited	-	15,000	-	15,000	-	-	-	-	-
	55,894	459,000	-	514,894	-	-	-	-	
MISCELLANEOUS									
Synthetic Products Enterprises Limited	-	71,500	-	71,500	-	-	-	-	-
Tri-Pack Films Limited	-	24,000	-	24,000	-	-	-	-	-
	-	95,500	-	95,500	-	-	-	-	
OIL & GAS EXPLORATION COMPANIES									
Mari Petroleum Company Limited	-	18,110	-	3,440	14,670	23,115	4.44	4.93	0.01
Oil & Gas Development Company Limited	14,400	235,500	-	104,500	145,400	20,456	3.93	4.36	0.00
Pakistan Oilfields Limited	3,500	57,000	-	30,000	30,500	13,974	2.68	2.98	0.01
Pakistan Petroleum Limited	-	128,100	-	35,000	93,100	13,792	2.65	2.94	0.00
	17,900	438,710	-	172,940	283,670	71,337	13.70	15.21	
OIL & GAS MARKETING COMPANIES									
Attock Petroleum Limited	22,000	-	-	10,000	12,000	7,517	1.44	1.60	0.01
Hascol Petroleum Limited	-	90,100	-	39,000	51,100	17,430	3.36	3.72	0.04
Hi-Tech Lubricants Limited	-	147,500	-	147,500	-	-	-	-	-
Pakistan State Oil Company Limited	34,400	50,000	-	46,500	37,900	14,681	2.82	3.13	0.01
Sui Northern Gas Pipeline Limited	-	208,000	-	86,000	122,000	18,168	3.49	3.88	0.02
Sui Southern Gas Co Limited	-	315,000	-	315,000	-	-	-	-	-
	56,400	810,600	-	644,000	223,000	57,796	11.11	12.33	

Name of the Investee Company	----- Number of shares -----					Market value as at June 30, 2017 (Rupees in '000)	Market value as a percentage of total investments	Market value as a percentage of net assets	Paid up value of shares held as a percentage of total paid up capital of the Investee Company
	As at July 1, 2016	Purchases during the year	Bonus / right issues	Sales during the year	As at June 30, 2017				
----- Percentage -----									
PAPER & BOARD									
Century Paper & Board Mills Limited	-	142,500	-	142,500	-	-	-	-	-
Packages Limited**	-	17,800	-	2,500	15,300	10,642	2.04	2.27	0.02
	-	160,300	-	145,000	15,300	10,642	2.04	2.27	
PHARMACEUTICALS									
Abbott Laboratories (Pak) Limited	800	10,900	-	800	10,900	10,187	1.95	2.17	0.01
GlaxoSmithKline Consumer Healthcare Pakistan Limited	6,330	-	-	6,330	-	-	-	-	-
GlaxoSmithKline Pakistan Limited	6,100	57,300	-	63,400	-	-	-	-	-
The Searle Company Limited	6,000	55,200	1,120	22,000	40,320	20,643	3.96	4.40	0.03
Wyeth Pakistan Limited	2,460	-	-	2,460	-	-	-	-	-
	21,690	123,400	1,120	94,990	51,220	30,830	5.91	6.57	
POWER GENERATION & DISTRIBUTION									
Hub Power Company Limited	-	280,000	-	30,000	250,000	29,358	5.63	6.26	0.02
K-Electric Limited	101,000	3,045,000	-	3,146,000	-	-	-	-	-
Kot Addu Power Company Limited	-	235,500	-	235,500	-	-	-	-	-
	101,000	3,560,500	-	3,411,500	250,000	29,358	5.63	6.26	
REFINERY									
Attock Refinery Limited	-	41,500	-	41,500	-	-	-	-	-
Byco Petroleum Pakistan Limited	-	100,000	-	100,000	-	-	-	-	-
National Refinery Limited	-	7,500	-	7,500	-	-	-	-	-
Pakistan Refinery Limited	-	95,000	-	95,000	-	-	-	-	-
	-	244,000	-	244,000	-	-	-	-	-
TECHNOLOGY & COMMUNICATION									
Avanceon Limited	-	223,000	-	223,000	-	-	-	-	-
Pakistan Telecommunication Company Limited	-	40,000	-	40,000	-	-	-	-	-
Systems Limited	200,500	53,000	-	165,000	88,500	6,712	1.29	1.43	0.08
	200,500	316,000	-	428,000	88,500	6,712	1.29	1.43	
TEXTILE COMPOSITE									
Gul Ahmed Textile Mills Limited	-	182,000	-	182,000	-	-	-	-	-
Gul Ahmed Textile Mills Limited - LoR	-	29,400	-	29,400	-	-	-	-	-
Nishat (Chunian) Limited	-	360,000	-	360,000	-	-	-	-	-
Nishat Mills Limited	10,000	199,700	-	95,500	114,200	18,121	3.48	3.87	0.03
	10,000	771,100	-	666,900	114,200	18,121	3.48	3.87	
TEXTILE SPINNING									
Hira Textile Mills Limited	-	124,000	-	124,000	-	-	-	-	-
	-	124,000	-	124,000	-	-	-	-	-
TRANSPORT									
Pakistan International Bulk Terminal Limited	-	167,500	-	167,500	-	-	-	-	-
	-	167,500	-	167,500	-	-	-	-	-
As at June 30, 2017	1,736,284	15,611,910	1,120	14,723,224	2,626,090	521,086	100.00	111.14	
As at June 30, 2016						<u>150,088</u>			

* Sponsor of the Management Company
 ** Related party due to common directorship

6.1.1 The above investments include shares with market value aggregating to Rs 27.724 million (2016: Rs 22.377 million) which have been pledged with the National Clearing Company of Pakistan Limited (NCCPL) as collateral for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 dated October 23, 2007 issued by the SECP, which are as follows:

- MCB Bank Limited (40,000 shares)
- Pioneer Cement Limited (45,000 shares)
- Habib Bank Limited (50,000 shares)

	Note	2017 ----- Rupees in '000 -----	2016
7. DIVIDEND AND PROFIT RECEIVABLE			
Dividend receivable		1,885	221
Bank profit receivable		238	127
		<u>2,123</u>	<u>348</u>
8. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE			
Security deposits with:			
- National Clearing Company of Pakistan Limited		2,500	2,500
- Central Depository Company of Pakistan Limited		100	100
		<u>2,600</u>	<u>2,600</u>
Prepaid rating fee		-	72
Other receivable		36	11
		<u>2,636</u>	<u>2,683</u>
9. PRELIMINARY EXPENSES AND FLOATATION COSTS			
Opening balance		54	281
Less: Amortisation during the year	9.1	(54)	(227)
Closing balance		<u>-</u>	<u>54</u>
10. PAYABLE TO THE MANAGEMENT COMPANY			
Remuneration of the Management Company	10.1	904	397
Sindh sales tax on remuneration of the Management Company	10.2	118	56
Sales load payable		191	296
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	45	20
Selling and Marketing expenses	10.4	687	-
		<u>1,945</u>	<u>769</u>

9.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from September 24, 2011 as per the requirements set out in the Trust Deed of the Fund.

- 10.1** In line with amendments introduced in Regulation 61 of the NBFC Regulation, the Management Company has reduced its remuneration at 2% of the average annual net assets of the Fund effective from May 25, 2016. Uptill May 24, 2016, the Management Company was charging its Remuneration at 3% per annum. The remuneration is paid to the Management Company monthly in arrears.
- 10.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 percent (June 30, 2016: 14 percent) on the remuneration of management company through Sindh Sales Tax on Services Act, 2011.
- 10.3** In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I) / 2015 dated November 25, 2015, the Management Company of the Fund is entitled for reimbursement of fee and expenses incurred by the Management Company in relation to registrar service, accounting, operation and valuation services related to Fund maximum up to 0.1% of average annual net assets of the scheme or actual whichever is less. Accordingly, the Management Company has charged accounting and operation charges amounting to Rs 0.427 million (2016: Rs 0.163 million) to the Fund during the year.
- 10.4** During the year SECP vide its circular No.SCD/PRDD/Circular/361/2016 dated December 30, 2016 prescribed certain conditions on Asset Management Companies (AMCs) for charging of selling and marketing expenses to collective investment schemes managed by them. According to said circular, the selling and marketing expenses have been allowed initially for a period of three years (from January 01, 2017 till December 31, 2019) being chargeable to open end equity, asset allocation and index funds. Maximum cap on the expenses has been set at 0.4% per annum of net assets of fund or actual expenses, whichever being lower. The Fund has started accruing expense on this account at 0.4% per annum of net assets of the Fund effective from March 21, 2017.

	Note	2017 ----- Rupees in '000 -----	2016 ----- Rupees in '000 -----
11. PAYABLE TO THE TRUSTEE			
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	11.1	187	58
Sindh sales tax on remuneration of the Central Depository Company of Pakistan Limited - Trustee		24	8
CDS charges payable		25	1
		<u>236</u>	<u>67</u>

- 11.1** 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 therein, based on the daily net assets of the Fund. The fee 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:

Amount of Funds Under Management [Average Net Assets Value (NAV)]	Tariff per annum
Upto Rs 1,000 million	Rs 0.7 million or 0.20% per annum of net assets value whichever is higher
Rs 1,000 million and above	Rs 2.0 million plus 0.10% per annum of net assets value exceeding Rs 1,000 million

	Note	2017 ----- Rupees in '000 -----	2016 ----- Rupees in '000 -----
12. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	12.1	<u>396</u>	<u>291</u>

- 12.1** Under the provisions of the NBFC Regulations, 2008 a collective investment scheme categorised as an equity scheme is required to pay as annual fee to the SECP, an amount equal to 0.095 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.

13. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2017 ----- Rupees in '000 -----	2016
Provision for federal excise duty and additional sales tax on Management Fee	13.2	5,685	5,685
Withholding tax payable		4,795	1,848
Provision for Workers' Welfare Fund	13.1	-	4,892
Provision for Sindh Workers' Welfare Fund	13.1	2,768	-
Dividend payable		1,484	13
Brokerage payable		482	503
Auditors' remuneration		315	450
Printing and other related costs		80	175
Other payables		43	24
		<u>15,652</u>	<u>13,590</u>

13.1 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 Honorable 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 recognized 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 recognized 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 Management Company 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 recognized 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. 4.892 million. Further, the Fund has recognised provision for SWWF amounting to Rs. 2.768 million in these financial statements. Had the provision not been made the net asset value per unit would have increased by Rs 0.736 per unit.

13.2 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law, 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 Management Company, as a matter of abundant caution, has made a provision on FED on remuneration of Management Company, aggregating to Rs. 5.685 million. Had the provision not been made, the Net Asset Value per unit as at June 30, 2017 would have been higher by Rs. 1.51 (June 30, 2016: Rs. 3.51) per unit.

14. CONTINGENCIES AND COMMITMENTS

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

15. NUMBER OF UNITS IN ISSUE

	2017	2016
	----- Number of units -----	
Total units in issue at the beginning of the year	1,618,100	2,160,747
Units issued	8,728,360	3,266,980
Units redeemed	<u>(6,585,148)</u>	<u>(3,809,627)</u>
Total units in issue at the end of the year	<u>3,761,312</u>	<u>1,618,100</u>

	2017	2016
	----- Rupees in '000'-----	
16. AUDITORS' REMUNERATION		
Annual audit fee	240	240
Fee for half yearly review	135	135
Review of compliance with the requirements of the Code of Corporate Governance	45	45
Other certifications and out of pocket expenses	124	34
	544	454
	544	454

17. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. During the year, management has distributed cash dividend of at least 90% of the aforementioned accounting income to the unit holders. Accordingly, no provision for taxation has been recognised in these financial statements.

18. EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed as in the opinion of management determination of cumulative weighted average number of outstanding units is not practicable.

19. FINANCIAL INSTRUMENTS BY CATEGORY

	----- As at June 30, 2017 -----		
	At fair value through profit or loss - held- for-trading	Loans and receivables	Total
	----- Rupees in '000 -----		
Assets			
Bank balances	-	63,886	63,886
Investments	521,086	-	521,086
Dividend and profit receivable	-	2,123	2,123
	521,086	66,009	587,095
	521,086	66,009	587,095
	----- As at June 30, 2017 -----		
	At fair value through profit or loss - held- for-trading	Other financial liabilities	Total
	----- Rupees in '000 -----		
Liabilities			
Payable to the Management Company	-	1,945	1,945
Payable to the Trustee	-	236	236
Accrued expenses and other liabilities	-	2,404	2,404
Units Holder's Fund	-	468,825	468,825
	-	473,410	473,410
	-	473,410	473,410

	As at June 30, 2016		
	At fair value through profit or loss	Loans and receivables	Total
Assets			
	Rupees in '000		
Bank balances	-	41,775	41,775
Investments	150,088	-	150,088
Dividend and profit receivable	-	348	348
Receivable against sale of investment	-	1,871	1,871
Prepaid rating fee	-	72	72
	<u>150,088</u>	<u>44,066</u>	<u>194,154</u>

	As at June 30, 2016		
	At fair value through profit or loss	Other financial liabilities	Total
Liabilities			
	Rupees in '000		
Payable to the Management Company	-	769	769
Payable to the Trustee	-	67	67
Accrued expenses and other liabilities	-	1,165	1,165
Payable against redemption of units	-	8,594	8,594
Units Holder's Fund	-	173,508	173,508
	<u>-</u>	<u>184,103</u>	<u>184,103</u>

20. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited, being the Trustee of the Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

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

Remuneration payable to Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations 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:

Transactions during the year

Management Company

	2017	2016
	----- Rupees in '000 -----	
Issue of 64,557 units (2016: 373,226 units)	<u>7,878</u>	<u>45,796</u>
Issue of Nil bonus units (2016: 139,379 bonus units)	<u>-</u>	<u>15,259</u>
Redemption of units (2016: 6,969 units)	<u>-</u>	<u>763</u>
Remuneration of the Management Company	<u>8,326</u>	<u>8,938</u>
Sindh sales tax on remuneration of the Management Company	<u>1,082</u>	<u>1,251</u>
Allocation of expenses related to registrar services, accounting, operation and valuation services	<u>427</u>	<u>163</u>
Dividend	<u>9,004</u>	<u>-</u>

21. FINANCIAL RISK MANAGEMENT

The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

21.1 Market risk

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

The Management Company manages market risk by monitoring exposure in marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of the Fund and the regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risks; currency risk, interest rate risk and other 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 its all transactions are carried out in Pak Rupees.

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) Cash flow interest rate risk

The Fund's interest rate risk arises from the balances in savings accounts. The net income for the period would have increased / (decreased) by Rs. 0.64 million (June 30, 2016 : Rs 0.42 million), had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

b) Fair value interest rate risk

Since the Fund currently does not have any fixed rate instruments that are impacted by market interest rates, therefore, it is not exposed to fair value interest rate risk.

21.1.3 Price risk

Price 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 prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund is exposed to equity price risk because of investments held by the Fund in listed equity securities classified on the Statement of Assets and Liabilities as 'fair value through profit or loss - held for trading'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within eligible stocks. The Fund's constitutive document / NBFC Regulations, 2008 also limit individual equity securities to no more than 10% of net assets of the Fund, or issued capital of the investee company and sector exposure limit to 35% of net assets.

In case of 5% increase / decrease in price of all shares held by Fund at the year end, net income for the year would increase / decrease by Rs 26.054 million (2016: Rs 7.504 million) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

21.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk mainly arises from deposits with banks and financial institutions and credit exposure arising as a result of dividend receivable on equity securities.
Management of credit risk

For banks and financial institutions, the Fund keeps deposits with reputed institutions. Credit risk on account of dividend receivable is minimal due to the statutory protections. All transactions in listed securities are settled / paid for upon delivery using the system of National Clearing Company of Pakistan Limited. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

The analysis below summarises the credit quality of the balances in deposit accounts with Banks with which the Fund has kept such balances as at June 30, 2017:

Name of the bank	Balance as at June 30, 2017	Latest available published rating as at June 30, 2017	Rating agency
	Rupees in '000		
NIB Bank Limited	63,877	AA-	PACRA
Soneri Bank	9	AA-	PACRA
	<u>63,886</u>		

Name of the bank	Balance as at June 30, 2016	Latest available published rating as at June 30, 2016	Rating agency
	Rupees in '000		
NIB Bank Limited	41,775	AA-	PACRA
	<u>41,775</u>		

The maximum exposure to credit risk before considering any collateral as at June 30, 2017 and June 30, 2016 is the carrying amount of the financial assets. Investments in equity securities, however, are not exposed to credit risk. None of these assets are 'impaired' nor 'past due but not impaired'.

Concentration of credit risk

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

The Fund's major bank balance is held with one Bank. Management believes that such bank is a reputed institution.

21.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the total net asset value of the Fund at the time of borrowing and shall be repayable within 90 days. The facility would bear interest at commercial rates and would be secured against the assets of the Fund. The Fund has entered into an agreement for securing committed credit line for redemption purposes (refer note.29).

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. However, no such instances were witnessed by the Fund during the current 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.

Liabilities

Payable to the Management Company
 Payable to the Trustee
 Accrued expenses and other liabilities

Units Holder's Fund

----- As at June 30, 2017 -----			
Up to three months	Over three months and up to one year	Over one year	Total
----- Rupees in '000 -----			
1,945	-	-	1,945
236	-	-	236
2,404	-	-	2,404
4,585	-	-	4,585
468,825	-	-	468,825

Liabilities

Payable to the Management Company
 Payable to the Trustee
 Accrued expenses and other liabilities
 Payable against redemption of units

Unit Holder's Fund

----- As at June 30, 2016 -----			
Up to three months	Over three months and up to one year	Over one year	Total
----- Rupees in '000 -----			
769	-	-	769
67	-	-	67
1,165	-	-	1,165
8,594	-	-	8,594
10,595	-	-	10,595
173,508	-	-	173,508

22. 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) (level 3).

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	Fair value through profit and loss	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments		(Rupees in '000)							
Financial assets measured at fair value									
Investments									
- Listed equity securities	6	521,086	-	-	521,086	521,086	-	-	521,086
		<u>521,086</u>	<u>-</u>	<u>-</u>	<u>521,086</u>	<u>521,086</u>	<u>-</u>	<u>-</u>	<u>521,086</u>
Financial assets not measured at fair value									
Bank balances	22.1	-	63,886	-	63,886	-	-	-	-
Dividend and profit receivable		-	2,123	-	2,123	-	-	-	-
		<u>-</u>	<u>66,009</u>	<u>-</u>	<u>66,009</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value									
Payable to the Management Company	22.1	-	-	1,945	1,945	-	-	-	-
Payable to the Trustee		-	-	236	236	-	-	-	-
Accrued expenses and other liabilities		-	-	2,404	2,404	-	-	-	-
Units Holder's Fund		-	-	468,825	468,825	-	-	-	-
		<u>-</u>	<u>-</u>	<u>473,410</u>	<u>473,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		June 30, 2016							
		Carrying amount			Fair Value				
		Fair value through profit and loss	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments		(Rupees in '000)							
Financial assets measured at fair value									
Investments									
- Listed equity securities	6	150,088	-	-	150,088	150,088	-	-	150,088
		<u>150,088</u>	<u>-</u>	<u>-</u>	<u>150,088</u>	<u>150,088</u>	<u>-</u>	<u>-</u>	<u>150,088</u>
Financial assets not measured at fair value									
Bank balances	22.1	-	41,775	-	41,775	-	-	-	-
Dividend and profit receivable		-	348	-	348	-	-	-	-
Receivable against sale of investments		-	1,871	-	1,871	-	-	-	-
Prepaid rating fee		-	72	-	72	-	-	-	-
		<u>-</u>	<u>44,066</u>	<u>-</u>	<u>44,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value									
Payable to the Management Company	22.1	-	-	769	769	-	-	-	-
Payable to the Trustee		-	-	67	67	-	-	-	-
Accrued expenses and other liabilities		-	-	1,165	1,165	-	-	-	-
Payable against redemption of units		-	-	8,594	8,594	-	-	-	-
Units Holder's Fund		-	-	173,508	173,508	-	-	-	-
		<u>-</u>	<u>-</u>	<u>184,103</u>	<u>184,103</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

22.2 Valuation techniques

For level 1 investments at fair value through profit or loss - held for trading investment in respect of equity securities, Fund uses daily quotation shares which are taken from Pakistan Stock Exchange Limited at reporting date.

22.3 Transfers during the year

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

23. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown in the Statement of Movement in Unit Holders' Fund. The Fund has no restrictions on the subscription and redemption of units except for maintaining minimum fund size of Rs.100 million at all times. The Fund has maintained and complied with the requirements of minimum fund size during the year.

The Fund's objectives when managing unit holders' fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders 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 requests, which would be augmented by short-term borrowings or disposal of investments where necessary.

24. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the investment committee of the Fund as on June 30, 2017 are as follows:

S.No.	Name	Designation	Qualification	Experience in years
1	Farid Ahmed khan	Chief Executive Officer	CFA	23
2	Mohammad imran	Chief Investment Officer	MBA (Finance)	17
3	Colin Miranda	Acting Head of Research	CFA, MBA	8
4	Jawad Naeem	Fund Manager	MBA (Finance)	9.5
5	Adeel Abdul Wahab	Fund Manager	ACCA	8
6	Noman Ameer	Manager Risk	BS Acturial Sciences	11

25. LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Top ten brokers during the year ended June 30, 2017

- 1 Taurus Securities Limited
- 2 IGI Finex Securities Limited
- 3 Ismail Iqbal Securities (Pvt.) Limited
- 4 AL Falah Securities (Pvt) Limited
- 5 WE Financial Services Limited
- 6 Shajar Capital Pakistan (Pvt.) Limited
- 7 Zillion Capital Securities (Pvt) Limited
- 8 AKD Securities Limited
- 9 Global Securities Pakistan Limited
- 10 Next Capital Limited

Top ten brokers during the year ended June 30, 2016

- 1 Taurus Securities Limited
- 2 AL Falah Securities (Pvt) Limited
- 3 Zillion Capital Securities (Pvt) Limited
- 4 Al-Hoqani Securities & Investment Corp. (Pvt) Ltd
- 5 Next Capital Limited
- 6 Global Securities Pakistan Limited
- 7 M.M. Securities (Pvt.) Limited
- 8 Topline Securities (Private) Limited
- 9 First Capital Equities Limited
- 10 Invest & Finance Securities Limited

26. PATTERN OF UNIT HOLDING

Pattern of unit holding as at June 30, 2017 is as follows:

Category	Number of unit holders	Units Held	Investment amount	Percentage of Total
Rupees in '000				
Individuals	142	965,870	120,390	25.68%
Associated Companies and Directors	1	814,872	101,569	21.66%
Retirement Funds	4	408,933	50,971	10.87%
Banks	1	1,022,050	127,393	27.17%
Trust	2	451,215	56,241	12.00%
Others	1	98,372	12,261	2.62%
Total	151	3,761,312	468,825	100.00%

Pattern of unit holding as at June 30, 2016 was as follows:

Category	Number of unitholders	Units Held	Investment amount	Percentage of total
Rupees in '000				
Individuals	112	612,736	65,703	37.86%
Associated Companies and Directors	1	750,315	80,456	46.37%
Retirement Funds	6	161,082	17,273	9.96%
Others	2	93,967	10,076	5.81%
Total	121	1,618,100	173,508	100.00%

27. ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS

Five meetings of the Board of Directors were held on August 26, 2016, October 31, 2016, December 16, 2016, February 24, 2017 and April 27, 2017 respectively. Information in respect of the attendance by the Directors in the meetings is given below: The 82nd, 83rd, 84th, 85th and 86th meetings were held on September 9, 2015, October 19, 2015, February 10, 2016, March 2, 2016 and April 29, 2016 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Towfiq H. Chinoy	5	5	-	-
2	Ms. Ava Ardeshir Cowasje	5	5	-	-
3	Mr. Nadeem Abdullah	5	4	1	April 27, 2017
4	Mr. Farid Ahmed Khan ¹	4	4	-	-
5	Mr. Rehan N. Shaikh ²	1	1	-	-
6	Ms. Sima Kamil ³	4	4	-	-
7	Mr. Rizwan Haider	5	4	1	April 27, 2017
8	Mr. Salahuddin Manzoor	5	5	-	-
9	Mr. Aamir Irshad ⁴	-	-	-	-
10	Mr. Rayomond Kotwal ⁵	-	-	-	-

¹ Appointed on September 1, 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 06, 2017.

⁵ Appointed on June 22, 2017.

28. TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2017 is 4.49% (YTD) which includes 1.02% representing government levy and SECP fee.

29. COMMITTED CREDIT LINES

The Securities and Exchange Commission of Pakistan vide Direction No. 2 of 2017 dated January 13, 2017 as amended by Direction No. 7 of 2017 dated March 3, 2017, has directed all Asset Management Companies to arrange committed credit lines from banks / DFIs for the equity funds and fund of funds equivalent to 10% of its net assets for redemption purposes. Accordingly, the Fund has obtained committed credit lines of PKR 100 million which represents 21 % of net asset of the Fund as at April 04, 2017 at a rate of 3 Months KIBOR + 0.45%. The Fund is required to review the committed line at least on quarterly basis against the net assets of the Fund.

30. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on **25 August 2017** by the Board of Directors of the Management Company.

31. CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation. No significant rearrangement or reclassification was made in these financial statements during the current year.

32. GENERAL

Figures have been rounded off to the nearest thousand Rupees.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



HBL GOVERNMENT SECURITIES FUND
(Formerly PICIC Income Fund)

Annual Report 2017

FUND INFORMATION

NAME OF FUND	HBL Government Securities Fund (Formerly PICIC Income Fund)
NAME OF TRUSTEE	Central Depository Company of Pakistan Limited
NAME OF AUDITORS	Deloitte Yousuf Adil, Chartered Accountants.
NAME OF BANKERS	Habib Bank Limited Bank Al-Habib Limited Habib Metropolitan Bank Limited Bank Al Falah Limited Allied Bank Limited JS Bank Limited Samba Bank Limited Zarai Taraqati Bank Limited MCB Bank Limited NIB Bank Limited Soneri Bank Limited United Bank Limited

FUND MANAGER'S REPORT - HBL GOVERNMENT SECURITIES FUND (Formerly PICIC Income Fund)

As at June 30, 2017

Type and Category of Fund

Open end Sovereign Income Fund

Investment Objective and Accomplishment of Objective

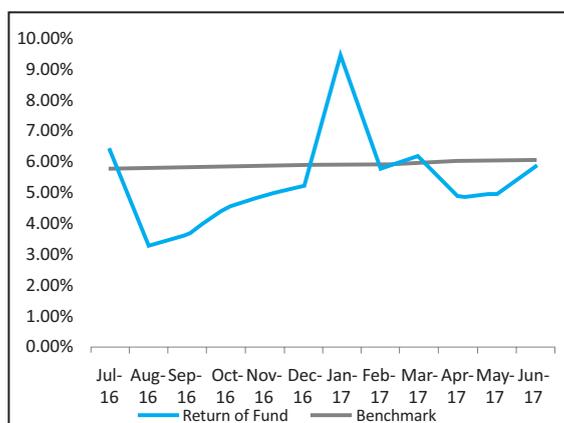
The investment objective of the Fund is to provide consistent returns to its investors through active investments in a blend of short, medium and long term securities issued and / or guaranteed by Government of Pakistan. The Fund will aim to provide superior risk adjusted returns through active duration and liquidity management tools. The investment objective is achieved.

Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is average Six (6) month PKRV Rates.

The comparison of the fund return with benchmark is given below:

Month	Return of Fund	Benchmark
Jun-17	5.81%	6.01%
May-17	4.95%	6.00%
Apr-17	4.84%	6.00%
Mar-17	6.14%	5.88%
Feb-17	5.75%	5.88%
Jan-17	9.43%	5.87%
Dec-16	5.17%	5.89%
Nov-16	4.92%	5.84%
Oct-16	4.48%	5.80%
Sep-16	3.61%	5.80%
Aug-16	3.28%	5.77%
Jul-16	6.42%	5.78%

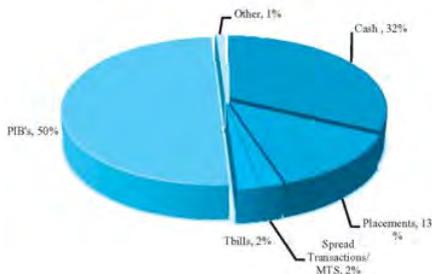


Strategies and Policies employed during the Year

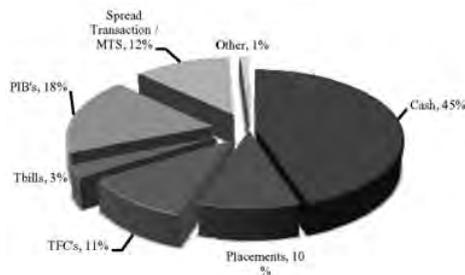
During the year, exposure in TFCs was reduced to zero compared to last year exposure of 11% due to change in sub category. The fund was majorly invested in Government Securities (T-Bills, PIBs and IjarahSukuk) of various tenors. The Fund Manager increased the exposure in medium duration Government Bonds against TFCs in order to maintain higher portfolio accruals. At the end of the year, exposure in PIBs and T-Bills stood at 50% and 2% of total assets compared to 18% and 3% respectively in June, 2016. As per the policy, HBL GSF maintained 70% exposure in government and remaining exposure in Cash at banks, placements with banks and MTS & Spread Transactions. Further, bank deposits were maintained only with the high rated banks.

Asset Allocation

Asset Allocation for June 2017



Asset Allocation for June 2016



Significant Changes in Asset Allocation during the Year

During the year under review, PICIC Income Fund was re-categorized as HBL Government Securities Fund as a result exposure against TFCs was reduced to zero in order to comply newly approved investment guidelines. The Fund's exposure in Government Securities was increased to 52% of total assets compared to 21% in June, 2016. Due to above changes in asset allocation, weighted average time to maturity increased to 714 days compared to 406 days in June' 16.

Fund Performance

The total income and net income of the Fund was Rs.131.20 million and Rs. 58.77 million respectively during the year ended June 30, 2017. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs 105.2098 per unit as on June 30, 2016. The NAV of the Fund was Rs 105.4266 per unit as on June 30, 2017 (after incorporating interim dividends of Rs. 5.60 per unit), thereby giving an annualized return of 5.54%. During the same year the benchmark (6 Month PKRV Rates) return was 5.88%.The size of Fund was Rs 1.37 billion as on June 30, 2017.

Money Market Review

During the year, State Bank Pakistan kept the discount rate static at 6.25% on the back of lower inflation and managed external accounts position. Government of Pakistan (GoP) raised PKR 7,716 billion (including NCB) through the T-bills auction compared to the cumulative target of PKR 7,200 billion and maturities of PKR 6,431 billion. In the secondary market, T-bills yields increased by a total of 9 bps, 13 bps and 13 bps for 3, 6 and 12 months respectively. In PIB auctions GOP raised PKR 894 billion against the cumulative target of PKR 800 billion and maturities of PKR 1,936 billion. All PIB auctions held in 2QFY17 were scrapped as the bids were at higher yields and there was no desperation showed by the GoP on stretching the maturities towards longer duration at higher costs. 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 in FY17, and thus placed bids at more appropriate levels. The 5 and 10-year PIB cutoffs declined by 1 bps and 8 bps respectively in FY17TD whereas the 3-year PIB cutoff remained unchanged. Consequently, money market saw flattened yield curve during the year.

The GOP also held an IjaraSukuk (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 whereas GoP accepted PKR 71.01 billion at a cut-off rate of 5.24% p.a. During 2HFY17, few corporate Sukuks were offered in the market, which were well-received by investors and the instruments with strong credit ratings were oversubscribed.

Going forward, we expect monetary policy to remain unchanged during first half FY18, however in later half potential rate hike is expected on the ground of higher CPI, imbalances in trade deficit and falling foreign reserves.

Distribution

The Fund has distributed cash dividend at Rs. 5.60 per unit during the year ended June 30, 2017.

Significant Changes in the State of Affairs

During the year the Management Company of the Fund i.e. PICIC Asset Management Company Limited merged with and into HBL Asset Management Limited effective from August 31, 2016. Subsequent to the merger of the Management Company the name of the PICIC Income Fund changed as HBL Government Securities Fund.

Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 - 100	26	1,869
101 - 500	27	6,265
501 - 1,000	17	12,857
100,1 - 10,000	111	556,661
10,001 - 100,000	68	2,467,199
100,001 - 500,000	7	1,453,597
500,001 - 1,000,000	-	-
1,000,001 - 5,000,000	3	8,495,901
5,000,001 and above	-	-
Total	259	12,994,349

Unit Splits

There were no unit splits during the year.

Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

Soft Commission

The Management Company from time to time receives research reports and presentations from brokerage houses.

PERFORMANCE TABLE - HBL Government Securities Fund

As at June 30, 2017

	2017	2016	2015	2014	2013	2012
Net assets at the period end (Rs'000)	1,369,950	2,114,271	1,324,011	2,436,787	1,231,919	1,054,587
NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES						
Class C Units						
Redemption	105.4266	105.2098	102.9612	100.1988	100.8387	100.8600
Offer - Class C	105.4265	105.2098	102.9612	100.1988	100.8387	100.8600
Offer - Class D	107.2135	106.5249	104.2482	101.4513	102.0992	-
OFFER / REDEMPTION DURING THE PERIOD - RUPEES						
Highest offer price per unit - Class C	112.4052	110.7623	112.5040	103.0632	103.2986	103.6935
Lowest offer price per unit - Class C	105.2610	102.9154	100.2531	100.4070	100.6432	100.6978
Highest offer price per unit - Class D	112.6839	112.1468	113.9103	104.3515	104.5898	-
Lowest offer price per unit - Class D	106.5768	104.2018	101.5063	101.6621	101.9012	-
Highest redemption price per unit	110.8057	110.7623	112.5040	103.0632	103.2986	103.6935
Lowest redemption price per unit	105.2610	102.9154	100.2531	100.4070	100.6432	100.6978
RETURN (%)						
Total return	5.54%	7.85%	11.75%	8.78%	9.52%	11.85%
Income distribution	5.60%	2.00%	2.75%	4.20%	6.20%	5.10%
Capital growth	-0.06%	5.85%	9.00%	4.58%	3.32%	6.75%
DISTRIBUTION						
First Interim dividend distribution (Rs)	-	-	-	1.75	2.40	2.75
Date of Income Distribution				26-Sep-13	28-Sep-12	29-Sep-11
Second Interim dividend distribution (Rs)	-	-	-	2.70	2.30	2.70
Date of Income Distribution				26-Dec-13	27-Dec-12	29-Dec-11
Third Interim dividend distribution (Rs)	-	-	-	2.40	2.00	2.75
Date of Income Distribution				28-Mar-14	26-Mar-12	29-Mar-12
Fourth Interim dividend distribution (Rs)	-	5.85	9.00	2.35	2.20	2.75
Date of Income Distribution		30-Jun-16	24-Jun-15	25-Jun-14	26-Jun-13	26-Jun-12
Final dividend distribution (Rs)	5.60	-	-	-	-	0.39
Date of Income Distribution	19-Jun-17					
Total dividend distribution for the year/ period (Rs)	5.60	5.85	9.00	9.20	8.90	11.34
AVERAGE RETURNS (%)						
Average annual return 1 year	5.54%	7.85%	11.75%	8.78%	9.52%	11.85%
Average annual return 2 year	6.70%	9.80%	10.26%	9.15%	10.68%	11.76%
Average annual return 3 year	8.36%	9.46%	10.01%	10.05%	11.00%	-
PORTFOLIO COMPOSITION - (%)						
Percentage of Total Assets as at 30 June:						
Bank Balances	32.35%	45.00%	24.00%	5.00%	1.00%	1.00%
T-Bills	2.05%	3.00%	3.00%	10.00%	47.00%	69.00%
Placement with Banks and DFIs	13.32%	10.00%	0.00%	15.00%	8.00%	17.00%
PIBs	49.46%	18.00%	61.00%	54.00%	4.00%	0.00%
Corporate Sukuks / TFCs	0.00%	11.00%	7.00%	0.00%	5.00%	11.00%
MTS / Spread Transactions	2.07%	12.00%	1.00%	13.00%	34.00%	0.00%
Others Including receivables	0.75%	1.00%	4.00%	3.00%	1.00%	2.00%
Weighted average portfolio during (No. of days)	714	406	1,023	516	106	48

Note:

The Launch date of the Fund is July 25, 2010

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

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Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com

**TRUSTEE REPORT TO THE UNIT HOLDERS****HBL GOVERNMENT SECURITIES FUND
(Formerly PICIC INCOME FUND)****Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Government Securities Fund (Formerly PICIC Income Fund) (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2017 in accordance with the provisions of the following:

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

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

Karachi, September 26, 2017

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2017

his statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19.23 of Pakistan Stock Exchange (the Stock Exchange) Regulations for the purpose of establishing a framework of good governance, whereby a listed entity is managed in compliance with the best practices of corporate governance.

HBL Asset Management Limited, an un-listed Public Limited Company, which manages the affairs of the **HBL Government Securities Fund (Formerly: PICIC Income Fund)** (Fund), has applied the principles contained in the CCG in the following manner:

1. The Management Company encourages representation of independent non-executive directors on its Board of Directors. The Management Company, being an un-listed company, does not have any minority interest. At present the Board includes:

Category	Names
Independent Directors	Mr. Nadeem Abdullah Ms. Ava Ardeshir Cowasjee
Executive Directors	Mr. Farid Ahmed Khan (Chief Executive Officer)
Non- Executive Directors	Mr. Towfiq H. Chinoy (Chairman) Mr. Rayomond H. Kotwal Mr. Rizwan Haider Mr. Salahuddin Manzoor

The independent directors meet the criteria of independence under clause 5.19.1(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurring on the board on April 27,2017 and June 22,2017 were filled up by the directors within 42 and 16 days respectively.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before all the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the Directors of their duties and responsibilities and for their orientation purpose they were informed about the recent developments / changes in applicable laws and regulations affecting the mutual fund industry. The directors are conversant of the relevant laws applicable to the Management Company, its policies, provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. The board has approved appointment of Head of Internal Audit and existing Chief Financial Officer and Company Secretary continue to serve as per their terms of employment duly approved by the Board.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by the Chief Executive Officer and the Chief Financial Officer before approval of the Board.
13. The Directors, the Chief Executive Officer and executives do not hold any interest in the units of the Fund other than that disclosed in the annual report.

14. The Management Company has complied with all the corporate and financial reporting requirements of the CCG with respect to the Fund.
15. The board has formed an Audit Committee. It comprises three Members, of whom three are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director. However due to resignation of Ms.Sima Kamil from the board effective from March 16, 2017 the committee members reduced to two. The board has reconstituted the committee effective from August 25,2017 and it comprise of three members.
18. The Board has outsourced the internal audit function of the Fund to EYFord Rhodes, Chartered Accountants, Karachi, for the year ended June 30, 2017, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company with regards to the Fund.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market/published price of Fund's unit, was determined and intimated to directors, employees and the stock exchange.
22. Material / price sensitive information has been disseminated amongst all market participants at once through the stock exchange.
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles contained in the CCG have been complied with.

For and on behalf of the board

Chief Executive Officer

Director

Karachi
August 25, 2017

Review report to the unit holders' on the Statement of Compliance with the best practices of the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of HBL Asset Management Limited, the Management Company of **HBL Government Securities Fund (Formerly PICIC Income Fund)** (the Fund) for the year ended June 30, 2017 to comply with Regulation No. 5.19 of the Rule Book of the Pakistan Stock Exchange Limited, where the Fund is listed.

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

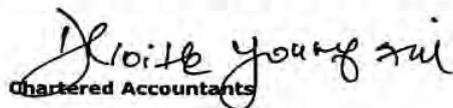
As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on Internal control covers all risk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

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

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

We draw attention to the following;

- Paragraph 17 of the Statement wherein it has been stated that the composition of the Human Resource and Remuneration (HR&R) Committee was remediated subsequent to year end.


Chartered Accountants

Dated: September 22, 2017
Place: Karachi

Independent auditors' report to the unit holders

Report on the financial statements

We have audited the accompanying financial statements of **HBL Government Securities Fund (Formerly PICIC Income Fund)** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2017, and the related income statement and other comprehensive income, distribution statement, statement of movements in unit holders' funds and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Company's responsibility for the financial statements

HBL Asset Management Limited (the Management Company) is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan, and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

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

Report on other legal and regulatory requirements

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



Deloitte Yousuf Adil
Chartered Accountants

Other matter

The financial statements of the Fund for the year ended June 30, 2016 were audited by another firm of Chartered Accountants who vide their report dated August 26, 2016 expressed an unmodified opinion thereon.



Chartered Accountants

Engagement Partner
Naresh Kumar

Date: September 22, 2017
Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited

HBL Government Securities Fund (Formerly PICIC Income Fund)
Statement of Assets and Liabilities
As at June 30, 2017

		2017	2016
	Note	----- Rupees in '000' -----	
Assets			
Bank balances	5	546,623	992,954
Investments	6	1,167,845	917,407
Receivables against Margin Trading System		37,261	260,108
Accrued markup on bank balances and investments	7	12,737	20,820
Security deposits	8	350	350
Prepayments	9	482	470
Total assets		1,765,298	2,192,109
Liabilities			
Payable to the Management Company	10	1,873	2,863
Payable to the Trustee	11	472	289
Payable to Securities and Exchange Commission of Pakistan	12	1,452	1,598
Dividend Payable		-	30,012
Payable against redemption of units		362,820	8,306
Accrued expenses and other liabilities	13	28,731	34,770
Total liabilities		395,348	77,838
Net assets		1,369,950	2,114,271
Unit holders' fund (as per statement attached)	15	1,369,950	2,114,271
Contingencies and commitments	14	----- Number of units -----	
Number of units in issue		12,994,349	20,095,763
Net asset value per unit	4.10	105.4266	105.2098

The annexed notes 1 to 30 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Government Securities Fund (Formerly PICIC Income Fund)
Income Statement and Other Comprehensive Income
For the year ended June 30, 2017

	Note	2017 ----- Rupees in '000 -----	2016
Income			
Capital gain on sale of investments - net		1,002	34,439
Income from government securities		37,736	99,052
Income from money market transactions and other placements		47,189	14,587
Income form Margin trading System		13,920	15,799
Profit on bank deposits		30,614	26,682
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net		740	10,510
Total income		131,201	201,069
Expenses			
Remuneration of the Management Company	10.1	27,338	30,355
Provision for Federal Excise Duty and additional sales tax on remuneration of the Management Company	13.2	-	4,857
Remuneration of the Trustee	11.1	2,819	3,034
Annual fee to Securities and Exchange Commission of Pakistan	12.1	1,452	1,598
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	1,935	1,183
Amortisation of preliminary expenses and floatation costs		-	12
Auditors' remuneration	16	469	412
Fee and subscription		303	300
Securities transaction cost		2,622	2,452
Bank charges		107	84
Printing charges		74	426
Total expenses		37,119	44,713
Net income from operating activities		94,082	156,356
Element of loss and capital losses included in prices of units issued less those in units redeemed - net		(44,157)	(67,634)
Reversal of provision for Workers' Welfare Fund	14.1	14,183	-
Provision for Sindh Workers' Welfare Fund	14.1	(5,338)	-
		8,845	-
Net income for the year before taxation		58,770	88,722
Taxation	17	-	-
Net income for the year after taxation		58,770	88,722
Other comprehensive income for the year		-	-
Total comprehensive income for the year		58,770	88,722
Earnings per unit	18		

The annexed notes 1 to 30 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Government Securities Fund (Formerly PICIC Income Fund)
Distribution Statement
For the year ended June 30, 2017

	2017	2016
	----- Rupees in '000 -----	
Undistributed income brought forward		
- Realised income	94,185	15,338
- Unrealised loss	10,510	22,741
	<u>104,695</u>	<u>38,079</u>
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in unit redeemed - amount transferred to the Distribution Statement - net, from Unit Holders' Fund	(36,997)	21,429
Net income for the year after taxation	58,770	88,722
Interim cash distribution of Rs 5.60 per unit declared on June 20, 2017 (2016: Rs 5.85 per unit declared on June 30, 2016)	(55,952)	(43,535)
Undistributed income carried forward	<u><u>70,516</u></u>	<u><u>104,695</u></u>
Undistributed income comprising:		
- Realised income	69,776	94,185
- Unrealised income	740	10,510
	<u><u>70,516</u></u>	<u><u>104,695</u></u>

The annexed notes 1 to 30 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Government Securities Fund (Formerly PICIC Income Fund)
Statement of Movement in Unit Holders' Fund
For the year ended June 30, 2017

	2017 ----- Rupees in '000 -----	2016 ----- Rupees -----
Net assets at the beginning of the year	2,114,271	1,324,011
Issue of 28,039,561 units (2016: 59,597,929 units)	2,983,220	6,037,282
Redemption of 35,140,975 (2016: 52,361,485 units)	(3,774,516)	(5,359,843)
	(791,296)	677,439
Element of income / (loss) and capital gain / (loss) included in prices of units issued less those in units redeemed		
Amount transferred to the Income Statement and Other Comprehensive Income	44,157	67,634
Amount transferred to the Distribution Statement	36,997	(21,429)
	81,154	46,205
Capital gain on sale of investments - net	1,002	34,439
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	740	10,510
Other net income for the year	57,028	43,773
Total comprehensive income for the year	58,770	88,722
Interim cash distribution of Rs 5.60 per unit declared on June 19, 2017 (2016: Rs 5.85 per unit declared on June 30, 2016)	(55,952)	(43,535)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in unit redeemed - amount transferred to the Distribution Statement	(36,997)	21,429
Net assets at the end of the year	1,369,950	2,114,271
	----- Rupees -----	
Net asset value per unit at the beginning of the year	105.2098	102.9612
Net asset value per unit at the end of the year	105.4266	105.2098

The annexed notes 1 to 30 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Government Securities Fund (Formerly PICIC Income Fund)

Cash Flow Statement

For the year ended June 30, 2017

	2017	2016
	----- Rupees in '000 -----	
Cash flows from operating activities		
Net income for the year before taxation	58,770	88,722
Adjustment for:		
Return / mark-up on;		
- bank profits	(30,614)	(26,682)
- investments	(84,925)	(113,639)
Unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	(740)	(10,510)
Capital gain on sale of investments - net	(1,002)	(34,439)
Element of loss and capital losses included in prices of units less those in units redeemed - net	44,157	67,634
Amortisation of preliminary expenses and floatation costs	-	12
Reversal of provision for Workers' Welfare Fund	(14,183)	-
Provision for Sindh Workers' Welfare Fund	5,338	-
	<u>(23,199)</u>	<u>(28,902)</u>
Decrease / (increase) in assets		
Investments - net	(248,696)	196,458
Receivables against Margin Trading System	222,847	(246,603)
Prepayments and advances	(12)	(63)
	<u>(25,861)</u>	<u>(50,208)</u>
(Decrease) / increase in liabilities		
Payable to the Management Company	(990)	(224)
Payable to the Trustee	183	23
Payable to Securities and Exchange Commission of Pakistan	(146)	(576)
Accrued expenses and other liabilities	2,806	1,431
	<u>1,853</u>	<u>654</u>
Bank profits received	34,488	23,018
Markup on investments received	89,134	146,195
Net cash generated from operating activities	<u>76,415</u>	<u>90,757</u>
Cash flows from financing activities		
Receipts from issue of units	2,983,220	6,266,014
Amount paid / payable on redemption of units	(3,420,002)	(5,658,408)
Dividend paid	(85,964)	(60,088)
Net cash (used in) / generated from financing activities	<u>(522,746)</u>	<u>547,518</u>
Net (decrease) / increase in cash and cash equivalents during the year	<u>(446,331)</u>	<u>638,275</u>
Cash and cash equivalents at the beginning of the year	<u>992,954</u>	<u>354,679</u>
Cash and cash equivalents at the end of the year	<u><u>546,623</u></u>	<u><u>992,954</u></u>

The annexed notes 1 to 30 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Government Securities Fund (Formerly PICIC Income Fund)

Notes To The Financial Statements

For the year ended June 30, 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

HBL Government Securities Fund (formerly PICIC income Fund) ("the Fund") was established under a Trust Deed executed between PICIC Asset Management Company Limited (now, HBL Asset Management Limited) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. NBFC-II/DD/PICICIF/199 dated March 10, 2010 and the Trust Deed was executed on March 17, 2010.

During the year, the Securities and Exchange Commission of Pakistan approved merger of PICIC Asset Management Company Limited with and into HBL Asset Management Limited effective from August 31, 2016 through an order dated August 31, 2016. Effective from September 1, 2016 HBL Asset Management Limited became Management Company of the fund which is a wholly owned subsidiary of Habib Bank Limited. After the merger, trust deed was revised on February 17, 2017.

The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is located at 24-C, Khayban-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 open-ended Sovereign income scheme and is listed Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at par value of Rs. 100 per unit from December 11, 2010 to December 13, 2010. Thereafter, the units are offered to the public for subscription on a continuous basis and are transferable and redeemable by surrendering them to the Fund.

The Fund has been categorised as a money market scheme as per the criteria laid down by the SECP for categorisation of open-end Collective Investment Schemes (CISs).

The core objective of the Fund is to provide competitive returns to its investors through active investments in low risk portfolio of short duration, while maintaining high liquidity.

JCR-VIS Credit Rating Company has assigned an asset manager rating of 'AM2-' to the Management Company and a stability rating 'A(f)' to the Fund.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as 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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

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 that certain investments are measured at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the fund's functional and presentation currency. All amounts have been rounded off to the nearest of rupees, unless otherwise indicated.

2.4 Use of judgments and estimates

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of its accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

- (i) classification and valuation of financial assets (notes 4.2.1.1 and 4.2.1.4); and
- (ii) impairment of financial assets (note 4.2.1.5)

3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS THAT ARE EFFECTIVE FOR THE YEAR ENDED JUNE 30, 2017

3.1 Standards or interpretations that are effective in current year but not relevant to the Fund

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 for accounting periods 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, that are not expected to have material effect on the financial reporting of the Fund and therefore have not been discussed here.

3.2 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 for accounting periods 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'.	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs, that are not expected to have material effect on the financial reporting of the Fund.

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Cash and cash equivalents

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

4.2 Financial instruments

4.2.1 Financial assets

4.2.1.1 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) Investments 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 financial assets 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

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price. Currently, Fund does not hold any 'available for sale' financial assets.

4.2.1.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

4.2.1.3 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", in which case the transaction costs are charged to 'income statement and other comprehensive income'.

4.2 Subsequent measurement

a) Financial assets classified as 'fair value through profit or loss - held-for-trading'

Subsequent to initial measurement, financial assets classified as 'fair value through profit or loss - held-for-trading'.

Basis of valuation of government securities

The investment of the Fund in government securities is valued on the basis of PKRV rates published by Reuters in accordance with Circular no. 33 of 2012 issued by SECP.

Net gains and losses arising from changes in fair value of 'fair value through profit or loss - held-for-trading' financial assets are recognised under operating income in the 'Income statement and other comprehensive income'.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are recognised as 'other comprehensive income' in the Income Statement until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised as 'other comprehensive income' is transferred to income before taxation as capital gain / (loss).

b) Loans and receivables

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

Gains or losses are also recognised in the 'income statement and other comprehensive income' when financial assets carried at amortised cost are derecognised or impaired

4.2.1.5 Impairment

The Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

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 provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

4.2.1.6 Derecognition

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

4.2.2 Financial liabilities

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

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

4.2.3 Offsetting of financial assets and liabilities

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

4.3 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

4.4 Provisions

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

4.5 Collaterals

Cash collaterals provided by the Fund are identified in the statement of assets and liabilities as margin and are not included as a component of cash and cash equivalents. For collaterals other than cash, if the party to whom the collaterals are provided has a right by contract or custom to sell or re-pledge the collaterals, the Fund classifies those collaterals in the statement of assets and liabilities separately from other assets and identifies the assets as pledged collaterals. Where the party to whom the collaterals are provided does not have the right to sell or re-pledge, a disclosure of the collaterals provided is made in the notes to the financial statements.

4.6 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

The Fund is also exempt from the provisions of section 113 (minimum tax) and section 113C (Alternative Corporate Tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and the amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

4.7 Proposed distributions

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

4.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received and funds are realized during business hours on that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net assets value per unit as of the close of the business day less any back-end load (if applicable), any duties, taxes, charges on redemption and any provision for transaction costs, if applicable. Redemption of units is recorded on acceptance of application for redemption.

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

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

The element of income and capital gains included in the prices of units issued less those in units redeemed to the extent that it is represented by distributable income earned during the year is recognised in the 'income statement and other comprehensive income' and the element of income and capital gains represented by distributable income carried forward from prior periods is included in the distribution statement.

From July 1, 2016, the Fund has revised its methodology for computation of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those redeemed.

The revised methodology, in the opinion of management, reflects a more appropriate method for recognition of element and moreover is in conformity with the general industry practice. The new methodology is being consistently implemented across all funds managed by the Management Company. Management has treated the revision in methodology as change in accounting estimate and applied it prospectively.

Amendment in the NBFC Regulations subsequent to the year end

Subsequent to the year end on August 03, 2017, the SECP has made certain amendments in the NBFC Regulations, 2008 via SRO 756 (I)/2017. The definition of element of income has been inserted via said amendment which defines element of income as difference between net assets value on the issuance or redemption date, as the case may be, of units and the net asset value at the beginning of the relevant accounting period. The said amendment also excludes element of income from accounting income for the purpose of distribution under regulation 63 of the NBFC Regulations. The said SRO also contains amendments relating to consequential changes in the income statement and statement of movement in unitholders' fund. The Management Company is in the process of assessing the impact of the said changes with the view that these changes will be effective for the period following the date of the said SRO.

4.10 Net assets value per unit

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

4.11 Revenue recognition

- Realised 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.
- Mark-up / return on Government securities, bank profits and investment in debt securities are recognized at a time apportionment basis using the effective interest method.
- Element of income / (loss) and capital gain / (losses) included in prices of units issued less those in units redeemed is included in the 'income statement and other comprehensive income' on the date of issue and redemption of units.

4.12 Expenses

All expenses including NAV based expenses (namely management fee, trustee fee and annual fee payable to the SECP) are recognized in the 'income statement and other comprehensive income' on a time apportionment basis using the effective interest method.

	Note	2017 ----- Rupees in '000 -----	2016 ----- Rupees in '000 -----
5. BANK BALANCES			
In savings accounts	5.1	<u>546,623</u>	<u>992,954</u>

5.1 These accounts carry mark-up at rates ranging between 3.75% and 6.60% (2016: 3.75% and 6.50%) per annum.

	Note	2017 ----- Rupees in '000 -----	2016 ----- Rupees in '000 -----
6. INVESTMENTS			
Financial assets at fair value through profit or loss - held-for-trading			
Investment in Government Securities:			
Market treasury bills	6.1	36,929	54,815
Pakistan Investment Bonds	6.2	890,916	391,940
Total investment in government securities		927,845	446,755
Investment in corporate debt securities:			
Term Finance Certificates	6.3	-	49,136
Corporate Sukuk Certificates	6.4	-	57,516
Total investment in corporate debt securities		-	106,652
Total financial assets at fair value through profit or loss		927,845	553,407
Loans and receivables	6.6	240,000	364,000
Total investments		<u>1,167,845</u>	<u>917,407</u>

6.1 Financial assets at fair value through profit or loss - held-for-trading:
- Market treasury bills

Issue date	Tenure	Face value				Balance as at June 30, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2016	Purchases during the period	Sales / matured during the period	As at June 30, 2017	Carrying value	Market value	Appreciation / (diminution)		
Rupees in '000										
January 21, 2016	6 Month	55,000	-	55,000	-	-	-	-	-	-
July 11, 2016	3 Month	-	250,000	250,000	-	-	-	-	-	-
July 21, 2016	6 Month	150,000	-	150,000	-	-	-	-	-	-
July 21, 2016	12 Month	-	250,000	250,000	-	-	-	-	-	-
October 13, 2016	6 Month	-	150,000	150,000	-	-	-	-	-	-
January 19, 2017	3 Month	-	1,086,000	1,086,000	-	-	-	-	-	-
April 13, 2017	3 Month	-	4,997,000	4,975,000	22,000	21,982	21,978	(4)	1.60%	1.88%
April 27, 2017	3 Month	-	6,510,000	6,495,000	15,000	14,954	14,951	(3)	1.09%	1.28%
May 11, 2017	3 Month	-	250,000	250,000	-	-	-	-	-	-
Total - As at June 30, 2017		55,000	13,643,000	13,661,000	37,000	36,936	36,929	(7)	2.70%	3.16%
Total - As at June 30, 2016		50,000	4,235,000	4,230,000	55,000	54,819	54,815	(4)	2.59%	5.97%

6.1.1 T-bills with face value aggregating to Rs. 20 million have been pledged with National Clearing Company of Pakistan (NCCPL) as collateral against trading facility in Margin Trad

6.1.2 The effective yield on market treasury bills range from 5.97% to 5.98% per annum (June 30, 2016: 5.88%) per annum.

6.2 Financial assets at fair value through profit or loss - held - for - trading:
- Pakistan Investment Bonds

Issue date	Tenure	Face value				Balance as at June 30, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2016	Purchases during the period	Sales / matured during the period	As at June 30, 2017	Carrying value	Market value	Appreciation / (diminution)		
Rupees in '000										
July 19, 2012	10 Years	50,000	200,000	100,000	150,000	180,840	180,909	69	13.21%	15.49%
March 26, 2015	5 Years	300,000	50,000	350,000	-	-	-	-	-	-
April 21, 2016	5 Years	-	600,000	600,000	-	-	-	-	-	-
April 21, 2016	3 Years	-	330,000	230,000	100,000	101,326	101,334	8	7.40%	8.68%
December 29, 2016	3 Years	-	650,000	50,000	600,000	608,003	608,673	670	44.43%	52.12%
Total - As at June 30, 2017		350,000	1,830,000	1,330,000	850,000	890,169	890,916	747	65.03%	76.29%
Total - As at June 30, 2016		850,000	1,875,000	2,375,000	350,000	381,352	391,940	10,588	18.54%	42.72%

The effective yield on Pakistan investment bonds range from 6.21% to 7.09% per annum (June 30, 2016: 6.26% to 6.87%) per annum.

6.3 Investment in Term Finance Certificates

Issue date	Tenure	Number of Certificates				Balance as at June 30, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2016	Purchases during the period	Sales / matured during the period	As at June 30, 2017	Carrying value	Market value	Appreciation / (diminution)		
Rupees in '000										
Term Finance										
Bank Al-Habib	10 Years	-	20,000	20,000	-	-	-	-	-	-
Bank of Punjab	10 Years	-	1,250	1,250	-	-	-	-	-	-
JS Bank Limited	7 Years	-	22,000	22,000	-	-	-	-	-	-
Soneri Bank	8 Years	10,000	-	10,000	-	-	-	-	-	-
Total - As at June 30, 2017		10,000	43,250	53,250	-	-	-	-	-	-
Total - As at June 30, 2016		-	10,000	-	10,000	49,990	49,136	(854)	2.32%	5.36%

This carries returns at the rate of Nil per annum (June 30, 2016: 8.21%)

6.4 Investment in Corporate Sukook Certificates

Issue date	Tenure	As at July 1, 2016	Purchases during the period	Sales / matured during the period	As at June 30, 2017	Carrying value	Market value	Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of total investments
Engro Sukuk	10 Years	12,000	-	12,000	-	-	-	-	-	-
Total - As at June 30, 2017		12,000	-	12,000	-	-	-	-	-	-
Total - As at June 30, 2016		12,000	-	-	12,000	56,736	57,516	780	2.72%	6.27%

6.4.1 This carries returns at the rate of Nil per annum (June 30, 2016: 7.83%)

	Note	2017 ----- Rupees in '000 -----	2016 ----- Rupees in '000 -----
6.5 Net unrealized appreciation on r-measurement of investments classified as financial assets at fair value through profit or Loss - held-for-trading:			
Market value of investments		927,845	553,407
less: carrying value of investments		(927,105)	(542,897)
		<u>740</u>	<u>10,510</u>
6.6 Loan and receivables			
Short term corporate Sukook Certificate	6.6.1	-	139,000
Term deposit receipt	6.6.2	240,000	175,000
Certificate of investment	6.6.3	-	50,000
		<u>240,000</u>	<u>364,000</u>
6.6.1	This represents subscription towards short term Sukuk certificates of Engro Fertilizers Limited having maturity on November 25, 2016 and carries profit at the rate of Nil (June 30, 2016: 6.57%) per annum.		
6.6.2	This represents term deposit receipt which will mature on November 27, 2017 and carries profit range from 6.50% to 6.80% (June 30, 2016: 6.50)		
6.6.3	This represents Certificate of Investment which carries profit at the rate of Nil (June 30, 2016: 6.40%) per annum.		
	Note	2017 ----- Rupees in '000 -----	2016 ----- Rupees in '000 -----
7. ACCRUED MARKUP ON BANK BALANCES AND INVESTMENTS			
Profit receivable on bank deposits		1,190	5,064
Profit receivable on Pakistan investment bonds		9,692	9,982
Profit receivable on short term sukuk certificate		-	926
Profit receivable on term finance certificate		-	9
Profit receivable on certificates of investment		-	1,876
Profit receivable on corporate sukuk certificate		-	2,166
Profit receivable on margin trading system		382	735
Profit receivable on term deposit receipts		1,473	62
		<u>12,737</u>	<u>20,820</u>
8. SECURITY DEPOSIT			
Security deposits with:			
Central Depository Company of Pakistan Limited		100	100
National clearing Company of Pakistan limited		250	250
		<u>350</u>	<u>350</u>
9. PREPAYMENTS			
Prepaid expenses	9.1	<u>482</u>	<u>470</u>
9.1	This includes prepaid expenses recognized in respect of payment made to for listing expenses and MTS fee.		

	Note	2017 ----- Rupees in '000 -----	2016 ----- Rupees in '000 -----
10 PAYABLE TO THE MANAGEMENT COMPANY			
Management fee	10.1	1,501	2,336
Sindh Sales Tax on Management Company's remuneration	10.2	195	327
Sales load payable		57	13
Fund operations, accounting and related costs	10.3	120	187
		<u>1,873</u>	<u>2,863</u>

10.1 As per the offering document of the fund, the Management Company shall charge a fee at the rate of 1.25% of the average annual net assets on daily basis of the Scheme subject to the guidelines as may be issued by the Commission from time to time. Therefore, the management fee is charged at 1.25%. The fee is payable monthly in arrears. Management fee is also subject to Sindh Sales Tax on Services at applicable rates.

10.2 The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 percent (June 30, 2016: 14 percent) on the remuneration of management company through Sindh Sales Tax on Services Act, 2011.

10.3 "As per Regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1 percent of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the year.

	Note	2017 ----- Rupees in '000 -----	2016 ----- Rupees in '000 -----
11. PAYABLE TO THE TRUSTEE			
Trustee fee	11.1	411	259
CDC charges Payable		61	30
		<u>472</u>	<u>289</u>

11.1 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 therein, based on the daily net assets of the Fund. The fee is paid to the Trustee monthly in arrears.

11.2 The tariff structure applicable to the Fund is as follows:

Amount of Funds Under Management [Average Net Assets Value (NAV)]	Tariff per annum
Upto Rs 1,000 million	0.17% per annum of NAV
Exceeding Rs 1,000 million and upto 5,000 million	Rs 1.7 million plus 0.085% per annum of NAV
Rs 5,000 million	Rs 5.10 million plus 0.07% per annum of NAV exceeding Rs. 5,000 million

	Note	2017 ----- Rupees in '000 -----	2016 ----- Rupees in '000 -----
12. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	12.1	<u>1,452</u>	<u>1,598</u>

12.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 a collective investment scheme categorised as a money market scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.

	Note	2017 ----- Rupees in '000 -----	2016 -----
13. ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Workers' Welfare Fund	13.1	-	14,183
Provision for Sindh Workers' Welfare Fund	13.1	5,338	
Provision for Federal Excise Duty and additional sales tax on management fee	13.2	15,531	15,531
Withholding tax payable		7,336	4,490
Auditors' remuneration		315	275
Printing charges		80	175
Others		131	116
		28,731	34,770

13.1 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 recognized 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 recognized 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 Management Company 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 recognized 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. 14.183 million. Further, the Fund has recognised provision for SWWF amounting to Rs. 5.338 million 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. 0.41 per unit

13.2 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law, 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 Management Company, as a matter of abundant caution, has made a provision on FED on remuneration of Management Company, aggregating to Rs. 15.531 million. Had the provision not been made, the Net Asset Value per unit as at June 30, 2017 would have been higher by Rs. 1.1952 (June 30, 2016: Rs. 0.7728) per unit.

	2017	2016
	----- Rupees in '000 -----	
14. CONTINGENCIES AND COMMITMENTS		
14.1 Contingencies		
There are no contingencies outstanding as at June 30, 2017 and June 30, 2016		
14.2 Commitments		
Payable against Margin Trading System Investments	(4,439)	(183,711)
Receivable against Margin Trading System Investments	2,659	47,875
	<u>(1,780)</u>	<u>(135,836)</u>
15 NUMBER OF UNITS IN ISSUE		
Total units in issue at the beginning of the year	20,095,763	12,859,319
Units Issued	28,039,561	59,597,929
Units redeemed	(35,140,975)	(52,361,485)
Total units in issue at the end of the year	<u>12,994,349</u>	<u>20,095,763</u>

	2017	2016
	----- Rupees in '000 -----	
16. AUDITORS' REMUNERATION		
Annual audit fee	240	240
Fee for half yearly review	135	135
Review of compliance with the requirement of the Code of Corporate Governance	5	5
Other certifications and out of pocket	89	32
	469	412

17. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. During the year, management has distributed cash dividend of at least 90% of the aforementioned accounting income to the unit holders. Accordingly, no provision for taxation has been recognised in these financial statements.

18. EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed as in the opinion of management determination of cumulative weighted average number of outstanding units is not practicable.

19. FINANCIAL INSTRUMENTS BY CATEGORY

	----- As on June 30, 2017 -----			
	At fair value through profit or loss - held- for- trading	Loans and receivables	Available for sale	Total
	----- Rupees in '000 -----			
Assets				
Bank balances	-	546,623	-	546,623
Investments	927,845	240,000	-	1,167,845
Receivable against Margin Trading System	-	37,261	-	37,261
Accrued markup on bank balances and investments	-	12,737	-	12,737
	927,845	836,621	-	1,764,466

	----- As on June 30, 2017 -----		
	At fair value through profit or loss	Other financial liabilities	Total
	----- Rupees in '000 -----		
Liabilities			
Payable to the Management Company	-	1,873	1,873
Payable to the Trustee	-	472	472
Accrued expenses and other liabilities	-	526	526
Payable against redemption on units	-	362,820	362,820
Unit holders' fund	-	1,369,950	1,369,950
	-	1,735,641	1,735,641

	----- As on June 30, 2016 -----			
	At fair value through profit or loss	Loans and receivables	Available for sale	Total
Assets	----- Rupees in '000 -----			
Bank balances	-	992,954	-	992,954
Investments	553,407	364,000	-	917,407
Receivable against Margin Trading System	-	260,108	-	260,108
Accrued markup on bank balances and investments	-	20,820	-	20,820
	<u>553,407</u>	<u>1,637,882</u>	<u>-</u>	<u>2,191,289</u>

	----- As on June 30, 2016 -----		
	At fair value through profit or loss	Other financial liabilities	Total
Liabilities	----- Rupees in '000 -----		
Payable to the Management Company	-	2,676	2,676
Payable to the Trustee	-	289	289
Accrued expenses and other liabilities	-	753	753
Payable against redemption on units	-	8,306	8,306
Dividend Payable	-	30,012	30,012
Unit holders' fund	-	2,114,271	2,114,271
	<u>-</u>	<u>2,156,307</u>	<u>2,156,307</u>

20. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited, being the Trustee of the Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

As mentioned in note 1, PICIC Asset Management Company Limited merged with and into HBL Asset Management Limited, therefore PICIC Asset Management Company Limited remained related party till August 31, 2016.

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 Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

Details of the transactions with connected persons and balances with them, if not disclosed elsewhere in the condensed interim financial information are as follows:

Transactions during the year	2017	2016
	----- Rupees in '000 -----	
HBL Asset Management Limited - Management Company		
Remuneration of Management Company	<u>24,193</u>	<u>26,627</u>
Sindh Sales Tax on remuneration of Management Company	<u>3,145</u>	<u>3,728</u>
Reimbursement of fund operations, accounting and related costs	<u>1,935</u>	<u>1,183</u>
Issue of 4,140,494 units (2016: 11,820,997) units	<u>442,058</u>	<u>1,244,997</u>
Redemption of 5,233,841 units (2016: 9,273,861) units	<u>567,448</u>	<u>989,211</u>

Transactions during the year	2017	2016
	----- Rupees in '000 -----	-----
Habib Bank Limited Sponsor		
Bank charges paid	9	-
Profit on bank deposits	1,393	2
CDC Trustee - HBL Multi Asset Fund		
Sale of Bank of Punjab - TFC	44,087	-
Sale of JS Bank - TFC	20,520	-
Sale of Bank Al Habib TFC	63,564	-
CDC Trustee - HBL Income Fund		
Sale of Bank Al-Habib - TFC	11,579	-
NIB Bank Limited - Connected person due to holding of 10% or more		
Issue of 2017 9,621,463 units (2016 Nil Units)	1,026,016	-
Redemption of 2017 9,846,127 units (2016 Nil Units)	1,050,061	-
Cash Dividend	26,052	29,938
Bank Charges Paid	45	68
Profit on bank deposits earned	3,672	22,676
Pakistan Society for the Welfare of Mentally Retarded Children - Connected person due to holding of 10% or more		
Issue of 2017 70,573 units (2016 Nil units)	7,425	-
Redemption of 2017 100,316 units (2016 Nil units)	11,000	-
Cash Dividend	7,425	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	2,819	3,034
CDC Charges	343	269
Executives of the Management Company		
Issue of 2017 17,305 units (2016 35,041 units)	1,822	3,753
Redemption of 2017 37,166 units (2016 17,399 units)	3,938	1,923
Cash Dividend	22	-
Balance outstanding as at period / year end		
HBL Asset Management Limited - Management Company		
Remuneration of Management Company	1,501	2,336
Sindh Sales Tax on remuneration of Management Company	195	327
Sales Load Payable	57	13
Allocation of expenses related to registrar services accounting, operation and valuation services	-	187
Investment held in the fund 2017 1,764,572 units (2016 2,857,920 units)	186,033	300,681
Habib Bank Limited Sponsor		
Bank balances	2,390	522
NIB Bank Limited - Connected person due to holding of 10% or more		
Investment held in fund 2017 4,892,987 units (2016 5,117,650 units)	515,851	538,427
Bank Balances	589	238,946
Profit Receivable	29	3,814
Dividend Payable	-	29,938

Transactions during the year

2017
----- Rupees in '000 -----

2016

Pakistan Society for the Welfare of Mentally Retarded Children - Connected person due to holding of 10% or more

Investment held in fund 2017 1,838,343 units (2016 1,868,086 units)

193,810 196,637

Central Depository Company of Pakistan Limited - Trustee

Remuneration Payable

411 259

CDC Charges Payable

61 30

Security Deposit

100 100

Director and Executives of the Management Company

Investment held in the fund 2017 4,733 units (2016 17,462 units)

499 1,856

21. FINANCIAL RISK MANAGEMENT

The Fund primarily invests in a portfolio of money market investments such as government securities, spread transactions and in other money market instruments. These activities expose the Fund to a variety of financial risks: market risk, credit risk and liquidity risk.

Market risk

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

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan.

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

21.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

The Fund has no exposure to foreign exchange risk as at June 30, 2017 as there are no financial assets or financial liabilities denominated in foreign currencies.

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) Cash flow interest rate risk

The Fund's interest rate risk arises from the balances in savings accounts. The net income for the period would have increased / (decreased) by Rs. 5.466 (2016: Rs. 9.929 million), had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

b) Fair value interest rate risk

The Fund's investment in Market Treasury Bills and Pakistan Investment Bonds expose it to fair value interest rate risk.

Market Treasury bills and Pakistan Investment Bonds which are classified as financial assets 'at fair value through profit or loss' expose the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Market Association on June 30, 2017, with all other variables held constant, the net income for the year and net assets would be lower by Rs 9.278 million (2015: Rs 0.909 million). In case of 100 basis points decrease in rates announced by Financial Market Association on June 30, 2016, with all other variables held constant, the net income for the year and net assets would be higher by Rs 9.278 million (2015: Rs 0.909 million).

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan is expected to change over time. Therefore, 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 interest rates.

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

----- As at June 30, 2017 -----

Exposed to yield / interest rate risk			Not exposed to yield/ interest rate risk	Total
Upto three months	More than three months and upto one year	More than one year		

----- Rupees in '000 -----

On-balance sheet financial instruments

Financial assets

Bank balances	-	-	546,623	546,623
Investments				
Financial assets at fair value through Profit or loss - held for trading	-	36,929	890,916	-
Loans and receivables	-	-	240,000	240,000
Receivable against Margin trading System	-	-	37,261	37,261
Accrued markup on bank balances and investments	-	-	12,737	12,737
Security deposits	-	-	350	350
	-	36,929	890,916	836,971
				1,764,816

Financial liabilities

Payable to the Management Company	-	-	-	1,873	1,873
Payable to the Trustee	-	-	-	472	472
Payable against redemption of units	-	-	-	362,820	362,820
Dividend Payable	-	-	-	-	-
Accrued expenses and other liabilities	-	-	-	526	526
Unit holders' fund	-	-	-	1,369,950	1,369,950
	-	-	-	1,735,641	1,735,641

On-balance sheet gap

- 36,929 890,916 (898,670) 29,175

Off-balance sheet financial instruments

Payable against Margin Trading System investments	(4,439)	-	-	-	(4,439)
Receivable from Margin Trading System release	2,659	-	-	-	2,659
Off-balance sheet gap	(1,780)	-	-	-	(1,780)

----- As at June 30, 2016 -----

Exposed to yield / interest rate risk			Not exposed to yield/ interest rate risk	Total
Upto three months	More than three months and upto one year	More than one year		

----- Rupees in '000 -----

On-balance sheet financial instruments

Financial assets

Bank balances	992,954	-	-	-	992,954
Investments					
Financial assets at fair value through Profit or loss - held for trading	54,815	-	498,592	-	553,407
Loans and receivables	364,000	-	-	-	364,000
Receivable against margin Trading System	260,108	-	-	-	260,108
Accrued markup on bank balances and investments	-	-	-	20,280	20,280
	1,671,877	-	498,592	20,280	2,190,749

Financial liabilities

Payable to the Management Company	-	-	-	2,676	2,676
Payable to the Trustee	-	-	-	289	289
Payable against redemption of units	-	-	-	8,306	8,306
Dividend payable	-	-	-	30,012	30,012
Accrued expenses and other liabilities	-	-	-	753	753
Unit holders' fund	-	-	-	2,114,271	2,114,271
	-	-	-	2,156,307	2,156,307

On-balance sheet gap

	1,671,877	-	498,592	(2,136,027)	34,442
--	-----------	---	---------	-------------	--------

Off-balance sheet financial instruments

Payable against Margin Trading System investments	(183,711)	-	-	-	(183,711)
Receivable from Margin Trading System release	47,875	-	-	-	47,875
Off-balance sheet gap	(135,836)	-	-	-	(135,836)

The rates of return on financial instruments are as follows:

	2017 ----- Percentage per annum -----	2016
Bank balances	3.75 to 6.60	3.75 to 6.50
Investment in government securities	5.97 to 11.64	5.88 to 6.87
Corporate sukuk certificates	-	5.83
Term finance certificates	-	7.78
Short term corporate sukuk certificates	6.50 to 6.80	6.57
Term deposit receipts (TDR)	-	6.50
Certificates of investment	-	6.40

21.1.3 Price risk

Price 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 prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Currently, the Fund does not hold any security which exposes the Fund to price risk.

21.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in debt securities, loans and receivables and bank balances. Risks attributable to investments in Market Treasury Bills and Pakistan Investment Bonds is limited as these are guaranteed by the Federal Government while term deposit receipts and bank balances are maintained with banks with a reasonably high credit rating. All transactions for receivables against Margin Trading System are settled / paid for upon delivery using the National Clearing Company of Pakistan Limited. The risk of default is considered minimal due to inherent systematic measures taken therein.

The analysis below summarises the credit quality of the Fund's financial assets:

Short Term Rating	2017	2016
Bank balances A1+/A-1+	100%	100%
Term deposit receipt A1+/A-1+	100%	100%
Short term sukuk certificate A1+/A-1+	-	100%
Certificates of investment A1+/A-1+	-	100%
Corporate sukook certificate A1+/A-1+	-	100%
Term finance certificate / Pre-IPO subscription against term finance certificate A1+/A-1+	-	100%

Long term ratings

Particulars	For the year ended June 30, 2017					Total
	----- Percentage -----					
Rating Category	AAA	AA+	AA	AA-	A+	
Bank balances	34.26%	0.07%	0.004%	65.67%	-	100%
Term deposit receipt	47.92%	-	-	52.08%	-	100%
Short term sukook certificate	-	-	-	-	-	-
Certificate of investment	-	-	-	-	-	-
Corporate sukuk certificate	-	-	-	-	-	-
Term finance certificate	-	-	-	-	-	-

Rating Category	For the year ended June 30, 2016					Total
	----- Percentage -----					
Rating Category	AAA	AA+	AA	AA-	A+	
Bank balances	0.07%	55.44%	20.17%	24.32%	0.00%	100%
Term deposit receipt	-	-	-	100%	-	100%
Short term sukook certificate	-	-	-	100%	-	100%
Certificate of investment	-	100%	-	0%	-	100%
Corporate sukuk certificate	-	-	-	100%	-	100%
Term finance certificate	-	-	-	-	100%	100%

The maximum exposure to credit risk before considering any collateral as at June 30, 2017 is the carrying amount of these financial assets. None of these assets are 'impaired' or 'past due but not impaired'.

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 mainly concentrated in government securities and bank balances while the remaining transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentration of credit risk to counterparties other than the government.

21.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in government securities and term deposit receipts which can be readily disposed / encashed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the total net asset value of the Fund at the time of borrowing and shall be repayable within 90 days. The facility would bear interest at commercial rates and would be secured against the assets of the Fund. However, during the current year no borrowings were made by the Fund.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. However, no such instances were witnessed by the Fund during the current year .

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

Liabilities

Payable to the Management Company
Payable to the Trustee
Payable against redemption of units
Dividend payable
Accrued expenses and other liabilities
Unit holders' fund

----- As at June 30, 2017 -----

Upto three months	More than three months and upto one year	More than one year	Total
-------------------	--	--------------------	-------

----- Rupees in '000 -----

1,873	-	-	1,873
472	-	-	472
362,820	-	-	362,820
-	-	-	-
526	-	-	526
1,369,950	-	-	1,369,950
1,735,641	-	-	1,735,641

Liabilities

Payable to the Management Company
Payable to the Trustee
Payable against redemption of units
Dividend payable
Accrued expenses and other liabilities
Unit holders' fund

----- As at June 30, 2016 -----

Upto three months	More than three months and upto one year	More than one year	Total
-------------------	--	--------------------	-------

----- Rupees in '000 -----

2,676	-	-	2,676
289	-	-	289
8,306	-	-	8,306
30,012	-	-	30,012
753	-	-	753
2,114,271	-	-	2,114,271
2,156,307	-	-	2,156,307

22. UNITS HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. These unit holders of the Fund are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund. Unit holders fund risk management is carried out by the Management Company through following steps:

- Monitor the level of daily issuance and redemptions relative to the liquid assets and adjust the amount of distributions the Fund pays to the unit holders;
- Redeem and issue units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g., yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current year.

23. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid or transfer a liability in an orderly transaction between market participants and 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."

IFRS 13, 'Fair Value Measurements' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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) (level 3).

The table below provides information on financial assets or liabilities carried at fair values, by valuation methods.

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				Fair Value			
		Carrying Amount							
	Note	Fair value through	Loans and	Other	Total	Level 1	Level 2	Level 3	Total
		profit or loss- held- for-trading							
(Rupees in '000)									
On-balance sheet financial instruments									
Financial assets measured at fair value									
Market treasury bills		36,929	-	-	36,929	-	36,929	-	36,929
Pakistan Investment bonds		890,916	-	-	890,916	-	890,916	-	890,916
Corporate sukuk certificates		-	-	-	-	-	-	-	-
Term finance certificates		-	-	-	-	-	-	-	-
		927,845	-	-	927,845	-	927,845	-	927,845
Financial assets not measured at fair value									
Bank balances	23.1	-	546,623	-	546,623	-	-	-	-
Term deposit receipts	5	-	240,000	-	240,000	-	-	-	-
Accrued markup on bank balances and investments		-	12,737	-	12,737	-	-	-	-
Receivables against Margin Trading System		-	37,261	-	37,261	-	-	-	-
		-	836,621	-	836,621	-	-	-	-
Financial liabilities not measured at fair value									
Payable to Management Company	23.1	-	-	4,405	4,405	-	-	-	-
Payable to the Trustee		-	-	974	974	-	-	-	-
Redemption Payable		-	-	362,820	362,820	-	-	-	-
Accrued expenses and other liabilities		-	-	526	526	-	-	-	-
		-	-	368,725	368,725	-	-	-	-

		June 30, 2016							
		Carrying Amount			Fair Value				
Note	Fair value through profit or loss- held-for-trading	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
On-balance sheet financial instruments		----- (Rupees in '000) -----							
Financial assets measured at fair value									
	Market treasury bills	54,815	-	-	54,815	-	54,815	-	54,815
23.2	Pakistan Investment bonds	391,940	-	-	391,940	-	391,940	-	391,940
	Corporate sukuk certificates	57,516	-	-	57,516	-	57,516	-	57,516
	Term finance certificates	49,136	-	-	49,136	-	49,136	-	49,136
		<u>553,407</u>	<u>-</u>	<u>-</u>	<u>553,407</u>	<u>-</u>	<u>553,407</u>	<u>-</u>	<u>553,407</u>
Financial assets not measured at fair value									
23.1	Bank balances	-	992,954	-	992,954	-	-	-	-
5	Short term corporate sukook certificate	-	139,000	-	139,000	-	-	-	-
	Term deposit receipt	-	175,000	-	175,000	-	-	-	-
	Certificate of investment	-	50,000	-	50,000	-	-	-	-
	Receivables against Margin Trading System	-	260,108	-	260,108	-	-	-	-
	Accrued markup on bank balances and investments	-	20,820	-	20,820	-	-	-	-
		<u>-</u>	<u>1,637,882</u>	<u>-</u>	<u>1,637,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value									
23.1	Payable to Management Company	-	-	2,676	2,676	-	-	-	-
	Payable to the Trustee	-	-	289	289	-	-	-	-
	Payable against redemption of units	-	-	8,306	8,306	-	-	-	-
	Dividend payable	-	-	30,012	30,012	-	-	-	-
	Accrued expenses and other liabilities	-	-	753	753	-	-	-	-
		<u>-</u>	<u>-</u>	<u>42,036</u>	<u>42,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

23.2 Valuation techniques

For level 2 investments at fair value through profit or loss - held for trading investment in respect of Market Treasury Bills and Pakistan Investment Bonds, Fund uses rates which are derived from PKRV rates at reporting date per certificates / units multiplied by the number of certificates / units held as at year end.

23.3 Transfers during the year

No transfers were made between various levels of fair value hierarchy during the year.

24. LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE

Top ten brokers during the year ended June 30, 2017

S.No.	Particulars
1	Invest Capital Markets Limited
2	Bright Capital (Private) Limited
3	Next Capital Limited
4	JS Global Capital Limited.
5	Paramount Capital (Private) Limited
6	BIPL Securities Limited
7	Icon Securities (Private) Limited
8	C & M Management (Private) Limited
9	Invest One Markets Limited
10	Optimus Capital Management (Private) Limited

Top ten brokers during the year ended June 30, 2016

S.No.	Particulars
1	Arif habib Limited
2	BMA Capital Management Limited
3	Global Securities Pakistan Limited
4	Invest & Finance Securities (Private) Limited
5	JS Global Capital Limited
6	KASB Securities Limited
7	Next Capital Limited
8	Optimus Capital Management (Private) Limited
9	Optimus Market
10	Pearl Securities Limited

25. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the Investment Committee of the Fund as on June 30, 2017 are as follows:

S.No.	Name	Designation	Qualification	Experience in years
1	Farid Ahmed Khan	Chief Executive Officer	CFA, MBA	23+ years
2	Muhammad Imran	Chief Investment Officer	MBA (Finance)	17+ years
3	Tauqir Shamshad	Head of Fixed Income	MBA, M.Com	31+ years
4	Faizan Saleem	Sr. Fund Manager Fixed Income	MBA (Finance)	10+ years
5	Colin Miranda	Acting Head of Research	CFA, MBA	8+ years
6	Noman Ameer	Manager Risk	B.S Acturial Sciences	11+ years

26. PATTERN OF UNITHOLDING

----- As at June 30, 2017 -----

Category	Number of units holders	Number of units held	Unit holding or investment amount	Percentage of total
Rupees in '000				
Individuals	245	3,642,724	384,040	28.03%
Associated Companies and Directors	1	1,764,572	186,030	13.58%
Insurance Companies		-	-	0.00%
Banks DFIs	1	4,892,987	515,850	37.65%
Retirement Funds	5	83,794	8,830	0.64%
Others	4	716,389	75,530	5.51%
Trust	3	1,893,883	199,670	14.57%
		12,994,349	1,369,950	100%

----- As at June 30, 2016 -----

Category	Number of units holders	Number of units held	Unit holding or investment amount	Percentage of total
Rupees in '000				
Individuals	173	2,089,344	210,124	9.99%
Associated Companies and Directors	1	6,981,354	702,112	33.37%
Insurance Companies	2	67,981	6,837	0.32%
Retirement Funds	6	1,066,153	107,223	5.10%
Others	2	769,066	77,328	3.68%
	8	9,946,494	1,000,332	47.55%
		20,920,392	2,103,956	100%

27. ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Five meetings of the Board of Directors were held on August 26, 2016, October 31, 2016, December 16, 2016, February 24, 2017 and April 27, 2017 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
1 Mr. Towfiq H. Chinoy	5	5	-	-
2 Ms. Ava Ardeshir Cowasjee	5	5	-	-
3 Mr. Nadeem Abdullah	5	4	1	27-Apr-17
4 Mr. Farid Ahmed Khan ¹	4	4	-	-
5 Mr. Rehan N. Shaikh ²	1	1	-	-
6 Ms. Sima Kamil ³	4	4	-	-
7 Mr. Rizwan Haider	5	4	1	27-Apr-17
8 Mr. Salahuddin Manzoor	5	5	-	-
9 Mr. Aamir Irshad ⁴	-	-	-	-
10 Mr. Rayomond Kotwal ⁵	-	-	-	-

1 Appointed on September 1, 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 06, 2017.

5 Appointed on June 22, 2017.

28. TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2017 is 1.97% which includes 0.31% representing government levy and SECP fee.

29. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on **25 August 2017** by the Board of Directors of the Management Company.

30. GENERAL

Figures have been rounded off to the nearest thousand Rupees.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



HBL STOCK FUND
Annual Report 2017

FUND INFORMATION

NAME OF FUND	HBL Stock Fund
NAME OF TRUSTEE	Central Depository Company of Pakistan Limited
NAME OF AUDITORS	Deliott Yousuf Adil, Chartered Accountants.
NAME OF BANKERS	Habib Bank Limited Allied Bank Limited MCB Bank Limited JS Bank Limited NIB Bank Limited

FUND MANAGER'S REPORT - HBL Stock Fund

As at June 30, 2017

Type and Category of Fund

Open end Equity Fund

Investment Objective and Accomplishment of Objective

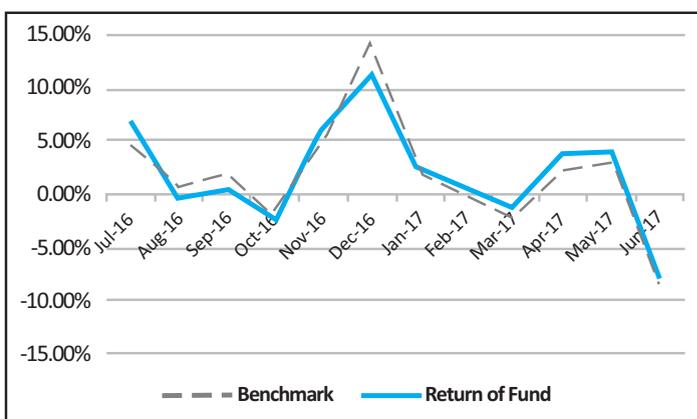
The investment objective of the Fund is to provide long term capital growth by investing primarily in a diversified pool of equities and equity related instruments. The objective of the Fund has been achieved.

Benchmark and Performance Comparison with Benchmark

KSE30 (Total Return) Index

The comparison of the fund return with benchmark is given below:

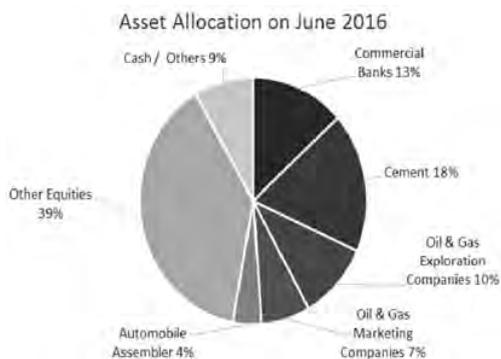
Month	Return of Fund	Benchmark
Jun-17	-8.73%	-8.08%
May-17	3.04%	3.94%
Apr-17	2.04%	3.75%
Mar-17	-1.93%	-1.15%
Feb-17	0.27%	0.47%
Jan-17	1.75%	2.25%
Dec-16	13.98%	11.14%
Nov-16	4.84%	6.25%
Oct-16	-1.88%	-2.36%
Sep-16	1.84%	0.23%
Aug-16	0.71%	-0.33%
Jul-16	4.62%	6.86%



Strategies and Policies employed during the Year

During the year under review, the Fund reduced its exposure in equity from 92% of total assets as on June 30, 2016 to 87% of total assets as on June 2017. Furthermore, sector wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in commercial banks, oil & gas exploration companies, oil & gas marketing companies and Automobile assemblers was increased; however exposure in cement was reduced.

Asset Allocation



Significant Changes in Asset Allocation during the Year

Following table shows comparison of sector wise allocation of equity investments of Fund as on June 30, 2016 and June 30, 2017:

Fund Performance

The total income and net income of the Fund was Rs.1.04 billion and Rs. 1.08 billion respectively during the year ended June 30, 2017. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs 103.6764 per unit as on June 30, 2016. The NAV of the Fund was Rs 121.4498 per unit as on June 30, 2017 (after incorporating interim dividends of Rs. 7.00 per unit), thereby giving an annualized return of 23.89%. During the same year the benchmark KSE 30 index return was 20.79%.The size of Fund was Rs 6.35 billion as on June 30, 2017.

Market Review

In FY17, KSE-100 index posted a gain of 23% and closed at 46,565pts as compared to FY16 return of 10%. This performance was driven by strong inflow of domestic liquidity, optimism surrounding Pakistan's upgrade to "Emerging Market" status by MSCI and higher GDP growth of 5.28%. Mutual funds emerged as the largest net buyers USD 576 million which absorbed the most of selling of foreign investors, who offloaded USD 652 million (net). Banks and Oil & Gas Exploration sectors were the prime outperformers during the period under review. 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. In USD term KSE 100 index returned 22.5% which outperformed both MSCI Emerging Index (20.4%) and MSCI Frontier Index (15.1%). During the FY17, KSE-100 index touched the all-time high 52,877pts level in May'17 in anticipation of higher foreign inflows on inclusion of PSX into MSCI emerging market index, and nation friendly FY18 budget. However lower than expected foreign inflows, and unfriendly budget for stock market wherein tax on dividend has enhanced from 10% to 12.5% and capital gain tax surged from 12.5% to 15% dragged the KSE 100 index return. Furthermore SC hearings regarding Panama-JIT in Jun'17 expedite the bearish sentiment in local bourse and massive volatility was witnessed due to uncertainty on the political front.

On the macroeconomic front Pakistan has witnessed a smooth upward trend in GDP growth rate to reach 5.28% in FY17 (source: MoF) - the highest in 10 years. The outgoing fiscal year has witnessed an impressive growth in the LSM and agriculture output as well as in the services sector. However, there remain challenges on the external front owing to declining exports and widening of the current account deficit. During FY17, the current account deficit has reached ~ USD 12bn (4.2% of GDP) mainly due to flattish exports and surging imports. Workers' remittances figure is also not encouraging, declining by 3% during FY17 due to ongoing financial crises in the GCC region.

Distribution

The Fund has distributed cash dividend at Rs. 7.00 per units during the year ended June 30, 2017.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs during the year under review.

Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 - 100	51	2,449
101 - 500	24	6,180
501 - 1,000	15	10,518
100,1 - 10,000	103	417,505
10,001 - 100,000	49	1,318,996
100,001 - 500,000	6	1,214,355
500,001 - 1,000,000	2	1,314,325
1,000,001 - 5,000,000	1	3,159,044
5,000,001 and above	2	44,880,089
Total	253	52,323,461

Unit Splits

There were no unit splits during the year.

Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

Soft Commission

The Management Company from time to time receives research reports and presentations from brokerage houses.

PERFORMANCE TABLE - HBL Stock Fund

As at June 30, 2017

	2017	2016	2015	2014	2013	2012
Net assets at the period end (Rs'000)	6,354,672	4,519,241	4,385,904	4,075,082	3,229,692	2,182,849
NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES						
Redemption	121.4498	103.6764	102.5537	105.1183	135.8501	104.0655
Offer	124.8822	107.1039	105.9441	108.7203	140.4201	106.6671
OFFER / REDEMPTION DURING THE PERIOD - RUPEES						
Highest offer price per unit	149.3050	112.7096	119.674	150.9164	147.8408	113.4612
Lowest offer price per unit	107.4647	92.6803	99.2063	107.9699	99.7215	88.6450
Highest redemption price per unit	145.2030	109.1027	115.8117	145.9164	144.2349	110.6939
Lowest redemption price per unit	104.5122	89.7143	96.0045	104.456	97.2893	86.4829
RETURN (%)						
Total return	23.89%	2.43%	8.04%	27.40%	44.42%	11.00%
Income distribution	6.63%	1.85%	34.38%	31.19%	25.86%	10.38%
Capital growth	17.26%	0.58%	-26.34%	-3.79%	18.56%	0.62%
DISTRIBUTION						
Final dividend distribution (Rs)	7.00	1.50	25.00	36.00	25.00	10.00
Date of Income Distribution	20-Jun-17	27-Jun-16	30-Jun-15	27-Jun-14	8-Jul-13	7-Jul-12
Total dividend distribution for the year/ period (Rs)	7.00	1.50	25.00	36.00	25.00	10.00
AVERAGE RETURNS (%)						
Average annual return 1 year	23.89%	2.43%	8.04%	27.40%	44.42%	11.00%
Average annual return 2 year	12.67%	-	-	-	-	-
Average annual return 3 year	11.15%	-	-	-	-	-
PORTFOLIO COMPOSITION - (%)						
Percentage of Total Assets as at 30 June:						
Bank Balances	7.92%	1.00%	7.00%	3.00%	4.00%	6.00%
Stock / Equities	86.56%	95.00%	93.00%	74.00%	96.00%	88.00%
Placement with Banks and DFIs	0.00%	4.00%	0.00%	0.00%	0.00%	4.00%
Others Including Receivables	5.53%	0.00%	0.00%	23.00%	0.00%	2.00%

Note:

The Launch date of the Fund is August 29, 2007

Disclaimer:

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

PROXY VOTING DISCLOSURE

As at June 30, 2017

Summary of actual proxy voted by the Management Company in relation to investee company of the collective investment scheme.

HBL Stock Fund	Meetings	Resolutions	For	Against	Abstain
Number	7	20	20	-	-
(%ages)		100%	100%	-	-

(h) Management Company did not participate in shareholders' meetings.

Investee Company	Meeting Dt	Meeting Type
Honda Atlas Cars (Pakistan) Ltd.	19-07-2016	AGM
Mari Gas Company Limited	27-09-2016	AGM
Attock Petroleum Ltd	22-09-2016	AGM
Crescent Steel and Allied Prouducts Ltd.	30-09-2016	AGM
Hub Power Company Limited	18-10-2016	AGM
Kot Addu Power	20-10-2016	AGM
Pakistan State Oil Co. Ltd.	21-10-2016	AGM
Lucky Cement Limited	29-10-2016	AGM
AMRELI STEELS LIMITED	25-10-2016	AGM
D. G. Khan Cement Co. Limited	31-10-2016	AGM
Oil & Gas Dev.Co	26-10-2016	AGM
Maple Leaf Cement Factory Limited	31-10-2016	AGM
Cherat Cement Company Limited	31-10-2016	AGM
Tariq Glass Limited	27-10-2016	AGM
MUGHAL IRON AND STEEL INDUSTRIES LTD	31-10-2016	AGM
Searl Pakistan Ltd.	10-28-2016	AGM
Hub Power Co Ltd	15-02-2017	EOGM
Pak Suzuki Motor Company Limited	16-02-2017	EOGM
Pakistan Petroleum Ltd	28-02-2017	AGM
Fauji Fertilizer Co LTD	15-03-2017	AGM
Engro Corporation Ltd.	06-04-2017	AGM
Packages Ltd	25-04-2017	AGM
Pak Elektron Ltd	24-04-2017	AGM
Pak Suzuki Motor Co Ltd	25-04-2017	AGM
Adamjee Insurance Co Ltd	18-04-2017	AGM
Dawood Hercules Corp	28-04-2017	AGM
Service Industries Ltd	28-04-2017	AGM
Hascol Petroleum Ltd	28-04-2017	AGM
Indus Motor Co Ltd	05-05-2017	AGM
Honda Atlas Car (PAKISTAN) Ltd	13-06-2017	AGM

The proxy voting policy of the Fund is available on the website of the Management Company and detailed information regarding actual proxies voted by Management Company in respect of the Fund is also available without charge, upon request, to all unit holders.

Head Office:

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Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
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URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

HBL STOCK FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Stock Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2017 in accordance with the provisions of the following:

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

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

Karachi, September 26, 2017

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2017.

his statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19.23 of Pakistan Stock Exchange (the Stock Exchange) Regulations for the purpose of establishing a framework of good governance, whereby a listed entity is managed in compliance with the best practices of corporate governance.

HBL Asset Management Limited, an un-listed Public Limited Company, which manages the affairs of the **HBL Stock Fund** (Fund), has applied the principles contained in the CCG in the following manner:

1. The Management Company encourages representation of independent non-executive directors on its Board of Directors. The Management Company, being an un-listed company, does not have any minority interest. At present the Board includes:

Category	Names
Independent Directors	Mr. Nadeem Abdullah Ms. Ava Ardeshir Cowasjee
Executive Directors	Mr. Farid Ahmed Khan (Chief Executive Officer)
Non- Executive Directors	Mr. Towfiq H. Chinoy (Chairman) Mr. Rayomond H. Kotwal Mr. Rizwan Haider Mr. Salahuddin Manzoor

The independent directors meet the criteria of independence under clause 5.19.1(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurring on the board on April 27,2017 and June 22,2017 were filled up by the directors within 42 and 16 days respectively.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before all the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the Directors of their duties and responsibilities and for their orientation purpose they were informed about the recent developments / changes in applicable laws and regulations affecting the mutual fund industry. The directors are conversant of the relevant laws applicable to the Management Company, its policies, provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. The board has approved appointment of Head of Internal Audit and existing Chief Financial Officer and Company Secretary continue to serve as per their terms of employment duly approved by the Board.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by the Chief Executive Officer and the Chief Financial Officer before approval of the Board.
13. The Directors, the Chief Executive Officer and executives do not hold any interest in the units of the Fund other than that disclosed in the annual report.

14. The Management Company has complied with all the corporate and financial reporting requirements of the CCG with respect to the Fund.
15. The board has formed an Audit Committee. It comprises three Members, of whom three are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director. However due to resignation of Ms.Sima Kamil from the board effective from March 16, 2017 the committee members reduced to two. The board has reconstituted the committee effective from August 25,2017 and it comprise of three members.
18. The Board has outsourced the internal audit function of the Fund to EYFord Rhodes, Chartered Accountants, Karachi, for the year ended June 30, 2017, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company with regards to the Fund.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market/published price of Fund's unit, was determined and intimated to directors, employees and the stock exchange.
22. Material / price sensitive information has been disseminated amongst all market participants at once through the stock exchange.
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles contained in the CCG have been complied with.

For and on behalf of the board

Chief Executive Officer

Director

Karachi
August 25, 2017

Review report to the unit holders' on the Statement of Compliance with the best practices of the Code of Corporate Governance

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

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

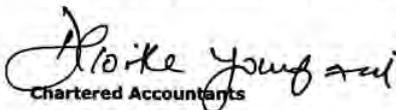
As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risk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

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

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

We draw attention to the following;

- Paragraph 17 of the Statement wherein it has been stated that the composition of the Human Resource and Remuneration (HR&R) Committee was remediated subsequent to year end.


Chartered Accountants

Dated: September 22, 2017
Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited



Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
Karachi-75350
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Independent auditors' report to the unit holders

Report on the financial statements

We have audited the accompanying financial statements of **HBL Stock Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2017, and the related income statement and other comprehensive income, distribution statement, statement of movements in unit holders' funds and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Company's responsibility for the financial statements

HBL Asset Management Limited (the Management Company) is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan, and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

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

Report on other legal and regulatory requirements

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

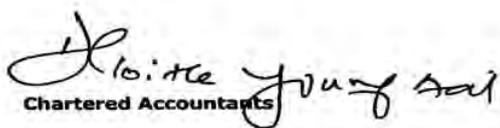
Member of
Deloitte Touche Tohmatsu Limited

Deloitte

Deloitte Yousuf Adil
Chartered Accountants

Other matter

The financial statements of the Fund for the year ended June 30, 2016 were audited by another firm of Chartered Accountants who vide their report dated August 26, 2016 expressed an unmodified opinion thereon.


Chartered Accountants

Engagement Partner
Naresh Kumar

Date: September 22, 2017
Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited

HBL Stock Fund
Statement of Assets and Liabilities
As at June 30, 2017

	2017	2016
Note	----- Rupees in '000 -----	----- Rupees in '000 -----
Assets		
Bank balances	5 650,713	38,406
Investments	6 5,800,585	4,586,338
Dividend receivable and accrued mark-up	7 33,494	6,280
Advances, deposits and other receivables	8 216,628	3,083
Total assets	6,701,420	4,634,107
Liabilities		
Payable to the Management Company	9 21,503	9,079
Payable to the Trustee	10 1,418	516
Payable to Securities and Exchange Commission of Pakistan	11 5,403	4,110
Payable against redemption of units	181,864	6
Dividend payable	5,331	-
Accrued expenses and other liabilities	12 131,229	101,155
Total liabilities	346,748	114,866
Net assets	6,354,672	4,519,241
Unit holders' fund (as per statement attached)	6,354,672	4,519,241
Contingencies and commitments		
	14 ----- Number of units -----	
Number of units in issue	20 52,323,461	43,589,869
	----- Rupees -----	
Net assets value per unit	121.4498	103.6764

The annexed notes 1 to 31 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Stock Fund
Income Statement and Other Comprehensive Income
For the year ended June 30, 2017

	2017	2016
	----- Rupees in '000 -----	
Income		
Dividend income	219,917	175,740
Profit on bank deposits	21,555	14,861
Mark-up / return on investments	3,626	5,816
Capital gain on sale of investments - net	828,051	210,868
Impairment loss on equity securities classified as available-for-sale	1,073,149	407,285
	(35,921)	(102,657)
Total income	1,037,228	304,628
Expenses		
Remuneration of the Management Company	128,436	114,186
Remuneration of the Trustee	7,558	6,209
Annual fee to Securities and Exchange Commission of Pakistan	5,403	4,110
Allocation of expenses related to registrar services, accounting, operation and valuation services	5,722	2,541
Selling and marketing expenses	8,661	-
Securities transaction costs	65	648
Auditors' remuneration	550	601
Settlement and bank charges	1,320	419
Fee and subscription	194	237
Printing and stationary	258	-
Other advisory fee	22	118
Total expenses	158,189	129,069
Net income from operating activities	879,039	175,559
Element of income and capital gains included in prices of units issued less those in units redeemed - net	180,639	3,698
Reversal of provision for Workers' Welfare Fund	56,825	-
Provision for Sindh Workers' Welfare Fund	(34,381)	-
	22,444	-
Net income for the year before taxation	1,082,122	179,257
Taxation	-	-
Net income for the year after taxation	1,082,122	179,257
Other comprehensive income for the year		
Items that may be reclassified to income statement in subsequent periods		
Unrealised appreciation on remeasurement of investments classified as available-for-sale	980,729	47,868
Net reclassification adjustments relating to available-for-sale financial assets	(792,130)	(108,211)
	188,599	(60,343)
Total comprehensive income for the year	1,270,721	118,914
Earning per unit		
The annexed notes 1 to 31 form an integral part of these financial statements.	18	

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Stock Fund
Distribution Statement
For the year ended June 30, 2017

	2017	2016
	----- Rupees in '000 -----	
Accumulated loss brought forward - Realised	(872,245)	(968,425)
Net income for the year	1,082,122	179,257
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in unit redeemed - amount representing income / (loss) that form part of unit holders' fund - net	32,105	(18,636)
Interim cash distribution of Rs 7.00 per unit declared on June 20, 2017 (2016: Rs 1.50 per unit declared on June 27, 2016)	(338,606)	(64,441)
Accumulated loss carried forward - realised	(96,624)	(872,245)

The annexed notes 1 to 31 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Stock Fund
Statement of Movement in Unit Holders' Fund
For the year ended June 30, 2017

	2017	2016
	----- Rupees in '000 -----	
Net assets at beginning of the year	4,519,241	4,385,904
Issue of 21,624,269 units (2016: 2,054,334 units)	2,749,314	213,907
Redemption of 12,890,677 units (2016: 1,231,351 units)	(1,665,359)	(131,345)
	1,083,955	82,562
Element of income and capital gains included in prices of units issued less those in units redeemed		
- transferred to income statement and other comprehensive income	(180,639)	(3,698)
- transferred to distribution statement	(32,105)	18,636
	(212,744)	14,938
Capital gain on sale of investments - net	828,051	210,868
Unrealised appreciation on remeasurement of investments classified as available-for-sale	188,599	(60,343)
Other net income for the year	254,071	(31,611)
Total comprehensive income for the year	1,270,721	118,914
Interim cash distribution of Rs 7.00 per unit declared on June 20, 2017 (2016: Rs 1.50 per unit declared on June 27, 2016)	(338,606)	(64,441)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in unit redeemed - amount transferred to the distribution statement	32,105	(18,636)
Net assets at end of the year	6,354,672	4,519,241
Net asset value per unit at the beginning of the year	103.6764	102.5537
Net asset value per unit at the end of the year	121.4498	103.6764

The annexed notes 1 to 31 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Stock Fund
Cash Flow Statement
For the year ended June 30, 2017

	2017	2016
Note	----- Rupees in '000 -----	
Cash flows from operating activities		
Net income for the year before taxation	1,082,122	179,257
Adjustments for:		
Impairment loss on investments classified as available-for-sale	35,921	102,657
Profit on bank deposits	(21,555)	(14,861)
Dividend income	(219,917)	(175,740)
Capital gain on sale of investments - net	(828,051)	(210,868)
Reversal of provision for Workers' Welfare Fund	(56,825)	-
Provision for Sindh Workers' Welfare Fund	34,381	-
Element of income and capital gains included in prices of units issued less those in units redeemed - net	(180,639)	(3,698)
	<u>(154,563)</u>	<u>(123,253)</u>
Increase in assets		
Investments - net	(233,518)	(344,412)
Advances, deposits, and other receivables	(424,931)	(282)
	<u>(658,449)</u>	<u>(344,694)</u>
Increase / (decrease) in liabilities		
Payable to the Management Company	12,424	149
Payable to the Trustee	902	40
Payable to Securities and Exchange Commission of Pakistan	1,293	103
Accrued expenses and other liabilities	52,518	(9,825)
	<u>67,137</u>	<u>(9,533)</u>
Profit on bank deposits received	16,047	14,861
Dividend received	198,211	172,168
	<u>(531,617)</u>	<u>(290,451)</u>
Net cash used in operating activities		
Cash flows from financing activities		
Amount received on issue of units	2,960,700	213,907
Payments against redemption of units	(1,483,501)	(131,345)
Cash dividend paid	(333,275)	(64,441)
Net cash generated from financing activities	<u>1,143,924</u>	<u>18,121</u>
Net increase / (decrease) in cash and cash equivalents	<u>612,307</u>	<u>(272,330)</u>
Cash and cash equivalents at beginning of the year	38,406	310,736
Cash and cash equivalents at end of the year	<u>5</u> <u>650,713</u>	<u>38,406</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

1. LEGAL STATUS AND NATURE OF BUSINESS

HBL Stock Fund (the Fund) was established under a Trust Deed, dated August 09, 2007, executed between HBL Asset Management Limited (the Management Company) and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) as a unit trust scheme on August 21, 2007.

The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is located at 24-C, Khayban-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 open-ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at par from August 29, 2007 to August 31, 2007.

The principal activity of the Fund is to provide long-term capital growth by investing primarily in a diversified pool of equities and equities related instruments.

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2' (Positive Outlook) to the Management Company.

Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as 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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

The Companies Ordinance, 1984 has been repealed as a result of the enactment of the Companies Act, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide circular no. 17 of 2017, dated July 20, 2017, these financial statements have been prepared 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 that investments are measured at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the fund's functional and presentation currency.

2.4 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of its accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

- (i) classification and valuation of financial assets (notes 4.2.1, 6.1, 6.2 and 6.3); and
- (ii) impairment of financial assets (note 4.2.5, 6.4.1)

3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS THAT ARE EFFECTIVE FOR THE YEAR ENDED JUNE 30, 2017

3.1 Standards or interpretations that are effective in current year but not relevant to the Fund

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 for accounting periods 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 that are not expected to have material effect on the financial reporting of the Fund and therefore have not been discussed here.

3.2 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 for accounting periods 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 periods 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'.	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs, which are not expected to have material effect on the financial reporting of the Fund.

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Cash and cash equivalents

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

4.2 Financial assets

4.2.1 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) Investments 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 financial assets at 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

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

4.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

4.2.3 Initial recognition and measurement

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 statement of comprehensive income.

4.2.4 Subsequent measurement

a) Financial assets 'at fair value through profit or loss - held for trading' and 'available for sale'

Subsequent to initial measurement, financial assets 'at fair value through profit or loss' and 'available for sale' are valued as follows:

Basis of valuation of equity securities

Equity securities are valued on the basis of closing quoted market prices available at the stock exchange. A security listed on the stock exchange for which no sale is reported on the reporting date is valued at its last sale price on the next preceding date on which such exchange is open and if no sale is reported for such date, the security is valued at an amount neither higher than the closing asked price nor lower than the closing bid price.

Net gains and losses arising on changes in the fair value of financial assets carried at fair value through profit or loss are taken to the Income Statement and Other Comprehensive Income.

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

Basis of valuation of government securities

The investment of the Fund in government securities is valued on the basis of PKRV rates published by Reuters in accordance with Circular no. 33 of 2012.

Net gains and losses arising on changes in the fair value of financial assets carried 'at fair value through profit or loss' 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 recognised as 'other comprehensive income' in the Income Statement until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised as 'other comprehensive income' is transferred to income before taxation as capital gain / (loss).

b) Loans and receivables

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

Gains or losses are also recognised in the income statement and other comprehensive income when financial assets carried at amortised cost are derecognised or impaired.

4.2.5 Impairment

The Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

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 provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

4.2.6 Derecognition

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

4.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. 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.

4.4 Offsetting of financial assets and liabilities

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

4.5 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.

4.6 Collaterals

Cash collaterals provided by the Fund are identified in the statement of assets and liabilities as margin and are not included as a component of cash and cash equivalents. For collaterals other than cash, if the party to whom the collaterals are provided has a right by contract or custom to sell or re-pledge the collaterals, the Fund classifies those collaterals in the statement of assets and liabilities separately from other assets and \ identifies the assets as pledged collaterals. Where the party to whom the collaterals are provided does not have the right to sell or re-pledge, a disclosure of the collaterals provided is made in the notes to the financial statements.

4.7 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

The Fund is also exempt from the Provisions of Section 113 (minimum tax) and section 113C (Alternative Corporate Tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and the amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

4.8 Proposed distributions

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared and approved.

4.9 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net assets value per unit as of the close of the business day less any back-end load (if applicable), any duties, taxes, charges on redemption and any provision for transaction costs, if applicable. Redemption of units is recorded on acceptance of application for redemption.

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

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

The element of income and capital gains included in the prices of units issued less those in units redeemed to the extent that it is represented by distributable income earned during the year is recognised in the income statement and the element of income and capital gains represented by distributable income carried forward from prior periods is included in the distribution statement.

From July 1, 2016, the Fund has revised its methodology for computation of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those redeemed.

The revised methodology, in the opinion of management, reflects a more appropriate method for recognition of element and moreover is in conformity with the general industry practice. The new methodology is being consistently implemented across all funds managed by the Management Company. Management has treated the revision in methodology as change in accounting estimate and applied it prospectively.

Amendment in the NBFC Regulations subsequent to the year end

Subsequent to the year end on August 03, 2017, the SECP has made certain amendments in the NBFC Regulations, 2008 via SRO 756 (I)/2017. The definition of element of income has been inserted via said amendment which defines element of income as difference between net assets value on the issuance or redemption date, as the case may be, of units and the net asset value at the beginning of the relevant accounting period. The said amendment also excludes element of income from accounting income for the purpose of distribution under regulation 63 of the NBFC Regulations. The said SRO also contains amendments relating to consequential changes in the income statement and statement of movement in unitholders' fund. The Management Company is in the process of assessing the impact of the said changes with the view that these changes will be effective for the period following the date of the said SRO.

4.11 Net assets value per unit

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

4.12 Revenue recognition

- Dividend income is recognised when the right to receive dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Mark-up / return on government securities, bank profits and investment in debt securities are recognised on a time apportionment basis using the effective interest method.
- Element of income / (loss) and capital gain / (losses) included in prices of units issued less those in units redeemed is included in the income statement on the date of issue and redemption of units.

4.13 Expenses

All expenses including NAV based expenses (namely management fee, trustee fee, annual fee payable to the SECP, and selling and marketing expense) are recognised in the Income Statement and Other Comprehensive Income on an accrual basis.

	Note	2017 ----- Rupees in '000 -----	2016 -----
5. BANK BALANCES			
Balances with banks in:			
Savings accounts	5.1	648,263	38,356
Current account		2,450	50
		<u>650,713</u>	<u>38,406</u>

5.1 This represent bank accounts held with different banks. Mark-up rates on these accounts range between 5% - 6.6% (June 30, 2016: 4.00% - 6.50%) per annum.

	Note	2017 ----- Rupees in '000 -----	2016 -----
6. INVESTMENTS			
Available for sale			
- Unlisted equity securities	6.1	-	97,966
- Listed equity securities	6.2	5,800,585	4,316,318
- Government securities	6.3	-	172,054
		<u>5,800,585</u>	<u>4,586,338</u>

6.1 Unlisted equity securities - Available-for-sale

Shares of unlisted companies - fully paid up ordinary shares of Rs. 10 each unless stated otherwise

Name of the Investee Company	-----Number of shares-----					Carrying value as at June 30, 2017 (Rupees in '000)	Carrying value as a percentage of	
	As at July 1, 2016	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2017		Total Investments	Net Assets
Miscellaneous								
TPL Properties (Pvt) Limited	7,200,000	-	-	7,200,000	-	-	-	-
	7,200,000	-	-	7,200,000	-	-	-	-

Cost of investment at June 30, 2017

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6.2 Listed equity securities - Available-for-sale

Shares of listed companies - fully paid up ordinary shares of Rs. 10 each unless stated otherwise

Name of the Investee Company	-----Number of shares-----					Market value as at June 30, 2017 (Rupees in '000)	Market value as a percentage of		Holding as a % of paid-up capital of the investee company
	As at July 1, 2016	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2017		Total Investments	Net Assets	
Commercial Banks									
Bank Alfalah Limited	-	1,564,000	-	1,564,000	-	-	-	-	-
Habib Bank Limited *	1,742,119	951,600	-	1,751,100	942,619	253,696	4.37%	3.99%	0.64%
MCB Bank Limited	1,343,900	701,500	-	810,700	1,234,700	259,818	4.48%	4.09%	1.11%
Allied Bank Limited	-	1,251,700	-	-	1,251,700	112,177	1.93%	1.77%	1.09%
United Bank Limited	-	1,781,700	-	440,200	1,341,500	315,950	5.45%	4.97%	1.10%
	3,086,019	6,250,500	-	4,566,000	4,770,519	941,642	16.23%	14.82%	3.94%
Textile Composite									
Gul Ahmed Textile Mills Limited	-	1,071,000	-	1,071,000	-	-	-	-	-
Nishat Mills Limited	-	2,071,200	-	902,000	1,169,200	185,529	3.20%	2.92%	3.33%
	-	3,142,200	-	1,973,000	1,169,200	185,529	3.20%	2.92%	3.33%
Insurance									
Adamjee Insurance Company Limited	-	1,499,000	-	1,499,000	-	-	-	-	-
	-	1,499,000	-	1,499,000	-	-	-	-	-
Construction and Materials									
D. G. Khan Cement Limited	1,178,900	685,200	-	680,000	1,184,100	252,403	4.35%	3.97%	2.70%
Kohat Cement Limited	575,600	-	-	575,600	-	-	-	-	-
Lucky Cement Limited	382,200	185,550	-	152,650	415,100	347,132	5.98%	5.46%	1.28%
Maple Leaf Cement Factory Limited	-	1,987,500	-	1,987,500	-	-	-	-	-
Pioneer Cement Limited	1,180,000	1,554,900	-	1,317,100	1,417,800	184,314	3.18%	2.90%	6.24%
Cherat Cement Limited	999,500	724,100	-	999,500	724,100	129,455	2.23%	2.04%	4.10%
Fauji Cement Company Limited	-	1,100,000	-	1,100,000	-	-	-	-	-
	4,316,200	6,237,250	-	6,812,350	3,741,100	913,303	15.75%	14.37%	14.33%

Name of the Investee Company	-----Number of shares-----					Market value as at June 30, 2017 (Rupees in '000)	Market value as a percentage of		Holding as a % of paid-up capital of the investee company
	As at July 1, 2016	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2017		Total Investments	Net Assets	
Electricity									
The Hub Power Company Limited	2,105,700	1,000,300	-	489,300	2,616,700	307,279	5.30%	4.84%	2.26%
K-Electric Limited (Rs. 3.5 each)	14,515,000	16,123,500	-	15,638,500	15,000,000	103,500	1.78%	1.63%	1.55%
Kot Addu Power Company Limited	1,533,500	751,500	-	2,285,000	-	-	-	-	-
	18,154,200	17,875,300	-	18,412,800	17,616,700	410,779	7.08%	6.46%	3.81%
Oil and Gas									
Attock Petroleum Limited	209,200	-	-	209,200	-	-	-	-	-
Oil and Gas Development Company Limited	1,654,800	695,300	-	597,200	1,752,900	246,616	4.25%	3.88%	0.41%
Pakistan Oilfields Limited	-	495,300	-	147,400	347,900	159,390	2.75%	2.51%	1.47%
Pakistan Petroleum Limited	948,000	1,097,700	-	1,189,400	856,300	126,852	2.19%	2.00%	0.43%
Pakistan State Oil Company Limited	636,000	170,000	-	369,200	436,800	169,194	2.92%	2.66%	1.61%
Hi-Tech Lubricants Limited	-	605,500	-	605,500	-	-	-	-	-
Hascol Petroleum Limited	-	614,200	-	33,300	580,900	198,145	3.42%	3.12%	4.81%
Attock Refinery Limited	-	65,000	-	65,000	-	-	-	-	-
Sui Northern Gas Pipelines Limited	-	3,057,500	-	1,591,500	1,466,000	218,317	3.76%	3.44%	2.31%
Mari Petroleum Limited	127,150	68,090	-	25,100	170,140	268,079	4.62%	4.22%	1.54%
	3,575,150	6,868,590	-	4,832,800	5,610,940	1,386,594	23.90%	21.82%	12.59%
Automobile Assembler									
Pak Suzuki Motor Company Limited	154,100	189,200	-	154,100	189,200	147,644	2.55%	2.32%	2.30%
Indus Motor Company Limited	-	74,220	-	8,040	66,180	118,700	2.05%	1.87%	0.84%
Honda Atlas Cars Pakistan Limited	384,300	131,400	-	389,150	126,550	109,806	1.89%	1.73%	0.89%
	538,400	394,820	-	551,290	381,930	376,151	6.48%	5.92%	4.03%
Chemicals									
Engro Corporation Limited	725,600	600,400	-	262,000	1,064,000	346,768	5.98%	5.46%	2.03%
Engro Fertilizers Limited	-	3,341,500	-	3,026,000	315,500	17,428	0.30%	0.27%	0.24%
Engro Polymer & Chemicals Limited	-	4,461,000	-	1,360,000	3,101,000	113,187	1.95%	1.78%	4.67%
Fauji Fertilizer Bin Qasim Limited	999,000	1,788,500	-	2,787,500	-	-	-	-	-
Fauji Fertilizer Company Limited	-	1,303,300	-	1,303,300	-	-	-	-	-
Dawood Hercules Corporation	-	829,500	-	829,500	-	-	-	-	-
	1,724,600	12,324,200	-	9,568,300	4,480,500	477,383	8.23%	7.51%	6.94%
Food Producers									
Engro Foods Limited	-	846,600	-	846,600	-	-	-	-	-
	-	846,600	-	846,600	-	-	-	-	-
Household Goods									
Pak Elektron Limited	1,813,000	2,121,000	-	2,208,000	1,726,000	190,412	3.28%	3.00%	3.47%
	1,813,000	2,121,000	-	2,208,000	1,726,000	190,412	3.28%	3.00%	3.47%
Pharma and Bio Tech									
Searle Company Limited (Note 6.2.2)	267,770	318,600	13,234	237,800	361,804	185,236	3.19%	2.91%	2.35%
GlaxoSmithKline Pakistan Limited	428,300	95,200	-	523,500	-	-	-	-	-
GlaxoSmithKline Consumer Healthcare Pakistan Limited	128,490	-	-	128,490	-	-	-	-	-
	824,560	413,800	13,234	889,790	361,804	185,236	3.19%	2.91%	2.35%

Name of the Investee Company	-----Number of shares-----					Market value as at June 30, 2017 (Rupees in '000)	Market value as a percentage of		Holding as a % of paid-up capital of the investee company
	As at July 1, 2016	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2017		Total Investments	Net Assets	
Automobile Parts and Accessories									
Millat Tractors Limited	-	164,150	-	81,400	82,750	113,735	1.96%	1.79%	1.87%
General Tyre & Rubber Company of Pakistan	565,400	338,700	-	904,100	-	-	-	-	-
	565,400	502,850	-	985,500	82,750	113,735	1.96%	1.79%	1.87%
General Industrials									
Packages Limited **	245,850	80,000	-	86,150	239,700	166,731	2.87%	2.62%	2.68%
	245,850	80,000	-	86,150	239,700	166,731	2.87%	2.62%	2.68%
Engineering									
Mughal Iron & Steel Industries Limited (Note 6.2.2)	1,956,800	-	-	1,938,635	18,165	1,466	0.03%	0.02%	0.14%
Crescent Steel and Allied Products Limited	1,357,800	260,100	-	1,083,100	534,800	127,587	2.20%	2.01%	6.89%
International Steels Limited **	-	1,386,000	-	330,000	1,056,000	135,052	2.33%	2.13%	2.43%
International Industries Limited	-	476,000	-	115,900	360,100	132,722	2.29%	2.09%	3.00%
Amreli Steels Limited	1,999,500	-	-	1,999,500	-	-	-	-	-
	5,314,100	2,122,100	-	5,467,135	1,969,065	396,828	6.84%	6.24%	12.46%
Leather and Tanneries									
Service Industries Limited	-	94,150	-	53,350	40,800	56,263	0.97%	0.89%	3.39%
	-	94,150	-	53,350	40,800	56,263	0.97%	0.89%	3.39%
Glass and Ceramics									
Tariq Glass Industries Limited	-	1,137,500	-	1,137,500	-	-	-	-	-
	-	1,137,500	-	1,137,500	-	-	-	-	-
Total	40,157,479	61,909,860	13,234	59,889,565	42,191,008	5,800,585	100.00%	91.28%	
Cost of investment as at June 30, 2017						5,293,873			

* Sponsor of the Management Company

** Related party due to common directorship

6.2.1 Investments include shares having market value aggregating to Rs. 408.55 million (June 30, 2016: Rs. 283.48 million) that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the SECP.

6.2.2 This includes 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 Management Company 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 mutual funds based on the premise of exemption available to mutual funds under clause 99 of Part I and clause 47B of Part IV 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. 2.8 million at June 30, 2017 (June 30, 2016: Rs. 2.08 million) and not yet deposited on CDC account of department of Income tax. Management Company is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis at fair value in Fund's investments at year end.

6.3 Investment in government securities- Available-for-sale

Issue Date	Tenure	Face value				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 Investments	Net Assets

----- (Rupees in '000) -----

Treasury bill

May 12, 2016	3 months	173,000	-	173,000	-	-	-	-
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Cost of investment at June 30, 2017

	Note	2017 ----- Rupees in '000 -----	2016 ----- Rupees in '000 -----
6.4 Net unrealised appreciation on remeasurement of investments classified as available-for-sale			
Market value of investments	6.2	5,800,585	4,584,258
Cost of investments	6.2	5,293,873	4,302,423
Provision against equity securities	6.4.1	(44,995)	(81,273)
		5,248,878	4,221,150
		551,707	363,108
6.4.1 Movement in impairment against equity securities			
Opening balance		81,273	29,975
Add: Charge for the year		35,921	102,657
Less: Reversals made during the year (capital gain)		(72,199)	(51,359)
Net (reversal) / charge		(36,278)	51,298
Closing balance		44,995	81,273
7. DIVIDEND RECEIVABLE AND ACCRUED MARK-UP			
Dividend receivable		27,986	6,280
Mark-up accrued on deposits with banks		5,508	-
		33,494	6,280
8. ADVANCES, DEPOSITS AND OTHER RECEIVABLES			
Security deposit with:			
- National Clearing Company of Pakistan Limited		2,500	2,500
- Central Depository Company of Pakistan Limited		100	100
Advance against subscription of Term Finance Certificates (TFC)		25,000	25,000
Receivable against sale of investments		2,159	-
Receivable against conversion of units		211,869	483
		241,628	28,083
Less: Provision in respect of advance against subscription of term finance certificates	8.1	25,000	25,000
		216,628	3,083

- 8.1 The Fund had subscribed towards the term finance certificates of Dewan Cement Limited as Pre-IPO investor on January 9, 2008. Under the agreement, the issuer was required to complete the public offering by October 9, 2008. However, no public offering has been carried out by the issuer as at June 30, 2017. In addition, profit on the advance against subscription, due after six months from the date of subscription, has also not been received by the Fund. As at June 30, 2017, the advance against subscription has been fully provided in accordance with the provisioning policy of the Fund as approved by the Board of Directors of the Management Company.

	Note	2017 ----- Rupees in '000 -----	2016 ----- Rupees in '000 -----
9. PAYABLE TO THE MANAGEMENT COMPANY			
Management fee	9.1	10,522	7,417
Sindh Sales Tax	9.2	1,368	1,205
Sales load payable		426	86
Selling and marketing payable	13	8,661	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	526	371
		<u>21,503</u>	<u>9,079</u>

- 9.1 Under the provisions of the NBFC Regulations, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding two percent of average annual net assets. The Management Company has charged its remuneration at the rate of two percent per annum (June 30, 2016: two percent per annum) of the average annual net assets of the Fund for the current year.

- 9.2 The Sindh Government has levied Sindh Sales Tax at the rate of 13% (June 30, 2016: 14%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

- 9.3 As per Regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1 percent of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the year.

	Note	2017 ----- Rupees in '000 -----	2016 ----- Rupees in '000 -----
10. PAYABLE TO THE TRUSTEE			
Trustee fee	10.1	1,255	453
Sindh Sales Tax		163	63
		<u>1,418</u>	<u>516</u>

- 10.1 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 therein, based on the daily net assets of the Fund. The fee is paid to the Trustee monthly in arrears.

- 10.2 The tariff structure applicable to the Fund is as follows:

Amount of Funds Under Management [Average Net Assets Value (NAV)]	Tariff per annum
Up to Rs. One billion	Rs 0.7 million or 0.2% p.a. of NAV, whichever is higher
Exceeding Rs. One billion	Rs 2.0 million plus 0.10% of NAV, exceeding Rs. 1,000 million

The Sindh Government has levied Sindh Sales Tax at the rate of 13% (June 30, 2016: 14%) on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011.

	Note	2017 ----- Rupees in '000 -----	2016 ----- Rupees in '000 -----
11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	11.1	5,403	4,110

- 11.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 a collective investment scheme categorised as an equity scheme is required to pay an annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.095 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.

12. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2017	2016
		----- Rupees in '000 -----	
Payable against purchase of shares		52,836	-
Federal Excise Duty	12.1	37,838	37,838
Provision for Workers' Welfare Fund	12.2	-	56,825
Provision for Sindh Workers' Welfare Fund	12.2	34,381	-
Withholding tax payable		5,178	1,473
Auditors' remuneration		530	520
Payable to brokers		-	4,404
Others		466	95
		<u>131,229</u>	<u>101,155</u>

- 12.1 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law, 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 July 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 Management Company, as a matter of abundant caution, has made a provision on FED on remuneration of the Management Company with effect from June 13, 2013 till June 30, 2016, aggregating to Rs. 37.838 million. Had the provision not been made, the Net Asset Value per unit as at June 30, 2017 would have been higher by Rs. 0.72 (June 30, 2016: Rs. 0.87) per unit.

12.2 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 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 Honourable 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 recognized 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 recognized 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 Management Company 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 recognized 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. 56.825 million. Further, as an abundant caution, the Management Company decided to create SWWF provision effective from July 1, 2014 amounting to Rs. 34.381 million in these financial statements. Had the provision not been made, the Net Asset Value per unit as at June 30, 2017 would have been higher by Rs. 0.6571 per unit.

13. SELLING AND MARKETING EXPENSES

During the year SECP vide its circular No.SCD/PRDD/Circular/361/2016 dated December 30, 2016 prescribed certain conditions on Asset Management Companies (AMCs) for charging of selling and marketing expenses to collective investment schemes managed by them. According to said circular, the selling and marketing expenses have been allowed initially for a period of three years (from January 01, 2017 till December 31, 2019) being chargeable to open end equity, asset allocation and index funds. Maximum cap on the expenses has been set at 0.4% per annum of net assets of fund or actual expenses, whichever being lower. The Fund has started accruing expense on this account at 0.4% per annum of net assets of the Fund effective from March 21, 2017.

14. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments at the year end (2016: Nil)

15. AUDITORS' REMUNERATION	2017 ----- Rupees in '000 -----	2016 ----- Rupees in '000 -----
Annual audit fee	455	455
Fee for half yearly review	55	55
Review of compliance with the requirements of the Code of Corporate Governance	5	5
Out of pocket	35	86
	<u>550</u>	<u>601</u>

16. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. During the year, Management Company has distributed cash dividend of at least 90% of the aforementioned accounting income to the unit holders. Accordingly, no provision for taxation has been recognised in these financial statements.

17. TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2017 is 2.78% (YTD) which includes 0.72% representing Sindh Worker's Welfare Fund, government levy and SECP fee.

18. EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed as in the opinion of management determination of cumulative weighted average number of outstanding units is not practicable.

19. COMMITTED CREDIT LINE

The Securities and Exchange Commission of Pakistan vide Direction No. 2 of 2017 dated January 13, 2017 as amended by Direction No. 7 of 2017 dated March 3, 2017, has directed all Asset Management Companies to arrange committed credit lines from banks / DFIs for the equity funds and fund of funds equivalent to 10% of its net assets for redemption purposes. Accordingly, the Fund has obtained committed credit lines of PKR 925 million at a rate of 3 months KIBOR plus 0.45%. The Fund is required to review the committed line at least on quarterly basis against the net assets of the Fund.

20. NUMBER OF UNITS IN ISSUE	2017 ----- Number of units -----	2016 ----- Number of units -----
Opening units in issue	43,589,869	42,766,886
Units issued during the year	21,624,269	2,054,334
Less: Units redeemed	(12,890,677)	(1,231,351)
Total units in issue at the end of the year	<u>52,323,461</u>	<u>43,589,869</u>

21. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited, being the Trustee of the Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company, directors of 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 Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations 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:

	2017	2016
	----- Rupees in '000 -----	
21.1 Transactions during the year		
HBL Asset Management Limited - Management Company		
Management Fee including sales tax thereon	128,436	114,186
Allocation of expenses related to registrar services, accounting, operation and valuation services	5,722	2,541
Habib Bank Limited - Sponsor		
Issue of Nil units (2016: 521,601 units)	-	52,765
Dividend on units	249,887	
Bank charges paid	7	12
Mark-up earned during the year	2,836	1,274
Mark-up received during the year	2,617	1,274
Purchase of shares 951,600(2016: 1,363,000 shares)	187,254	261,327
Sale of shares 980,400 (2016: 352,000 shares)	449,228	62,453
Dividend income earned	19,799	14,938
Dividend income received	19,799	14,938
Directors and Executives of the Management Company and their relatives		
Directors and their relatives		
Issuance of 327 units (2016: 9 units)	40	1
Executives and their relatives		
Issue of 14,109 units (2016: 139 units)	1,915	14
Redemption of 2,547 units (2016: 1,015 units)	2,547	100
Dividend paid	1,426	-
HBL Employees Provident Fund - Associated entity		
Issue of 388,125 Units (2016: 86,294 units)	47,161	8,729
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	7,558	6,209
Service charges	419	395
Transactions involving shares of connected persons		
Packages Limited - Common Directorship		
Dividend earned	6,845	-
International Steels Limited - Common Directorship		
Dividend earned	2,040	-

21.2 Balances outstanding as at year end	2017	2016
	----- Rupees in '000 -----	
HBL Asset Management Limited - Management Company		
Management fee	10,522	7,417
Sindh Sales Tax	1,368	1,205
Sales load payable	426	86
Selling and marketing	8,661	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	526	371
Habib Bank Limited - Sponsor		
Investment held in the Fund: 37,754,700 units (2016: 35,698,175 units)	4,585,301	3,701,058
Bank balances	57,148	21,250
Ordinary Shares held in Habib Bank Limited: 942,619 shares (2016: 942,619 shares)	253,696	344,173
Mark-up receivable	219	-
Directors and Executives of the Management Company and their relatives		
Directors and their relatives		
Investment held in the Fund: 19,487 units (2016: 692 units)	2,367	72
Executives and their relatives		
Investment held in the Fund : 21,054 units (2016: 10,848 units)	2,557	1,125
HBL Employees Provident Fund - Associated Entity		
Investment held in the Fund: 7,125,389 units (2016: 6,737,264 units)	865,377	698,495
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	1,255	453
Sindh Sales tax	163	63
Security deposit	100	100

22. FINANCIAL RISK MANAGEMENT

The Fund primarily invests in a portfolio of equity and money market investments such as shares of listed companies, government securities and in other money market instruments. These activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

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 Management Company manages market risk by monitoring exposure in marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of the Fund and the regulations laid down by the Securities and Exchange Commission of Pakistan.

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

22.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak 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 because of changes in market interest rates.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds balances in savings bank accounts as at June 30, 2017, that could expose the Fund to cash flow interest rate risk. The net income for the year would have increased / (decreased) by Rs. 6.5 million (2016: Rs.0.384 million) had the interest rates on savings accounts with the banks increased / (decreased) by 100 basis points.

b) Sensitivity analysis for fixed rate instruments

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

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 instruments traded in the market.

The Fund's equity securities are primarily exposed to equity price risk because of investments held and classified by the Fund on the statement of assets and liabilities as 'available for sale'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Fund's constitutive documents. The Fund's constitutive documents / NBFC Regulations also limit investment in individual equity securities to not more than 15% of its net assets, or 15% of the issued capital of the investee company and the sector exposure limit to 35% of net assets.

In case of 5% increase / decrease in the fair value of the Fund's equity securities on June 30, 2017, net assets of the Fund would increase / decrease by Rs. 290.029 million (2016: Rs. 229.317 million) as a result of gains / losses on equity securities in "available for sale" category.

22.2 Credit risk

Credit risk represents the risk of a loss if the counterparties fail to perform as contracted. The Fund's credit risk mainly arises from deposits with banks and financial institutions and credit exposure arising as a result of dividend receivable on equity securities.

The Fund's credit risk is primarily attributable to balances with banks, deposits with and other receivables from National Clearing Company of Pakistan Limited and Central Depository Company of Pakistan Limited, respectively. The Fund also carries credit risk in respect of dividend receivable (if any) on equity securities. The credit risk of the Fund with respect to bank accounts is limited as the balances are maintained with counter parties that are financial institutions with reasonably high credit ratings. Further, credit risk in respect of deposits and other receivables is also minimal as the counter parties are well reputed and financially sound. Credit risk on dividend receivable is also minimal due to the statutory protection.

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

The maximum exposure to credit risk before any credit enhancement as at June 30, 2017 is the carrying amount of the financial assets as follows:

	Note	2017 ----- Rupees in '000 -----	2016 -----
Bank balances by rating category			
A1+ (PACRA)		650,713	17,156
A-1+ (JCR-VIS)		-	21,250
		<u>650,713</u>	<u>38,406</u>
Investment in Government Securities		<u>-</u>	<u>172,054</u>
Dividend and profit receivable		<u>33,494</u>	<u>6,280</u>
Advances, deposits and other receivables		<u>216,628</u>	<u>3,083</u>

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 mainly concentrated in equity securities which are primarily subject to price risk. The Fund's portfolio of other financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

22.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset or such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to daily settlement of equity securities and daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the total net asset value of the Fund at the time of borrowing and shall be repayable within 90 days. The facility would bear interest at commercial rates and would be secured against the assets of the Fund. However, during the current year no borrowings were made by the Fund. The Fund has also entered into an agreement for securing committed credit line for redemption purposes (note 19)

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. However, no such instances were witnessed by the Fund during the current year .

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

----- As at June 30, 2017 -----				
	Upto three months	More than three months and upto one year	More than one year	Total
----- Rupees in '000 -----				
Liabilities				
Payable to the Management Company	21,503	-	-	21,503
Payable to the Trustee	1,418	-	-	1,418
Accrued expenses and other liabilities	48,654	-	-	48,654
Payable against redemption of units	181,864	-	-	181,864
Unit Holder's Fund	6,354,672	-	-	6,354,672
	6,608,111	-	-	6,608,111

----- As at June 30, 2016 -----				
	Upto three months	More than three months and upto one year	More than one year	Total
----- Rupees in '000 -----				
Liabilities				
Payable to the Management Company	9,079	-	-	9,079
Payable to the Trustee	516	-	-	516
Accrued expenses and other liabilities	3,546	-	-	3,546
Payable against redemption of units	6	-	-	6
Unit Holder's Fund	4,519,241	-	-	4,519,241
	4,532,388	-	-	4,532,388

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 are based on the quoted market prices at the close of trading on the period end 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) (level 3).

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				Fair Value			
		Carrying amount			Total	Level 1	Level 2	Level 3	Total
		Available-for-sale	Loans and receivables	Other financial assets / liabilities					
On-balance sheet financial instruments	Note	----- (Rupees in '000) -----							
Financial assets measured at fair value									
Investments - Listed equity securities		5,800,585	-	-	5,800,585	5,800,585	-	-	5,800,585
		5,800,585	-	-	5,800,585	5,800,585	-	-	5,800,585
Financial assets not measured at fair value									
	23.1								
Bank balances		-	650,713	-	650,713				
Dividend receivable and accrued mark-up		-	33,494	-	33,494				
Advances, deposits, other receivables		-	216,628	-	216,628				
		-	900,835	-	900,835				
Financial liabilities not measured at fair value									
Payable to Management Company		-	-	21,503	21,503				
Payable to Trustee		-	-	1,418	1,418				
Payable against redemption of units		-	-	5,331	-				
Accrued expenses and other liabilities		-	-	53,832	53,832				
Unit Holder's Fund		-	-	6,354,672	6,354,672				
		-	-	6,436,756	6,431,425				

		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	4,316,318	-	-	4,316,318	4,316,318	-	-	4,316,318
- Government securities	172,054	-	-	172,054	-	172,054	-	172,054
	<u>4,488,372</u>	<u>-</u>	<u>-</u>	<u>4,488,372</u>	<u>4,316,318</u>	<u>172,054</u>	<u>-</u>	<u>4,488,372</u>
Financial assets not measured at fair value								
Bank balances	-	38,406	-	38,406				
Investments - Unlisted Equity Securities	97,966	-	-	97,966				
Dividend receivable and accrued mark-up	-	6,280	-	6,280				
Advances, deposits, other receivables	-	3,083	-	3,083				
	<u>97,966</u>	<u>47,769</u>	<u>-</u>	<u>145,735</u>				
Financial liabilities not measured at fair value								
Payable to Management Company	-	-	9,079	9,079				
Payable to Trustee	-	-	516	516				
Payable against redemption of units	-	-	6	6				
Accrued expenses and other liabilities	-	-	5,019	5,019				
Unit Holder's Fund	-	-	4,519,241	4,519,241				
	<u>-</u>	<u>-</u>	<u>4,533,861</u>	<u>4,533,861</u>				

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 repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

23.2 Transfers during the year

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

24. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. These unit holders of the Fund are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

- Monitor the level of daily issuance and redemptions relative to the liquid assets and adjust the amount of distributions the Fund pays to the unit holders;
- Redeem and issue units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g., yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current year.

25. LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE

Top ten brokers during the year ended June 30, 2017

- 1 DJM Securities (Pvt) Ltd
- 2 Elixir Securities Pakistan (Pvt) Ltd
- 3 Arif Habib Ltd
- 4 Topline Securities (Private) Ltd.
- 5 Next Capital Limited
- 6 AKD Securities Limited
- 7 IGI Finex Securities Limited
- 8 BIPL Securities Ltd
- 9 Taurus Securities Ltd.
- 10 Habib Metropolitan Financial Services Ltd

Top ten brokers during the year ended June 30, 2016

- 1 Arif Habib Limited
- 2 BMA Capital Management Limited
- 3 Elixir Securities Pakistan (Private) Limited
- 4 Global Securities Pakistan Limited
- 5 Habib Metropolitan Financial Services
- 6 KASB Securities Limited
- 7 Optimus Capital Management (Private) Limited
- 8 Pearl Securities Limited
- 9 Shehzad Chamdia Securities (Private) Limited
- 10 Topline Securities (Private) Limited

26. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the Investment Committee of the Fund as on June 30, 2017 are as follows:

S.no.	Name	Designation	Qualification	Experience in years
1	Farid Ahmed Khan	Chief Executive Officer	CFA, MBA	23+
2	Muhammad Imran	Chief Investment Officer	MBA	17+
3	Coling Miranda	Acting Head of Research	CFA, FRM	8+
4	Jawad Naeem	Fund Manager - Equity	MBA	9+
5	Adeel Abdul Wahab	Fund Manager - Equity	ACCA	8+
6	Noman Ameer	Manager Risk	B.S Acturial Sciences	9+

27. PATTERN OF UNIT HOLDING

	2017		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment
Individuals	241	319,826	5.03%
Associated companies	2	5,450,741	85.77%
Directors	2	2,367	0.04%
Insurance companies	2	83,907	1.32%
Banks	2	476,170	7.49%
Retirement Funds	1	2,061	0.03%
Others	3	19,676	0.31%
	253	6,354,747	100.0%

	2016		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment
Individuals	141	119,467	2.64%
Associated companies	1	3,701,058	81.90%
Directors	1	2	-
Insurance companies	-	-	-
Banks	-	-	-
Others	3	698,714	15.46%
	146	4,519,241	100.00%

28. ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Five meetings of the Board of Directors were held on August 26, 2016, October 31, 2016, December 16, 2016, February 24, 2017 and April 27, 2017 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
1 Mr. Towfiq H. Chinoy	5	5	-	-
2 Ms. Ava Ardeshir Cowasjee	5	5	-	-
3 Mr. Nadeem Abdullah	5	4	1	April 27, 2017
4 Mr. Farid Ahmed Khan ¹	4	4	-	-
5 Mr. Rehan N. Shaikh ²	1	1	-	-
6 Ms. Sima Kamil ³	4	4	-	-
7 Mr. Rizwan Haider	5	4	1	April 27, 2017
8 Mr. Salahuddin Manzoor	5	5	-	-
9 Mr. Aamir Irshad ⁴	-	-	-	-
10 Mr. Rayomond Kotwal ⁵	-	-	-	-

1 Appointed on September 1, 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 06, 2017.

5 Appointed on June 22, 2017.

29. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on **25 August 2017** by the Board of Directors of the Management Company.

30. CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation. No significant rearrangement or reclassification was made in these financial statements during the current year.

31. GENERAL

Figures have been rounded off to the nearest thousand Rupees.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



HBL CASH FUND
(Formerly PICIC Cash Fund)

Annual Report 2017

FUND INFORMATION

NAME OF FUND **HBL Cash Fund (formerly PICIC Cash Fund)**

NAME OF AUDITORS **Deloitte Yousuf Adil, Chartered Accountants.**

NAME OF BANKERS

- Habib Bank Limited**
- Bank Al-Habib Limited**
- Habib Metropolitan Bank Limited**
- Bank Al Falah Limited**
- Faysal Bank Limited**
- Allied Bank Limited**
- NIB Bank Limited**
- United Bank Limited**
- Samba Bank Limited**
- Zarai Taraqati Bank Limited**
- JS Bank Limited**

FUND RATING **'AA(f)' (JCR-VIS)**

FUND MANAGER'S REPORT - HBL Cash Fund (Formerly PICIC Cash Fund)

As at June 30, 2017

Type and Category of Fund

Open end Money Market Fund

Investment Objective and Accomplishment of Objective

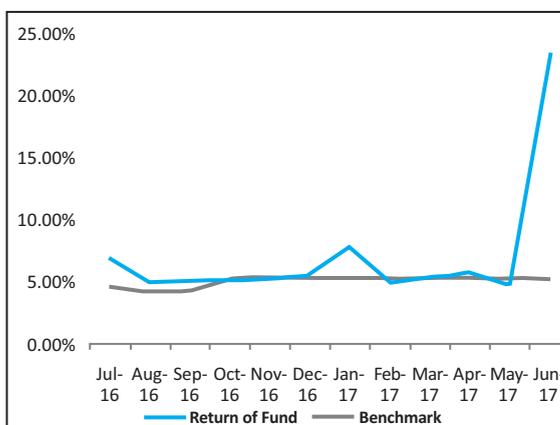
The investment objective of the Fund is to provide competitive returns to its investors through active investments in low risk portfolio of short duration, while maintaining high liquidity. The Fund will aim to maximize returns through efficient utilization of investment and liquidity management tools. The investment objective is achieved.

Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is 70% (3Month PKRV) + 30% (3Month Avg. Deposit Rate of 3 AA rated Banks) as per MUFAP

The comparison of the fund return with benchmark is given below:

Month	Return of Fund	Benchmark
Jun-17	23.25%	5.22%
May-17	4.87%	5.23%
Apr-17	5.68%	5.31%
Mar-17	5.34%	5.29%
Feb-17	5.11%	5.25%
Jan-17	7.73%	5.25%
Dec-16	5.62%	5.29%
Nov-16	5.32%	5.26%
Oct-16	5.20%	5.24%
Sep-16	4.95%	4.30%
Aug-16	4.96%	4.13%
Jul-16	6.92%	4.62%

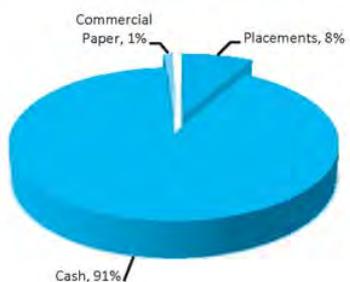


Strategies and Policies employed during the Year

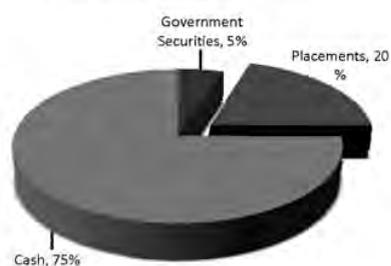
In line with the investment policy of the Fund, the Fund continued to hold major investments in the form of short maturity T-Bills and placements with Commercial Banks and DFIs in Daily Product Accounts, TDRs and LOPs. However on quarter and year end, better opportunities were offered in Placements which were utilized to optimize Funds returns.

Asset Allocation

Asset Allocation June 2017



Asset Allocation June 2016



Significant Changes in Asset Allocation during the Year

No major changes were made in asset allocation during the year due to nature of the fund. The investment in Government Securities was decreased by 5% of total assets to nil in June 2017. At the end of the year, 99% assets were deployed in Cash at bank and placement with banks as they were offering better returns.

Fund Performance

The total income and net income of the Fund was Rs.269.68 million and Rs. 30.14 million respectively during the year ended June 30, 2017. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs 100.5696 per unit as on June 30, 2016. The NAV of the Fund was Rs 100.4888 per unit as on June 30, 2017 (after incorporating interim dividends of Rs. 7.15 per unit), thereby giving an annualized return of 7.18%. During the same year the benchmark (70% 3M PKRV & 30% 3M deposit rates) return was 5.00%.The size of Fund was Rs 5.95 billion as on June 30, 2017.

Market Review

During the year, State Bank Pakistan kept the discount rate static at 6.25% on the back of lower inflation and managed external accounts position. Government of Pakistan (GoP) raised PKR 7,716 billion (including NCB) through the T-bills auction compared to the cumulative target of PKR 7,200 billion and maturities of PKR 6,431 billion. In the secondary market, T-bills yields increased by a total of 9 bps, 13 bps and 13 bps for 3, 6 and 12 months respectively. In PIB auctions GOP raised PKR 894 billion against the cumulative target of PKR 800 billion and maturities of PKR 1,936 billion. All PIB auctions held in 2QFY17 were scrapped as the bids were at higher yields and there was no desperation showed by the GoP on stretching the maturities towards longer duration at higher costs. 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 in FY17, and thus placed bids at more appropriate levels. The 5 and 10-year PIB cutoffs declined by 1 bps and 8 bps respectively in FY17TD whereas the 3-year PIB cutoff remained unchanged. Consequently, money market saw flattened yield curve during the year.

The GoP also held an IjaraSukuk (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 whereas GoP accepted PKR 71.01 billion at a cut-off rate of 5.24% p.a. During 2HFY17, few corporate Sukuks were offered in the market, which were well-received by investors and the instruments with strong credit ratings were oversubscribed.

Going forward, we expect monetary policy to remain unchanged during first half FY18, however in later half potential rate hike is expected on the ground of higher CPI, imbalances in trade deficit and falling foreign reserves.

Distribution

The Fund has distributed cash dividend at Rs. 7.15 per unit during the year ended June 30, 2017.

Significant Changes in the State of Affairs

During the year the Management Company of the Fund i.e. PICIC Asset Management Company Limited merged with and into HBL Asset Management Limited effective from August 31, 2016. Subsequent to the merger of the Management Company the name of the PICIC Cash Fund changed as HBL Cash Fund.

Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 - 100	44	2,860
101 - 500	31	6,459
501 - 1,000	16	11,596
100,1 - 10,000	127	621,554
10,001 - 100,000	84	2,572,589
100,001 - 500,000	23	4,765,941
500,001 - 1,000,000	4	2,308,804
1,000,001 - 5,000,000	7	15,600,813
5,000,001 and above	5	33,361,077
Total	341	59,251,693

Unit Splits

There were no unit splits during the year.

Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

Soft Commission

The Management Company from time to time receives research reports and presentations from brokerage houses

PERFORMANCE TABLE - HBL CASH FUND (FORMERLY PICIC CASH FUND)

As at June 30, 2017

HBL Cash Fund (Formerly: PICIC CASH FUND) Performance Table

	2017	2016	2015	2014	2013	2012
Net assets at the period end (Rs'000)	5,954,130	2,103,956	3,249,017	4,287,916	2,381,011	2,659,794
NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES						
Redemption	100.4888	100.5696	100.3250	100.1304	100.4067	100.5186
Offer - Class C	100.4801	100.5696	100.3250	100.1304	100.4067	100.5186
Offer - Class D	101.6155	101.5753	101.3283	101.1317	101.4108	101.5238
OFFER / REDEMPTION DURING THE PERIOD - RUPEES						
Highest offer price per unit - Class C	106.0546	106.1453	108.7769	101.3126	101.1499	101.2712
Lowest offer price per unit - Class C	100.3862	100.3425	100.1000	100.0249	100.1444	100.0535
Highest offer price per unit - Class D	107.2530	107.2068	109.8647	102.3257	102.1614	102.2839
Lowest offer price per unit - Class D	101.5206	101.3459	101.1010	101.0251	101.1458	101.0540
Highest redemption price per unit	106.0546	106.1453	108.7769	101.3126	101.1499	101.2712
Lowest redemption price per unit	100.3862	100.3425	100.1000	100.0249	100.1444	100.0535
RETURN (%)						
Total return	7.18%	6.06%	10.51%	8.36%	9.07%	11.45%
Income distribution	7.15%	5.87%	10.31%	8.37%	8.45%	11.10%
Capital growth	0.03%	0.19%	0.20%	-0.01%	0.62%	0.35%
DISTRIBUTION						
Date of Income Distribution	-	-	-	24-Jul-13	24-Jul-12	23-Jul-11
Income Distribution (Rs. Per unit)	-	-	-	0.47	0.65	0.85
Date of Income Distribution	-	-	-	25-Aug-13	24-Aug-12	24-Aug-11
Income Distribution (Rs. Per unit)	-	-	-	0.55	0.90	1.00
Date of Income Distribution	-	-	-	24-Sep-13	24-Sep-12	24-Sep-11
Income Distribution (Rs. Per unit)	-	-	-	0.60	0.75	1.00
Date of Income Distribution	-	-	-	24-Oct-13	24-Oct-12	26-Oct-11
Income Distribution (Rs. Per unit)	-	-	-	0.60	0.75	1.00
Date of Income Distribution	-	-	-	22-Nov-13	21-Nov-12	24-Nov-11
Income Distribution (Re. Per unit)	-	-	-	0.65	0.70	0.95
Date of Income Distribution	-	-	-	24-Dec-13	24-Dec-12	23-Dec-11
Income Distribution (Rs. Per unit)	-	-	-	0.70	0.75	0.95
Date of Income Distribution	-	-	-	24-Jan-14	24-Jan-13	24-Jan-12
Income Distribution (Re. Per unit)	-	-	-	0.75	0.75	0.80
Date of Income Distribution	-	-	-	24-Feb-14	22-Feb-13	24-Feb-12
Income Distribution (Re. Per unit)	-	-	-	0.75	0.60	0.85
Date of Income Distribution	-	-	-	24-Mar-14	22-Mar-13	22-Mar-12
Income Distribution (Re. Per unit)	-	-	-	0.75	0.60	0.85
Date of Income Distribution	-	-	-	24-Apr-14	24-Apr-13	24-Apr-12
Income Distribution (Re. Per unit)	-	-	-	0.75	0.60	0.85
Date of Income Distribution	-	-	-	23-May-14	24-May-13	24-May-12
Income Distribution (Re. Per unit)	-	-	-	0.75	0.70	0.80
Date of Income Distribution	-	24-Jun-16	15-Jun-15	25-Jun-14	26-Jun-13	26-Jun-12
Income Distribution (Rs. Per unit)	-	5.85	10.31	1.05	0.70	0.80
Date of Income Distribution	20-Jun-17	26-Aug-16	-	-	-	5-Jul-12
Income Distribution (Re. Per unit)	7.15	0.02	-	-	-	0.40
Total dividend distribution for the year/ period (Rs)	7.15	5.87	10.31	8.37	8.45	11.10
AVERAGE RETURNS (%)						
Average annual return 1 year	7.18%	6.06%	10.51%	8.36%	9.07%	11.45%
Average annual return 2 year	6.62%	8.27%	9.44%	8.72%	10.25%	11.62%
Average annual return 3 year	7.90%	8.30%	9.32%	9.62%	10.61%	-
PORTFOLIO COMPOSITION - (%)						
Percentage of Net Assets as at 30 June:						
Bank Balances	90.86%	75%	13%	4%	4%	1%
T-Bills	0.00%	5%	55%	51%	67%	80%
Placement with Banks and DFIs	7.50%	20%	31%	45%	25%	14%
Commercial Paper	1.35%	0%	0%	0%	0%	0%
Corporate Sukuks / TFCs	0.00%	0%	0%	0%	5%	4%
MTS / Spread Transactions	0.00%	0%	0%	0%	0%	0%
Others including receivables	0.29%	0%	1%	0%	-	1%
Weighted average portfolio during (No. of days)	16	24	83	85	85	44

Note:

The Launch date of the Fund is December 14, 2010

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

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Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com

**TRUSTEE REPORT TO THE UNIT HOLDERS****HBL CASH FUND
(Formerly PICIC CASH FUND)****Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Cash Fund (Formerly PICIC Cash Fund) (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2017 in accordance with the provisions of the following:

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

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

Karachi, September 26, 2017

HBL CASH FUND (FORMERLY PICIC CASH FUND) STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19.23 of Pakistan Stock Exchange (the Stock Exchange) Regulations for the purpose of establishing a framework of good governance, whereby a listed entity is managed in compliance with the best practices of corporate governance.

HBL Asset Management Limited, an un-listed Public Limited Company, which manages the affairs of the **HBL Cash Fund (Formerly: PICIC Cash Fund)** (Fund), has applied the principles contained in the CCG in the following manner:

1. The Management Company encourages representation of independent non-executive directors on its Board of Directors. The Management Company, being an un-listed company, does not have any minority interest. At present the Board includes:

Category	Names
Independent Directors	Mr. Nadeem Abdullah Ms. Ava Ardeshir Cowasjee
Executive Directors	Mr. Farid Ahmed Khan (Chief Executive Officer)
Non- Executive Directors	Mr. Towfiq H. Chinoy (Chairman) Mr. Rayomond H. Kotwal Mr. Rizwan Haider Mr. Salahuddin Manzoor

The independent directors meet the criteria of independence under clause 5.19.1(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurring on the board on April 27,2017 and June 22,2017 were filled up by the directors within 42 and 16 days respectively.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before all the meetings .The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the Directors of their duties and responsibilities and for their orientation purpose they were informed about the recent developments / changes in applicable laws and regulations affecting the mutual fund industry. The directors are conversant of the relevant laws applicable to the Management Company, its policies, provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. The board has approved appointment of Head of Internal Audit and existing Chief Financial Officer and Company Secretary continue to serve as per their terms of employment duly approved by the Board.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by the Chief Executive Officer and the Chief Financial Officer before approval of the Board.
13. The Directors, the Chief Executive Officer and executives do not hold any interest in the units of the Fund other than that disclosed in the annual report.

14. The Management Company has complied with all the corporate and financial reporting requirements of the CCG with respect to the Fund.
15. The board has formed an Audit Committee. It comprises three Members, of whom three are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director. However due to resignation of Ms.Sima Kamil from the board effective from March 16, 2017 the committee members reduced to two. The board has reconstituted the committee effective from August 25,2017 and it comprise of three members.
18. The Board has outsourced the internal audit function of the Fund to EYFord Rhodes, Chartered Accountants, Karachi, for the year ended June 30, 2017, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company with regards to the Fund.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market/published price of Fund's unit, was determined and intimated to directors, employees and the stock exchange.
22. Material / price sensitive information has been disseminated amongst all market participants at once through the stock exchange.
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles contained in the CCG have been complied with.

For and on behalf of the board

Chief Executive Officer

Director

Karachi
August 25, 2017

Review report to the unit holders' on the Statement of Compliance with the best practices of the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of HBL Asset Management Limited, the Management Company of **HBL Cash Fund (Formerly PICIC Cash Fund)** (the Fund) for the year ended June 30, 2017 to comply with Regulation No. 5.19 of the Rule Book of the Pakistan Stock Exchange Limited, where the Fund is listed.

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

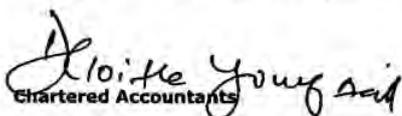
As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risk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

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

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

We draw attention to the following;

- Paragraph 17 of the Statement wherein it has been stated that the composition of the Human Resource and Remuneration (HR&R) Committee was remediated subsequent to year end.


Chartered Accountants

Dated: September 22, 2017
Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited

Independent auditors' report to the unit holders

Report on the financial statements

We have audited the accompanying financial statements of **HBL Cash Fund (Formerly PICIC Cash Fund)** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2017, and the related income statement and other comprehensive income, distribution statement, statement of movements in unit holders' funds and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Company's responsibility for the financial statements

HBL Asset Management Limited (the Management Company) is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan, and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

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

Report on other legal and regulatory requirements

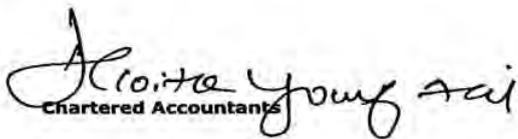
In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.



Deloitte Yousuf Adil
Chartered Accountants

Other matter

The financial statements of the Fund for the year ended June 30, 2016 were audited by another firm of Chartered Accountants who vide their report dated August 26, 2016 expressed an unmodified opinion thereon.



Chartered Accountants

Engagement Partner
Naresh Kumar

Date: September 22, 2017
Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited

HBL Cash Fund (Formerly PICIC Cash Fund)
Statement of Assets and Liabilities
As at June 30, 2017

	Note	2017 ----- Rupees in '000'	2016 -----
Assets			
Bank balances	5	6,537,316	1,624,223
Investments	6	637,309	527,691
Profit receivable	7	20,561	5,551
Deposits and prepayments	8	192	188
Total assets		7,195,378	2,157,653
Liabilities			
Payable to the Management Company	9	3,457	1,384
Payable to the Trustee	10	974	242
Payable to Securities and Exchange Commission of Pakistan	11	3,270	2,462
Dividend payable		-	490
Redemption payable		1,183,625	28
Accrued expenses and other liabilities	12	49,922	49,091
Total liabilities		1,241,248	53,697
Net assets		5,954,130	2,103,956
Unit holders' fund (as per statement attached)		5,954,130	2,103,956
Contingencies and commitments			
	13	----- Number of units -----	
Number of units in issue	14	59,251,693	20,920,392
		----- Rupees -----	
Net assets value per unit	4.10	100.4888	100.5696

The annexed notes 1 to 30 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Cash Fund (Formerly PICIC Cash Fund)
Income Statement and Other Comprehensive Income
For the year ended June 30, 2017

	2017	2016
	----- Rupees in '000 -----	----- Rupees in '000 -----
Income		
Capital (loss) / gain on sale of investments - net	(628)	1,597
Income from government securities	60,211	146,496
Income from money market transactions and other placements	55,229	45,402
Profit on bank deposits	154,864	26,908
Net unrealised gain on investments classified 'at fair value through profit or loss' - held-for-trading	-	17
Total income	269,676	220,420
Expenses		
Remuneration of the Management Company	9.1 21,958	16,415
Sindh Sales Tax on remuneration of the Management Company	2,855	2,298
Provision for Federal Excise Duty and additional sales tax on remuneration of the Management Company	12.2 -	2,994
Remuneration of the Trustee	10.1 4,541	3,659
Annual fee to Securities and Exchange Commission of Pakistan	11.1 3,270	2,462
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3 4,375	1,576
Amortisation of preliminary expenses and floatation costs	-	90
Auditors' remuneration	15 469	412
Fee and subscription	308	259
Securities transaction cost	159	290
Settlement and bank charges	145	184
Printing charges	73	324
Total expenses	38,153	30,963
Net income from operating activities	231,523	189,457
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	(214,877)	(156,754)
Reversal of provision for Workers' Welfare Fund	12.1 15,093	-
Provision for Sindh Workers' Welfare Fund	12.1 (1,602)	-
Net income for the year before taxation	13,491	-
Taxation	16 -	-
Net income for the year after taxation	30,137	32,703
Other comprehensive income for the year	-	-
Total comprehensive income for the year	30,137	32,703
Earnings per unit	17	

The annexed notes 1 to 30 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Cash Fund (Formerly PICIC Cash Fund)
Distribution Statement
For the year ended June 30, 2017

	2017	2016
	----- Rupees in '000 -----	
Undistributed income brought forward		
- Realised income	11,901	11,053
- Unrealised income / (loss)	17	(527)
	11,918	10,526
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in unit redeemed - amount transferred to the Distribution Statement from the Unit Holders' Fund	21,131	(3,721)
Net income for the year after taxation	30,137	32,703
Final cash distribution of Rs. 0.02 per unit for the year ended June 30, 2016 declared on August 26, 2016	(480)	-
Interim cash distribution of Rs. 7.15 per unit declared on June 20, 2017 (2016: Rs. 5.85 per unit declared on June 24, 2016)	(33,743)	(27,590)
Undistributed income carried forward	28,963	11,918
Undistributed income comprising:		
- Realised income	28,963	11,901
- Unrealised income	-	17
	28,963	11,918

The annexed notes 1 to 30 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Cash Fund (Formerly PICIC Cash Fund)
Statement of Movement in Unit Holders' Fund
For the year ended June 30, 2017

	2017	2016
	----- Rupees in '000 -----	
Net assets at the beginning of the year	2,103,956	3,249,017
Issue of 164,584,054 units (2016: 81,414,313 units)	16,818,792	7,698,883
Redemption of 126,252,753 units (2016: 92,878,850 units)	(13,179,409)	(9,005,811)
	3,639,383	(1,306,928)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- Amount transferred to the Income Statement and Other Comprehensive Income	214,877	156,754
- Amount transferred to the Distribution Statement	(21,131)	3,721
	193,746	160,475
Capital (loss) / gain on sale of investments - net	(628)	1,597
Net unrealised gain on investments classified 'at fair value through profit or loss' - held-for-trading	-	17
Other net income for the year	30,765	31,089
Total comprehensive income for the year	30,137	32,703
Final cash distribution of Rs. 0.02 per unit for the year ended June 30, 2016 declared on August 26, 2016	(480)	-
Interim cash distribution of Rs. 7.15 per unit declared on June 20, 2017 (2016: Rs. 5.85 per unit declared on June 24, 2016)	(33,743)	(27,590)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in unit redeemed - amount transferred to the Distribution Statement	21,131	(3,721)
Net assets at the end of the year	5,954,130	2,103,956
	----- Rupees -----	
Net asset value per unit at the beginning of the year	100.5696	100.3250
Net asset value per unit at the end of the year	100.4888	100.5696

The annexed notes 1 to 30 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Cash Fund (Formerly PICIC Cash Fund)
Cash Flow Statement
For the year ended June 30, 2017

Note	2017 ----- Rupees in '000 -----	2016 -----
Cash flow from operating activities		
Net income for the year before taxation	30,137	32,703
Adjustments :		
Capital loss / (gain)	628	(1,597)
Return / mark-up on;		
- bank profits	(154,864)	(26,908)
- money market transactions and other placements	(55,229)	(45,402)
Unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' held-for-trading - net	-	(17)
Amortisation of preliminary expenses and floatation costs	-	90
Element of loss and capital losses included in prices of units less those in units redeemed - net	214,877	156,754
Reversal of provision for Workers' Welfare Fund	(15,093)	-
Provision for Sindh Workers' Welfare Fund	1,602	-
	<u>22,058</u>	<u>115,623</u>
(Increase) / decrease in assets		
Investments - net	(110,246)	1,928,812
Deposits and prepayments	(4)	(11)
	<u>(110,250)</u>	<u>1,928,801</u>
Increase / (decrease) in liabilities		
Payable to the Management Company	2,073	(35)
Payable to the Trustee	732	24
Payable to Securities and Exchange Commission of Pakistan	808	(723)
Dividend payable	(490)	490
Accrued expenses and other liabilities	14,322	(118,978)
	<u>17,445</u>	<u>(119,222)</u>
Bank profits received	141,897	26,271
Return on money market transactions and other placements received	53,186	65,139
	<u>124,336</u>	<u>2,016,612</u>
Net cash generated from operating activities		
Cash flow from financing activities		
Receipts from issue of units	16,818,792	7,698,883
Amount paid / payable on redemption of units	(11,995,812)	(9,005,811)
Dividend paid	(34,223)	(27,590)
	<u>4,788,757</u>	<u>(1,334,519)</u>
Net cash generated / (used) in financing activities		
Net increase in cash and cash equivalents during the year	<u>4,913,093</u>	<u>682,093</u>
Cash and cash equivalents at the beginning of the year	<u>1,624,223</u>	<u>942,130</u>
Cash and cash equivalents at the end of the year	<u>5,537,316</u>	<u>1,624,223</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Cash Fund (Formerly PICIC Cash Fund)

Notes To The Financial Statements

For the year ended June 30, 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

HBL Cash Fund (formerly PICIC Cash Fund) ("the Fund") was established under a Trust Deed executed between PICIC Asset Management Company Limited (now, HBL Asset Management Limited) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. SCD/NBFC-II/DD/PCF/844/2010 dated November 11, 2010 and the Trust Deed was executed on October 22, 2010.

During the year, SECP approved merger of PICIC Asset Management Company Limited with and into HBL Asset Management Limited effective from August 31, 2016 through an order dated August 31, 2016. Effective from September 1, 2016 HBL Asset Management Limited became Management Company of the fund which is a wholly owned subsidiary of Habib Bank Limited. The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of Habib Bank Limited. After the merger, trust deed was revised on February 17, 2017.

The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is located 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 open-ended money market scheme and is listed on Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at par value of Rs. 100 per unit from December 11, 2010 to December 13, 2010. Thereafter, the units are offered to the public for subscription on a continuous basis and are transferable and redeemable by surrendering them to the Fund.

The Fund has been categorised as a money market scheme as per the criteria laid down by the SECP for categorisation of open-end Collective Investment Schemes (CISs).

The core objective of the Fund is to provide competitive returns to its investors through active investments in low risk portfolio of short duration, while maintaining high liquidity.

JCR-VIS Credit Rating Company has assigned an asset manager rating of 'AM2' (Positive outlook) to the Management Company and a stability rating 'AA(f)' to the Fund.

Title to the assets of the Fund is held in the name of Central Depository Company Limited as 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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

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 that investments are measured at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the fund's functional and presentation currency.

2.4 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of its accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

- (i) classification and valuation of financial assets (notes 4.2.1.1 and 4.2.1.4); and
- (ii) impairment of financial assets (note 4.2.1.5)

3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS THAT ARE EFFECTIVE FOR THE YEAR ENDED JUNE 30, 2017

3.1 Standards or interpretations that are effective in current year but not relevant to the Fund

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.

3.2 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 periods 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.

Effective from accounting periods beginning on or after:

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Cash and cash equivalents

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

4.2 Financial instruments

4.2.1 Financial assets

4.2.1.1 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) Investments 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 financial assets 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

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss - held-for-trading. 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. Currently, there are no investments of the fund classified as available for sale.

4.2.1.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

4.2.1.3 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.

4.2.1.4 Subsequent measurement

a) Financial assets 'at fair value through profit or loss held for trading' and 'available for sale'

Subsequent to initial measurement, financial assets 'at fair value through profit or loss held for trading' and 'available for sale' are valued as follows:

Basis of valuation of government securities

The investment of the Fund in government securities is valued on the basis of PKRV rates published by Reuters in accordance with Circular no. 33 of 2012.

Net gains and losses arising on changes in the fair value of financial assets carried 'at fair value through profit or loss' are taken to the income statement and statement of comprehensive income.

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

b) Loans and receivables

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

Gains or losses are also recognised in the income statement and other comprehensive income when financial assets carried at amortised cost are derecognised or impaired.

4.2.1.5 Impairment

The Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

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 provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

4.2.1.6 Derecognition

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

4.2.2 Financial liabilities

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

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

4.2.3 Offsetting of financial assets and liabilities

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

4.3 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

4.4 Provisions

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

4.5 Collaterals

Cash collaterals provided by the Fund are identified in the statement of assets and liabilities as margin and are not included as a component of cash and cash equivalents. For collaterals other than cash, if the party to whom the collaterals are provided has a right by contract or custom to sell or re-pledge the collaterals, the Fund classifies those collaterals in the statement of assets and liabilities separately from other assets and identifies the assets as pledged collaterals. Where the party to whom the collaterals are provided does not have the right to sell or re-pledge, a disclosure of the collaterals provided is made in the notes to the financial statements.

4.6 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

The Fund is also exempt from the Provisions of Section 113 (minimum tax) and section 113C (Alternative Corporate Tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and the amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

4.7 Proposed distributions

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

4.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received and funds are realised during business hours on that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales \ load, provision for transaction costs and any provision for duties and charges, if applicable.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net assets value per unit as of the close of the business day less any back-end load (if applicable), any duties, taxes, charges on redemption and any provision for transaction costs, if applicable. Redemption of units is recorded on acceptance of application for redemption.

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

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

The element of income and capital gains included in the prices of units issued less those in units redeemed to the extent that it is represented by distributable income earned during the year is recognised in the income statement and statement of comprehensive income and the element of income and capital gains represented by distributable income carried forward from prior periods is included in the distribution statement.

Amendment in the NBFC Regulations subsequent to the year end

Subsequent to the year end on August 03, 2017, the SECP has made certain amendments in the NBFC Regulations, 2008 via SRO 756 (I)/2017. The definition of element of income has been inserted via said amendment which defines element of income as difference between net assets value on the issuance or redemption date, as the case may be, of units and the net asset value at the beginning of the relevant accounting period. The said amendment also excludes element of income from accounting income for the purpose of distribution under regulation 63 of the NBFC Regulations. The said SRO also contains amendments relating to consequential changes in the income statement and statement of movement in unitholders' fund. The Management Company is in the process of assessing the impact of the said changes with the view that these changes will be effective for the period following the date of the said SRO.

4.10 Net assets value per unit

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

4.11 Revenue recognition

- Realised 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.
- Mark-up / return on government securities, bank profits and investment in debt securities are recognised on a time apportionment basis using the effective interest method.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement and other comprehensive income in the period in which they arise.
- Element of income / (loss) and capital gain / (losses) included in prices of units issued less those in units redeemed is included in the income statement and other comprehensive income on the date of issue and redemption of units.

4.12 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 apportionment basis using the effective interest method.

	Note	2017 ----- Rupees in '000 -----	2016 ----- Rupees in '000 -----
5 BANK BALANCES			
PLS saving deposits under mark-up arrangements	5.1	<u>6,537,316</u>	<u>1,624,223</u>
5.1	These accounts carry mark-up at rates ranging between 3.75% and 6.70% (2016: 3.75% and 6.50%) per annum.		
6 INVESTMENTS			
Financial assets at fair value through profit or loss - held-for-trading			
Market treasury bills	6.1	-	97,691
Loans and receivables	6.2	<u>637,309</u>	<u>430,000</u>
		<u>637,309</u>	<u>527,691</u>

6.1 Financial assets at fair value through profit or loss - held-for-trading:
- Market treasury bills

Issue date	Tenor	Face value			Balance as at June 30, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2016	Purchases during the period	Sales / matured during the period	As at June 30, 2017	Carrying value	Market value		
-----Rupees in '000-----									
January 26, 2016	12 months	-	739,000	739,000	-	-	-	-	-
May 26, 2016	6 months	100,000	-	100,000	-	-	-	-	-
July 11, 2016	6 months	-	250,000	250,000	-	-	-	-	-
July 21, 2016	6 months	-	1,680,000	1,680,000	-	-	-	-	-
August 18, 2016	6 months	-	350,000	350,000	-	-	-	-	-
September 1, 2016	6 months	-	335,000	335,000	-	-	-	-	-
January 5, 2017	6 months	-	650,000	650,000	-	-	-	-	-
January 19, 2017	6 months	-	1,750,000	1,750,000	-	-	-	-	-
February 2, 2017	6 months	-	500,000	500,000	-	-	-	-	-
September 1, 2016	3 months	-	300,000	300,000	-	-	-	-	-
October 27, 2016	3 months	-	458,000	458,000	-	-	-	-	-
January 19, 2017	3 months	-	1,000,000	1,000,000	-	-	-	-	-
February 2, 2017	3 months	-	500,000	500,000	-	-	-	-	-
February 16, 2017	3 months	-	350,000	350,000	-	-	-	-	-
March 2, 2017	3 months	-	1,425,000	1,425,000	-	-	-	-	-
March 30, 2017	3 months	-	600,000	600,000	-	-	-	-	-
April 13, 2017	3 months	-	41,000	41,000	-	-	-	-	-
April 27, 2017	3 months	-	2,962,000	2,962,000	-	-	-	-	-
May 11, 2017	3 months	-	3,550,000	3,550,000	-	-	-	-	-
May 25, 2017	3 months	-	292,000	292,000	-	-	-	-	-
Total - As at June 30, 2017		100,000	17,732,000	17,832,000	-	-	-	-	-
Total - As at June 30, 2016		1,949,500	7,065,200	8,914,700	100,000	97,674	97,691	17	

This carries return at the rate of Nil per annum (June 30, 2016: 6.38%)

6.2 Loans and receivables

	Note	2017	2016
		----- Rupees in '000 -----	
Certificates of investments	6.2.1	-	430,000
Term deposit receipts	6.2.2	540,000	-
Commercial paper	6.3.3	97,309	-
		<u>637,309</u>	<u>430,000</u>

6.2.1 Loans and receivable - Certificate of Investment

Name of Company	As at July 01, 2016	Placement made during the year	Matured during the year	As at June 30, 2017	Percentage of total value of investments	Percentage of Net Assets
----- (Rupees in '000) -----						
Pak Oman Investment Company Limited	250,000	-	250,000	-	-	-
Pak Brunei Investment Company Limited	180,000	350,000	530,000	-	-	-
PAIR Investment Company Limited	-	500,000	500,000	-	-	-
Total - As at June 30, 2017	430,000	850,000	1,280,000	-		

6.2.2 These carry return ranging between 6.25% to 6.50% (June 2016: 6.72% to 7.35%) per annum.

6.2.3 This carry return of 7.91% (June 2016: Nil) per annum.

	Note	2017 ----- Rupees in '000 -----	2016 -----
7. PROFIT RECEIVABLE			
Profit receivable on bank deposits		17,580	4,613
Profit receivable on certificates of investment		-	938
Profit receivable on term deposit receipt		2,981	-
		<u>20,561</u>	<u>5,551</u>
8. DEPOSITS AND PREPAYMENTS			
Security deposits with:			
Central Depository Company of Pakistan Limited		100	100
Prepaid expenses		92	88
		<u>192</u>	<u>188</u>
9. PAYABLE TO THE MANAGEMENT COMPANY			
Management fee	9.1	2,623	1,017
Sindh Sales Tax on Management Company's remuneration	9.2	341	166
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	493	201
		<u>3,457</u>	<u>1,384</u>

9.1 As per the offering document of the fund, the Management Company shall charge a fee at the rate of 0.50 % of the average annual net assets of the Scheme calculated on a daily basis subject to the guidelines as may be issued by the SECP from time to time. Effective from June 29, 2017 the rate of fee is revised through amendment in the Offering Documents of the Scheme as 7.50% of the gross earnings of the scheme, calculated on a daily basis subject to a cap of 1.00% and a floor of 0.50% of the average daily net assets. The fee is payable monthly in arrears.

9.2 The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 percent (June 30, 2016: 14 percent) on the remuneration of management company through Sindh Sales Tax on Services Act, 2011.

9.3 As per Regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1 percent of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the year.

	Note	2017 ----- Rupees in '000 -----	2016 -----
10. PAYABLE TO THE TRUSTEE			
Trustee fee	10.1	862	212
Sindh Sales Tax		112	30
		<u>974</u>	<u>242</u>

10.1 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 therein, based on the daily net assets of the Fund. The fee is paid to the Trustee monthly in arrears.

10.2 The tariff structure applicable to the Fund is as follows:

**Amount of Funds Under Management
[Average Net Assets Value (NAV)]**

Tariff per annum

Upto Rs 1,000 million
Exceeding Rs 1,000 million and upto
Rs 10,000 million

0.15% per annum of NAV
Rs 1.5 million plus 0.075% per annum of NAV
exceeding Rs 1,000 million

Over Rs 10,000 million

Rs 8.25 million plus 0.06% per annum of NAV,
exceeding Rs 10,000 million

	2017	2016
Note	----- Rupees in '000 -----	-----
11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN		
Annual fee	11.1 <u>3,270</u>	<u>2,462</u>

11.1 Under the provisions of the NBFC and Notified Entities Regulations, 2008 a collective investment scheme categorised as a money market scheme is required to pay as annual fee to Securities and Exchange Commission of Pakistan, an amount equal to 0.075 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.

	2017	2016
Note	----- Rupees in '000 -----	-----
12. ACCRUED EXPENSES AND OTHER LIABILITIES		
Provision for Workers' Welfare Fund	12.1 -	15,093
Provision for Sindh Workers' Welfare Fund	12.1 1,602	-
Provision for Federal Excise Duty and additional sales tax on management fee	12.2 7,528	7,528
Withholding tax payable	39,405	25,981
Sales load - payable to related parties	948	15
Auditors' remuneration	315	275
Printing charges	80	174
Brokerage payable	44	25
	<u>49,922</u>	<u>49,091</u>

12.1 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 recognized 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 recognized 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 Management Company 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 recognized 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. 15.093 million. Further, the Fund has recognised provision for SWWF amounting to Rs. 1.602 million in these financial statements. Had the provision not been made, net asset value per unit at June 30, 2017 would have been higher by Rs. 0.027 per unit

12.2 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law, 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 Management Company, as a matter of abundant caution, has made a provision on FED on remuneration of Management Company, aggregating to Rs. 7.528 million. Had the provision not been made, the Net Asset Value per unit as at June 30, 2017 would have been higher by Rs. 0.13 (June 30, 2016: Rs. 0.36) per unit.

13. CONTINGENCIES AND COMMITMENTS

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

14. NUMBER OF UNITS IN ISSUE

	2017	2016
	-----Number of units-----	
Total units in issue at the beginning of the year	20,920,392	32,384,929
Units issued	164,584,054	81,414,313
Units redeemed	<u>(126,252,753)</u>	<u>(92,878,850)</u>
Total units in issue at the end of the year	<u>59,251,693</u>	<u>20,920,392</u>

15. AUDITORS' REMUNERATION

	2017	2016
	-----Rupees in '000'-----	
Annual audit fee	220	220
Fee for half yearly review	110	110
Review of compliance with the requirements of the Code of Corporate Governance	45	45
Other certifications and out of pocket expenses	94	37
	<u>469</u>	<u>412</u>

16. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. During the year, Management Company has distributed cash dividend of at least 90% of the aforementioned accounting income to the unit holders. Accordingly, no provision for taxation has been recognised in these financial statements.

17. EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed as in the opinion of management determination of cumulative weighted average number of outstanding units is not practicable.

18. FINANCIAL INSTRUMENTS BY CATEGORY

	----- As on June 30, 2017 -----		
	At fair value through profit or loss - held-for- trading	Loans and receivables	Total
	----- Rupees in '000 -----		
Assets			
Bank balances	-	6,537,316	6,537,316
Investments	-	637,309	637,309
Profit receivable	-	20,561	20,561
	<u>-</u>	<u>7,195,186</u>	<u>7,195,186</u>

Liabilities

Payable to the Management Company
Payable to the Trustee
Redemption payable
Accrued expenses and other liabilities
Unit holders' fund

----- As on June 30, 2017 -----		
At fair value through profit or loss - held-for- trading	Other financial liabilities	Total
----- Rupees in '000 -----		
-	3,457	3,457
-	974	974
-	1,183,625	1,183,625
-	439	439
-	5,954,130	5,954,130
-	7,142,625	7,142,625

Assets

Bank balances
Investments
Profit receivable

----- As on June 30, 2016 -----		
At fair value through profit or loss - held-for- trading	Loans and receivables	Total
----- Rupees in '000 -----		
-	1,624,223	1,624,223
97,691	430,000	527,691
-	5,551	5,551
97,691	2,059,774	2,157,465

Liabilities

Payable to the Management Company
Payable to the Trustee
Redemption payable
Accrued expenses and other liabilities
Unit holders' fund

----- As on June 30, 2016 -----		
At fair value through profit or loss - held-for- trading	Other financial liabilities	Total
----- Rupees in '000 -----		
-	1,384	1,384
-	242	242
-	28	28
-	474	474
-	2,103,956	2,103,956
-	2,106,084	2,106,084

19. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited, being the Trustee of the Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

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 Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

Details of the transactions with connected persons and balances with them, if not disclosed elsewhere in the condensed interim financial information are as follows:

	2017	2016
	----- Rupees in '000 -----	
19.1 Transactions during the year		
HBL Asset Management Limited		
Issue of 683,007 (2016: 9,927,168) units	<u>70,105</u>	<u>1,013,320</u>
Redemption of 7,315,712 (2016: 11,285,892) units	<u>750,389</u>	<u>1,186,961</u>
Remuneration of Management Company	<u>21,958</u>	<u>16,415</u>
Sindh Sales Tax on remuneration of Management Company	<u>2,855</u>	<u>2,298</u>
FED Provision borne by the Management Company	<u>-</u>	<u>2,994</u>
Remuneration of fund operation, accounting and related cost	<u>4,375</u>	<u>1,576</u>
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	<u>4,541</u>	<u>3,659</u>
CDC Connection charges	<u>6</u>	<u>7</u>
Habib Bank Limited - Sponsor		
Return on Deposit Accounts	<u>25,937</u>	<u>68</u>
Directors and Executives of the Management Company		
Issue of 604,133 (2016: 41,879) units	<u>61,576</u>	<u>4,390</u>
Redemption of 461,761 (2016: 18,678) units	<u>47,770</u>	<u>1,973</u>
Jubilee General Insurance Company Limited - Associated Company		
Redemption of Nil (2016: 1,498,147) units	<u>-</u>	<u>155,321</u>
Maple Leaf Capital Limited - Connected person due to holding more than 10% units		
Issue of 20,527,657 (2016: Nil) units	<u>2,117,585</u>	<u>-</u>
Redemption of 10,772,766 (2016: Nil) units	<u>1,179,682</u>	<u>-</u>
Thal Limited - Connected person due to holding more than 10% units		
Issue of 14,805,591 (2016: Nil) units	<u>1,513,167</u>	<u>-</u>
Redemption of 7,218,408 (2016: Nil) units	<u>765,311</u>	<u>-</u>

	2017	2016
	----- Rupees in '000 -----	
19.2 Balances outstanding at the year end		
HBL Asset Management Limited		
Outstanding 348,649 (June 2016: 6,981,354) units	<u>35,035</u>	<u>701,960</u>
Payable to the Management Company	<u>2,964</u>	<u>1,183</u>
Sales load payable	<u>84</u>	<u>15</u>
Finance and operational cost	<u>493</u>	<u>201</u>
Habib Bank Limited - Sponsor		
Bank Balances	<u>1,283,033</u>	<u>350,041</u>
Profit receivable	<u>4,163</u>	<u>59</u>
Sales load payable	<u>864</u>	<u>-</u>
Central Depository Company Of Pakistan Limited - Trustee		
Trustee fee payable	<u>974</u>	<u>242</u>
Security deposit held	<u>100</u>	<u>100</u>
Directors and Executives of the Management Company		
Outstanding 182,263 (2016: 27,889) units	<u>18,315</u>	<u>2,940</u>
Maple Leaf Capital Limited - Connected person due to holding more than 10% units		
8,991,001 (2016: Nil) units	<u>903,495</u>	<u>-</u>
Thal Limited - Connected person due to holding more than 10% units		
7,587,183 (2016: Nil) units	<u>762,426</u>	<u>-</u>

20. FINANCIAL RISK MANAGEMENT

The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund primarily invests in a portfolio of money market investments, government securities and in other money market instruments. These activities are exposed to a variety of financial risks, market risks, credit risks and liquidity risks

20.1 The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Market risk

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

The Management Company manages market risk by monitoring exposure in marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of the Fund and the regulations laid down by the Securities and Exchange Commission of Pakistan.

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

20.1.1 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 its full transactions are carried out in Pak Rupees.

20.1.2 Interest rate risk

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

a) Cash flow interest rate risks

The Fund's interest rate risk arises from the balances in savings accounts. The net income for the year would have increased / (decreased) by Rs. 65.37 million (June 30, 2016: Rs. 16.24 million), had the interest rates on saving accounts with banks increased / (decreased) by 100 basis points.

b) Fair value interest rate risks

Since the fund currently does not have any fixed rate instruments that are impacted by market interest rates, therefore, it is not exposed to fair value interest rate risk.

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan is expected to change over time. Therefore, 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 interest rates.

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

----- As at June 30, 2017 -----					
	Exposed to yield / interest rate risk			Not exposed to yield/ interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
On-balance sheet financial instruments					
----- Rupees in '000 -----					
Financial assets					
Bank balances	6,537,316	-	-	-	6,537,316
Investments	-	637,309	-	-	637,309
Loans and receivables	-	-	-	-	-
Accrued markup on bank balances and investments	-	-	-	20,561	20,561
	6,537,316	637,309	-	20,561	7,195,186
Financial liabilities					
Payable to the Management Company	-	-	-	3,457	3,457
Payable to the Trustee	-	-	-	974	974
Redemption payable	-	-	-	1,183,625	1,183,625
Accrued expenses and other liabilities	-	-	-	439	439
Unit holders' fund	-	-	-	5,954,130	5,954,130
	-	-	-	7,142,625	7,142,625
On-balance sheet gap	6,537,316	637,309	-	(7,122,064)	52,561
Off-balance sheet financial instruments					
	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-

As at June 30, 2016					
	Exposed to yield / interest rate risk			Not exposed to yield/ interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
On-balance sheet financial instruments	Rupees in '000				
Financial assets					
Bank balances	1,624,223	-	-	-	1,624,223
Investments					
Financial assets at fair value through Profit or loss - held for trading		97,691	-	-	97,691
Loans and receivables	250,000	180,000	-	-	430,000
Accrued markup on bank balances and investments	-	-	-	5,551	5,551
	1,874,223	277,691	-	5,551	2,157,465
Financial liabilities					
Payable to the Management Company	-	-	-	1,384	1,384
Payable to the Trustee	-	-	-	242	242
Redemption payable	-	-	-	28	28
Dividend payable	-	-	-	490	490
Accrued expenses and other liabilities	-	-	-	474	474
Unit holders' fund	-	-	-	2,103,956	2,103,956
	-	-	-	2,106,574	2,106,574
On-balance sheet gap	1,874,223	277,691	-	(2,101,023)	50,891
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-

20.1.3 Price risk

Price 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 prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Currently, the Fund does not hold any security which exposes the Fund to price risk.

20.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in debt securities, loans and receivables and bank balances. Risks attributable to investments in Market Treasury Bills is limited as these are guaranteed by the Federal Government while bank balances are maintained with banks with a reasonably high credit rating.

The maximum exposure to credit risk before considering any collateral as at June 30, 2017 is the carrying amount of the financial assets

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 by the Fund as at June 30, 2017	Latest available published rating as at June 30, 2017	Rating agency
(Rupees in '000)			
Bank Alfalah Limited	7	AA+	JCR-Vis
Bank Al Habib Limited	72	AA+	PACRA
Habib Metropolitan Bank Limited	408	AA+	PACRA
Habib Bank Limited	1,283,033	AAA	JCR-Vis
Allied Bank Limited	2,556,300	AA+	PACRA
Faisal Bank Limited	107	AA	JCR-Vis
NIB Bank Limited	8,238	AA-	PACRA
United Bank Limited	24	AAA	JCR-Vis
Samba Bank Limited	28	AA	JCR-Vis
Zarai Taraqati Bank Limited	2,689,086	AAA	JCR-Vis
JS Bank Limited	13	AA-	PACRA
	<u>6,537,316</u>		

Name of bank	Balances held by the Fund as at June 30, 2016	Latest available published rating as at June 30, 2016	Rating agency
(Rupees in '000)			
Bank Alfalah Limited	1,264,037	AA	PACRA
Bank Al Habib Limited	769	AA+	PACRA
Habib Metropolitan Bank Limited	2,947	AA+	PACRA
Habib Bank Limited	350,041	AAA	JCR-VIS
Allied Bank Limited	768	AA+	PACRA
Faisal Bank Limited	453	AA	PACRA
NIB Bank Limited	5,183	AA-	PACRA
United Bank Limited	25	AA+	JCR-VIS
	<u>1,624,223</u>		

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 mainly concentrated in government securities and bank balances while the remaining transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentration of credit risk to counterparties other than the government.

20.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the total net asset value of the Fund at the time of borrowing and shall be repayable within 90 days. The facility would bear interest at commercial rates and would be secured against the assets of the Fund. However, during the current year no borrowings were made by the Fund.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. However, no such instances were witnessed by the Fund during the current year.

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

	----- As at June 30, 2017 -----			
	Upto three months	More than three months and upto one year	More than one year	Total
	----- Rupees in '000 -----			
Liabilities (excluding unit holders' fund)				
Payable to the Management Company	3,457	-	-	3,457
Payable to the Trustee	974	-	-	974
Redemption payable	1,183,625	-	-	1,183,625
Accrued expenses and other liabilities	439	-	-	439
	1,188,495	-	-	1,188,495
Unit Holders' Fund	5,954,130	-	-	5,954,130
	----- As at June 30, 2016 -----			
	Upto three months	More than three months and upto one year	More than one year	Total
	----- Rupees in '000 -----			
Liabilities (excluding unit holders' fund)				
Payable to the Management Company	1,384	-	-	1,384
Payable to the Trustee	242	-	-	242
Redemption payable	28	-	-	28
Dividend payable	490	-	-	490
Accrued expenses and other liabilities	474	-	-	474
	2,618	-	-	2,618
Unit Holders' Fund	2,103,956	-	-	2,103,956

21. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid or transfer a liability in an orderly transaction between market participants and 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.

IFRS 13, 'Fair Value Measurements' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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		Fair value through profit or loss- held-for-trading.	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 not measured at fair value									
21.1									
	5	-	6,537,316	-	6,537,316	-	-	-	-
		-	20,561	-	20,561	-	-	-	-
			637,309	-	637,309	-	-	-	-
		-	7,195,186	-	7,195,186				
Financial liabilities not measured at fair value									
21.1									
		-	-	1,384	1,384	-	-	-	-
		-	-	242	242	-	-	-	-
		-	-	1,183,625	1,183,625	-	-	-	-
		-	-	439	439	-	-	-	-
		-	-	5,954,130	5,954,130				
		-	-	7,139,820	7,139,820				

June 30, 2016

Note	Carrying Amount				Fair Value			
	Fair value through profit or loss- held-for-trading	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 in Market Treasury Bills	21.2	97,674	-	97,674	97,691	-	-	97,691
		97,674	-	97,674	97,691	-	-	97,691
Financial assets not measured at fair value								
Bank balances	5	-	1,624,223	1,624,223	-	-	-	-
Profit receivable		-	5,551	5,551	-	-	-	-
Loan and receivable		-	-	430,000	-	-	-	-
		-	1,629,774	2,059,774	-	-	-	-
Financial liabilities not measured at fair value								
Payable to the Management Company		-	-	1,384	-	-	-	-
Payable to the Trustee		-	-	242	-	-	-	-
Redemption payable		-	-	28	-	-	-	-
Dividend payable		-	-	490	-	-	-	-
Accrued expenses and other liabilities		-	-	474	-	-	-	-
Unit holders' fund		-	-	2,103,956	-	-	-	-
		-	-	2,106,574	-	-	-	-

21.1 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.

21.2 Valuation techniques

For level 1 investments at fair value through profit or loss - held-for-trading investment in respect of Treasury Bills, Fund uses rates which are derived from PKRV rates at reporting date per certificates multiplied by the number of certificates held as at year end.

21.3 Transfers during the year

During the year ended June 30, 2017, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 financial instruments.

22. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown in the Statement of Movement in Unit Holders' Fund. The Fund has no restrictions on the subscription and redemption of units except for maintaining minimum fund size of Rs.100 million at all times.

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

In accordance with the risk management policies, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, which would be augmented by short-term borrowings or disposal of investments where necessary.

23. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Top ten brokers during the year ended June 30, 2017

- 1 Invest Capital Markets Limited
- 2 Icon Securities (Private) Limited
- 3 Magenta Capital (Private) Limited
- 4 Bright Capital (Private) Limited
- 5 Pearl Securities Limited
- 6 Optimus Markets (Private) Limited
- 7 Next Capital Limited
- 8 Invest One Markets (Private) Limited
- 9 Vector Capital (Private) Limited
- 10 BIPL Securities Limited

Top ten brokers during the year ended June 30, 2016

- 1 Optimus Markets (Private) Limited
- 2 Next Capital Limited
- 3 JS Global Capital Limited
- 4 Invest Capital Markets Limited
- 5 Vector Capital (Private) Limited
- 6 Pearl Securities Limited
- 7 BMA Capital Management Limited
- 8 Icon Securities (Private) Limited
- 9 Invest One Markets (Private) Limited
- 10 Global Securities Pakistan Limited

24. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the Investment Committee of the Fund as on June 30, 2017 are as follows:

	Name	Designation	Qualification	Experience in years
1	Farid Ahmed Khan	Chief Executive Officer	CFA, MBA	23+
2	Muhammad Imran	Chief Investment Officer	MBA (Finance)	17+
3	Tauqir Shamshad	Head of Fixed Income	MBA, M.Com	31+
4	Faizan Saleem	Sr. Fund Manager Fixed Income	MBA (Finance)	10+
5	Colin Miranda	Acting Head of Research	CFA, MBA	8+
6	Noman Ameer	Manager Risk	B.S. Actuarial Sciences	11+

25. PATTERN OF UNIT HOLDING

As at June 30, 2017

Category	Number of units holders	Number of units held	Unit holding or investment amount	Percentage of total
Rupees in '000				
Individuals	303	6,594,412	662,664	11.13%
Associated Companies and Directors	2	472,127	47,443	0.80%
Insurance Companies	4	318,170	31,973	0.54%
Retirement Funds	6	646,433	64,959	1.09%
Trust	2	365,913	36,770	0.62%
Others	24	50,854,638	5,110,320	85.83%
		59,251,693	5,954,130	100.00%

As at June 30, 2016

Category	Number of units holders	Number of units held	Unit holding or investment amount	Percentage of total
Rupees in '000				
Individuals	173	2,089,344	210,124	9.99%
Associated Companies and Directors	1	6,981,354	702,112	33.37%
Insurance Companies	2	67,981	6,837	0.32%
Retirement Funds	6	1,066,153	107,223	5.10%
Others	2	769,066	77,328	3.68%
	8	9,946,494	1,000,332	47.55%
		20,920,392	2,103,956	100.00%

26. ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Five meetings of the Board of Directors were held on August 26, 2016, October 31, 2016, December 16, 2016, February 24, 2017 and April 27, 2017 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave Granted	
1 Mr. Towfiq H. Chinoy	5	5	-	-
2 Ms. Ava Ardeshir Cowasjee	5	5	-	-
3 Mr. Nadeem Abdullah	5	4	1	April 27, 2017
4 Mr. Farid Ahmed Khan ¹	4	4	-	-
5 Mr. Rehan N. Shaikh ²	1	1	-	-
6 Ms. Sima Kamil ³	4	4	-	-
7 Mr. Rizwan Haider	5	4	1	April 27, 2017
8 Mr. Salahuddin Manzoor	5	5	-	-
9 Mr. Aamir Irshad ⁴	0	0	-	-
10 Mr. Rayomond Kotwal ⁵	0	0	-	-

- 1 Appointed on September 1, 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 06, 2017.
- 5 Appointed on June 22, 2017.

27. TOTAL EXPENSE RATIO

In accordance with the Directive 23 of 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2017 is 0.88% which includes 0.16% representing Government Levy and SECP fee.

28. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on **25 August, 2017** by the Board of Directors of the Management Company.

29. CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation. No significant rearrangement or reclassification was made in these financial statements during the current year.

30. GENERAL

Figures have been rounded off to the nearest thousand Rupees.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



HBL MULTI ASSET FUND

Annual Report 2017

FUND INFORMATION

NAME OF FUND	HBL Multi Asset Fund
NAME OF AUDITORS	Deloitte Yousuf Adil, Chartered Accountants.
NAME OF TRUSTEE	Central Depository Company of Pakistan Limited
NAME OF BANKERS	Habib Bank Limited Bank Al Falah Limited Allied Bank Limited JS Bank Limited MCB Bank Limited NIB Bank Limited Zarai Tarakiyati Bank Limited

FUND MANAGER'S REPORT - HBL Multi Asset Fund

As at June 30, 2017

Type and Category of Fund

Open end Balanced Fund

Investment Objective and Accomplishment of Objective

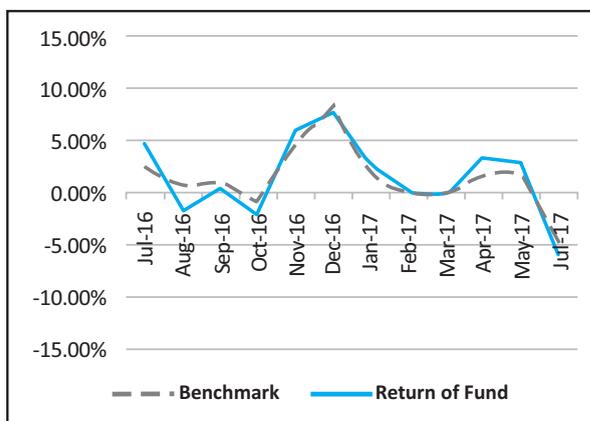
The objective of the Fund is to provide long-term capital growth and income by investing in multiple asset classes such as equity, equity-related instruments, fixed-income securities, continuous funding system, derivatives, money market instruments, etc.

Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is weighted average daily return of KSE100 and 6M average PKRV rates based on the actual proportion of investment in Equity and Fixed Income/Money Market component.

The comparison of the fund return with benchmark is given below:

Month	Return of Fund	Benchmark
Jun-17	-5.18%	-5.96%
May-17	1.98%	2.94%
Apr-17	1.73%	3.34%
Mar-17	-0.38%	-0.25%
Feb-17	-0.20%	0.08%
Jan-17	1.55%	2.59%
Dec-16	8.34%	7.67%
Nov-16	4.67%	6.11%
Oct-16	-0.89%	-2.09%
Sep-16	1.09%	0.40%
Aug-16	0.58%	-1.62%
Jul-16	2.40%	4.59%

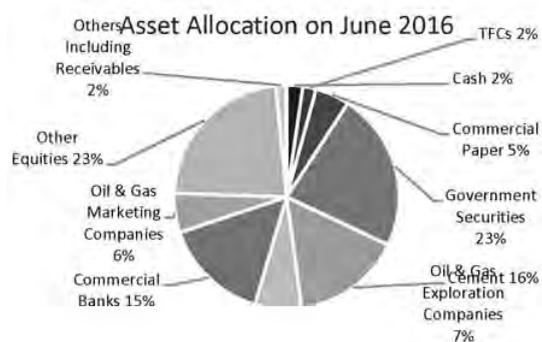


Strategies and Policies employed during the Year

During the year under review the Fund has reduced its exposure in equity securities from 66% as at June 30, 2016 to 64% as on June 30, 2017. The Fund gradually increased its exposure in debt securities from 2% to eventually 7% in same period. However, the Fund was invested more in Cash/placements with banks/DFIs as safe heavens.

Furthermore, sector wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in Cement, Commercial Banks and Oil & Gas Marketing was reduced; however exposure in Oil & Gas Exploration and Automobile assemblers was increased.

Asset Allocation



Significant Changes in Asset Allocation during the Year

Following table shows comparison of sector wise allocation of equity investments of Fund as on June 30, 2016 and June 30, 2017:

Sector Name	As on June 2017	As on June 2016
Cement	10%	16%
Oil & Gas Exploration Companies	10%	07%
Commercial Banks	9%	15%
Automobile Assemblers	5%	0%
Oil & Gas Marketing Companies	5%	6%
Other Equities	25%	23%
Total	64%	66%

Fund Performance

The total income and net income of the Fund was Rs.145.77 million and Rs. 139.40 million respectively during the year ended June 30, 2017. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs 98.0474 per unit as on June 30, 2016. The NAV of the Fund was Rs 112.0924 per unit as on June 30, 2017 (after incorporating interim dividends of Rs. 4.00 per unit), thereby giving an annualized return of 18.40%. During the same year the benchmark index (Weighted average daily return KSE 100 and 6 Month PKRV rates) return was 16.21%.The size of Fund was Rs 0.97 billion as on June 30, 2017.

Review of Market invested in

Money Market Review

During the year, State Bank Pakistan kept the discount rate static at 6.25% on the back of lower inflation and managed external accounts position. Government of Pakistan (GoP) raised PKR 7,716 billion (including NCB) through the T-bills auction compared to the cumulative target of PKR 7,200 billion and maturities of PKR 6,431 billion. In the secondary market, T-bills yields increased by a total of 9 bps, 13 bps and 13 bps for 3, 6 and 12 months respectively. In PIB auctions GOP raised PKR 894 billion against the cumulative target of PKR 800 billion and maturities of PKR 1,936 billion. All PIB auctions held in 2QFY17 were scrapped as the bids were at higher yields and there was no desperation showed by the GoP on stretching the maturities towards longer duration at higher costs. 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 in FY17, and thus placed bids at more appropriate levels. The 5 and 10-year PIB cutoffs declined by 1 bps and 8 bps respectively in FY17TD whereas the 3-year PIB cutoff remained unchanged. Consequently, money market saw flattened yield curve during the year.

The GoP also 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 whereas GoP accepted PKR 71.01 billion at a cut-off rate of 5.24% p.a. During 2HFY17, few corporate Sukuks were offered in the market, which were well-received by investors and the instruments with strong credit ratings were oversubscribed.

Going forward, we expect monetary policy to remain unchanged during first half FY18, however in later half, potential rate hike is expected on the ground of higher CPI, imbalances in trade deficit and falling foreign reserves.

Stock Market Review

In FY17, KSE-100 index posted a gain of 23% and closed at 46,565pts as compared to FY16 return of 10%. This performance was driven by strong inflow of domestic liquidity, optimism surrounding Pakistan's upgrade to "Emerging Market" status by MSCI and higher GDP growth of 5.28%. Mutual funds emerged as the largest net buyers USD 576 million which absorbed the most of selling of foreign investors, who offloaded USD 652 million (net). Banks and Oil & Gas Exploration sectors were the prime outperformers during the period under review. 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. In USD term KSE 100 index returned 22.5% which outperformed both MSCI Emerging Index (20.4%) and MSCI Frontier Index (15.1%). During the FY17, KSE-100 index touched the all-time high 52,877pts level in May'17 in anticipation of higher foreign inflows on inclusion of PSX into MSCI emerging market index, and nation friendly FY18 budget. However lower than expected foreign inflows, and unfriendly budget for stock market wherein tax on dividend has enhanced from 10% to 12.5% and capital gain tax surged from 12.5% to 15% dragged the KSE 100 index return. Furthermore SC hearings regarding Panama-JIT in Jun'17 expedite the bearish sentiment in local bourse and massive volatility was witnessed due to uncertainty on the political front.

On the macroeconomic front Pakistan has witnessed a smooth upward trend in GDP growth rate to reach 5.28% in FY17 (source: MoF) - the highest in 10 years. The outgoing fiscal year has witnessed an impressive growth in the LSM and agriculture output as well as in the services sector. However, there remain challenges on the external front owing to declining exports and widening of the current account deficit. During FY17, the current account deficit has reached ~ USD 12bn (4.2% of GDP) mainly due to flattish exports and surging imports. Workers' remittances figure is also not encouraging, declining by 3% during FY17 due to ongoing financial crises in the GCC region.

Distribution

The Fund has distributed cash dividend at Rs. 4.00 per units during the year ended June 30, 2017.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs during the year under review.

Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 - 100	10	410
101 - 500	33	6,783
501 - 1,000	16	12,395
100,1 - 10,000	51	250,055
10,001 - 100,000	39	821,710
100,001 - 500,000	3	536,952
500,001 - 1,000,000	-	-
1,000,001 - 5,000,000	-	-
5,000,001 and above	1	6,996,573
Total	153	8,624,879

Unit Splits

There were no unit splits during the year.

Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

Soft Commission

The Management Company from time to time receives research reports and presentations from brokerage houses.

PERFORMANCE TABLE - HBL Multi Asset Fund

As at June 30, 2017

	2017	2016	2015	2014	2013	2012
Net assets at the period end (Rs'000)	966,784	765,506	767,249	743,692	571,607	376,495
NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES						
Redemption	112.0924	98.0474	94.9833	95.4504	116.7121	94.8236
Offer	114.6255	100.6406	97.5175	98.7349	119.8531	96.7202
OFFER / REDEMPTION DURING THE PERIOD - RUPEES						
Highest offer price per unit	129.2935	105.6329	103.4804	131.3042	124.0914	100.0799
Lowest offer price per unit	100.7466	90.7024	91.2704	97.4165	88.7903	82.6058
Highest redemption price per unit	126.3704	102.9111	100.7913	127.8631	121.6582	98.1175
Lowest redemption price per unit	98.5200	88.3653	88.8986	94.8635	87.0493	80.9861
RETURN (%)						
Total return	18.40%	5.89%	4.83%	10.24%	37.60%	12.67%
Income distribution	4.00%	2.50%	5.10%	29.80%	15.50%	10.00%
Capital growth	14.40%	3.39%	-0.27%	-19.56%	22.10%	2.67%
DISTRIBUTION						
Final dividend distribution (Rs)	4.00	2.50	5.10	29.80	15.50	10.00
Date of Income Distribution	20-Jun-17	27-Jun-16	30-Jun-15	27-Jun-14	8-Jul-13	7-Jul-12
Total dividend distribution for the year/ period (Rs)	4.00	2.50	5.10	29.80	15.50	10.00
AVERAGE RETURNS (%)						
Average annual return 1 year	18.40%	5.89%	4.83%	10.24%	37.60%	12.67%
Average annual return 2 year	11.99%	5.36%	7.54%	23.92%	25.14%	18.11%
Average annual return 3 year	9.57%	6.99%	17.56%	20.17%	24.61%	18.46%
PORTFOLIO COMPOSITION - (%)						
Percentage of Total Assets as at 30 June:						
Bank Balances	19.79%	3.00%	7.00%	14.00%	8.00%	13.00%
Placements with Banks & DFIs	8.24%	5.00%	0.00%	0.00%	0.00%	0.00%
TFC	6.98%	0.00%	5.00%	6.00%	5.00%	9.00%
Stock/Equities	64.27%	66.00%	63.00%	52.00%	66.00%	63.00%
Government Securities	0.00%	23.00%	24.00%	13.00%	20.00%	13.00%
Others Including receivables	0.72%	3.00%	1.00%	15.00%	1.00%	2.00%

Note:

The Launch date of the Fund is December 14, 2007

Disclaimer:

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

PROXY VOTING DISCLOSURE

For the year ended June 30, 2017

Summary of actual proxy voted by the Management Company in relation to investee company of the collective investment scheme.

HBL Multi Asset Fund	Meetings	Resolutions	For	Against	Abstain
Number	6	17	17	-	-
(%ages)		100%	100%	-	-

(h) Management Company did not participate in shareholders' meetings.

Investee Company	Meeting Dt	Meeting Type
Honda Atlas Cars (Pakistan) Ltd.	19-07-2016	AGM
Mari Gas Company Limited	27-09-2016	AGM
Thal Limited.	29-09-2016	AGM
Hub Power Company Limited	18-10-2016	AGM
Pakistan State Oil Co. Ltd.	21-10-2016	AGM
Lucky Cement Limited	29-10-2016	AGM
AMRELI STEELS LIMITED	25-10-2016	AGM
D. G. Khan Cement Co. Limited	31-10-2016	AGM
Oil & Gas Dev.Co	26-10-2016	AGM
Cherat Cement Company Limited	31-10-2016	AGM
Tariq Glass Limited	27-10-2016	AGM
MUGHAL IRON AND STEEL INDUSTRIES LTD	31-10-2016	AGM
Millat Tractors Ltd.	10-28-2016	AGM
Searl Pakistan Ltd.	10-28-2016	AGM
Faran Sugar Mills	31-01-2017	AGM
Hub Power Co Ltd	15-02-2017	EOGM
Pak Suzuki Motor Company Limited	16-02-2017	EOGM
Pakistan Petroleum Ltd	28-02-2017	AGM
Bank Al Habib	01-03-2017	AGM
Fauji Fertilizer Co LTD	15-03-2017	AGM
Engro Corporation Ltd.	06-04-2017	AGM
Packages Ltd	25-04-2017	AGM
Pak Elektron Ltd	24-04-2017	AGM
Pak Suzuki Motor Co Ltd	25-04-2017	AGM
Adamjee Insurance Co Ltd	18-04-2017	AGM
Dawood Hercules Corp	28-04-2017	AGM
Service Industries Ltd	28-04-2017	AGM
Hascol Petroleum Ltd	28-04-2017	AGM
Indus Motor Co Ltd	05-05-2017	AGM
Honda Atlas Car (PAKISTAN) Ltd	13-06-2017	AGM

The proxy voting policy of the Fund is available on the website of the Management Company and detailed information regarding actual proxies voted by Management Company in respect of the Fund is also available without charge, upon request, to all unit holders.

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

**TRUSTEE REPORT TO THE UNIT HOLDERS****HBL MULTI ASSET FUND****Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Multi Asset Fund (the Fund) are of the opinion that HBL Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2017 in accordance with the provisions of the following:

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

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

Karachi, September 26, 2017

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2017.

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19.23 of Pakistan Stock Exchange (the Stock Exchange) Regulations for the purpose of establishing a framework of good governance, whereby a listed entity is managed in compliance with the best practices of corporate governance.

HBL Asset Management Limited, an un-listed Public Limited Company, which manages the affairs of the **HBL Multi Asset Fund (Fund)**, has applied the principles contained in the CCG in the following manner:

1. The Management Company encourages representation of independent non-executive directors on its Board of Directors. The Management Company, being an un-listed company, does not have any minority interest. At present the Board includes:

Category	Names
Independent Directors	Mr. Nadeem Abdullah Ms. Ava Ardeshir Cowasjee
Executive Directors	Mr. Farid Ahmed Khan (Chief Executive Officer)
Non- Executive Directors	Mr. Towfiq H. Chinoy (Chairman) Mr. Rayomond H. Kotwal Mr. Rizwan Haider Mr. Salahuddin Manzoor

The independent directors meet the criteria of independence under clause 5.19.1(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurring on the board on April 27,2017 and June 22,2017 were filled up by the directors within 42 and 16 days respectively.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before all the meetings .The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the Directors of their duties and responsibilities and for their orientation purpose they were informed about the recent developments / changes in applicable laws and regulations affecting the mutual fund industry. The directors are conversant of the relevant laws applicable to the Management Company, its policies, provisions of memorandum and articles of association and are aware of their duties and responsibilities.
10. The board has approved appointment of Head of Internal Audit and existing Chief Financial Officer and Company Secretary continue to serve as per their terms of employment duly approved by the Board.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by the Chief Executive Officer and the Chief Financial Officer before approval of the Board.
13. The Directors, the Chief Executive Officer and executives do not hold any interest in the units of the Fund other than that disclosed in the annual report.

14. The Management Company has complied with all the corporate and financial reporting requirements of the CCG with respect to the Fund.
15. The board has formed an Audit Committee. It comprises three Members, of whom three are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director. However due to resignation of Ms.Sima Kamil from the board effective from March 16, 2017 the committee members reduced to two. The board has reconstituted the committee effective from August 25,2017 and it comprise of three members.
18. The Board has outsourced the internal audit function of the Fund to EYFord Rhodes, Chartered Accountants, Karachi, for the year ended June 30, 2017, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Management Company with regards to the Fund.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market/published price of Fund's unit, was determined and intimated to directors, employees and the stock exchange.
22. Material / price sensitive information has been disseminated amongst all market participants at once through the stock exchange.
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles contained in the CCG have been complied with.

For and on behalf of the board

Chief Executive Officer

Director

Karachi
August 25, 2017

Review report to the unit holders' on the Statement of Compliance with the best practices of the Code of Corporate Governance

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

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

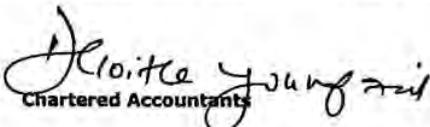
As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risk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

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

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

We draw attention to the following;

- Paragraph 17 of the Statement wherein it has been stated that the composition of the Human Resource and Remuneration (HR&R) Committee was remediated subsequent to year end.


Chartered Accountants

Dated: September 22, 2017
Place: Karachi

Independent auditors' report to the unit holders

Report on the financial statements

We have audited the accompanying financial statements of **HBL Stock Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2017, and the related income statement and other comprehensive income, distribution statement, statement of movements in unit holders' funds and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Company's responsibility for the financial statements

HBL Asset Management Limited (the Management Company) is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan, and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

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

Report on other legal and regulatory requirements

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

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants

Other matter

The financial statements of the Fund for the year ended June 30, 2016 were audited by another firm of Chartered Accountants who vide their report dated August 26, 2016 expressed an unmodified opinion thereon.


Chartered Accountants

Engagement Partner
Naresh Kumar

Date: September 22, 2017
Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited

HBL Multi Asset Fund
Statement of Assets and Liabilities
As at June 30, 2017

	Note	2017 ----- Rupees in '000'	2016 -----
Assets			
Bank balances	5	194,333	21,075
Investments	6	781,227	741,283
Dividend receivable and accrued mark-up	7	3,616	5,677
Advances, deposits and other receivables	8	3,480	18,257
Total assets		982,656	786,292
Liabilities			
Payable to the Management Company	9	1,881	1,514
Payable to the Trustee	10	180	146
Payable to Securities and Exchange Commission of Pakistan	11	749	629
Accrued expenses and other liabilities	12	13,062	18,497
Total liabilities		15,872	20,786
Net assets		966,784	765,506
Unit holders' fund (as per statement attached)		966,784	765,506
Contingencies and commitments	15		
		----- Number of units -----	
Number of units in issue	16	8,624,879	7,807,513
		----- Rupees -----	
Net assets value per unit	4.9	112.0924	98.0474

The annexed notes 1 to 33 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Multi Asset Fund
Income Statement and Other Comprehensive Income
For the year ended June 30, 2017

	Note	2017 ----- Rupees in '000' -----	2016 -----
Income			
Mark-up / return on investments	13	11,876	19,048
Mark-up on deposits with banks	14	5,626	2,159
Dividend income		22,916	20,522
Capital gain on sale of investments - net		114,066	32,732
Other income		75	36
		<u>154,559</u>	<u>74,497</u>
Impairment loss on investments		(8,791)	(3,177)
Total income		145,768	71,320
Expenses			
Remuneration of the Management Company		19,919	19,544
Remuneration of the Trustee		2,002	1,686
Annual fee to Securities and Exchange Commission of Pakistan		749	629
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	881	436
Auditors' remuneration	17	388	422
Fees and subscription		229	183
Securities transaction costs		320	213
Settlement and bank charges		136	139
Printing charges		300	-
Total expenses		24,924	23,252
Net income from operating activities		120,844	48,068
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		13,639	(539)
Reversal of provision for Workers' Welfare Fund	12.2	9,496	-
Provision for Sindh Workers' Welfare Fund	12.2	(4,577)	-
		<u>4,919</u>	<u>-</u>
Net income for the year before taxation		139,402	47,529
Taxation	18	-	-
Net income for the year after taxation		139,402	47,529
Other comprehensive income for the year			
Items that may be reclassified to income statement in subsequent periods:			
Unrealised gain on re-measurement of investments classified as available-for-sale		118,605	25,383
Net reclassification adjustments relating to available-for-sale financial assets		(105,275)	(29,555)
	6.6	<u>13,330</u>	<u>(4,172)</u>
Total comprehensive income for the year		152,732	43,357
Earnings per unit	17		

The annexed notes 1 to 33 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Multi Asset Fund
Distribution Statement
For the year ended June 30, 2017

	2017	2016
	----- Rupees in '000' -----	
Accumulated loss brought forward - realised	(96,050)	(128,856)
Net income for the year	139,402	47,529
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing income / (loss) that form part of unit holders' fund	(1,612)	4,310
Interim cash distribution of Rs. 4 per unit declared on June 20, 2017 (2016: Rs. 2.5 per unit declared on June 27, 2016)	(32,408)	(19,033)
Undistributed income / (accumulated loss) carried forward - realised	9,332	(96,050)

The annexed notes 1 to 33 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Multi Asset Fund
Statement of Movement in Unit Holders' Fund
For the year ended June 30, 2017

	2017	2016
	----- Rupees in '000' -----	
Net assets at beginning of the year	765,506	767,249
Issue of 1,613,656 units (2016: 238,904 units)	184,463	23,059
Redemption of 796,290 units (2016: 509,116 units)	(89,870)	(49,665)
	94,593	(26,606)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
Amount transferred to Income Statement and Other Comprehensive Income	(13,639)	539
Amount transferred to Distribution Statement	1,612	(4,310)
	(12,027)	(3,771)
Capital gain on sale of investments - net	114,066	32,732
Net unrealised gain / (loss) on re-measurement of investments classified as available-for-sale	13,330	(4,172)
Other net income for the year	25,336	14,797
Total comprehensive income for the year	152,732	43,357
Interim cash distribution of Rs. 4 per unit declared on June 20, 2017 (2016: Rs. 2.5 per unit declared on June 27, 2016)	(32,408)	(19,033)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in unit redeemed - amount transferred to the Distribution Statement	(1,612)	4,310
Net assets at end of the year	966,784	765,506
Net asset value per unit at the beginning of the year	98.0474	94.9833
Net asset value per unit at the end of the year	112.0924	98.0474

The annexed notes 1 to 33 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Multi Asset Fund
Cash Flow Statement
For the year ended June 30, 2017

	2017	2016
Note	----- Rupees in '000' -----	
Cash flow from operating activities		
Net income for the year	139,402	47,529
Adjustments		
Capital gain on sale of investments - net	(114,066)	(32,732)
Return / mark-up on;		
- bank profits	(5,626)	(2,159)
- Investments	(11,876)	(19,048)
Dividend income	(22,916)	(20,522)
Impairment loss on investments	8,791	3,177
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(13,639)	539
Reversal of provision for Workers' Welfare Fund	(9,496)	-
Provision for Sindh Workers' Welfare Fund	4,577	-
	<u>(24,849)</u>	<u>(23,216)</u>
Decrease / (increase) in assets		
Investments - net	78,661	54,106
Dividend receivable and accrued mark-up	-	-
Advances, deposits and other receivables	14,777	(15,018)
	<u>93,438</u>	<u>39,088</u>
Increase / (decrease) in liabilities		
Payable to the Management Company	367	5
Payable to the Trustee	34	20
Payable to Securities and Exchange Commission of Pakistan	120	(17)
Accrued expenses and other liabilities	(516)	(45,954)
	<u>5</u>	<u>(45,946)</u>
Bank profits received	4,342	2,135
Markup on investments received	15,503	18,314
Dividend income received	22,634	20,152
Net cash generated from operating activities	<u>111,073</u>	<u>10,527</u>
Cash flow from financing activities		
Amount received on issue of units	184,463	23,059
Payment / payable against redemption of units	(89,870)	(48,363)
Cash dividend paid	(32,408)	(19,033)
Net cash generated from / (used in) financing activities	<u>62,185</u>	<u>(44,337)</u>
Net increase / (decrease) in cash and cash equivalents	<u>173,258</u>	<u>(33,810)</u>
Cash and cash equivalents at beginning of the year	<u>21,075</u>	<u>54,885</u>
Cash and cash equivalents at end of the year	<u>194,333</u>	<u>21,075</u>

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The annexed notes 1 to 33 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

1. LEGAL STATUS AND NATURE OF BUSINESS

HBL Multi Asset Fund (the Fund) was established under a Trust Deed, dated October 08, 2007, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) as a unit trust scheme on September 28, 2007.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC 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 open ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange.

The objective of the Fund is to provide long-term capital growth and income by investing in multiple asset classes, such as equity securities, government securities, fixed income securities, continuous funding system, derivatives, money market instruments and other asset classes / securities / instruments.

JCR-VIS Credit Rating Agency (JCR-VIS) has assigned management quality rating of "AM2" (Positive outlook) to the Management Company and 1 year Fund Performance Ranking at MFR 1-Star and three year Fund Performance Ranking at MFR 1-Star to the Fund and five year Fund Performance Ranking at MFR 2-Star.

Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as 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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

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 that investments are measured at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the fund's functional and presentation currency.

2.4 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of its accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other

factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

- (i) classification and valuation of financial assets (notes 4.2.1.1 and 4.2.1.4); and
- (ii) impairment of financial assets (note 4.2.1.5)

3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS THAT ARE EFFECTIVE FOR THE YEAR ENDED JUNE 30, 2017

3.1 Standards or interpretations that are effective in current year but not relevant to the Fund

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.	

3.2 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.

Effective from accounting period beginning on or after:

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Change in policy with respect to presentation of items of other comprehensive income

International Accounting Standard (IAS) 1 Presentation of Financial Statements allows an entity to prepare either two performance statement i.e. income statement and statement of comprehensive income separately, or one performance statement only i.e. income statement and statement of comprehensive income (showing both items of income or loss for the period from operations and items of other comprehensive income). The Fund, with effect from July 01, 2016, has changed its policy with regard to preparation of statement of comprehensive income and opted to prepare one single performance statement i.e. "income statement and other comprehensive income" showing both income or loss from operations and items of other comprehensive income in it.

This change has no impact on the items of income or loss or other comprehensive income recognised in prior year except that items of other comprehensive income previously presented under 'other comprehensive income' in separate statement of comprehensive income are now presented within 'income statement and other comprehensive income' under 'other comprehensive income'.

4.1 Cash and cash equivalents

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

4.2 Financial Instruments

4.2.1 Financial assets

4.2.1.1 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) Investments 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 financial assets at 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

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

4.2.1.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

4.2.1.3 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.

4.2.1.4 Subsequent measurement

a) Financial assets 'at fair value through profit or loss - held for trading' and 'available for sale'

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

Basis of valuation of government securities

The investment of the Fund in government securities is valued on the basis of PKRV rates published by Reuters in accordance with Circular no. 33 of 2012.

Basis of valuation of equity securities

Equity securities are valued on the basis of closing quoted market prices available at the stock exchange. A security listed on the stock exchange for which no sale is reported on the reporting date is valued at its last sale price on the next preceding date on which such exchange is open and if no sale is reported for such date the security is valued at an amount neither higher than the closing asked price nor lower than the closing bid price.

Basis of valuation of debt 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.

Net gains and losses arising on 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 recognised as 'other comprehensive income' in the Income Statement until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised as 'other comprehensive income' is transferred to income before taxation as capital gain / (loss).

b) Loans and receivables

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

Gains or losses are also recognised in the 'income statement and other comprehensive income' when financial assets carried at amortised cost are derecognised or impaired.

4.2.1.5 Impairment of financial assets

The Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

a) Equity securities

In case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of an equity security below its cost is considered as an objective evidence of impairment. In case of available for sale securities, the cumulative loss previously recognised as other comprehensive income in the Income Statement and other comprehensive income is transferred to income before tax. Impairment losses recognised in the income statement and other comprehensive income on equity securities are only reversed when the equity securities are derecognised.

b) 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 provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

4.2.1.6 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.

4.2.2 Financial liabilities

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

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

4.2.3 Offsetting of financial assets and liabilities

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

4.3 Provisions

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

4.4 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

The Fund is also exempt from the Provisions of Section 113 (minimum tax) and section 113C (Alternative Corporate Tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and the amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

4.5 Proposed distributions

Distributions declared subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the year in which such distributions are declared.

4.6 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net assets value per unit as of the close of the business day less any back-end load (if applicable), any duties, taxes, charges on redemption and any provision for transaction costs, if applicable. Redemption of units is recorded on acceptance of application for redemption.

4.7 Collaterals

Cash collaterals provided by the Fund are identified in the statement of assets and liabilities as margin and are not included as a component of cash and cash equivalents. For collaterals other than cash, if the party to whom the collaterals are provided has a right by contract or custom to sell or re-pledge the collaterals, the Fund classifies those collaterals in the statement of assets and liabilities separately from other assets and identifies the assets as pledged collaterals. Where the party to whom the collaterals are provided does not have the right to sell or re-pledge, a disclosure of the collaterals provided is made in the notes to the financial statements.

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

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

The element of income and capital gains included in the prices of units issued less those in units redeemed to the extent that it is represented by distributable income earned during the year is recognised in the income statement and the element of income and capital gains represented by distributable income carried forward from prior periods is included in the distribution statement.

From July 1, 2016, the Fund has revised its methodology for computation of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those redeemed.

The revised methodology, in the opinion of management, reflects a more appropriate method for recognition of element and moreover is in conformity with the general industry practice. The new methodology is being consistently implemented across all funds managed by the Management Company. Management has treated the revision in methodology as change in accounting estimate and applied it prospectively.

Amendment in the NBFC Regulations subsequent to the year end

Subsequent to the year end on August 03, 2017, the SECP has made certain amendments in the NBFC Regulations, 2008 via SRO 756 (I)/2017. The definition of element of income has been inserted via said amendment which defines element of income as difference between net assets value on the issuance or redemption date, as the case may be, of units and the net asset value at the beginning of the relevant accounting period. The said amendment also excludes element of income from accounting income for the purpose of distribution under regulation 63 of the NBFC Regulations. The said SRO also contains amendments relating to consequential changes in the income statement and statement of movement in unitholders' fund. The Management Company is in the process of assessing the impact of the said changes with the view that these changes will be effective for the period following the date of the said SRO.

4.9 Net assets value per unit

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

4.10 Revenue recognition

- Mark-up / return on government securities, bank profits and investment in debt securities are recognised on a time apportionment basis using the effective interest method.
- Realised 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.
- Element of income / (loss) and capital gain / (losses) included in prices of units issued less those in units redeemed is included in the income statement and other comprehensive income on the date of issue and redemption of units.

4.11 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 apportionment basis using the effective interest method.

5	BANK BALANCES	Note	2017 ------(Rupees in '000)-----	2016
	Balances with bank in:			
	PLS saving deposit accounts under mark-up arrangements	5.1	194,333	21,025
	Current account		-	50
			<u>194,333</u>	<u>21,075</u>
5.1	This represents bank accounts held with different banks. Mark-up rates on these accounts range between 3.75% - 6.75% per annum (2016: 4.00% - 6.50% p.a).			
6	INVESTMENTS	Note	2017 ------(Rupees in '000)-----	2016
	Available for sale			
	- Listed equity securities	6.1	631,666	521,029
	- Unlisted equity securities		-	1,555
	- Term finance certificates - listed	6.2.1	-	-
	- Term finance certificates - unlisted	6.2.2	68,561	-
	- Government securities	6.3	-	179,960
	Loans and receivables			
	- Commercial papers	6.4	-	38,739
	- Term deposits and receipts	6.5	81,000	-
			<u>781,227</u>	<u>741,283</u>

6.1 Listed equity securities - available for sale

Shares of listed companies - fully paid up ordinary shares of Rs. 10 each unless stated otherwise

Name of Investee Company	Number of Shares				As at June 30, 2017	Market value as at June 30, 2017 (Rupees in '000)	Market value as a percentage of		Par value as a percentage of issued capital of the investee company
	As at July 1, 2016	Purchases during the year	Bonus / Rights issue	Sales during the year			Total Investments	Net Assets	
Automobile Assembler									
Atlas Honda Limited	-	20,500	-	20,500	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	-	47,550	-	36,750	10,800	9,371	1.20%	0.97%	0.008%
Indus Motor Company Limited	-	8,340	-	1,500	6,840	12,268	1.57%	1.27%	0.009%
Millat Tractors Limited	-	45,550	-	35,700	9,850	13,538	1.73%	1.40%	0.022%
Pak Suzuki Motor Company Limited	-	26,500	-	3,000	23,500	18,338	2.35%	1.90%	0.029%
	-	148,440	-	97,450	50,990	53,515	6.85%	5.54%	
Automobile Parts and Accessories									
General Tyre & Rubber Company of Pakistan Limited	-	51,200	-	51,200	-	-	-	-	-
Loads Limited	-	384,500	-	384,500	-	-	-	-	-
Thal Limited (Par value Rs. 5 per share)	-	61,000	-	51,000	10,000	6,060	0.78%	0.63%	0.012%
	-	496,700	-	486,700	10,000	6,060	0.78%	0.63%	
Cable & Electrical Goods									
Pak Elektron Limited	234,000	203,000	-	254,000	183,000	20,189	2.58%	2.09%	0.037%
	234,000	203,000	-	254,000	183,000	20,189	2.58%	2.09%	
Cement									
Cherat Cement Company Limited.	152,500	95,000	-	152,500	95,000	16,984	2.17%	1.76%	0.054%
D G Khan Cement Company Limited.	152,900	17,400	-	50,900	119,400	25,451	3.26%	2.63%	0.027%
Fauji Cement Company Limited	-	277,500	-	277,500	-	-	-	-	-
Kohat Cement Limited	34,700	-	-	34,700	-	-	-	-	-
Lucky Cement Limited	66,800	7,500	-	33,150	41,150	34,412	4.40%	3.56%	0.013%
Maple Leaf Cement Factory Limited	-	160,000	-	160,000	-	-	-	-	-
Pioneer Cement Limited	230,000	152,000	-	230,000	152,000	19,760	2.53%	2.04%	0.067%
	636,900	709,400	-	938,750	407,550	96,607	12.37%	9.99%	
Chemical									
Engro Polymer & Chemicals Limited	-	433,000	-	105,000	328,000	11,972	1.53%	1.24%	0.049%
ICI Pakistan Limited	-	43,600	-	34,700	8,900	9,741	1.25%	1.01%	0.010%
	-	476,600	-	139,700	336,900	21,713	2.78%	2.25%	
Commercial Banks									
Allied Bank Limited	-	128,000	-	-	128,000	11,471	1.47%	1.19%	0.011%
Bank Al-Falah Limited	-	460,500	-	460,500	-	-	-	-	-
Bank Al-Habib Limited	-	199,500	-	199,500	-	-	-	-	-
Habib Bank Limited *	313,571	78,700	-	286,300	105,971	28,521	3.65%	2.95%	0.007%
MCB Bank Limited	265,600	32,800	-	188,500	109,900	23,126	2.96%	2.39%	0.010%
United Bank Limited	-	172,300	-	63,000	109,300	25,742	3.30%	2.66%	8.928%
	579,171	1,071,800	-	1,197,800	453,171	88,860	11.37%	9.19%	
Engineering									
Aisha Steel Mills Limited	-	500	-	500	-	-	-	-	-
Amreli Steels Limited	-	362,500	-	256,500	106,000	13,033	1.67%	1.35%	0.036%
Crescent Steel & Allied Products Limited	-	105,000	-	65,700	39,300	9,376	1.20%	0.97%	0.051%
International Industries Limited	-	46,500	-	12,000	34,500	12,716	1.63%	1.32%	0.008%
International Steels Limited **	-	179,000	-	107,500	71,500	9,144	1.17%	0.95%	0.060%
Mughal Iron & Steel Inds Limited	2,500	-	-	-	2,500	202	0.03%	0.02%	0.001%
Mughal Iron & Steel Inds Limited - LoR	-	2,500	-	2,500	-	-	-	-	-
	2,500	696,000	-	444,700	253,800	44,471	5.69%	4.60%	

Name of Investee Company	Number of Shares				As at June 30, 2017	Market value as at June 30, 2017 (Rupees in '000)	Market value as a percentage of		Par value as a percentage of issued capital of the investee company
	As at July 1, 2016	Purchases during the year	Bonus / Rights issue	Sales during the year			Total Investments	Net Assets	
Fertilizers									
Dawood Hercules Corporation Limited	-	76,300	-	76,300	-	-	-	-	-
Engro Corporation Limited	113,800	27,400	-	50,700	90,500	29,495	3.78%	3.05%	0.017%
Engro Fertilizers Limited	-	279,000	-	130,000	149,000	8,231	1.05%	0.85%	0.011%
Fauji Fertilizer Bin Qasim Limited	100,000	273,000	-	373,000	-	-	-	-	-
Fauji Fertilizer Company Limited	-	158,300	-	158,300	-	-	-	-	-
	213,800	814,000	-	788,300	239,500	37,726	4.83%	3.90%	
Food & Personal Care Products									
Engro Foods Limited	-	82,600	-	82,600	-	-	-	-	-
	-	82,600	-	82,600	-	-	-	-	-
Glass & Ceramics									
Tariq Glass Industries Limited	-	158,000	-	158,000	-	-	-	-	-
	-	158,000	-	158,000	-	-	-	-	-
Insurance									
Adamjee Insurance Company Limited	-	175,000	-	168,500	6,500	444	0.06%	0.05%	0.002%
	-	175,000	-	168,500	6,500	444	0.06%	0.05%	
Leather & Tanneries									
Service Industries Limited	-	23,600	-	17,700	5,900	8,136	1.04%	0.84%	0.049%
	-	23,600	-	17,700	5,900	8,136	1.04%	0.84%	
Miscellaneous									
Tri-Pack Films Limited	-	32,500	-	32,500	-	-	-	-	-
	-	32,500	-	32,500	-	-	-	-	-
Oil & Gas Exploration									
Mari Petroleum Company Limited	7,700	14,200	-	4,300	17,600	27,731	3.55%	2.87%	0.016%
Oil & Gas Development Company Limited	213,000	123,900	-	143,200	193,700	27,252	3.49%	2.82%	0.005%
Pakistan Oilfields Limited	-	54,300	-	18,300	36,000	16,493	2.11%	1.71%	0.015%
Pakistan Petroleum Limited	105,500	203,000	-	158,500	150,000	22,221	2.84%	2.30%	0.008%
	326,200	395,400	-	324,300	397,300	93,697	11.99%	9.69%	
Oil & Gas Marketing Companies									
Attock Petroleum Limited	23,650	12,300	-	35,950	-	-	-	-	-
Hascol Petroleum Limited	-	63,500	-	6,000	57,500	19,613	2.51%	2.03%	0.048%
Hi-Tech Lubricants Limited	-	173,000	-	173,000	-	-	-	-	-
Pakistan State Oil Company Limited	91,300	8,000	-	68,200	31,100	12,047	1.54%	1.25%	0.011%
Sui Northern Gas Pipeline Limited	-	280,500	-	143,000	137,500	20,477	2.62%	2.12%	0.022%
Sui Southern Gas Company Limited	-	302,500	-	302,500	-	-	-	-	-
	114,950	839,800	-	728,650	226,100	52,137	6.67%	5.39%	

Name of Investee Company	Number of Shares					Market value as at June 30, 2017 (Rupees in '000)	Market value as a percentage of		Par value as a percentage of issued capital of the investee company
	As at July 1, 2016	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2017		Total Investments	Net Assets	
Paper & Board									
Packages Limited **	24,250	11,900	-	15,700	20,450	14,225	1.82%	1.47%	0.023%
	24,250	11,900	-	15,700	20,450	14,225	1.82%	1.47%	
Pharmaceuticals									
Abbott Laboratories (Pak) Limited	-	8,300	-	-	8,300	7,757	0.99%	0.80%	0.008%
GlaxoSmithKline Consumer Healthcare Pakistan Limited	25,080	-	-	25,080	-	-	-	-	-
GlaxoSmithKline Pakistan Limited	83,600	-	-	83,600	-	-	-	-	-
The Searle Company Limited (Note 6.1.2)	33,450	28,299	2,463	29,700	34,512	17,669	2.26%	1.83%	0.022%
	142,130	36,599	2,463	138,380	42,812	25,426	3.25%	2.63%	
Power Generation and Distribution									
Hub Power Company Limited	297,200	136,000	-	152,200	281,000	32,998	4.22%	3.41%	0.024%
K-Electric Limited (Par value Rs. 3.50 per share)	2,800,000	1,381,000	-	4,181,000	-	-	-	-	-
Kot Addu Power Company Limited	90,500	257,500	-	348,000	-	-	-	-	-
	3,187,700	1,774,500	-	4,681,200	281,000	32,998	4.22%	3.41%	
Refinery									
Attock Refinery Limited	-	22,100	-	22,100	-	-	-	-	-
National Refinery Limited	-	6,400	-	6,400	-	-	-	-	-
	-	28,500	-	28,500	-	-	-	-	
Sugar & Allied Industries									
Faran Sugar Mills Limited	-	57,100	-	-	57,100	4,583	0.59%	0.47%	0.228%
	-	57,100	-	-	57,100	4,583	0.59%	0.47%	
Textile Composite									
Gul Ahmed Textile Mills Limited	-	142,500	-	142,500	-	-	-	-	-
Nishat (Chunian) Limited	-	320,500	-	320,500	-	-	-	-	-
Nishat Mills Limited	30,500	231,100	-	132,300	129,300	20,517	2.63%	2.12%	0.037%
	30,500	694,100	-	595,300	129,300	20,517	2.63%	2.12%	
Technology and Communications									
Avanceon Limited	-	228,000	-	228,000	-	-	-	-	-
	-	228,000	-	228,000	-	-	-	-	
Transport									
Pakistan International Bulk Terminal Limited	-	726,000	-	726,000	-	-	-	-	-
Pakistan National Shipping Corporation Limited **	-	82,300	-	-	82,300	10,362	1.33%	1.07%	0.062%
	-	808,300	-	726,000	82,300	10,362	1.33%	1.07%	
	5,492,101	9,961,839	2,463	12,272,730	3,183,673	631,666	81%	65%	
Cost of investments at June 30, 2017						<u>574,859</u>			

* Sponsor of the Management Company

** Related party due to common directorship

6.1.1 Investments include shares having market value aggregating to Rs. 54.286 million that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the SECP.

6.1.2 This includes 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 Management Company 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 mutual funds based on the premise of exemption available to mutual funds under clause 99 of Part I and clause 47B of Part IV 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. 185,976 at June 30, 2017 (June 30, 2016: Rs.100,500) and not yet deposited on CDC account of department of Income tax. Management Company is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis at fair value in Fund's investments at year end.

6.2 Term Finance Certificates - Available for sale investments

All Term Finance Certificates have a face value of Rs. 5,000 each unless stated otherwise.

6.2.1 Term Finance Certificates - Listed

Name of the Investee Company	Number of certificates			Market value/ Carrying value* as at June 30, 2017	Market value as a percentage of	
	As at July 01, 2016	Purchases during the year	Sales / Matured during the year		As at June 30, 2017	Total Investments
(Rupees in '000)						
Fatima Fertilizers Company Limited		4,169	4,169	-		
Financial Services						
Saudi Pak Leasing Company Limited - note 6.2.3	6,000	-	-	6,000	-	-
	6,000	4,169	4,169	6,000	-	-
Cost of investments at June 30, 2017					15,197	

* In case of debt securities against which a provision has been made, these are carried at amortised cost less provision. For non-performing securities market value / valuation by MUFAP is not available.

6.2.2 Term Finance Certificates - Unlisted

Name of the Investee Company	Number of certificates			Market value as at June 30, 2017	Market value as a percentage of	
	As at July 01, 2016	Purchases during the year	Sales / Matured during the year		As at June 30, 2017	Total Investments
(Rupees in '000)						
Commercial Banks						
JS Bank Limited	-	10,000	-	10,000	50,354	6.4%
The Bank of Punjab	-	610	430	180	18,207	2.3%
Bank Al Habib	-	12,200	12,200	-	-	-
	-	22,810	12,630	10,180	68,561	8.8%
Cost of investments at June 30, 2017					68,226	7.1%

6.2.3 Saudi Pak Leasing Company Limited defaulted towards payment falling due in September 2010. Accordingly, the exposure was classified as non-performing and provision was recognised in accordance with the SECP's provisioning guidelines.

Subsequently, on the request of the Issuer, TFC holders approved the restructuring of the facility by extending repayment period from 5 years to 9 years and by reducing mark-up rate to 6% for 24 months from restructuring date and 8% for next 24 months and thereafter fixing the mark-up rate at 1 month KIBOR. Further, half of the accrued mark-up is to be paid in cash and the balance is being deferred.

The Issuer defaulted again in the payment of principal and mark-up due on September 13, 2011. In accordance with the requirements of Circular No. 33 of 2012 dated October 24, 2012 issued by the Securities Exchange Commission of Pakistan (SECP), the exposure has been classified as non-performing and no further mark-up is being accrued after classification as non performing exposure. A provision of Rs. 15.197 million equivalent to 100% of the amount outstanding has been made.

6.2.4 Significant terms and conditions of Term Finance Certificates outstanding at June 30, 2017 are:

Name of security	Remaining principal (per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
Term Finance Certificates - Listed				
Saudi Pak Leasing Company Limited	2,533	6% Fixed Rate	13-Mar-08	13-Mar-17
Fatima Fertilizer Company Limited	4,500	6 month KIBOR + 1.10%	28-Nov-16	28-Nov-21
Term Finance Certificates and Sukuk bonds - Unlisted				
JS Bank Limited	4,999	6 Month KIBOR + 1.40%	14-Dec-16	16-Dec-23
Bank of Punjab	99,980	6 Month KIBOR + 0.50%	19-Feb-16	19-Feb-26

6.3 Investment in Government Securities - Available for sale

Issue Date	Tenor	Face value			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		Total Investment	Net Asset
----- (Rupees in '000) -----							
Treasury bill							
January 21, 2016	12 months	29,500	-	29,500	-	-	-
July 21, 2016	12 months	-	14,800	14,800	-	-	-
August 4, 2016	12 months	-	38,000	38,000	-	-	-
May 12, 2016	6 months	-	35,000	35,000	-	-	-
May 26, 2016	3 months	35,000	-	35,000	-	-	-
June 23, 2016	3 months	26,000	-	26,000	-	-	-
July 21, 2016	3 months	-	12,300	12,300	-	-	-
August 4, 2016	3 months	-	36,000	36,000	-	-	-
September 15, 2016	3 months	-	26,000	26,000	-	-	-
October 27, 2016	3 months	-	100,000	100,000	-	-	-
November 24, 2016	3 months	-	50,000	50,000	-	-	-
January 19, 2017	3 months	-	100,000	100,000	-	-	-
February 16, 2017	3 months	-	50,000	50,000	-	-	-
		90,500	462,100	552,600	-	-	-
Pakistan Investment Bonds							
July 17, 2014	3 years	36,000	-	36,000	-	-	-
July 17, 2014	5 years	28,000	-	28,000	-	-	-
March 26, 2015	3 years	20,000	-	20,000	-	-	-
		84,000	-	84,000	-	-	-
Grand Total		174,500	462,100	636,600	-	-	-
Cost of investments at June 30, 2017					-	-	-

6.4 Investment in Commercial papers - Loans and receivables

Name of Bank	Placements made during the year	Income Accrued	Matured during the year	As at June 30, 2017	Percentage of total value of investments	Percentage of Net Assets
----- (Rupees in '000) -----						
Pak Electron Limited (6.4.1)	38,739	287	39,026	-	-	-

6.4.1 The certificate of investment carries mark-up at the rate of 9.33% per annum and has matured on July 29, 2016

6.5 Term Deposit Receipt with Zarai Taraqiati Bank Limited have original maturity of 6 months carries mark-up at the rate of 6.5%. (2016: Nil)

	Note	2017 ----- (Rupees in '000) -----	2016
6.6 Net unrealised gain on re-measurement of investments classified as available for sale			
Market value of investments	6.1, 6.2 & 6.3	781,227	741,283
Cost of investments		739,282	703,877
Provision against equity securities	6.6.1	(11,269)	(2,478)
Provision against term finance certificates	6.6.1	(15,197)	(15,197)
		712,816	686,202
		68,411	55,081
6.6.1 Movement in provision against investments			
Opening balance		17,675	15,694
Add: Charge for the year		8,791	3,177
Less: Reversals made during the year		-	(1,196)
Net charge		8,791	1,981
Closing balance		26,466	17,675
7. DIVIDEND RECEIVABLE AND ACCRUED MARK-UP			
Dividend receivable		1,019	737
Mark-up accrued on PIBs		-	3,793
Mark-up accrued on deposits with banks		1,308	24
Mark-up accrued on Term Deposit Receipts		446	-
Mark-up / return accrued on Term Finance Certificates		843	1,123
		3,616	5,677
8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Security deposit with National Clearing Company of Pakistan Limited		3,016	3,016
Security deposit with Central Depository Company of Pakistan Limited		100	100
Advance against subscription of Term Finance Certificates (TFC)		25,000	25,000
Principal receivable from TFC and other receivables		-	-
Receivable against Pre-Call TFC	8.1	-	14,973
Prepaid annual rating fee		-	168
Advance tax		364	-
		28,480	43,257
Less: Provision in respect of advance against subscription of Term Finance Certificates	8.2	(25,000)	(25,000)
		3,480	18,257

- 8.1 This pertains to TFC of Bank Al-Habib having maturity of June 30, 2021 which has been pre-called on June 29, 2016. The principal and accrued mark-up have been received on July 04, 2016.
- 8.2 The Fund had subscribed towards the term finance certificates of an issuer as Pre-IPO investor on January 09, 2008. Under the agreement, the issuer was required to complete the public offering by October 09, 2008. However, no public offering has been carried out by the issuer as at June 30, 2017. In addition, profit on the advance against subscription, due after six months from the date of subscription, has also not been received by the Fund. As at June 30, 2017, the advance against subscription has been fully provided in accordance with the provisioning policy of the Fund as approved by the Board of Directors of the Management Company.

	Note	2017 ------(Rupees in '000)-----	2016
9. PAYABLE TO THE MANAGEMENT COMPANY			
Management fee	9.1	1,594	1,249
Sindh Sales Tax	9.2	207	203
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	80	62
		1,881	1,514

- 9.1 Under the provisions of the Non-Banking Finance Companies & Notified Entities Regulations 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of two percent per annum for the current year (2016: two percent per annum).
- 9.2 The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 percent (June 30, 2016: 14 percent) on the remuneration of management company through Sindh Sales Tax on Services Act, 2011.
- 9.3 As per Regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1 percent of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the year.

	Note	2017 ------(Rupees in '000)-----	2016
10. PAYABLE TO THE TRUSTEE			
Trustee's remuneration	10.1	159	128
Sindh Sales Tax		21	18
		180	146

- 10.1 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.

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

Amount of Funds Under Management (Average NAV)	Tariff per annum
Upto Rs. 1,000 million	Rs. 0.7 million or 0.20% p.a. of NAV, whichever is higher
On an amount exceeding Rs. 1,000 million	Rs. 2.0 million plus 0.10% p.a. of NAV, exceeding Rs. 1,000 million

	Note	2017 ------(Rupees in '000)-----	2016
11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	11.1	749	629

- 11.1 Under the provisions of the Non Banking Finance Companies & Notified Entities Regulations, 2008, a collective investment scheme categorised as balanced scheme is required to pay as annual fee to the SECP, an amount equal to 0.085% (2016: 0.085%) of the average annual net assets of the scheme. The Fund has been categorised as a balanced scheme by the Management Company.

12. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2017 ------(Rupees in '000)-----	2016
Auditors' remuneration		320	328
Federal Excise Duty	12.1	6,610	6,610
Payable to unit holders against redemption		-	1,302
Payable to brokers		629	420
Withholding tax payable		623	304
Sales load - payable to related parties		132	13
Provision for Workers' Welfare Fund	12.2	-	9,495
Provision for Sindh Workers' Welfare Fund	12.2	4,597	-
Dividend payable		41	-
Other payables		110	25
		13,062	18,497

- 12.1 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration. The Sindh Provincial Government has levied Sindh Sales Tax (SST) on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011. During the year SST at the rate of 13 percent (30 June 2016: 14 percent) was charged on the remuneration of Fund Manager and sales load.

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 Management Company, as a matter of abundant caution, has made a provision on FED on remuneration of Management Company, aggregating to Rs. 7.096 million. Had the provision not been made, the Net Asset Value per unit as at June 30, 2017 would have been higher by Rs. 0.7664 (June 30, 2016: Rs. 0.8466) per unit.

- 12.2 "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 recognized 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 recognized 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 Management Company 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 recognized 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. 9.496 million. Further, the Fund has recognised provision for SWWF amounting to Rs. 4.577 million in these financial statements. Had the provision not been made, the net asset value per unit as at June 30, 2017 would have been higher by Rs. 0.53 per unit

	2017	2016
	------(Rupees in '000)-----	
13. MARK-UP / RETURN ON INVESTMENTS		
Term finance certificates	2,134	3,176
Government securities	6,624	13,615
Term deposit receipts	3,118	2,257
	<u>11,876</u>	<u>19,048</u>
	2017	2016
	------(Rupees in '000)-----	
14. MARK-UP ON DEPOSITS WITH BANKS		
Mark-up on savings accounts	<u>5,626</u>	<u>2,159</u>

15. CONTINGENCIES AND COMMITMENTS

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

16. NUMBER OF UNITS IN ISSUE

	2017	2016
	-----Number of units-----	
Total units in issue at the beginning of the year	7,807,513	8,077,725
Units issued	1,613,656	238,904
Units redeemed	<u>(796,290)</u>	<u>(509,116)</u>
Total units in issue at the end of the year	<u>8,624,879</u>	<u>7,807,513</u>

17. AUDITORS' REMUNERATION

	2017	2016
	----- (Rupees in '000) -----	
Annual audit fee	275	275
Fee for half yearly review	55	55
Review of compliance with the requirements of the Code of Corporate Governance	5	5
Other certifications and out of pocket expenses	<u>53</u>	<u>87</u>
	<u>388</u>	<u>422</u>

18. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. During the year, Management Company has distributed cash dividend of at least 90% of the aforementioned accounting income to the unit holders. Accordingly, no provision for taxation has been recognised in these financial statements.

19. EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed as in the opinion of management determination of cumulative weighted average number of outstanding units is not practicable.

20. FINANCIAL INSTRUMENTS BY CATEGORY

	-----As on June 30, 2017 -----		
	Available for sale	Loans and receivables	Total
	----- Rupees in '000 -----		
Assets			
Bank balances	-	194,333	194,333
Investments	700,227	81,000	781,227
Dividend receivable and accrued mark-up	-	3,616	3,616
Advances, deposits and other receivables	-	<u>3,480</u>	<u>3,480</u>
	<u>700,227</u>	<u>282,429</u>	<u>982,656</u>
-----As on June 30, 2017 -----			
	Available for sale	Other financial liabilities	Total
	----- Rupees in '000 -----		
Liabilities			
Payable to the Management Company	-	1,881	1,881
Payable to the Trustee	-	180	180
Accrued expenses and other liabilities	-	13,062	13,062
Unit holders' fund	<u>-</u>	<u>966,784</u>	<u>966,784</u>
	<u>-</u>	<u>981,907</u>	<u>981,907</u>

Assets

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

-----As on June 30, 2016 -----		
Available for sale	Loans and receivables	Total
----- Rupees in '000 -----		
-	21,075	21,075
702,544	38,739	741,283
-	5,677	5,677
-	18,257	18,257
<u>702,544</u>	<u>83,748</u>	<u>786,292</u>

Liabilities

Payable to the Management Company
Payable to the Trustee
Accrued expenses and other liabilities
Unit holders' fund

-----As on June 30, 2016 -----		
Available for sale	Other financial liabilities	Total
----- Rupees in '000 -----		
-	1,514	1,514
-	146	146
-	18,497	18,497
-	765,506	765,506
-	<u>785,663</u>	<u>785,663</u>

21. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited, being the Trustee of the Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company and directors of 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 Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations 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:

21.1 Transactions during the year**HBL Asset Management Limited - Management Company**

Management fee
Allocation of expenses related to registrar services, accounting, operation and valuation services

2017	2016
----- (Rupees in '000) -----	
<u>19,919</u>	<u>19,544</u>
<u>881</u>	<u>436</u>

	2017	2016
	----- (Rupees in '000) -----	
Habib Bank Limited - Sponsor		
Issue of 240,718 units (2016: 170,869 units)	27,023	16,462
Dividend received from the fund	27,023	-
Bank charges paid during the year	15	10
Mark-up earned during the year	552	642
Mark-up received during the year	540	674
Dividend income earned during the year	1,878	2,310
Dividend income received during the year	1,878	2,310
Executive and their relatives		
Redemption of Nil units (2016: 22,310 units)	-	2,133
HBL Government Securities Fund		
Purchase of Bank of Punjab TFC	44,087	-
Purchase of JS Bank TFC	20,520	-
Purchase of Bank Al Habib TFC	63,564	-
International Steels Limited - Common directorship		
Dividend income earned during the year	179	-
Packages Limited - Common directorship		
Dividend income earned during the year	804	257
Central Depository Company of Pakistan Limited - Trustee		
Trustee remuneration	2,002	1,686
Central Depository service charges	108	122
21.2 Amounts outstanding as at year end		
HBL Asset Management Limited - Management Company		
Management fee payable	1,594	1,249
Sales tax payable	207	203
Allocation of expenses related to registrar services, accounting, operation and valuation services	80	62
Sales load payable	60	13
Habib Bank Limited - Sponsor		
Investment held in the Fund: 6,996,574 units (2016: 6,755,856 units)	774,433	662,394
Bank balances	28,980	13,959
Profit receivable on bank deposits	36	24
Ordinary shares held in Habib Bank Limited: 105,971 ordinary shares (2016: 313,571 ordinary shares)	28,521	61,949
Sales load payable	72	-
International Steels Limited - Common directorship		
Ordinary shares held : 71,500 ordinary shares (2016: Nil ordinary shares)	9,144	-
Packages Limited - Common directorship		
Ordinary shares held : 20,450 ordinary shares (2016: 24,250 ordinary shares)	14,225	15,429
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	159	128
Sindh Sales Tax	21	18

22. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Fund are as follow:

Name	Designation	Qualification	Experience in years
1 Mr. Farid Ahmed	Chief Executive Officer	CFA, MBA	23+
2 Muhammad Imran	Chief Investment Officer	MBA (Finance)	17+
3 Colin Miranda	Acting Head of Research	CFA, MBA	8+
4 Tauqir Shamshad	Head of Fixed Income	MBA, M.Com	31+
5 Jawad Naeem	Fund Manager - Equity	MBA (Finance)	9.5+
6 Adeel Abdul Wahab	Fund Manager - Equity	ACCA	8+
7 Faizan Saleem	Sr. Fund Manager Fixed Income	MBA (Finance)	10+
8 Noman Ameer	Manager Risk	B.S Actuarial Sciences	11+

23. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Top ten brokers during the year ended June 30, 2017

- 1 Arif Habib Limited
- 2 BIPL Securities Limited
- 3 Taurus Securities Limited
- 4 Pearl Securities Limited
- 5 AKD Securities Limited
- 6 Elixir Securities Pakistan (Private) Limited
- 7 JS Global Capital Limited
- 8 Optimus Capital Management (Private) Limited
- 9 IGI Finex Securities Limited
- 10 Next Capital Limited

Top ten brokers during the year ended June 30, 2016

- 1 Taurus Securities Limited
- 2 AKD Securities Limited
- 3 Arif Habib Limited
- 4 Elixir Securities Pakistan (Private) Limited
- 5 Pearl Securities Limited
- 6 Al Habib Capital Markets (Private) Limited
- 7 Next Capital Limited
- 8 IGI Finex Securities Limited
- 9 JS Global Capital Limited
- 10 Foundation Securities (Private) Limited

24. PATTERN OF UNIT HOLDING

	2017			
	Number of unit holders	Number of units held	Investment amount (Rupees in '000)	Percentage investment
Individuals	149	1,568,268	175,793	18.18%
Associated companies	1	6,996,574	784,261	81.12%
Retirement funds	1	22,435	2,515	0.26%
Trust	1	12,997	1,457	0.15%
Others	1	24,605	2,758	0.29%
	153	8,624,879	966,784	100.00%

	2016			
	Number of unit holders	Number of units held	Investment amount (Rupees in '000)	Percentage investment
Individuals	110	923,941	90,590	11.83%
Associated companies	1	6,755,858	662,394	86.53%
Retirement funds	1	21,847	2,142	0.28%
Others	3	105,867	10,380	1.36%
	115	7,807,513	765,506	100.00%

25. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

Five meetings of the Board of Directors were held on August 26, 2016, October 31, 2016, December 16, 2016, February 24, 2017 and April 27, 2017 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
1 Mr. Towfiq H. Chinoy	5	5	-	-
2 Ms. Ava Ardeshir Cowasjee	5	5	-	-
3 Mr. Nadeem Abdullah	5	4	1	April 27, 2017
4 Mr. Farid Ahmed Khan ¹	4	4	-	-
5 Mr. Rehan N. Shaikh ²	1	1	-	-
6 Ms. Sima Kamil ³	4	4	-	-
7 Mr. Rizwan Haider	5	4	1	April 27, 2017
8 Mr. Salahuddin Manzoor	5	5	-	-
9 Mr. Aamir Irshad ⁴	-	-	-	-
10 Mr. Rayomond Kotwal ⁵	-	-	-	-

1 Appointed on September 1, 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 06, 2017.

5 Appointed on June 22, 2017.

26. FINANCIAL RISK MANAGEMENT

The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund primarily invests in a portfolio of equity and money market investments such as shares of listed companies, government securities and in other money market instruments. These activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

26.1 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 Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the SECP.

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

26.1.1 Currency risk

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

26.1.2 Interest rate risk

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

a) Cash flow interest rate risk

The Fund's interest rate risk arises from the balances in savings accounts. The net income for the year would have increased / (decreased) by Rs. 1.95 million (June 30, 2016 : Rs 0.21 million), had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

b) Fair value interest rate risk

The Fund does not account for any fixed rate financial assets and liabilities at fair value through profit and loss - held for trading. Therefore, a change in interest rates at the reporting date would not affect net income for the year.

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

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

	2017				Not exposed to Yield / Interest rate risk
	Total	Exposed to Yield / Interest rate risk			
		Upto three months	More than three months and upto one year	More than one year	
On-balance sheet financial instruments	----- (Rupees in '000) -----				
Financial assets					
Bank balances	194,333	194,333	-	-	-
Investments	781,227	81,000	68,561	-	631,666
Dividend receivable and accrued mark-up	3,616	-	-	-	3,616
Advances, deposits and other receivables	3,480	-	-	-	3,480
	982,656	275,333	68,561	-	638,762
Financial liabilities					
Payable to the Management Company	1,881	-	-	-	1,881
Payable to the Trustee	180	-	-	-	180
Accrued expenses and other liabilities	1,232	-	-	-	1,232
Unit holders' fund	966,784	-	-	-	966,784
	970,077	-	-	-	970,077
On-balance sheet gap	12,579	275,333	68,561	-	(331,315)
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-

2016

	Exposed to Yield / Interest rate risk				Not exposed to Yield / Interest rate risk
	Total	Upto three months	More than three months and upto one year	More than one year	
----- (Rupees in '000) -----					
On-balance sheet financial instruments					
Financial assets					
Bank balances	21,075	21,075	-	-	-
Investments	741,283	38,739	88,988	90,972	522,584
Dividend receivable and accrued mark-up	5,677	-	-	-	5,677
Advances, deposits and other receivables	18,089	-	-	-	18,089
	<u>786,124</u>	<u>59,814</u>	<u>88,988</u>	<u>90,972</u>	<u>546,350</u>
Financial liabilities					
Payable to the Management Company	1,514	-	-	-	1,514
Payable to the Trustee	146	-	-	-	146
Accrued expenses and other liabilities	11,583	-	-	-	11,583
Unit holders' fund	765,506	-	-	-	765,506
	<u>778,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>778,749</u>
On-balance sheet gap	<u>7,375</u>	<u>59,814</u>	<u>88,988</u>	<u>90,972</u>	<u>(232,399)</u>
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-

26.1.3 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 also manages its exposure to price risk by analysing 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 believe the Fund can maximise 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, other components of equity and the net assets of the Fund would increase / decrease by Rs. 31.583 million (2016: Rs. 26.052 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.

26.2 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 counter party to fulfil 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 Management Company.

The maximum exposure to credit risk before considering any collateral as at June 30, 2017 is the carrying amount of the financial assets.

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 by the Fund as at June 30, 2017	Latest available published rating as at June 30, 2017	Rating agency
(Rupees in '000)			
Allied Bank Limited	128	AA+	PACRA
Askari Bank Limited	262	AA+	PACRA
Bank Alfalah Limited	5	AA+	PACRA
NIB Bank Limited	827	AA-	PACRA
Habib Bank Limited	28,980	AAA	JCR-VIS
MCB Bank Limited	196	AAA	PACRA
Zarai Taraqati Bank Limited	19	AAA	JCR-VIS
JS Bank Limited	163,915	AA-	PACRA
	<u>194,333</u>		

Name of bank	Balances held by the Fund as at June 30, 2016	Latest available published rating as at June 30, 2016	Rating agency
(Rupees in '000)			
Allied Bank Limited	4,362	AA+	PACRA
Askari Bank Limited	254	AA	JCR-VIS
Bank Alfalah Limited	5	AA+	PACRA
NIB Bank Limited	792	AA-	PACRA
Habib Bank Limited	13,959	AAA	JCR-VIS
MCB Bank Limited	1,654	AAA	PACRA
Zarai Taraqati Bank Limited	50	AAA	JCR-VIS
	<u>21,075</u>		

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.

26.3 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.

The Fund is exposed to daily cash redemptions of units. The Management Company manages the liquidity risk by monitoring maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

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

	2017			
	Total	Upto three months	Over three months and upto one year	Over one year
Financial liabilities (excluding unit holders' fund)	----- (Rupees in '000) -----			
Payable to the Management Company	1,881	1,881	-	-
Payable to the Trustee	180	180	-	-
Accrued expenses and other liabilities	1,232	1,232	-	-
	3,293	3,293	-	-
Unit holder's fund	966,784	966,784	-	-

	2016			
	Total	Upto three months	Over three months and upto one year	Over one year
Financial liabilities (excluding unit holders' fund)	----- (Rupees in '000) -----			
Payable to the Management Company	1,514	1,514	-	-
Payable to the Trustee	146	146	-	-
Accrued expenses and other liabilities	11,583	11,583	-	-
	13,243	13,243	-	-
Unit holder's fund	765,506	765,506	-	-

27. UNITS HOLDERS' FUND RISK MANAGEMENT

The units holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

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

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

In accordance with the risk management policies, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

28. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid or transfer a liability in an orderly transaction between market participants and 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.

IFRS 13, 'Fair Value Measurements' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Note	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
----- (Rupees in '000) -----									
On-balance sheet financial instruments									
Financial assets measured at fair value									
Investments									
- Listed equity securities		631,666	-	-	631,666	631,666	-	-	631,666
- Government Securities		-	-	-	-	-	-	-	-
- Term Finance Certificates - Listed		-	-	-	-	-	-	-	-
- Term Finance Certificates - Unlisted		68,561	-	-	68,561	-	-	-	-
		700,227	-	-	700,227	631,666	-	-	631,666
Financial assets not measured at fair value									
	28.1								
Bank balances		-	194,333	-	194,333				
Investments									
- Un-Listed equity securities	5.2		-	-	-				
- Loans and receivables - Placements		-	81,000	-	81,000				
Dividend receivable and accrued mark-up		-	3,616	-	3,616				
Advances, deposits and other receivables		-	3,480	-	3,480				
		-	282,429	-	282,429				
Financial liabilities not measured at fair value									
	28.1								
Payable to the Management Company		-	-	1,881	1,881				
Payable to the Trustee		-	-	180	180				
Accrued expenses and other liabilities		-	-	1,232	1,232				
Unit holders' fund				966,784	966,784				
		-	-	970,077	970,077				

	June 30, 2016							
	Carrying amount			Total	Fair Value			Total
Available-for-sale	Loans and receivables	Other financial assets / liabilities	Level 1		Level 2	Level 3		
----- (Rupees in '000) -----								
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments								
- Listed equity securities	521,029	-	-	521,029	521,029	-	-	521,029
- Government Securities	179,960	-	-	179,960	-	179,960	-	179,960
- Term Finance Certificates - Listed	-	-	-	-	-	-	-	-
- Term Finance Certificates - Unlisted	-	-	-	-	-	-	-	-
	<u>700,989</u>	<u>-</u>	<u>-</u>	<u>700,989</u>	<u>521,029</u>	<u>179,960</u>	<u>-</u>	<u>700,989</u>
Financial assets not measured at fair value 28.1								
Bank balances	-	21,075	-	21,075				
Investments								
- Un-Listed equity securities	1,555	-	-	1,555				
- Loans and receivables - Placements'	-	38,739	-	38,739				
Dividend receivable and accrued mark-up	-	5,677	-	5,677				
Advances, deposits and other receivables	-	18,089	-	18,089				
	<u>1,555</u>	<u>83,580</u>	<u>-</u>	<u>85,135</u>				
Financial liabilities not measured at fair value 28.1								
Payable to the Management Company	-	-	1,514	1,514				
Payable to the Trustee	-	-	146	146				
Accrued expenses and other liabilities	-	-	11,583	11,583				
Unit holders' fund	-	-	765,506	765,506				
	<u>-</u>	<u>-</u>	<u>778,749</u>	<u>778,749</u>				

28.1 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.

29. DISCLOSURE UNDER CIRCULAR 16 OF 2010 ISSUED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - CATEGORISATION OF OPEN END SCHEME

The Securities and Exchange Commission of Pakistan vide Circular 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the said circular. The Management Company classified the Fund as 'Balanced Scheme' in accordance with the said circular. As at June 30, 2017, the Fund is compliant with all the requirements of the said circular except for clause 2 (iv) which requires that the rating of any debt security in the portfolio shall not be lower than A- (A Minus).

Name of Non-Complaint Investment	Type of Investment	Value of Investment before Provision	Provision held (if any)	Value of Investment after Provision	% of Net Assets	% of Gross Assets
----- (Rupees in '000) -----						
Saudi Pak Leasing Company Limited	TFC	15,197	15,197	-	-	-
Dewan Cement Limited	Advance	25,000	25,000	-	-	-

30. TOTAL EXPENSE RATIO

In accordance with the Directive 23 of 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2017 is 2.83% which includes 0.65% representing Government Levy and SECP fee.

31. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company in their meeting held on **25 August 2017**.

32. CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation. No significant rearrangement or re-classification was made in these financial statements during the current year.

33. GENERAL

Figures have been rounded off to the nearest thousand rupees.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



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