

**HBL**

**ASSET MANAGEMENT LTD.**  
ایسیٹ مینجمنٹ لمیٹڈ

# Annual Report 2017

MOVING TOWARDS  
**EXCELLENCE**

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## **DISTRIBUTION NETWORK**

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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  
Directors

Mr. Towfiq Habib Chinoy	(Non-Executive Director)
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  
Members

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

## Human Resource Committee

Chairperson  
Members

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

## Risk Management Committee

Chairman  
Members

Mr. Rizwan Haider	(Non-Executive Director)
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](http://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 Islamic Money Market Fund, HBL Islamic Income Fund (Formerly: PICIC Islamic Income Fund), HBL Islamic Stock Fund, HBL Islamic Equity Fund (Formerly: PICIC Islamic Stock Fund), HBL Islamic Asset Allocation Fund & HBL Islamic Financial Planning 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 Islamic Income Fund (Formerly: PICIC Islamic Income Fund), and HBL Islamic Equity Fund (Formerly: PICIC Islamic Stock 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.

## 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 KMI30 Index surged by 19% 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 E&P and cement sectors which were expected to benefit from higher oil prices, strong growth in volumetric sales and new investment projects respectively. On the flip side, selected scrips in the fertilizer, textile and pharmaceutical sectors were the main drags on the market's performance. Furthermore, average daily trading volume shares posted a sizable improvement of 68% Y/Y in FY17 to 350 million shares, while average turnover increased by 61% Y/Y to PKR 15.3 billion. M&A and IPO activity also remained robust in the period, particularly in the food & personal care, cement, engineering and automobile parts sectors. During the year a consortium of Chinese investors and HBL acquired 40% stake in the PSX; subsequently, the book-building and IPO were conducted and the first trading session of the PSX stock was held on 29 June. Initial market response to the PSX book-building was muted, mainly due to tighter regulations surrounding the transaction, however, after three extensions in the book-building duration, the issue was eventually oversubscribed by a narrow margin. Going forward, we expect the market to continue its upward trajectory, given that Pakistan is still trading at a sizable discount to its Emerging Market peers in terms of P/E multiples and dividend yield. Pakistan also has the second-highest earnings growth in the region. These attractive valuations should act as a catalyst for inflows from foreign investors, adding to the anticipated inflow from passive Emerging Market Index funds. The recent acquisition of a large stake in the PSX by Chinese investors should also pave the way for the introduction of new products and greater visibility of the Pakistani market on the global stage. Over the longer term, the gathering momentum of the China-Pakistan Economic Corridor (CPEC) projects are likely to stimulate investment-led GDP growth which bodes well for Pakistan's equity market too.



## **FUNDS` PERFORMANCE AND PAYOUTS**

### **HBL Islamic Money Market Fund**

The total income and net income of the Fund was Rs. 34.49 million and Rs. 26.79 million respectively during the year ended June 30, 2017. The Net Asset Value (NAV) of the Fund increased from Rs. 100.6132 per unit as on June 30, 2016 to Rs. 100.6277 per unit (after incorporating interim dividends at Rs. 4.20 per unit) as on June 30, 2017; thereby giving an annualized return of 4.19%. During the same year the benchmark return (3 Month bank deposit rates) was 3.22%.

The Chief Executive Officer under the authority of the Board of Directors approved interim cash distribution of Rs. 4.20 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 Islamic Income Fund (Formerly: PICIC Islamic Income Fund)**

The total income and net income of the Fund was Rs. 42.39 million and Rs. 43.46 million respectively during the year ended June 30, 2017. The Net Asset Value (NAV) of the Fund increased from Rs. 100.7401 per unit as on June 30, 2016 to Rs. 101.0691 per unit (after incorporating interim dividends at Rs. 5.20 per unit) as on June 30, 2017; thereby giving an annualized return of 5.52%. During the same year the benchmark return (6 Month bank deposit rates) was 3.37%.

The Chief Executive Officer under the authority of the Board of Directors approved interim cash distribution of Rs. 5.20 per unit to the unit holders for the year ended June 30, 2017.

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

### **HBL Islamic Stock Fund**

The total income and net income of the Fund was Rs. 198.86 million and Rs. 204.53 million respectively during the year ended June 30, 2017. The Net Asset Value (NAV) of the Fund increased from Rs. 128.0108 per unit as on June 30, 2016 to Rs. 130.0225 per unit as on June 30, 2017 (after incorporating interim distribution: Cash dividend at Rs. 9.00 per unit and bonus at Rs. 20.00 per unit) giving a return of 24.51% during the year against the benchmark return (KMI 30 Index) of 18.80%.

The Chief Executive Officer under the authority of the Board of Directors approved interim cash distribution of Rs. 9.00 per unit and interim bonus distribution of Rs. 20.00 per unit to the unit holders for the year ended June 30, 2017.

### **HBL Islamic Equity Fund (Formerly: PICIC Islamic Stock Fund)**

The total income and net income of the Fund was Rs. 110.74 million and Rs. 79.51 million respectively during the year ended June 30, 2017. The Net Asset Value (NAV) of the Fund decreased from Rs. 106.4738 per unit as on June 30, 2016 to Rs. 105.4755 per unit as on June 30, 2017 (after incorporating interim distribution: Cash dividend at Rs. 1.00 per unit and bonus at Rs. 26.00 per unit) giving a return of 24.42% during the year against the benchmark return (KMI 30 Index) of 18.80%.

The Chief Executive Officer under the authority of the Board of Directors approved interim cash distribution of Rs. 1.00 per unit and interim bonus distribution of Rs. 26.00 per unit to the unit holders for the year ended June 30, 2017.

### **HBL Islamic Asset Allocation Fund**

The total income and net income of the Fund was Rs. 129.83 million and Rs. 200.40 million respectively during the year ended June 30, 2017. The Net Asset Value (NAV) of the Fund increased from Rs. 102.5411 per unit as on June 30, 2016 to Rs. 105.5962 per unit as on June 30, 2017 (after incorporating interim dividends at Rs. 7.00 per unit) thereby giving a return of 9.83% during the year against the benchmark return (Weighted average daily return of KMI 30 Index & 6 months deposit rate of A rated or above banks) of 7.63%.

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 Islamic Financial Planning Fund**

HBL Islamic Financial Planning Fund commenced its operations from June 17, 2017. The Fund comprises of three sub funds (plans) namely Active allocation plan, Conservative allocation plan and Strategic allocation plan.

The Fund as a whole earned total and net income of Rs. 18.92 million and Rs. 16.76 million respectively during the period under review. The fund size of the fund stood at Rs. 4.478 billion. Performance review for each plan is given below:

### **Active Allocation Plan**

During the period under review, the Active allocation plan earned total and net income of Rs. 0.46 million and Rs. 0.33 million respectively. The net assets of the Active allocation plan stood at Rs. 194 million representing Net Asset Value (NAV) of Rs. 100.0133 per unit as at June 30, 2017. The plan earned a return of 0.17% for the period under review. The plan is invested to the extent of 67% in income funds & 8% in equity funds.

The Chief Executive Officer under the authority of the Board of Directors approved interim cash distribution of Rs. 0.16 per unit to the unit holders for the year ended June 30, 2017.

### **Conservative Allocation Plan**

During the period under review, the Conservative allocation plan earned total and net income of Rs. 0.22 million and Rs. 0.20 million respectively. The net assets of the Conservative allocation plan stood at Rs. 58 million representing Net Asset Value (NAV) of Rs. 100.0178 per unit as at June 30, 2017. The plan earned a return of 0.34% for the period under review. The plan is invested to the extent of 58% in income funds & 17% in equity funds.

The Chief Executive Officer under the authority of the Board of Directors approved interim cash distribution of Rs. 0.32 per unit to the unit holders for the year ended June 30, 2017.

### **Strategic Allocation Plan**

During the period under review, the Strategic allocation plan earned total and net income of Rs. 18.24 million and Rs. 16.24 million respectively. The net assets of the Strategic allocation plan stood at Rs. 4.23 billion representing Net Asset Value (NAV) of Rs. 100.0143 per unit as at June 30, 2017. The plan earned a return of 0.51% for the period under review. The plan is invested to the extent of 91% in income funds & 5% in equity funds.

The Chief Executive Officer under the authority of the Board of Directors approved interim cash distribution of Rs. 0.37 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 Islamic Money Market Fund, HBL Islamic Income Fund (Formerly: PICIC Islamic Income Fund), HBL Islamic Stock Fund, HBL Islamic Equity Fund (Formerly: PICIC Islamic Stock Fund), HBL Islamic Asset Allocation Fund & HBL Islamic Financial Planning 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 Islamic Money Market Fund, HBL Islamic Income Fund (Formerly: PICIC Islamic Income Fund), HBL Islamic Stock Fund, HBL Islamic Equity Fund (Formerly: PICIC Islamic Stock Fund), HBL Islamic Asset Allocation Fund & HBL Islamic Financial Planning Fund for the next term.

### **DIRECTORS' STATEMENT IN COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE**

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.

#### HBL Islamic Money Market Fund

Name	Designation	Beginning Units	Units Issued	Units Redeemed	Bonus Units	Closing Units
Asher Matloob Siddiqui	Head of Internal Audit	-	1,481	1,481	-	-

#### HBL Islamic Income Fund (Formerly: PICIC Islamic Income Fund)

Name	Designation	Beginning Units	Units Issued	Units Redeemed	Bonus Units	Closing Units
Asher Matloob Siddiqui	Head of Internal Audit	7,023	1,478	7,023	-	1,478

#### HBL Islamic Stock Fund

Name	Designation	Beginning Units	Units Issued	Units Redeemed	Bonus Units	Closing Units
Noman Qurban	CFO & Company Secretary	16,067	500	7,915	1,206	9,858

#### HBL Islamic Equity Fund (Formerly: PICIC Islamic Stock Fund)

Name	Designation	Beginning Units	Units Issued	Units Redeemed	Bonus Units	Closing Units
Asher Matloob Siddiqui	Head of Internal Audit	7,319	1,861	1,466	1,792	9,506

#### HBL Islamic Asset Allocation Fund

Nil

#### HBL Islamic Financial Planning Fund – Active Allocation Plan

Nil

#### HBL Islamic Financial Planning Fund – Conservative Allocation Plan

Nil

#### HBL Islamic Financial Planning Fund – Strategic Allocation Plan

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 <sup>1</sup>	Present	Present	Present	N/A
Rizwan Haider	Present	Present	Present	Present
Ava A. Cowasjee	Present	Present	Present	Present
Salahuddin Manzoor <sup>2</sup>	N/A	N/A	N/A	Present

<sup>1</sup>Appointed as member of BAC effective from August 26, 2016.

<sup>2</sup>Released as member of BAC effective from August 26, 2016.

#### Board Human Resource and Remuneration Committee (HR&R)

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

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

<sup>1</sup>Resigned from Board of Directors effective from March 16, 2017.

<sup>2</sup>Attended meeting on special invitation.

<sup>3</sup>Appointed as committee member effective from August 25, 2017.

#### Board Risk Management Committee (BRMC)

During the year ended June 30, 2017 one BRMC meeting was held. Below is the attendance of 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 Islamic Money Market Fund

Description	Units Holding
<b>Directors and Associated Companies :</b>	
Habib Bank Limited	3,838,107
HBL Islamic Financial Planning Fund – Strategic Allocation Plan	785,072
<b>Persons holding 5% or more units in fund :</b>	
Atlas Battery Limited	893,378

#### HBL Islamic Income Fund (Formerly: PICIC Islamic Income Fund)

Description	Units Holding
<b>Directors and Associated Companies :</b>	
HBL Islamic Financial Planning Fund – Strategic Allocation Plan	37,406,609
HBL Islamic Financial Planning Fund – Active Allocation Plan	1,512,478
HBL Islamic Financial Planning Fund – Conservative Allocation Plan	384,899

#### HBL Islamic Stock Fund

Description	Units Holding
<b>Directors and Associated Companies :</b>	
Habib Bank Limited	6,198,853
HBL Asset Management Limited	215,062
<b>Persons holding 5% or more units in fund :</b>	
Hamdard Laboratories (waqf) Pakista	458,162

#### HBL Islamic Equity Fund (Formerly: PICIC Islamic Stock Fund)

Description	Units Holding
<b>Directors and Associated Companies :</b>	
HBL Asset Management Limited	1,702,128
HBL Islamic Financial Planning Fund – Strategic Allocation Plan	2,020,801
HBL Islamic Financial Planning Fund – Active Allocation Plan	176,613
HBL Islamic Financial Planning Fund – Conservative Allocation Plan	105,864
<b>Persons holding 5% or more units in fund :</b>	
NIB Bank Limited	916,259
Pak-Qatar Individual Family Participant Fund	873,297
Hamdard Laboratories (Waqf) Pakista	572,928

#### HBL Islamic Asset Allocation Fund

Description	Units Holding
<b>Directors and Associated Companies :</b>	
Habib Bank Limited	1,074,932
<b>Persons holding 5% or more units in fund :</b>	
Al-Mizan Foundation	4,208,255
Sheikh Khalid Zaheer Siddiqui	3,079,217
SIUT Trust	2,798,347
Official Assignee of Karachi	1,400,606

#### HBL Islamic Financial Planning Fund – Active Allocation Plan

Description	Units Holding
<b>Persons holding 5% or more units in fund :</b>	
Shahnaz Arshad Gilani	288,327
Shahid	155,883
Nasreen Ahmed Khattak	139,993
Ambreen Salman	126,603
ShehnazZeeshan	126,244
Sher Ali Khan	111,520
Rubina Siddique	103,844

#### HBL Islamic Financial Planning Fund – Conservative Allocation Plan

Description	Units Holding
<b>Persons holding 5% or more units in fund :</b>	
Mohsin Safdar	59,748
NashidAnam Shahid	59,030
Afshan Usman Malik	58,699
Mumtaz Hussain Shah	58,163
Syed Tanveer Ahmed	42,236
Jehan Zeb Khan Jomezai	41,625

#### HBL Islamic Financial Planning Fund – Strategic Allocation Plan

Description	Units Holding
<b>Persons holding 5% or more units in fund :</b>	
Imperial Developers & Builders (Pvt.) Limited	20,055,600
Darayus Happy Minwalla	15,187,894

#### **Acknowledgement**

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

## ڈائریکٹرز اور منسلکہ کمپنیز: فئڈ میں 5% یا اس سے زائد کی ہولڈنگ:

### مینجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ:

ایچ بی ایل ایس ایف مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز 30 جون 2017ء کو ختم ہونے والے سال کے لئے ایچ بی ایل ایس ایف مٹی مارکیٹ فئڈ، ایچ بی ایل ایس ایف اگم فئڈ (سابقہ: پبلک ایس ایف اگم فئڈ)، ایچ بی ایل ایس ایف اسٹاک فئڈ، ایچ بی ایل ایس ایف ایگم فئڈ (سابقہ: پبلک ایس ایف اسٹاک فئڈ)، ایچ بی ایل ایس ایف ایگم فئڈ اور ایچ بی ایل ایس ایف فائنانس فئڈ (سابقہ: ایچ بی ایل ایس ایف فائنانس فئڈ) کی رپورٹ مع ان کے مالیاتی گوشوارہ جات پیش کرتے ہوئے اظہارِ مسرت کرتا ہے۔

### مینجمنٹ کمپنی کا انضمام:

دوران سال 2017ء پبلک ایس ایف مینجمنٹ لمیٹڈ کا ایچ بی ایل ایس ایف مینجمنٹ لمیٹڈ میں انضمام ہو گیا۔ ایچ بی ایل ایس ایف مینجمنٹ لمیٹڈ نے 2016ء میں این آئی بی بینک لمیٹڈ سے پبلک ایس ایف مینجمنٹ کمپنی لمیٹڈ کے 100% حصص خرید لئے تھے۔ جس کے نتیجے میں 31 اگست 2016ء سے ایچ بی ایل ایس ایف اگم فئڈ (سابقہ: پبلک ایس ایف اگم فئڈ) اور ایچ بی ایل ایس ایف ایگم فئڈ (سابقہ: پبلک ایس ایف اسٹاک فئڈ) ایچ بی ایل ایس ایف مینجمنٹ لمیٹڈ کے زیرِ انتظام آ گئے۔ ایچ بی ایل ایس ایف مینجمنٹ لمیٹڈ حبیب بینک لمیٹڈ کا 100% ملکی ذیلی ادارہ ہے۔ آقاخان فئڈ فارا کٹاک ڈو پمپنٹ S.A. (AKFED) حبیب بینک لمیٹڈ کا سرمایہ سرپرست ادارہ ہے۔

### معیشت کا جائزہ:

مالی سال 2017ء میں پاکستان کی معاشی کارکردگی پچھلے سال 4.5% کی شرح نمو کے مقابلے میں حقیقی مجموعی قومی پیداوار 5.3% کی شرح نمو کے ساتھ مسلسل بہتری کی طرف گامزن ہے۔ مالی سال 2017ء میں شرح نمو گزشتہ 10 سالوں میں سب سے زیادہ تھی۔ اس بلند شرح نمو کے پیچھے کارفرما کلیدی عوامل میں زرعی شعبہ میں بدلاؤ بھی شامل تھا۔ جس نے پچھلے سال میں 0.3% شرح نمو کے مقابلے میں اس سال 3.5% شرح نمو ظاہر کی۔ دریں اثنا صنعتی شرح نمو 5.0% رہی اور شعبہ ہائے خدمات نے 6.0% شرح نمو ظاہر کی۔ سی پی آئی انفرافلز اور چرتا رنجی طور پر اب بھی بہت کم ہے، مالی سال 2017ء میں بڑھ کر 4.16% رہا جبکہ پچھلے سال کے اسی عرصے میں یہ 2.86% تھا۔ انفرافلز میں اہم ترین حصہ ایندھن کی بلند ہوتی قیمتیں اور اجناس و اشیاء خواراک کی قیمتوں میں اضافے کا رہا۔ پاکستان کا مالیاتی خسارہ 9 ماہ مالی سال 2017ء میں تیزی ظاہر کرتا رہا ہے۔ جہاں مالی خسارہ بانسٹ مجموعی قومی پیداوار اور گزشتہ سال کے اسی عرصے کے مقابلے میں 3.4% سے بڑھ کر 3.7% ہو گیا۔ جس کی وجہ ٹیکس محصولات میں 8.6% کا اضافہ ہے جو کہ دفاعی اخراجات میں 10.9% اضافے کو متوازن کرنے اور ترقیاتی اخراجات میں 8.4% اضافے کے لئے کافی نہیں تھے۔ بیرونی حسابات کی صورت حال پر توشیح دوبارہ سے اٹھانے لگی ہے کیونکہ مالی سال 2017ء کے لئے حسابات جاریہ کا خسارہ مجموعی قومی پیداوار کے 4.0% تک بڑھ چکا ہے جبکہ پچھلے سال کے اسی عرصے میں یہ 1.7% تھا جس کی وجہ ٹیکسائل برآمدات میں کمی، تیل اور مشینری کی درآمدات میں اضافہ اور مشرق وسطیٰ سے خاص طور پر ترسیلات زر میں کمی ہے۔ حسابات جاریہ کے خسارے کا یہ ر ساؤ مارچ کے آغاز میں کولیشن سپورٹ فئڈ (CSF) کے تحت 550 ملین امریکی ڈالر کی آمد کے باوجود واقع ہوا۔ مالی سال 2017ء میں غیر ملکی زرمبادلہ کے ذخائر میں 7.5% کی کمی واقع ہوئی۔ اس کے باوجود بینک دولت پاکستان غیر ملکی زرمبادلہ کے ذخائر تقریباً ساڑھے تین ماہ کی درآمدات کے لئے کافی ہیں۔ بڑواں خسارے کی صورت حال کی طرف سے چیلنجز کا ممکنہ سامنا ہے گا۔ تاہم، منظم و مربوط علاقائی معیشتوں کی جانب سے مناسب تعاون کے ساتھ پاکستانی معیشت گلتا ہے ان چیزوں پر قابو کر لے گی۔ مالی سال 2018ء میں توقع کی جاتی ہے کہ مجموعی قومی پیداوار کی شرح نمو تیز ہو کر 6.0% تک ہو جائے گی (جیسا کہ حکومت کا ہدف ہے) جس کے ساتھ ممکن ہے انفرافلز واحد ہند سے پر باسانی قائم رہے اور موافق شرح نمو پالیسی کا عمل آئندہ عام انتخابات تک جاری رہے۔ اس لئے پاکستان کی معاشی کارکردگی کی توقع مثبت ہے۔

## بازار زر کا جائزہ:

حکومت پاکستان نے 23 جون 2017ء کو ایم۔ون موٹروے بطور بنیادی اثاثے کے عوض اجارہ سکوک (مقررہ شرح) کے نیلام کا انعقاد کیا۔ جسکے ذریعے 3 سالہ مدت کا سکوک 71.69 ارب روپے کے ہدف کے ساتھ پیش کیا گیا۔ کل 167.08 ارب روپے مالیت کی بولیاں حاصل کی گئیں اور حکومت پاکستان نے 5.24% کی سالانہ شرح پر نیلام سے 76.01 ارب روپے اکٹھا کر لئے۔ تازہ ترین نیلام کے باوجود شرحہ موافق سرمایہ کاریوں کی اب بھی قلت ہے۔ اور اسی لئے اجارہ سکوک پر آمدن سرمایہ کاروں کو تسلسل سے راغب نہیں کر سکیں۔ تاہم مالی سال 2017ء کے دوسرے نصف کے دوران کچھ ادارہ جاتی سکوک کا بھی بازار میں لائے گئے۔ جسے سرمایہ کاروں کی جانب سے اچھی حوصلہ افزائی ملی۔

## 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 ایم آئی انڈیکس 30 میں 19% کا اضافہ ہوا، تاہم مالی سال کے لئے زیادہ تر منافع سال کے پہلے نصف میں ہی مرکوز رہا، دوسرے نصف میں ہی سرمایہ داروں (220 ملین ڈالر) اور دیگر گھنیز (127 ملین ڈالر) رہے۔ مقامی ادارہ جاتی سرمایہ کاروں کی جانب سے بڑے خالص خریدار (576 ملین ڈالر) کے طور پر سامنے آئے، دوسرے نمبر پر بیرونی ادارے (220 ملین ڈالر) اور دیگر گھنیز (127 ملین ڈالر) رہے۔ مقامی ادارہ جاتی سرمایہ کاروں کی جانب سے بڑے خالص 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 ریپلی (یعنی مظاہرہ) زیادہ تر آئی ایچ ڈی اور سینٹ کے شعبوں میں منتخب حصص جن میں امید تھی کہ وہ بلند تیل کی قیمتوں یا حجم 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، ٹیکسٹائل اور ادویات سازی کے شعبہ جات میں کچھ منتخب حصص ہی مارکیٹ کی کارکردگی میں گراؤٹ کی وجہ سے 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 ایچ اے اور آئی پی او سرگرمی بھی اس عرصے میں زبردست رہی، خاص طور پر فوڈ اور پوسٹل کیٹر، سینٹ، انجینئرنگ اور آٹوموٹو ہائل پارٹس کے شعبہ جات۔ دوران سال پاکستان اسٹاک ایکسچینج میں چینی سرمایہ کاروں اور ایچ بی ایل کے ایک کنسورٹیم نے 40% کا حصہ حاصل کر لیا۔ نتیجتاً بگ 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 بگ بلڈنگ کی طرف پہلا رد عمل تو چپ چاپ رہا جس کی بڑی وجہ لین دین کے ارد گرد سخت روابط تھے۔ لیکن بگ بلڈنگ کے دورانیے میں تین عدد توسیعیات کے بعد اجراء (ایٹو) آخر کار بہت باریک مارجن سے اور سسکراہٹ 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 پلو اور منافع مہسمہ آمدن کے لحاظ سے ایمر جنگ مارکیٹ کے دوسرے ساتھیوں کے مقابلے میں قابل ذکر رعایت پر ہے۔ پاکستان غلطے میں دوسری سب سے بڑی آمدن شرح نمو کا حامل بھی ہے۔ یہ پرکشش تخمینہ جات غیر ملکی سرمایہ کاریوں کی طرف سے بہاؤ (رقم لانے) کے لئے لازماً عمل انگیز کے طور پر کام کرنے چاہئیں، جس سے (Passive) پیس ایمر جنگ مارکیٹ انڈیکس فنڈز سے بہاؤ کی پیش بینی اجیش 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 مظہر نامے پر پاکستانی مارکیٹ کی وسیع تر پہنچائی کی راہ بھی ہموار ہونی چاہئے۔ وسیع تر تناظر میں ہی بیک منصوبہ جات میں زبردست تیزی سے امکانات ہیں کہ سرمایہ کاری سے بڑے مجموعی ملکی پیداوار کی شرح نمو میں بل چل اور حرکت ہو جو پاکستان کے بازار حصص (ایکویٹی مارکیٹ) کے لئے بھی بہت اچھا ہے۔

## فنڈ کی کارکردگی اور ادائیگیاں:

### ایچ بی ایل اسلامک منی مارکیٹ فنڈ:

فنڈ کی آمدن اور خالص آمدن 30 جون 2017ء کو ختم ہونے والے سال کے دوران علی الترتیب 34.49 ملین روپے اور 26.79 روپے رہے ہیں۔ فنڈ کی خالص مالیت اگست 30 جون 2016ء، 100.6132 روپے فی یونٹ سے بڑھ کر 30 جون 2017ء کے مطابق 100.6277 روپے فی یونٹ ہو گئی (4.20 روپے فی یونٹ عبوری منافع مہسمہ شامل کرنے کے بعد)۔ جس کے ذریعے 4.17% کا سالانہ منافع دیا گیا۔ اسی سال کے دوران بیچ مارک منافع (3 ماہ کی بینک ڈپازٹ شرحیں) 3.22% تھا۔



بورڈ آف ڈائریکٹرز کے اختیار کے تحت افسر منظم اعلیٰ نے 30 جون 2017ء کو ختم ہونے والے سال کیلئے پونٹ ہولڈرز کو 4.20 روپے فی پونٹ نقد عبوری منافع کی تقسیم کی منظوری دی ہے۔  
جے سی آر- وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ کو اے (ایف) کی فنڈ اسٹیبلشمنٹ ریٹنگ کی توثیق کی ہے۔

### ایچ بی ایل اسلامک انکم فنڈ (سابقہ پبک اسلامک انکم فنڈ):

30 جون 2017ء کو ختم ہونے والے سال کے دوران فنڈ کی کل آمدن اور خالص آمدن 42.39 ملین روپے اور 43.46 ملین روپے علی الترتیب رہیں۔ فنڈ کے خالص مالیت ۱۷۵۰ برعلاقہ 30 جون 2016ء 100.7401 روپے فی پونٹ سے بڑھ کر برعلاقہ 30 جون 2017ء 101.0691 روپے فی پونٹ ہو گئی (5.20 روپے فی پونٹ عبوری منافع منقسمہ شامل کرنے کے بعد)۔ جس کے ذریعے 5.52% کا سالانہ منافع دیا گیا۔ اسی سال کے دوران شیج مارک منافع (6 ماہ کی بینک ڈپازٹ شرحیں) 3.37% تھا۔

بورڈ آف ڈائریکٹرز کے اختیار کے تحت افسر منظم اعلیٰ نے 30 جون 2017ء کو ختم ہونے والے سال کے لئے پونٹ ہولڈرز کو 5.20 فی پونٹ کے عبوری نقد تقسیم کی منظوری دی۔

جے سی آر- وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ کی فنڈ اسٹیبلشمنٹ ریٹنگ بڑھاتے ہوئے اے پلس (ایف) A+(F) کر دی۔

### ایچ بی ایل اسلامک اسٹاک فنڈ :

30 جون 2017ء کو ختم ہونے والے سال کے دوران فنڈ کی کل آمدن اور خالص آمدن 198.86 ملین روپے اور 204.53 ملین روپے علی الترتیب رہیں۔ فنڈ کی خالص مالیت ۱۷۵۰ برعلاقہ 30 جون 2016ء 128.0108 روپے فی پونٹ سے بڑھ کر برعلاقہ 30 جون 2017ء 130.0225 روپے فی پونٹ ہو گئی (نقد ایک روپے فی پونٹ اور بونس 20.00 روپے فی پونٹ عبوری منافع منقسمہ شامل کرنے کے بعد)۔ سال کے دوران 18.80% کے شیج مارک منافع (کے ایم آئی 30 انڈیکس) کے مقابلے میں 24.51% کا منافع دیا گیا۔

بورڈ آف ڈائریکٹرز کے اختیار کے تحت افسر منظم اعلیٰ نے 30 جون 2017ء کو ختم ہونے والے سال کیلئے پونٹ ہولڈرز کو نقد 9 روپے فی پونٹ اور بونس 20 روپے فی پونٹ کی عبوری تقسیم کی منظوری دی ہے۔

### ایچ بی ایل اسلامک ایکویٹی فنڈ (سابقہ پبک اسلامک اسٹاک فنڈ):

30 جون 2017ء کو ختم ہونے والے سال کے دوران فنڈ کی کل آمدن اور خالص آمدن 110.74 ملین روپے اور 79.51 ملین روپے علی الترتیب رہیں۔ فنڈ کی خالص مالیت ۱۷۵۰ برعلاقہ 30 جون 2016ء 106.4738 روپے فی پونٹ سے کم ہو کر برعلاقہ 30 جون 2017ء 105.4755 روپے فی پونٹ ہو گئی (نقد ایک روپے فی پونٹ سے عبوری منافع منقسمہ اور 26.00 روپے فی پونٹ بونس شامل کرنے کے بعد)۔ سال کے دوران 18.80% کے شیج مارک منافع (کے ایم آئی 30 انڈیکس) کے مقابلے میں 24.42% کا منافع دیا گیا۔

بورڈ آف ڈائریکٹرز کے اختیار کے تحت افسر منظم اعلیٰ نے 30 جون 2017ء کو ختم ہونے والے سال کے لئے پونٹ ہولڈرز کو 1.00 روپے فی پونٹ عبوری نقد اور 26.00 روپے فی پونٹ کے عبوری بونس کی تقسیم کی منظوری دی ہے۔

## ایچ بی ایل اسلامک ایسیٹ ایلوکیشن فنڈ:

30 جون 2017ء کو ختم ہونے والے سال کے دوران فنڈ کی گھل آمدن اور خالص آمدن 129.83 ملین روپے اور 200.40 ملین روپے علی الترتیب رہیں۔ فنڈ کی خالص مالیت (NAV) بمطابق 30 جون 2016ء 102.5411 روپے فی یونٹ سے بڑھ کر 30 جون 2017ء کے مطابق 105.5962 روپے فی یونٹ ہو گئی (نقد 7 روپے فی یونٹ عبوری منافع منقسمہ شامل کرنے کے بعد)۔ جس کے ذریعے 7.63% کے شیئ مارک منافع (کے ایم آئی 30 اڈیکس اور 6 ماہے درجہ یا اس سے اوپر ٹرنکس کی ڈپازٹ شرح کی اوسط) کے مقابلے میں سال کے دوران 9.83% کا منافع دیا گیا۔

بورڈ آف ڈائریکٹرز کے اختیار کے تحت افسر منتظم اعلیٰ نے 30 جون 2017 کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو 7 روپے فی یونٹ کے عبوری نقد تقسیم کی منظوری دی۔

## ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ:

ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ نے اپنے کام کا آغاز 17 جون 2017ء سے کیا۔ فنڈ تین ذیلی فنڈز (پلانز) پر مشتمل ہے جس کے نام ایکٹیو ایلوکیشن پلان، کنزرویٹو ایلوکیشن پلان اور اسٹریٹجک ایلوکیشن پلان ہیں۔

فنڈ نے مجموعی طور پر زیر جائزہ عرصے کے دوران گھل اور خالص آمدن علی الترتیب 18.92 ملین روپے اور 16.76 ملین روپے حاصل کی۔ فنڈ کا گھل 4.478 ارب روپے رہا۔ پلان کے لئے کارکردگی کا جائزہ درج ذیل ہے:

## ایکٹیو ایلوکیشن پلان:

زیر جائزہ عرصے کے دوران ایکٹیو ایلوکیشن پلان نے علی الترتیب 0.46 ملین روپے اور 0.33 ملین روپے کی گھل اور خالص آمدن حاصل کی۔ ایکٹیو ایلوکیشن پلان کے خالص اثاثہ جات 194 ملین روپے پر رہے جو بمطابق 30 جون 2017ء 100.01333 روپے فی یونٹ خالص مالیت اثاثہ کو ظاہر کرتا ہے۔ زیر جائزہ عرصے کے لئے پلان نے 0.17% کا منافع حاصل کیا۔ پلان نے 67% کی حد تک اگم فنڈ ز اور 8% کی حد تک ایکٹیو فنڈز میں سرمایہ کاری کی۔

بورڈ آف ڈائریکٹرز کے اختیار کے تحت افسر منتظم اعلیٰ نے 30 جون 2017ء کو ختم ہونے والے سال کیلئے یونٹ ہولڈرز کو 0.16 روپے فی یونٹ کے عبوری نقد تقسیم کی منظوری دی۔

## کنزرویٹو ایلوکیشن پلان:

زیر جائزہ عرصے کے دوران کنزرویٹو ایلوکیشن پلان نے علی الترتیب 0.22 ملین روپے اور 0.20 ملین روپے کی گھل اور خالص آمدن حاصل کی۔ پلان کے خالص اثاثہ جات 58 ملین روپے قائم رہے جو بمطابق 30 جون 2017ء 100.0178 روپے فی یونٹ کی خالص مالیت اثاثہ جات (NAV) کو ظاہر کرتی ہے۔ زیر جائزہ عرصے کے لئے پلان نے 0.34% کا منافع کمایا۔ پلان نے 58% کی حد تک اگم فنڈ ز اور 17% کی حد تک ایکٹیو فنڈز میں سرمایہ کاری کی۔

بورڈ آف ڈائریکٹرز کے اختیار کے تحت افسر منتظم اعلیٰ نے 30 جون 2017ء کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو 0.32 روپے فی یونٹ کے عبوری نقد تقسیم کی منظوری دی۔

## اسٹریٹجک ایلوکیشن پلان:

زیر جائزہ عرصے کے دوران اسٹریٹجک ایلوکیشن پلان علی الترتیب 18.24 ملین روپے اور 16.24 ملین روپے کی گھل اور خالص آمدن حاصل کی۔ اس پلان کے خالص اثاثہ جات 4.23 ارب روپے پر قائم رہے جو بمطابق 30 جون 2017 100.01432017 روپے کی پونٹ کی خالص مالیت اثاثہ جات کو ظاہر کرتی ہے۔ زیر جائزہ عرصے کے لئے پلان نے 0.51% کا منافع حاصل کیا۔ پلان نے 91% کی حد تک اگم فنڈ زائدہ 5% کی حد تک ایکویٹی فنڈز میں سرمایہ کاری کی۔

بورڈ آف ڈائریکٹرز کے اختیار کے تحت اسٹریٹجک اعلیٰ نے 30 جون 2017 کو ختم ہونے والے سال کے لئے پونٹ ہولڈرز کو 0.37 روپے کی پونٹ کی عبوری نقد تقسیم کی منظوری دی۔

## مینجمنٹ کمپنی ریٹنگ (درجہ بندی):

جے سی آر۔ آئی ایس کرڈیٹ ریٹنگ کمپنی لمیٹڈ (JCR-VIS) نے مینجمنٹ کمپنی کے لئے اے ایم 2 پوزیٹو آؤٹ لک یعنی (مثبت توقع) کی مینجمنٹ کو الٹی ریٹنگ (درجہ بندی) برقرار رکھی۔

## آڈٹرز:

میسرز ڈی لائیٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس) ایچ بی ایل اسلامک منی مارکیٹ فنڈ، ایچ بی ایل اسلامک اگم فنڈ (سابقہ پبلک اسلامک اگم فنڈ)، ایچ بی ایل اسٹاک فنڈ، ایچ بی ایل اسلامک ایکویٹی فنڈ (سابقہ پبلک اسلامک اسٹاک فنڈ) ایچ بی ایل اسلامک ایسیٹ ایلوکیشن فنڈ اور ایچ بی ایل فنانشل پلاننگ فنڈ کے موجودہ آڈٹرز کے عہدے سے سبکدوش ہو گئے اور وہ خود کی دوبارہ تقرری کی پیشکش کیلئے اہل ہیں۔ بورڈ آف ڈائریکٹرز نے آڈٹ کمپنی کی سفارش پر میسرز ڈی لائیٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس کو ایچ بی ایل اسلامک منی مارکیٹ فنڈ، ایچ بی ایل اسلامک اگم فنڈ (سابقہ پبلک اسلامک اگم فنڈ)، ایچ بی ایل اسٹاک فنڈ، ایچ بی ایل اسلامک ایکویٹی فنڈ (سابقہ پبلک اسلامک اسٹاک فنڈ) ایچ بی ایل اسلامک ایسیٹ ایلوکیشن فنڈ اور ایچ بی ایل فنانشل پلاننگ فنڈ کے آڈٹرز کے طور پر آئندہ مدت کیلئے دوبارہ مقرر کر لیا ہے۔

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

- 1 فنڈز کی مینجمنٹ کمپنی کی جانب سے تیار کردہ مالیاتی گوشوارہ جات فنڈز کے امور کارس کے افعال کا نتیجہ نقد بہاؤ اور فنڈز کے پونٹ ہولڈرز کی نقل و حرکت کا بیان منصفانہ طور پر پیش کرتے ہیں
  - 2 فنڈز کے حسابات کی مناسب کتب برقرار رکھی گئی ہیں۔
  - 3 مالیاتی گوشوارہ جات کی تیاری میں مناسب حساباتی پالیسیوں کو مسلسل بروئے کار لایا جاتا رہا ہے۔ حساباتی تخمینہ معقول اور محتاط آراء پہنچی ہیں۔
  - 4 انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈز، جیسے پاکستان میں لاگو ہیں، مالیاتی گوشوارہ جات کی تیاری میں عبوری کی جاتی رہی ہے۔
  - 5 انٹرنل کنٹرول کا نظام ترتیب دیکھل میں اچھا ہے اور اسے موثر طریقے سے نافذ کیا گیا اور اسکی نگرانی کی گئی ہے۔
  - 6 فنڈز کی بطور ایک جاری کاروبار تسلسل کی صلاحیت پر کوئی مستحق 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 فنڈز کے کارکردگی جدول (پرفارمنس ٹیبل) میں مہیا کر دیا گیا ہے۔
  - 9 دوران سال فنڈز کے پونٹس میں ڈائریکٹرز سی ای اور سی ایف او، ہیڈ آف انٹرنل آڈٹ ایچ کمپنی بیکریٹری اور ان کے ذمہ دارین نے کوئی لین دین نہیں کیا سوائے اس کے جو فنڈز کے مالیاتی گوشوارہ جات کی اور متعلقہ ملاحظات میں نیچے فراہم اور ظاہر کر دیے گئے ہیں۔
- مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز نے ایگزیکٹو کے طور پر درجہ بندی کرنے کے لئے ملازمین کو 1,200,000 روپے سالانہ بنیادی تنخواہ کی حد مقرر کر دی ہے۔

### ایچ بی ایل اسلامک منی مارکیٹ فنڈ:

نام	عہدہ	ابتدائی پوزیشن	خریدے گئے پوزیشن	فروخت کی گئے پوزیشن	بونس پوزیشن	اعتدالی پوزیشن
اشعر مطلوب صدیقی	ہیڈ آف انٹرنل آڈٹ	-	1,481	1,481	-	-

### ایچ بی ایل اسلامک انکم فنڈ (سابقہ پیک اسلامک انکم فنڈ):

نام	عہدہ	ابتدائی پوزیشن	خریدے گئے پوزیشن	فروخت کی گئے پوزیشن	بونس پوزیشن	اعتدالی پوزیشن
اشعر مطلوب صدیقی	ہیڈ آف انٹرنل آڈٹ	7,023	1,478	7,023	-	1,478

### ایچ بی ایل اسلامک اسٹاک فنڈ:

نام	عہدہ	ابتدائی پوزیشن	خریدے گئے پوزیشن	فروخت کی گئے پوزیشن	بونس پوزیشن	اعتدالی پوزیشن
نعمان قرمان	چیف فنانشل آفیسر	16,067	500	7,915	1,206	9,858

### ایچ بی ایل اسلامک ایکویٹی فنڈ (سابقہ پیک اسلامک اسٹاک فنڈ):

نام	عہدہ	ابتدائی پوزیشن	خریدے گئے پوزیشن	فروخت کی گئے پوزیشن	بونس پوزیشن	اعتدالی پوزیشن
اشعر مطلوب صدیقی	ہیڈ آف انٹرنل آڈٹ	7,319	1,861	1,466	1,792	9,506

### ایچ بی ایل اسلامک ایسیٹ ایلوکیشن فنڈ:

کچھ نہیں۔

### ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ- ایکٹیو ایلوکیشن پلان:

کچھ نہیں۔

### ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ-کنزرویٹیو ایلوکیشن پلان:

کچھ نہیں۔

### ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ-اسٹریٹجک ایلوکیشن پلان:

کچھ نہیں۔

بورڈ آف ڈائریکٹرز اجلاس کی حاضری 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 ایے سی):

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

نام	21 اپریل 2017ء	24 فروری 2017ء	31 اکتوبر 2016ء	25 اگست 2016ء
ندیم عبداللہ <sup>1</sup>	حاضر	حاضر	حاضر	N/A
رضوان حیدر	حاضر	حاضر	حاضر	حاضر
آدالے کاؤنگی	حاضر	حاضر	حاضر	حاضر
صلاح الدین منظور <sup>2</sup>	N/A	N/A	N/A	حاضر

<sup>1</sup> 26 اگست 2017ء سے بی ایے سی کے رکن کے طور پر تقرری موثر

<sup>2</sup> 26 اگست 2017ء سے بی ایے سی کے رکن کے طور پر سبکدوشی موثر

### بورڈ آف ہیومن ریسورس اور ریمنٹیشن کمیٹی (ایچ آراینڈ آں):

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

نام	تاریخ اجلاس
	27 اپریل 2017ء
توفیق ایچ چینیائی	حاضر
سیا کمال <sup>1</sup>	N/A
فرید احمد خان	حاضر
صلاح الدین منظور <sup>2</sup>	حاضر
ریمنڈ ایچ کوٹوال <sup>3</sup>	N/A

<sup>1</sup> 16 مارچ 2017ء سے بورڈ آف ڈائریکٹرز کے عہدے سے سبکدوشی موثر

<sup>2</sup> خصوصی دعوت پر اجلاس میں حاضری

<sup>3</sup> 25 اگست 2017ء سے ایچ آراینڈ آں کمیٹی کے رکن پر تقرری موثر

## بورڈ ریسک مینجمنٹ کمیٹی (بی آر ایم سی):

30 جون 2017 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

ملاح الدین منظور

فرید احمد خان

حاضر

حاضر

حاضر

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 مینجمر رپورٹ کے متعلقہ حصے میں دیئے گئے ہیں۔ منسلک کمپنیز، متعلقہ فریقین اور 5% سے زیادہ یونٹ ہولڈنگ والے یونٹ ہولڈرز کی بالفاظ نام تفصیل درج ذیل کے مطابق ہیں۔

## ایچ بی ایل منی مارکیٹ فنڈ:

یونٹ ہولڈنگ

تفصیل

ڈائریکٹرز اور منسلک کمپنیز:

3,838,107

حبیب بینک لمیٹڈ

785,072

ایچ بی ایل اسلامک ٹرانزیشن پلاننگ - اسٹریٹجک ایلیکشن فنڈ

فنڈ میں 5% یا اس سے زائد کی ہولڈنگ:

893,378

اسٹیلس بیٹری لمیٹڈ

## ایچ بی ایل اسلامک انکم فنڈ (سابقہ پبک اسلامک انکم فنڈ)

یونٹ ہولڈنگ

تفصیل

ڈائریکٹرز اور منسلک کمپنیز:

37,406,609

ایچ بی ایل اسلامک ٹرانزیشن پلاننگ - اسٹریٹجک ایلیکشن پلان

1,512,478

ایچ بی ایل اسلامک ٹرانزیشن پلاننگ - ایکٹیو ایلیکشن پلان

384,899

ایچ بی ایل اسلامک ٹرانزیشن پلاننگ - کنٹرولڈ ایلیکشن پلان

## ایچ بی ایل اسٹاک فنڈ:

یونٹ ہولڈنگ	تفصیل
	ڈائریکٹرز اور مشلکہ کمپنیز:
6,198,853	حبیب بینک لمیٹڈ
215,062	ایچ بی ایل اسلامک فنانس پلاننگ - اسٹریٹجک ایلوکیشن فنڈ
	فنڈ میں 5% یا اس سے زائد کی ہولڈنگ:
458,162	ہمدرد لیبارٹریز (وقف) پاکستان

## ایچ بی ایل اسلامک ایکویٹی فنڈ (سابقہ پیک اسلامک اسٹاک فنڈ):

یونٹ ہولڈنگ	تفصیل
	ڈائریکٹرز اور مشلکہ کمپنیز:
1,702,128	ایچ بی ایل ایسٹ پیمنٹ لمیٹڈ
2,020,801	ایچ بی ایل اسلامک فنانس پلاننگ فنڈ - اسٹریٹجک ایلوکیشن پلان
176,613	ایچ بی ایل اسلامک فنانس پلاننگ فنڈ - ایکٹیو ایلوکیشن پلان
105,864	ایچ بی ایل اسلامک فنانس پلاننگ فنڈ - کنٹرویلڈ ایلوکیشن پلان
	فنڈ میں 5% یا اس سے زائد کی ہولڈنگ:
916,259	این آئی بی بینک لمیٹڈ
873,277	پاک قطر انٹرویورل فیملی پارٹی سی پیٹ فنڈ
572,928	ہمدرد لیبارٹریز (وقف) پاکستان

## ایچ بی ایل اسلامک ایسیٹ ایلوکیشن فنڈ:

یونٹ ہولڈنگ	تفصیل
	ڈائریکٹرز اور مشلکہ کمپنیز:
1,074,932	حبیب بینک لمیٹڈ
	فنڈ میں 5% یا اس سے زائد کی ہولڈنگ:
4,208,255	المیران فاؤنڈیشن
3,079,217	شیخ خالد ظہیر صدیقی
2,798,347	ایس آئی یو ٹی ٹرسٹ
1,400,606	آفیشل اسائیجمنٹ کراچی

## ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ - ایکٹیو ایلوکیشن پلان:

پونٹ ہولڈنگ

تفصیل

فٹڈ میں 5% یا اس سے زائد کی ہولڈنگ:

288,327

شہناز ارشد گیلانی

155,883

شاہد

139,993

نسرین احمد خٹک

126,603

عزیزین سلمان

126,244

شہناز ذیشان

111,520

شیر علی خان

103,844

روبینہ صدیقی

## ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ - کنزرویٹو ایلوکیشن پلان:

پونٹ ہولڈنگ

تفصیل

فٹڈ میں 5% یا اس سے زائد کی ہولڈنگ:

59,748

محسن صفدر

59,030

نشیدرا نعم شاہد

58,699

افشاں عثمان ملک

58,163

ممتاز حسین شاہ

42,236

سیڈتویر احمد

41,625

چہانزیب خان جوگیزی

## ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ - اسٹریٹجک ایلوکیشن پلان:

پونٹ ہولڈنگ

تفصیل

فٹڈ میں 5% یا اس سے زائد کی ہولڈنگ:

20,055,600

امپیریل ڈویلپرز (پرائیویٹ) لمیٹڈ

15,187,894

دریادس پی مینوال



## اعتراف:

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے اپنے تمام یونٹ ہولڈرز کا اعلیٰ اعتماد و سرپرستی کیلئے دل کی گہرائیوں سے شکریہ ادا کرتا ہے۔ بورڈ سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان سنٹرل ڈپازٹری کمپنی آف پاکستان بطور ٹرسٹی 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 استحکام محنت اور لگن کو بھی سراہتا ہے۔

منجانب بورڈ

ایچ بی ایل ایس ایٹ منجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو آفسر

مورے 25 اگست 2017ء

بمقام: کراچی





**HBL ISLAMIC MONEY MARKET FUND**

**Annual Report 2017**

## FUND INFORMATION

<b>NAME OF FUND</b>	<b>HBL Islamic Money Market Fund</b>
<b>NAME OF AUDITOR</b>	<b>Deloitte Yousuf Adil Chartered Accountants.</b>
<b>NAME OF TRUSTEE</b>	<b>Central Depository Company of Pakistan Limited.</b>
<b>NAME OF SHARIAH ADVISORS</b>	<b>Habib Bank Limited    Appointed from April 21, 2017 Al-Hilal                    Service till April 20, 2017</b>
<b>NAME OF BANKERS</b>	<b>Habib Bank Limited Bank Al-Habib Limited Habib Metropolitan Bank Limited National Bank of Pakistan Faysal Bank Limited Allied Bank Limited Meezan Bank Askari Bank Limited</b>
<b>FUND RATING</b>	<b>'AA(f)' (JCR-VIS)</b>

# FUND MANAGER'S REPORT - HBL ISLAMIC MONEY MARKET FUND

As at June 30, 2017

## Type and Category of Fund

Open end Islamic Money Market Fund

## Investment Objective and Accomplishment of Objective

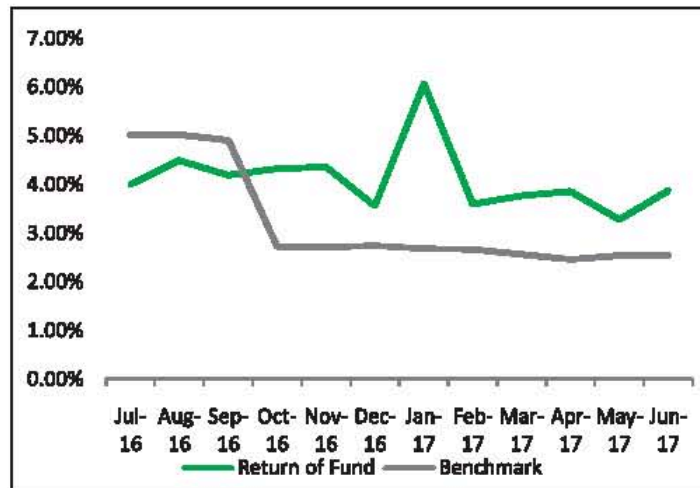
The investment objective of the Fund is to seek high liquidity, competitive return and maximum possible preservation of Capital for Investors by investing in low risk Shariah Compliant securities. The investment objective is achieved.

## Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is average 3 Months average deposit rates of 3 AA rated Islamic Banks or Islamic Windows of Conventional Bank as selected by MUFAP.

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

Month	Return of Fund	Benchmark
Jun-17	3.87%	2.55%
May-17	3.28%	2.54%
Apr-17	3.86%	2.46%
Mar-17	3.77%	2.56%
Feb-17	3.60%	2.67%
Jan-17	6.07%	2.68%
Dec-16	3.56%	2.74%
Nov-16	4.36%	2.71%
Oct-16	4.32%	2.73%
Sep-16	4.19%	4.91%
Aug-16	4.49%	5.02%
Jul-16	4.00%	5.02%

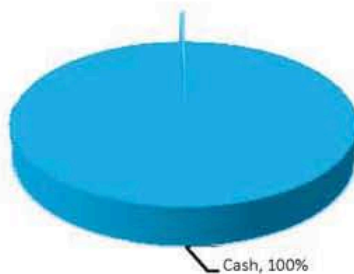


## Strategies and Policies employed during the Period

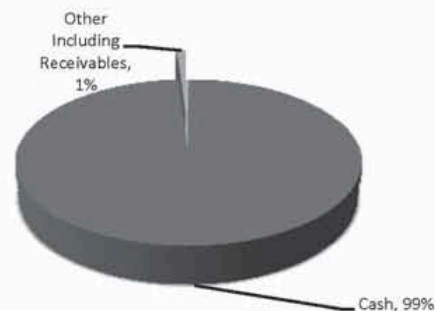
The Fund continued to invest in bank deposit due to absence of investment opportunities in Islamic Investments.

## Asset Allocation

Asset Allocation June 2017



Asset Allocation June 2016



## Fund Performance

The total income and net income of the Fund was Rs. 34.49 million and Rs.26.79 million respectively during the year ended June 30, 2017. The Net Asset Value (NAV) of the Fund increased from Rs 100.6132 per unit as on June 30, 2016 to Rs 100.6277 per unit (after incorporating interim dividends at Rs 4.20 per unit) as on June 30, 2017; thereby giving an annualized return of 4.19%. During the same year the benchmark return (3 Month bank deposit rates) was 3.22%.

## 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.

## Distribution

The Fund has distributed cash dividend at Rs. 4.20 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 period under review.

## Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 - 100	773	12,449
101 - 500	29	6,162
501 - 1,000	9	5,760
100,1 - 10,000	82	324,040
10,001 - 100,000	56	1,916,600
100,001 - 500,000	3	519,152
500,001 - 1,000,000	2	1,678,450
1,000,001 - 5,000,000	1	3,838,107
5,000,001 and above	0	-
<b>Total</b>	<b>955</b>	<b>8,300,721</b>

## 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 ISLAMIC MONEY MARKET FUND

As at June 30, 2017

	2017	2016	2015	2014	2013	2012
Net assets at the period end(Rs'000)	835,282	506,741	457,348	446,142	439,246	343,438
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	100.6277	100.6132	100.4237	100.1872	100.9840	103.0235
Offer	100.6277	100.6132	100.4237	100.1872	100.9840	103.0235
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	104.7144	104.6150	106.5827	100.9653	102.2988	103.4576
Lowest offer price per unit	100.5319	100.4203	100.3186	100.0852	100.1753	100.2278
Highest redemption price per unit	104.7144	104.6150	100.9653	100.9653	102.2988	103.4576
Lowest redemption price per unit	100.5319	100.4203	100.0852	100.0852	100.1753	100.2278
<b>RETURN ( % )</b>						
Total return	4.19%	4.29%	6.70%	6.86%	8.45%	10.33%
Income distribution	4.20%	4.10%	6.50%	6.51%	8.16%	10.00%
Capital growth	-0.01%	0.19%	0.20%	0.35%	0.29%	0.33%
<b>DISTRIBUTION</b>						
Final dividend distribution- Rs	4.20	4.10	6.50	-	0.95	3.00
Date of Income Distribution	20-Jun-17	22-Jun-16	26-Jun-15	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)
Total dividend distribution for the year/ period	4.20	4.10	6.50	6.51	8.16	10.00
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	4.19%	4.29%	6.70%	6.86%	8.45%	10.33%
Average annual return 2 year	4.25%	5.50%	6.78%	7.66%	9.39%	10.40%
Average annual return 3 year	5.06%	5.95%	7.34%	8.55%	9.75%	10.40%
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	100%	99%	99%	100%	53%	88%
GoP Ijarah Sukuks	-	-	-	-	-	-
Placement with Banks and DFIs	-	-	-	-	46%	-
Corporate Sukuks	-	-	-	-	-	10%
Others	-	1%	1%	-	1%	2%

**Note:**

The Launch date of the Fund is May 10, 2011

**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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Fax: (92-21) 34326020 - 23  
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**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 SHARIAH PRINCIPLES

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

**Farid Ahmed Khan**  
Chief Executive Officer  
Dated: August 25, 2017



**Al-Hilal**  
— Shariah Advisors —

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

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

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

Keeping in view the above; we certify that:

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

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

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

Mufti Irshad Ahmad Aijaz  
Shariah Advisor



Faraz Younus Bandukda  
Chief Executive

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

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**Deloitte Yousuf Adil**  
Chartered Accountants  
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KCHSU, Shahrah-e-Faisal  
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## **Independent assurance report to the unit holders on the statement of compliance with the shariah principles**

We have performed an independent assurance engagement of Report - HBL Islamic Money Market Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2017. Our engagement was carried out as required under Trust Deed and Shariah Principles of the Fund.

### **Management Company's responsibility**

Management Company (HBL Asset Management Limited) of the Fund is responsible for the preparation of the Statement (the subject matter) and for compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor (criteria). This responsibility includes designing, implementing and maintaining internal control to ensure that operations of the Fund and the investments made by the Fund are in compliance with the Shariah Principles.

### **Responsibility of independent assurance providers**

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we comply with ethical requirements, including independence requirements, and plan and perform the engagement to obtain reasonable assurance whether the Statement reflects the status of the Fund's compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.

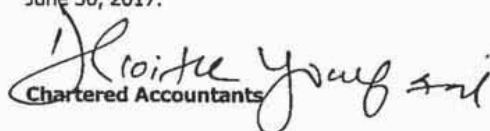
The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Shariah Principles whether due to fraud or error. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

The procedures performed included:

- Checking compliance of specified guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2017 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

### **Conclusion**

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor for the year ended June 30, 2017.

  
Chartered Accountants

**Dated:** September 22, 2017  
**Place:** Karachi

Member of  
**Deloitte Touche Tohmatsu Limited**

# HBL ISLAMIC MONEY MARKET 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 Islamic 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



**Deloitte Yousuf Adil**  
Chartered Accountants  
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## **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 Islamic 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**



**Deloitte Yousuf Adil**  
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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 Islamic 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.

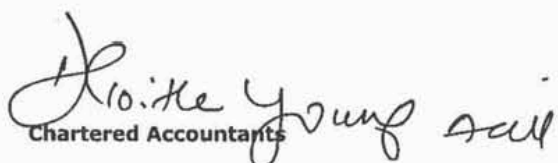
### **Report on other legal and regulatory requirements**

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.

Member of  
**Deloitte Touche Tohmatsu Limited**

## 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 ISLAMIC MONEY MARKET FUND**  
**Statement of Assets and Liabilities**  
*As at June 30, 2017*

	2017	2016
Note	----- Rupees in '000 -----	
<b>Assets</b>		
Bank balances	5 <b>839,601</b>	514,268
Accrued mark-up on deposit with banks	6 <b>3,265</b>	2,157
Prepayments and other receivables	7 <b>59</b>	2,114
<b>Total assets</b>	<b>842,925</b>	518,539
<b>Liabilities</b>		
Payable to the Management Company	8 <b>791</b>	511
Payable to the Trustee	9 <b>112</b>	71
Payable to Securities and Exchange Commission of Pakistan	10 <b>471</b>	352
Accrued expenses and other liabilities	11 <b>6,269</b>	10,864
<b>Total liabilities</b>	<b>7,643</b>	11,798
<b>Net assets</b>	<b>835,282</b>	506,741
<b>Unit holders' fund (as per statement attached)</b>	<b>835,282</b>	506,741
<b>Contingencies and commitments</b>		
	12	
	----- Number of units -----	
<b>Number of units in issue</b>	13 <b>8,300,721</b>	5,036,525
	----- Rupees -----	
<b>Net assets value per unit</b>	<b>100.6277</b>	100.6132

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

For HBL Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

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

	2017	2016
Note	Rupees in '000	
<b>Income</b>		
Mark-up on deposit with banks	34,490	28,381
<b>Expenses</b>		
Remuneration of the Management Company	7,048	6,230
Remuneration of the Trustee	1,058	802
Annual fee to the Securities and Exchange Commission of Pakistan	471	352
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3 624	286
Auditors' remuneration	14 372	368
Bank charges	64	38
Amortisation of preliminary expenses and floatation costs	-	197
Fee and subscription	251	230
Printing and stationary	266	57
Legal and professional charges	180	-
<b>Total expenses</b>	<b>10,334</b>	<b>8,560</b>
<b>Net income from operating activities</b>	<b>24,156</b>	<b>19,821</b>
Element of income and capital gains included in prices of units issued less those in units redeemed - net	1,327	454
Reversal of provision for Workers' Welfare Fund	11.2 2,802	-
Provision for Sindh Workers' Welfare Fund	11.2 (1,496)	-
	1,306	-
<b>Net income for the year before taxation</b>	<b>26,789</b>	<b>20,275</b>
Taxation	15 -	-
<b>Net income for the year after taxation</b>	<b>26,789</b>	<b>20,275</b>
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>26,789</b>	<b>20,275</b>
<b>Earning per unit</b>	17	

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

For HBL Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

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

	<b>2017</b>	<b>2016</b>
	----- Rupees in '000 -----	
<b>Undistributed income brought forward - realised</b>	<b>3,176</b>	<b>1,815</b>
Net income for the year	<b>26,789</b>	20,275
Element of income and capital gains included in prices of units issued less those in unit redeemed - amount transferred to the Distribution Statement, from Unit Holders' Fund - net	<b>2,000</b>	185
Interim cash distribution of Rs 4.2 per unit declared on June 20, 2017 (2016: Rs 4.1 per unit declared on June 22, 2016)	<b>(26,866)</b>	(19,099)
<b>Undistributed income carried forward - realised</b>	<b>5,099</b>	<b>3,176</b>

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

For HBL Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

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

	2017	2016
	----- Rupees In '000 -----	
<b>Net assets at beginning of the year</b>	<b>506,741</b>	457,348
Issue of 12,468,871 units (2016: 1,430,980 units)	<b>1,270,701</b>	146,076
Redemption of 9,204,675 units (2016: 948,639 units)	<b>(940,756)</b>	(97,405)
	<b>329,945</b>	48,671
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	<b>(1,327)</b>	(454)
- transferred to Distribution Statement	<b>(2,000)</b>	(185)
	<b>(3,327)</b>	(639)
<b>Total comprehensive income for the year</b>	<b>26,789</b>	20,275
Interim cash distribution of Rs 4.2 per unit declared on June 20, 2017 (2016: Rs 4.10 per unit declared on June 22, 2016)	<b>(26,866)</b>	(19,099)
Element of income and capital gains included in prices of units issued less those in unit redeemed - amount transferred to the Distribution Statement	<b>2,000</b>	185
<b>Net assets at end of the year</b>	<b>835,282</b>	506,741
<b>Net asset value per unit at the beginning of the year</b>	<b>100.6132</b>	100.4237
<b>Net asset value per unit at the end of the year</b>	<b>100.6277</b>	100.6132

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

For HBL Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

# HBL ISLAMIC MONEY MARKET FUND

## Cash Flow Statement

For the year ended June 30, 2017

	2017	2016
Note	Rupees In '000	
<b>Cash flows from operating activities</b>		
Net income for the year before taxation	26,789	20,275
<b>Adjustments for:</b>		
Amortisation of preliminary expenses and floatation costs	-	197
Mark-up on deposit with banks	(34,490)	(28,381)
Reversal of provision for Workers' Welfare Fund	(2,802)	-
Provision for Sindh Workers' Welfare Fund	1,496	-
Element of income and capital gains included in prices of units issued less those in units redeemed - net	(1,327)	(454)
	<b>(10,334)</b>	<b>(8,363)</b>
<b>Increase in assets</b>		
Prepayments and other receivables	(4)	(1,789)
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	280	41
Payable to the Trustee	41	16
Payable to Securities and Exchange Commission of Pakistan	119	(6)
Accrued expenses and other liabilities	1,063	2,161
	<b>1,503</b>	<b>2,212</b>
Mark-up on deposit with banks received	<b>33,382</b>	<b>28,587</b>
<b>Net cash generated from operating activities</b>	<b>24,547</b>	<b>20,647</b>
<b>Cash flows from financing activities</b>		
Amount received on issue of units	1,272,760	146,076
Payments against redemption of units	(945,108)	(97,405)
Cash dividend paid	(26,866)	(19,099)
<b>Net cash generated from financing activities</b>	<b>300,786</b>	<b>29,572</b>
<b>Net Increase In cash and cash equivalents</b>	<b>325,333</b>	<b>50,219</b>
Cash and cash equivalents at beginning of the year	<b>514,268</b>	<b>464,049</b>
<b>Cash and cash equivalents at end of the year</b>	<b>839,601</b>	<b>514,268</b>

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

For HBL Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

## PERFORMANCE TABLE - HBL ISLAMIC MONEY MARKET FUND

As at June 30, 2017

	2017	2016	2015	2014	2013	2012
Net assets at the period end(Rs'000)	835,282	506,741	457,348	446,142	439,246	343,438
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	100.6277	100.6132	100.4237	100.1872	100.9840	103.0235
Offer	100.6277	100.6132	100.4237	100.1872	100.9840	103.0235
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	104.7144	104.6150	106.5827	100.9653	102.2988	103.4576
Lowest offer price per unit	100.5319	100.4203	100.3186	100.0852	100.1753	100.2278
Highest redemption price per unit	104.7144	104.6150	100.9653	100.9653	102.2988	103.4576
Lowest redemption price per unit	100.5319	100.4203	100.0852	100.0852	100.1753	100.2278
<b>RETURN ( % )</b>						
Total return	4.19%	4.29%	6.70%	6.86%	8.45%	10.33%
Income distribution	4.20%	4.10%	6.50%	6.51%	8.16%	10.00%
Capital growth	-0.01%	0.19%	0.20%	0.35%	0.29%	0.33%
<b>DISTRIBUTION</b>						
Final dividend distribution- Rs	4.20	4.10	6.50	-	0.95	3.00
Date of Income Distribution	20-Jun-17	22-Jun-16	26-Jun-15	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)
Total dividend distribution for the year/ period	4.20	4.10	6.50	6.51	8.16	10.00
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	4.19%	4.29%	6.70%	6.86%	8.45%	10.33%
Average annual return 2 year	4.25%	5.50%	6.78%	7.66%	9.39%	10.40%
Average annual return 3 year	5.06%	5.95%	7.34%	8.55%	9.75%	10.40%
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	100%	99%	99%	100%	53%	88%
GoP Ijarah Sukuks	-	-	-	-	-	-
Placement with Banks and DFIs	-	-	-	-	46%	-
Corporate Sukuks	-	-	-	-	-	10%
Others	-	1%	1%	-	1%	2%

**Note:**

The Launch date of the Fund is May 10, 2011

**Disclaimer:**

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

**Head Office:**

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Fax: (92-21) 34326020 - 23  
URL: www.cdcpakistan.com  
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**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 SHARIAH PRINCIPLES

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

**Farid Ahmed Khan**  
Chief Executive Officer  
Dated: August 25, 2017





**Al-Hilal**  
— Shariah Advisors —

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

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

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

Keeping in view the above; we certify that:

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

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

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

Mufti Irshad Ahmad Aijaz  
Shariah Advisor



Faraz Younus Bandukda  
Chief Executive

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

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**Deloitte Yousuf Adil**  
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## **Independent assurance report to the unit holders on the statement of compliance with the shariah principles**

We have performed an independent assurance engagement of Report - HBL Islamic Money Market Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2017. Our engagement was carried out as required under Trust Deed and Shariah Principles of the Fund.

### **Management Company's responsibility**

Management Company (HBL Asset Management Limited) of the Fund is responsible for the preparation of the Statement (the subject matter) and for compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor (criteria). This responsibility includes designing, implementing and maintaining internal control to ensure that operations of the Fund and the investments made by the Fund are in compliance with the Shariah Principles.

### **Responsibility of independent assurance providers**

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we comply with ethical requirements, including independence requirements, and plan and perform the engagement to obtain reasonable assurance whether the Statement reflects the status of the Fund's compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.

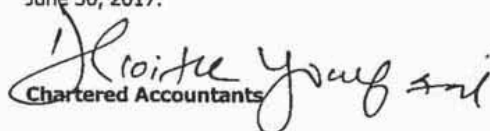
The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Shariah Principles whether due to fraud or error. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

The procedures performed included:

- Checking compliance of specified guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2017 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

### **Conclusion**

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor for the year ended June 30, 2017.

  
Chartered Accountants

**Dated:** September 22, 2017  
**Place:** Karachi

Member of  
**Deloitte Touche Tohmatsu Limited**

# HBL ISLAMIC MONEY MARKET 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 Islamic 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



**Deloitte Yousuf Adil**  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
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## **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 Islamic 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**



**Deloitte Yousuf Adil**  
Chartered Accountants  
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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 Islamic 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.

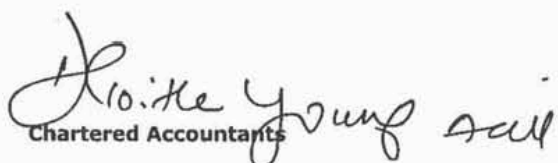
### **Report on other legal and regulatory requirements**

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.

Member of  
**Deloitte Touche Tohmatsu Limited**

## 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 ISLAMIC MONEY MARKET FUND**  
**Statement of Assets and Liabilities**  
*As at June 30, 2017*

	2017	2016
Note	----- Rupees in '000 -----	----- Rupees in '000 -----
<b>Assets</b>		
Bank balances	5 <b>839,601</b>	514,268
Accrued mark-up on deposit with banks	6 <b>3,265</b>	2,157
Prepayments and other receivables	7 <b>59</b>	2,114
<b>Total assets</b>	<b>842,925</b>	518,539
<b>Liabilities</b>		
Payable to the Management Company	8 <b>791</b>	511
Payable to the Trustee	9 <b>112</b>	71
Payable to Securities and Exchange Commission of Pakistan	10 <b>471</b>	352
Accrued expenses and other liabilities	11 <b>6,269</b>	10,864
<b>Total liabilities</b>	<b>7,643</b>	11,798
<b>Net assets</b>	<b>835,282</b>	506,741
<b>Unit holders' fund (as per statement attached)</b>	<b>835,282</b>	506,741
<b>Contingencies and commitments</b>		
	12	
	----- Number of units -----	
<b>Number of units in issue</b>	13 <b>8,300,721</b>	5,036,525
	----- Rupees -----	
<b>Net assets value per unit</b>	<b>100.6277</b>	100.6132

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

For HBL Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director



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

	2017	2016
Note	Rupees in '000	
<b>Income</b>		
Mark-up on deposit with banks	34,490	28,381
<b>Expenses</b>		
Remuneration of the Management Company	7,048	6,230
Remuneration of the Trustee	1,058	802
Annual fee to the Securities and Exchange Commission of Pakistan	471	352
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3 624	286
Auditors' remuneration	14 372	368
Bank charges	64	38
Amortisation of preliminary expenses and floatation costs	-	197
Fee and subscription	251	230
Printing and stationary	266	57
Legal and professional charges	180	-
<b>Total expenses</b>	<b>10,334</b>	<b>8,560</b>
<b>Net income from operating activities</b>	<b>24,156</b>	<b>19,821</b>
Element of income and capital gains included in prices of units issued less those in units redeemed - net	1,327	454
Reversal of provision for Workers' Welfare Fund	11.2 2,802	-
Provision for Sindh Workers' Welfare Fund	11.2 (1,496)	-
	1,306	-
<b>Net income for the year before taxation</b>	<b>26,789</b>	<b>20,275</b>
Taxation	15 -	-
<b>Net income for the year after taxation</b>	<b>26,789</b>	<b>20,275</b>
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>26,789</b>	<b>20,275</b>
<b>Earning per unit</b>	17	

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

For HBL Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

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

	2017	2016
	----- Rupees in '000 -----	
<b>Undistributed income brought forward - realised</b>	<b>3,176</b>	<b>1,815</b>
Net income for the year	<b>26,789</b>	20,275
Element of income and capital gains included in prices of units issued less those in unit redeemed - amount transferred to the Distribution Statement, from Unit Holders' Fund - net	<b>2,000</b>	185
Interim cash distribution of Rs 4.2 per unit declared on June 20, 2017 (2016: Rs 4.1 per unit declared on June 22, 2016)	<b>(26,866)</b>	(19,099)
<b>Undistributed income carried forward - realised</b>	<b>5,099</b>	<b>3,176</b>

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

For HBL Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

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

	2017	2016
	----- Rupees In '000 -----	
<b>Net assets at beginning of the year</b>	<b>506,741</b>	457,348
Issue of 12,468,871 units (2016: 1,430,980 units)	<b>1,270,701</b>	146,076
Redemption of 9,204,675 units (2016: 948,639 units)	<b>(940,756)</b>	(97,405)
	<b>329,945</b>	48,671
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	<b>(1,327)</b>	(454)
- transferred to Distribution Statement	<b>(2,000)</b>	(185)
	<b>(3,327)</b>	(639)
<b>Total comprehensive income for the year</b>	<b>26,789</b>	20,275
Interim cash distribution of Rs 4.2 per unit declared on June 20, 2017 (2016: Rs 4.10 per unit declared on June 22, 2016)	<b>(26,866)</b>	(19,099)
Element of income and capital gains included in prices of units issued less those in unit redeemed - amount transferred to the Distribution Statement	<b>2,000</b>	185
<b>Net assets at end of the year</b>	<b>835,282</b>	506,741
<b>Net asset value per unit at the beginning of the year</b>	<b>100.6132</b>	100.4237
<b>Net asset value per unit at the end of the year</b>	<b>100.6277</b>	100.6132

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

For HBL Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

# HBL ISLAMIC MONEY MARKET FUND

## Cash Flow Statement

For the year ended June 30, 2017

	2017	2016
Note	Rupees In '000	
<b>Cash flows from operating activities</b>		
Net income for the year before taxation	26,789	20,275
<b>Adjustments for:</b>		
Amortisation of preliminary expenses and floatation costs	-	197
Mark-up on deposit with banks	(34,490)	(28,381)
Reversal of provision for Workers' Welfare Fund	(2,802)	-
Provision for Sindh Workers' Welfare Fund	1,496	-
Element of income and capital gains included in prices of units issued less those in units redeemed - net	(1,327)	(454)
	<b>(10,334)</b>	<b>(8,363)</b>
<b>Increase in assets</b>		
Prepayments and other receivables	(4)	(1,789)
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	280	41
Payable to the Trustee	41	16
Payable to Securities and Exchange Commission of Pakistan	119	(6)
Accrued expenses and other liabilities	1,063	2,161
	<b>1,503</b>	<b>2,212</b>
Mark-up on deposit with banks received	<b>33,382</b>	<b>28,587</b>
<b>Net cash generated from operating activities</b>	<b>24,547</b>	<b>20,647</b>
<b>Cash flows from financing activities</b>		
Amount received on issue of units	1,272,760	146,076
Payments against redemption of units	(945,108)	(97,405)
Cash dividend paid	(26,866)	(19,099)
<b>Net cash generated from financing activities</b>	<b>300,786</b>	<b>29,572</b>
<b>Net Increase In cash and cash equivalents</b>	<b>325,333</b>	<b>50,219</b>
Cash and cash equivalents at beginning of the year	<b>514,268</b>	<b>464,049</b>
<b>Cash and cash equivalents at end of the year</b>	<b>839,601</b>	<b>514,268</b>

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

For HBL Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# HBL ISLAMIC MONEY MARKET FUND

## Notes To The Financial Statements

For the year ended June 30, 2017

### 1. LEGAL STATUS AND NATURE OF BUSINESS

HBL Islamic Money Market Fund (the Fund) was established under a Trust Deed, dated November 23, 2010, 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 December 10, 2010.

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 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 May 9, 2011 to May 10, 2011.

The principal activity of the Fund is to seek high liquidity and comparative Shariah Compliant 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 the 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 a 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. There were however no critical accounting estimates and judgments involved in preparation of these financial statements.

### 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.

	<b>Effective for accounting periods beginning on or after:</b>
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.

	<b>Effective for accounting periods beginning on or after:</b>
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
	<b>Effective for accounting periods beginning on or after:</b>
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

**Effective for accounting periods  
beginning on or after:**

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. Currently, there are no investments of the Fund classified as 'available for sale'.

#### 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 other 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 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 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.

#### 4.2.5 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 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchanges and other expenses. These costs are amortised over a period of five years starting from the end of the initial offering period as per the requirements set out in the



Trust Deed of the Fund and NBFC regulations.

#### **4.5 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.

#### **4.6 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.

#### **4.7 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 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.

#### **4.10 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

- 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 ) are recognised in the 'Income Statement and Other Comprehensive Income' on an accrual basis.

	Note	2017 ----- Rupees in '000 -----	2016 ----- Rupees in '000 -----
<b>5. BANK BALANCES</b>			
Balances with banks in:			
Savings accounts	5.1	<u>839,601</u>	<u>514,268</u>
5.1 This represent bank accounts held with different banks. Mark-up rates on these accounts range between 4% - 5.5% (June 30, 2016: 3.00% - 6.50%) per annum.			
<b>6. ACCRUED MARK-UP ON DEPOSIT WITH BANKS</b>			
Accrued mark-up on deposit with banks		<u>3,265</u>	<u>2,157</u>
<b>7. PREPAYMENTS AND OTHER RECEIVABLES</b>			
Prepaid annual rating fee		59	55
Receivable against issuance and conversion of units		-	2,059
		<u>59</u>	<u>2,114</u>
<b>8. PAYABLE TO THE MANAGEMENT COMPANY</b>			
Management fee	8.1	643	406
Sindh Sales Tax	8.2	84	65
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	64	40
		<u>791</u>	<u>511</u>

- 8.1 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 one percent per annum (June 30, 2016: one percent per annum) of the average annual net assets of the Fund for the current year.
- 8.2 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.
- 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
<b>9. PAYABLE TO THE TRUSTEE</b>			
Trustee fee	9.1	99	
Sindh Sales Tax		13	8
		<u>112</u>	<u>71</u>

- 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.
- 9.2 The tariff structure applicable to the Fund is as follows:

**Amount of Funds Under Management Tariff per annum  
[Average Net Assets Value (NAV)]**

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
Over Rs 10,000 million	Rs 8.25 million plus 0.06% per annum of NAV, exceeding Rs 10,000 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
<b>10. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	10.1	471	352

- 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.

11. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2017	2016
		Rupees In '000	
Auditors' remuneration		300	307
Federal Excise Duty	11.1	2,185	2,185
Advance against units to be issued		-	310
Payable to HBL Islamic Stock Fund against conversion of units		-	3,364
Payable to unit holders against redemption		-	988
Withholding tax payable		1,898	743
Provision for Workers' Welfare Fund	11.2	-	2,802
Provision for Sindh Workers' Welfare Fund	11.2	1,496	-
Other payables		390	165
		<b>6,269</b>	<b>10,864</b>

- 11.1 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the 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. 2.18 million. Had the provision not being made, the Net Asset Value per unit as at June 30, 2017 would have been higher by Rs. 0.2632 (June 30, 2016: Rs. 0.4338) per unit.

#### 11.2 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 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. 2.80 million. Further, as an abundant caution, the Management Company decided to create SWWF provision effective from July 1, 2014 amounting to Rs. 1.496 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. 0.1802 per unit.

## 12. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments at the year end (2016: Nil)

## 13. NUMBER OF UNITS IN ISSUE

	2017	2016
	----- Number of units -----	
Opening units in issue	5,036,525	4,554,184
Units issued during the year	12,468,871	1,430,980
Less: Units redeemed	(9,204,675)	(948,639)
<b>Total units in issue at the end of the year</b>	<b>8,300,721</b>	<b>5,036,525</b>

	2017	2016
	----- Rupees in '000 -----	
<b>14. AUDITORS' REMUNERATION</b>		
Annual audit fee	250	250
Fee for half yearly review	40	40
Review of compliance with the requirements of the Code of Corporate Governance	5	5
Shariah Compliance Audit fee	3	3
Out of pocket	74	70
	<b>372</b>	<b>368</b>

#### 15. 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.

#### 16. 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 1.66%, which includes 0.29% representing government levy, Sindh Worker's Welfare Fund and SECP fee.

#### 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. 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 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 these financial statements are as follows:

	2017	2016
	----- Rupees in '000 -----	
<b>18.1 Transactions during the year</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management Fee including sales tax thereon	7,048	6,230
Allocation of expenses related to registrar services, accounting, operation and valuation services	624	286

	2017	2016
	----- Rupees in '000 -----	
<b>Habib Bank Limited - Sponsor</b>		
Issuance of 153,943 units (2016: 144,387 units)	15,473	14,513
Bank charges paid	40	26
Profit on bank deposits earned	644	3,995
Profit on bank deposits received	619	4,738
Dividend received from fund	15,473	-
HBL IFPF Strategic Allocation Plan Issuance of 785,072 Units (2016 : Nil)	79,000	-
<b>Executive and Key management personnel</b>		
Issuance of 102,555 units (2016: 85,415 units)	10,331	8,870
Redemption of 97,305 units (2016: 85,296 units)	9,805	8,871
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee remuneration	1,058	802
<b>Atlas battery limited - Connected person due to holding 10% or more</b>		
Issuance of 866,232 units (2016: Nil units)	88,956	-
<b>18.2 Balances outstanding as at year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management fee	643	406
Sindh Sales Tax	84	65
Allocation of expenses related to registrar services, accounting, operation and valuation services	64	371
<b>Habib Bank Limited - Sponsor</b>		
Investment held in the Fund: 3,838,107 units (2016: 3,684,164 units)	386,220	370,676
Bank balances	13,370	25,768
Markup receivable	53	28
HBL IFPF Strategic Allocation Plan investment held in the Fund 785,072 Units (2016 : Nil)	79,000	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable including sales tax thereon	112	71
<b>Executive and Key management personnel</b>		
Investment held in the Fund: 5,250 units (2016: Nil units)	530,096	-
<b>Atlas battery limited - Connected person due to holding 10% or more</b>		
Investment held in the Fund: 893,378 units (2016: Nil units)	89,899	-
MCBFSL Trustee HBL Islamic Financial Planing Fund-Strategic Allocation Plan 785,072 Units	79,000	-

## 19. FINANCIAL RISK MANAGEMENT

### 19.1 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.

### 19.1.1 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.

### 19.1.2 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. 8.396 million (2016: Rs.5.143 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.

### 19.1.3 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, currently, does not have any financial instruments which are subject to other price risk.

### 19.2 Credit risk

Credit risk represents the risk of a loss if the counterparties fail to perform as contracted.

The Fund's credit risk is primarily attributable to balances with banks. 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.

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 considering any collateral as at June 30, 2017 is the carrying amount of the financial assets as follows:

Note	2017 Rupees in '000	2016 Rupees in '000
<b>Bank balances by rating category</b>		
A1+ (PACRA)	660,511	26,007
A-1+ (JCR-VIS)	179,090	488,261
	<u>839,601</u>	<u>514,268</u>
<b>Accrued mark-up</b>	<u>3,265</u>	<u>2,157</u>
<b>Other receivables</b>	<u>-</u>	<u>2,059</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 bank balances which is well diversified with various banks which are credit worthy counterparties thereby mitigating any significant concentration of credit risk.



### 19.3 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 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 keep sufficient balances with banks in order to maintain liquidity and manage associated risk.

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				
<b>Liabilities</b>				
Payable to the Management Company	791	-	-	791
Payable to the Trustee	112	-	-	112
Accrued expenses and other liabilities	2,186	-	-	2,186
Unit Holders' Fund	835,282	-	-	835,282
	<b>838,371</b>	<b>-</b>	<b>-</b>	<b>838,371</b>

As at June 30, 2016				
	Upto three months	More than three months and upto one year	More than one year	Total
Rupees in '000				
<b>Liabilities</b>				
Payable to the Management Company	511	-	-	511
Payable to the Trustee	71	-	-	71
Accrued expenses and other liabilities	5,134	-	-	5,134
Unit Holders' Fund	506,741	-	-	506,741
	<b>512,457</b>	<b>-</b>	<b>-</b>	<b>512,457</b>

### 20. 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							
		Carrying amount				Fair Value			
		Available-for-sale	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
<b>On-balance sheet financial instruments</b>		(Rupees in '000)							
<b>Financial assets not measured at fair value</b>									
	Note								
	20.1								
Bank balances		-	839,601	-	839,601				
Accrued mark-up		-	3,265	-	3,265				
Other receivables		-	-	-	-				
		-	842,866	-	842,866				
<b>Financial liabilities not measured at fair value</b>									
Payable to Management Company		-	-	791	791				
Payable to Trustee		-	-	112	112				
Accrued expenses and other liabilities		-	-	2,186					
Unit Holders' Fund		-	-	835,282	835,282				
		-	-	838,371	838,371				
		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
<b>On-balance sheet financial instruments</b>		(Rupees in '000)							
<b>Financial assets not measured at fair value</b>									
Bank balances		-	514,268	-	514,268				
Accrued mark-up		-	2,157	-	2,157				
Other receivables		-	2,059	-	2,059				
		-	518,484	-	518,484				
<b>Financial liabilities not measured at fair value</b>									
Payable to Management Company		-	-	511	511				
Payable to Trustee		-	-	71	71				
Accrued expenses and other liabilities		-	-	5,134	5,134				
Unit Holders' Fund		-	-	506,741	506,741				
		-	-	512,457	512,457				

**20.1** 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.

**20.2 Transfers during the year**

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

**21. 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.

**22. 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		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	Tauqir Shamshad	Head of Fixed Income	MBA, M.COM	31+
5	Faizan Saleem	Sr. Fund Manager Fixed Income	MBA	10+
6	Noman Ameer	Manager Risk	B.S Acturial Sciences	9+

**23. PATTERN OF UNIT HOLDING**

	2017		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment
Individuals	943	222,454	26.63%
Associated companies	1	386,220	46.24%
Insurance companies	3	10,252	1.23%
Trust	2	104,483	12.51%
Retirement funds	4	12,102	1.45%
Others	2	99,771	11.94%
	<b>955</b>	<b>835,282</b>	<b>100.00%</b>

	2016		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment
Individuals	787	74,191	14.64%
Associated companies	1	370,676	73.15%
Retirement funds	4	28,676	5.66%
Others	4	33,198	6.55%
	<b>796</b>	<b>506,741</b>	<b>100.00%</b>

#### 24. 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 <sup>1</sup>	4	4	-	-
5 Mr. Rehan N. Shaikh <sup>2</sup>	1	1	-	-
6 Ms. Sima Kamil <sup>3</sup>	4	4	-	-
7 Mr. Rizwan Haider	5	4	1	April 27, 2017
8 Mr. Salahuddin Manzoor	5	5	-	-
9 Mr. Aamir Irshad <sup>4</sup>	-	-	-	-
10 Mr. Rayomond Kotwal <sup>5</sup>	-	-	-	-

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. 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.

#### 26. 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.

#### 27. GENERAL

Figures have been rounded off to the nearest thousand Rupees.

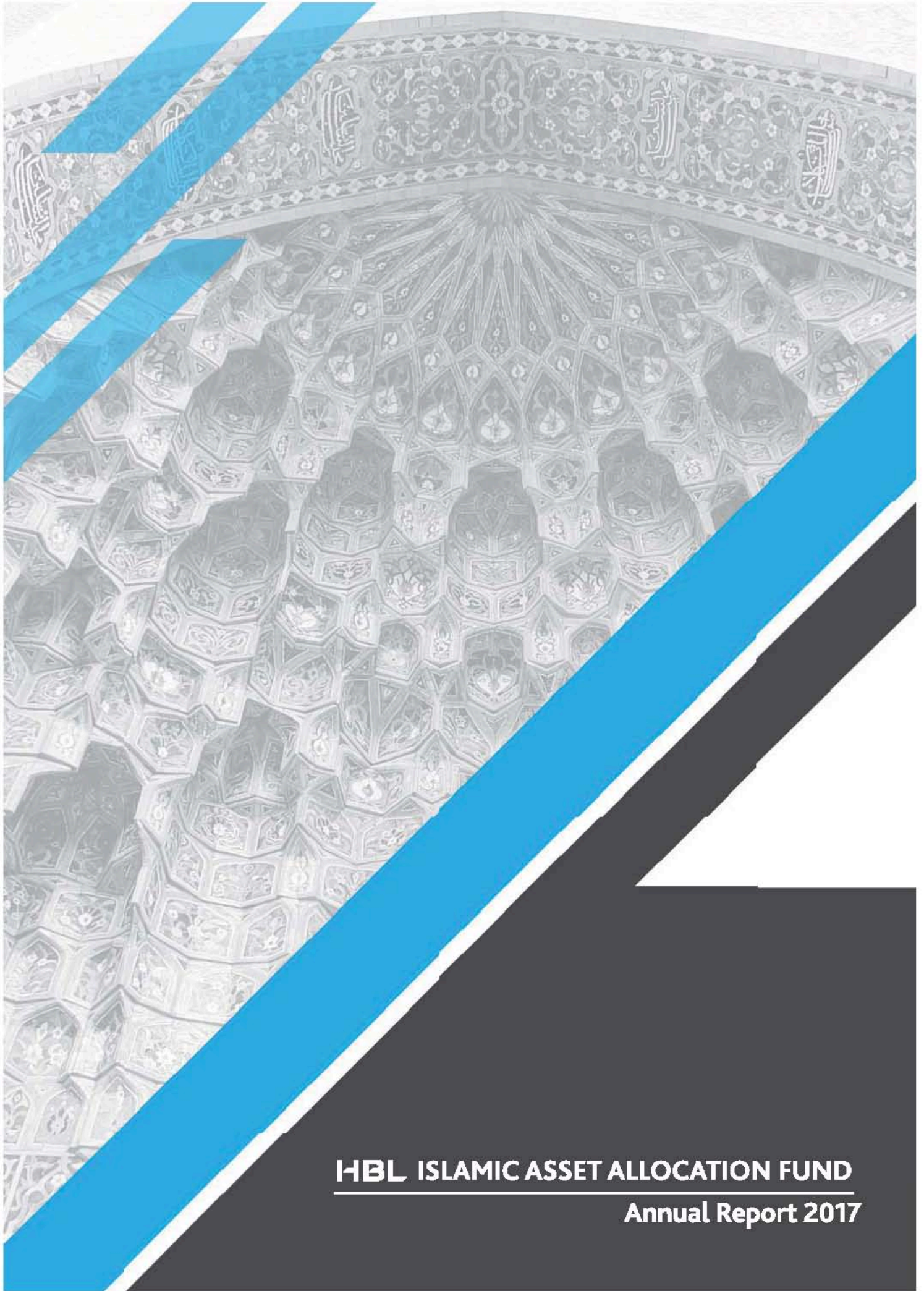
For HBL Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director





**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Annual Report 2017**

## FUND INFORMATION

### NAME OF FUND

**HBL Islamic Asset Allocation Fund**

### NAME OF AUDITOR

**Deloitte Yousuf Adil Chartered Accountants.**

### NAME OF TRUSTEE

**Central Depository Company of Pakistan Limited.**

### NAME OF SHARIAH ADVISORS

**Habib Bank Limited      Service till April 20, 2017**  
**Al-Hilal Sharia      Appointed from April 21, 2017**  
**Advisors (Pvt) Limited.**

### NAME OF BANKERS

**Habib Bank Limited.**  
**Bank Al Habib Limited.**  
**Dubai Islamic Bank Limited.**  
**Askari Bank Limited.**  
**Soneri Bank Limited.**  
**Allied Bank Limited.**  
**Bank Islamic Pakistan Limited.**

# FUND MANAGER'S REPORT - HBL ISLAMIC ASSET ALLOCATION FUND

## As at June 30, 2017

### Type and Category of Fund

Open end Shariah Compliant Asset Allocation Fund

### Investment Objective and Accomplishment of Objective

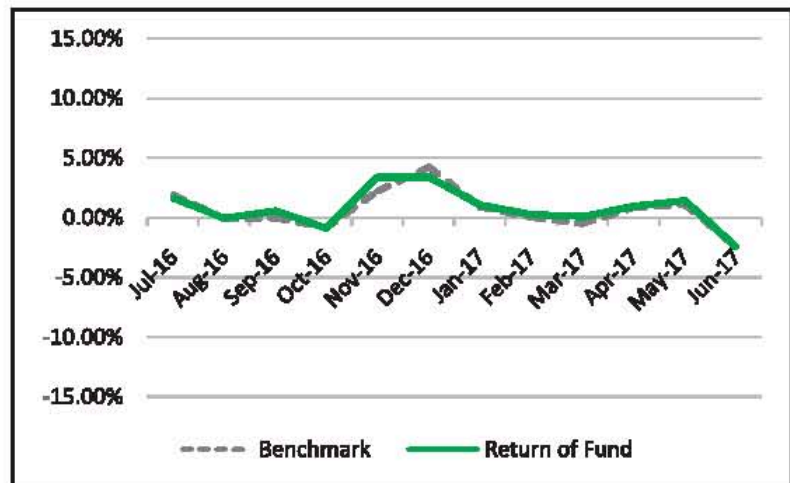
The objective of the Fund is to provide superior returns through investments in Shariah Compliant equity securities and Shariah Compliant income /money market instruments.

### Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is Weighted average daily return of KMI30 and 6M deposit rate of A rated (and above) Islamic Banks or Islamic Banking windows of scheduled commercial banks, based on the actual proportion held by the scheme.

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

Month	Return of Fund	Benchmark
Jun-17	-2.43%	-2.43%
May-17	1.11%	1.45%
Apr-17	0.87%	0.97%
Mar-17	-0.49%	0.11%
Feb-17	0.05%	0.28%
Jan-17	0.91%	1.06%
Dec-16	4.25%	3.40%
Nov-16	2.24%	3.40%
Oct-16	-0.81%	-0.89%
Sep-16	0.00%	0.59%
Aug-16	-0.07%	-0.03%
Jul-16	1.91%	1.66%

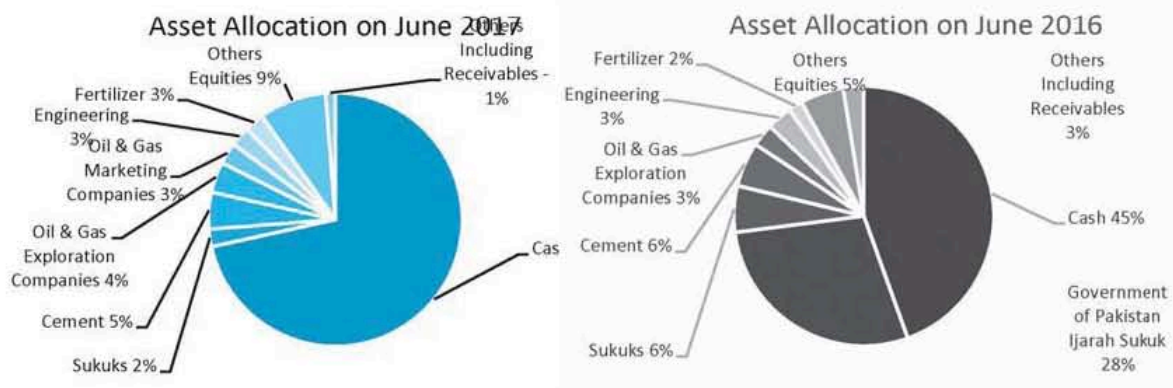


### Strategies and Policies employed during the Year

During the year under review the Fund has increased its exposure in equity securities to 27% as on June 30, 2017 from 19% as at June 30, 2016. The Fund gradually reduced its exposure in debt securities from 34% to eventually 2% in same period. However, the Fund was invested more in Cash with banks as safe haven.

Furthermore, sector wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in Cement, was reduced; however exposure in Oil & Gas Exploration, Fertilizer and Oil & Gas Marketing was increased.

### Asset Allocation





## Fund Performance

The total income and net income of the Fund was Rs 129.83 million and Rs 200.40 million respectively during the year ended June 30, 2017. The Net Asset Value (NAV) of the Fund increased from Rs 102.5411 per unit as on June 30, 2016 to Rs 105.5962 per unit as on June 30, 2017 (after incorporating interim dividends at Rs 7.00 per unit) thereby giving a return of 9.83% during the year against the benchmark return (Weighted average daily return of KMI 30 Index & 6 months deposit rate of A rated or above banks) of 7.63%.

## 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 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.

### Stock Market Review

In FY17 KMI-30 returned 17.6% as compared to FY16 return of 13.8%. Improved LSM growth rate, agriculture output as well as growth in the services sector pick up economic activity which supported the index to close at 78,598 pts. Average daily volume was 72 mn shares up by 31% as compared 55 mn shares in FY16. In USD term KMI 30 index returned 17.5 % which underperformed MSCI Emerging Index 20.4%, but outperform MSCI Frontier Market Index 15.1%. Cements and Oil & Gas Exploration sectors were the prime outperformers during the period under review with return of 25% and 19% respectively. Index touched the highest level of 91,145pts in May'17 just before FY18 budget. However political noise emanating from the JIT investigation, foreign outflow, and unfavorable tax regime for capital markets broke the momentum as index settled at 78,598pts.

## Distribution

The Fund has distributed cash dividend at Rs. 7.00per units for 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	12	883
101 - 500	37	8,649
501 - 1,000	22	17,671
100,1 - 10,000	165	893,640
10,001 - 100,000	192	6,366,094
100,001 - 500,000	28	4,994,618
500,001 - 1,000,000	-	-
1,000,001 - 5,000,000	5	12,561,356
5,000,001 and above	-	-
<b>Total</b>	<b>461</b>	<b>24,842,911</b>

**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 ISLAMIC ASSET ALLOCATION FUND

As at June 30, 2017

	2017	2016
Net assets at the period end (Rs'000)	2,623,318	1,349,890
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>		
Redemption	105.5962	102.5411
Offer	108.3890	105.2531
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>		
Highest offer price per unit	118.9345	106.8742
Lowest offer price per unit	100.6004	100.0000
Highest redemption price per unit	116.3060	104.1204
Lowest redemption price per unit	100.6004	100.0000
<b>RETURN ( % )</b>		
Total return	9.83%	3.35%
Income distribution	7.00%	0.80%
Capital growth	2.83%	2.55%
<b>DISTRIBUTION</b>		
First interim dividend distribution-Rs	6.50	0.80
Date of Income Distribution	22-Jun-17	28-Jun-16
Second interim dividend distribution-Rs	0.50	-
Date of Income Distribution	30-Jun-17	-
Total dividend distribution for the year (Rs)	7.00	0.80
<b>AVERAGE RETURNS ( % )</b>		
Average annual return 1 year	9.83%	3.35%
Average annual return 2 year	8.94%	-
<b>PORTFOLIO COMPOSITION - (%)</b>		
Percentage of Total Assets as at 30 June:		
Bank Balances	73%	22%
GoP Ijarah Sukuks	-	15%
Placement with Banks and DFIs	-	-
Corporate Sukuks	2%	3%
Stock/Equities	25%	1%
Others		59%

**Note:**

The Launch date of the Fund is January 11, 2016

**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 IAAF	Meetings	Resolutions	For	Against	Abstain
Number	3	6	6	-	-
(%ages)		100%	100%	-	-

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

Investment Company	Meeting Date	Meeting Type
Honda Atlas Cars (Pakistan) Ltd.	19-07-2016	AGM
Mari Gas Company Limited	27-09-2016	AGM
Crescent Steel and Allied Products Ltd.	30-09-2016	AGM
Hub Power Company Limited	18-10-2016	AGM
Kot Addu Power	20-10-2016	AGM
Lucky Cement Limited	29-10-2016	AGM
AMRELI STEELS LIMITED	25-10-2016	AGM
Tariq Glass Limited	27-10-2016	AGM
Millat Tractors Ltd.	10-28-2016	AGM
Searl Pakistan Ltd.	10-28-2016	AGM
Hub Power Co Ltd	15-02-2017	EOGM
Hub Power Co Ltd	15-02-2017	EOGM
Pak Suzuki Motor Company Limited	16-02-2017	EOGM
Pakistan Petroleum Ltd	28-02-2017	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
Systems Limited	27-04-2017	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.

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.  
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Fax: (92-21) 34326020 - 23  
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Email: info@cdcpak.com



## TRUSTEE REPORT TO THE UNIT HOLDERS

### HBL ISLAMIC ASSET ALLOCATION 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 Asset Allocation 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 SHARIAH PRINCIPLES

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

**Farid Ahmed Khan**  
Chief Executive Officer  
Dated: August 25, 2017



**Al-Hilal**  
— Shariah Advisors —

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

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

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

Keeping in view the above; we certify that:

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

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

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

Mufti Irshad Ahmad Aijaz  
Shariah Advisor



Faraz Younus Bandukda  
Chief Executive

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

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## **Independent assurance report to the unit holders on the statement of compliance with the shariah principles**

We have performed an independent assurance engagement of HBL Islamic Asset Allocation Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2017. Our engagement was carried out as required under Trust Deed and Shariah Principles of the Fund.

### **Management Company's responsibility**

Management Company (HBL Asset Management Limited) of the Fund is responsible for the preparation of the Statement (the subject matter) and for compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor (criteria). This responsibility includes designing, implementing and maintaining internal control to ensure that operations of the Fund and the investments made by the Fund are in compliance with the Shariah Principles.

### **Responsibility of independent assurance providers**

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we comply with ethical requirements, including independence requirements, and plan and perform the engagement to obtain reasonable assurance whether the Statement reflects the status of the Fund's compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.

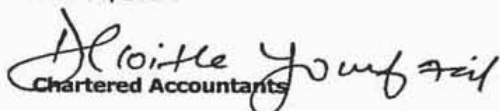
The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Shariah Principles whether due to fraud or error. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

The procedures performed included:

- Checking compliance of specified guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2017 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

### **Conclusion**

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor for the year ended June 30, 2017.

  
Chartered Accountants

**Dated:** September 22, 2017  
**Place:** Karachi

Member of  
**Deloitte Touche Tohmatsu Limited**



# 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 Islamic Asset Allocation 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. Raymond 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



**Deloitte Yousuf Adil**  
Chartered Accountants  
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## **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 Islamic Asset Allocation 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 Islamic Asset Allocation 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 period from January 11, 2016 to June 30, 2016 were audited by another firm of Chartered Accountants who vide their report dated August 26, 2016 expressed an unmodified opinion thereon.

*Deloitte Yousuf Adil*  
Chartered Accountants

**Engagement Partner**  
Naresh Kumar

**Date:** September 22, 2017  
**Place:** Karachi

**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Statement of Assets and Liabilities**  
*As at June 30, 2017*

	Note	2017 ----- (Rupees in '000) -----	2016
<b>Assets</b>			
Bank balances	5	1,962,227	608,618
Investments	6	740,627	732,752
Dividend receivable and accrued mark-up	7	10,715	9,911
Preliminary expenses and flotation costs	8	758	974
Advances, deposits and other receivables	9	2,600	9,518
<b>Total assets</b>		<b>2,716,927</b>	<b>1,361,773</b>
<b>Liabilities</b>			
Payable to the Management Company	10	6,113	5,674
Payable to the Trustee	11	310	218
Payable to Securities and Exchange Commission of Pakistan	12	1,344	377
Accrued expenses and other liabilities	13	85,842	5,614
<b>Total liabilities</b>		<b>93,609</b>	<b>11,883</b>
<b>Net assets</b>		<b>2,623,318</b>	<b>1,349,890</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>2,623,318</b>	<b>1,349,890</b>
<b>Contingencies and commitments</b>	18		
		----- Number of units -----	
<b>Number of units in issue</b>	19	<b>24,842,911</b>	<b>13,164,371</b>
		----- Rupees -----	
<b>Net assets value per unit</b>		<b>105.5962</b>	<b>102.5411</b>

The annexed notes 1 to 35 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Income Statement and Other Comprehensive Income**  
*For the year ended June 30, 2017*

	June 30, 2017	For the period January 11, 2016 to June 30, 2016
Note	(Rupees in '000)	
<b>Income</b>		
Mark-up / return on Investments	14 15,501	13,257
Mark-up on deposits with banks	15 41,420	5,865
Dividend income	13,982	3,639
Capital gain on sale of investments - net	62,311	9,079
	<b>133,214</b>	<b>31,840</b>
Impairment loss on equity securities classified as available-for-sale - net	<b>(3,388)</b>	-
<b>Total income</b>	<b>129,826</b>	<b>31,840</b>
<b>Expenses</b>		
Remuneration of the Management Company	23,979	8,785
Remuneration of the Trustee	2,710	981
Annual fee to Securities and Exchange Commission of Pakistan	1,344	377
Allocation of expenses related to registrar services, accounting, operation and valuation services	16 1,415	435
Selling and marketing expenses	17 2,657	-
Amortisation of preliminary expenses and floatation costs	216	101
Auditors' remuneration	20 369	319
Fees and subscription	181	-
Securities transaction costs	323	147
Settlement and bank charges	160	55
Printing charges	276	-
Charity expense	204	77
<b>Total Expenses</b>	<b>33,834</b>	<b>11,277</b>
<b>Net Income from operating activities</b>	<b>95,992</b>	<b>20,563</b>
Element of Income and capital gains Included In prices of units issued less those in units redeemed - net	108,911	226
Provision for Sindh Workers' Welfare fund	<b>(4,508)</b>	-
<b>Net income for the year / period before taxation</b>	<b>200,395</b>	<b>20,789</b>
Taxation	21 -	-
<b>Net income for the year / period after taxation</b>	<b>200,395</b>	<b>20,789</b>
<b>Other comprehensive income for the year / period</b>		
<b>Items that may be reclassified to Income statement in subsequent periods:</b>		
Unrealised gain on re-measurement of investments classified as available-for-sale	68,946	26,140
Net reclassification adjustments relating to available-for-sale financial assets	<b>(58,923)</b>	<b>(9,079)</b>
<b>Total comprehensive income for the year / period</b>	<b>10,023</b>	<b>17,061</b>
<b>Earnings per unit</b>	<b>22 210,418</b>	<b>37,850</b>

The annexed notes 1 to 35 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Distribution Statement**  
*For the year ended June 30, 2017*

	June 30, 2017	For the period January 11, 2016 to June 30, 2016
	----- (Rupees in '000) -----	
<b>Undistributed income brought forward</b>	<b>10,329</b>	-
Net element of loss and capital losses included in prices of units issued less those in unit redeemed - amount transferred to the Distribution Statement	<b>29,661</b>	-
<b>Net income for the year after taxation</b>	<b>200,395</b>	<b>20,789</b>
First interim cash distribution of Rs. 6.5 per unit declared on June 22, 2017 (2016: Rs. 0.80 per unit declared on June 28, 2016)	<b>(124,433)</b>	<b>(10,460)</b>
Second interim cash distribution of Rs.0.5 per unit declared on June 30, 2017	<b>(10,076)</b>	-
	<b>(134,509)</b>	<b>(10,460)</b>
<b>Undistributed Income carried forward</b>	<b>105,876</b>	<b>10,329</b>
	<b>105,876</b>	<b>10,329</b>

The annexed notes 1 to 35 form an integral part of these financial statements.

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

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director



**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Statement of Movement in Unit Holders' Fund**  
*For the year ended June 30, 2017*

	June 30, 2017	For the period January 11, 2016 to June 30, 2016
	----- (Rupees in '000) -----	
<b>Net assets at the beginning of the year</b>	1,349,890	-
Issue of 27,614,795 units (13,620,625 units)	3,036,919	1,369,285
Redemption of 15,936,255 units (456,254 units)	(1,730,489)	(46,559)
	1,306,430	1,322,726
<b>Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed</b>		
Amount transferred to the Income Statement and Other Comprehensive Income	(108,911)	(226)
Amount transferred to the Distribution Statement	(29,661)	-
	(138,572)	(226)
Capital gain on sale of investments - net	62,311	9,079
Net unrealised gain on re-measurement of investments as available-for-sale	10,023	17,061
Other net income for the year / period	138,084	11,710
<b>Total comprehensive income for the year / period</b>	210,418	37,850
First interim cash distribution of Rs. 6.5 per unit declared on June 22, 2017 (2016: Rs. 0.80 per unit declared on June 28, 2016)	(124,433)	(10,460)
Second interim cash distribution of Rs.0.5 per unit declared on June 30, 2017	(10,076)	-
	(134,509)	(10,460)
<b>Element of gain and capital gains included in prices of units issued less those in unit redeemed - amount transferred to the Distribution Statement</b>	29,661	-
<b>Net assets at end of the year / period</b>	2,623,318	1,349,890
<b>Net assets value per unit at the beginning of the year</b>	102.5411	-
<b>Net assets value per unit at the end of the year</b>	105.5962	102.5411

The annexed notes 1 to 35 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

# HBL ISLAMIC ASSET ALLOCATION FUND

## Cash Flow Statement

For the year ended June 30, 2017

Note	For the period	
	June 30, 2017	January 11, 2016 to June 30, 2016
	----- (Rupees in '000) -----	
<b>Cash flow from operating activities</b>		
Net Income for the period	200,395	20,789
<b>Adjustments :</b>		
Capital gain on sale of investments - net	(62,311)	(9,079)
Return / markup on;		
- bank profits	(41,420)	(5,865)
- Investments	(15,501)	(13,257)
Dividend income	(13,982)	(3,639)
Amortisation of preliminary expenses and floatation costs	216	101
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(108,911)	(226)
Impairment loss on equity securities classified as available-for-sale - net	3,388	-
Provision for Sindh Workers' Welfare fund	4,508	-
	<b>(33,618)</b>	<b>(11,176)</b>
<b>Decrease / (Increase) In assets</b>		
Investments - net	61,071	(706,612)
Preliminary expenses and floatation costs	-	(1,075)
Advances, deposits and other receivables	6,918	(9,518)
	<b>67,989</b>	<b>(717,205)</b>
<b>Increase in liabilities</b>		
Payable to the Management Company	439	5,674
Payable to the Trustee	92	218
Payable to Securities and Exchange Commission of Pakistan	967	377
Accrued expenses and other liabilities	74,542	5,614
	<b>76,040</b>	<b>11,883</b>
Bank profit received	34,070	5,145
Markup on investments received	23,203	5,197
Dividend income received	12,826	2,508
	<b>180,510</b>	<b>(703,648)</b>
<b>Net cash generated / (used) in operating activities</b>		
<b>Cash flow from financing activities</b>		
Amount received on issue of units	3,036,919	1,369,285
Payment / Payable against redemption of units	(1,729,311)	(46,559)
Cash dividend paid	(134,509)	(10,460)
	<b>1,173,099</b>	<b>1,312,266</b>
<b>Net cash generated from financing activities</b>		
	<b>1,353,609</b>	<b>608,618</b>
Cash and cash equivalents at beginning of the year	608,618	-
	<b>1,962,227</b>	<b>608,618</b>

The annexed notes 1 to 35 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# HBL ISLAMIC ASSET ALLOCATION FUND

## Notes To The Financial Statements

For the year ended June 30, 2017

### 1. LEGAL STATUS AND NATURE OF BUSINESS

HBL Islamic Asset Allocation Fund (the Fund) was established under a Trust Deed, dated September 07, 2015, 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 October 28, 2015.

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 initial public offer period was from January 07, 2016 to January 08, 2016 (both days inclusive). The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange.

The primary objective of the Fund is to provide superior returns through investments in Shari'ah Compliant Equity Securities and Shari'ah Compliant Income/ Money Market Instruments.

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2' (Positive outlook) to the Management Company while the Fund is currently not rated.

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 Pakistani 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 4.3.1 and 4.3.4); and
- (II) impairment of financial assets (note 4.3.5)

**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Notes To The Financial Statements**  
*For the year ended June 30, 2017*

**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.

	<b>Effective from accounting period beginning on or after:</b>
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.

	<b>Effective from accounting periods beginning on or after:</b>
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

**Effective from accounting periods beginning on or after:**

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 recognized in prior year / period 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'.

##### **4.2 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.

##### **4.3 Financial assets**

###### **4.3.1 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:

The Fund classifies its financial assets in the following categories:

- 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 - 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.

**4.3.2 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.

**4.3.3 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.

**4.3.4 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 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.

**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 - 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 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.

#### **4.3.5 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.

#### **4.3.6 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.

#### **4.3.7 Offsetting of financial instruments**

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.

#### **4.4 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.

#### **4.5 Preliminary expenses and floatation costs**

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchanges and other expenses. These costs are amortised over a period of five years from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and NBFC regulations.

#### **4.6 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.

#### **4.7 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 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 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.

#### **4.10 Net Assets Value per unit**

The Net Assets Value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

#### **4.11 Revenue recognition**

- Mark-up on deposits with banks and mark-up / return on investments in debt securities are recognised using effective yield method.
- 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 and other comprehensive income on the date at which the transaction takes place.



**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Notes To The Financial Statements**  
*For the year ended June 30, 2017*

**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.

**4.13 Proposed distribution**

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.

**4.14 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.

	Note	2017 -----{Rupees in '000}-----	2016 -----{Rupees in '000}-----
<b>5 BANK BALANCES</b>			
Balances with banks in:			
PLS saving deposit accounts under shariah arrangements	5.1	<b>1,962,227</b>	606,968
Current account		-	1,650
		<b>1,962,227</b>	<b>608,618</b>

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: 3.91% - 6.31% p.a.)

	Note	2017 -----{Rupees in '000}-----	2016 -----{Rupees in '000}-----
<b>6 INVESTMENTS</b>			
Available for sale			
- Listed equity securities	6.1	<b>685,184</b>	257,946
- Unlisted equity securities		-	642
- Government of Pakistan - Ijarah sukuk	6.2	-	394,164
- Privately placed sukuk certificates	6.3	-	80,000
- Term Finance Certificate - Listed	6.4	<b>55,443</b>	-
		<b>740,627</b>	<b>732,752</b>

**6.1 Listed equity securities - Available for sale**

Shares of listed companies - fully paid up ordinary shares of Rs. 10 each unless stated otherwise.

**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Notes To The Financial Statements**  
For the year ended June 30, 2017

Name of the Investee Company	Number of Share				Market value as a percentage of		Total Investments	Net Assets	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	Market value as at June 30, 2017 (Rupees In '000)			
<b>AUTOMOBILE ASSEMBLER</b>									
Honda Atlas Cars (Pakistan) Limited	15,500	37,000	-	33,600	18,900	16,399	2.21%	0.63%	0.01%
Millat Tractors Limited	-	42,700	-	29,200	13,500	18,555	2.51%	0.71%	0.03%
Pak Suzuki Motor Company Limited	4,000	28,100	-	13,200	18,900	14,749	1.99%	0.56%	0.02%
Indus Motor Company Limited	-	4,000	-	4,000	-	-	-	-	-
	<b>19,500</b>	<b>111,800</b>	<b>-</b>	<b>80,000</b>	<b>51,300</b>	<b>49,703</b>	<b>6.71%</b>	<b>1.89%</b>	
<b>AUTOMOBILE PARTS &amp; ACCESSORIES</b>									
General Tyre & Rubber Company of Pakistan Limited	-	50,100	-	50,100	-	-	-	-	-
Thai Limited (Par value Rs. 5 per share)	-	19,300	-	8,500	10,800	6,545	0.88%	0.25%	0.01%
	<b>-</b>	<b>69,400</b>	<b>-</b>	<b>58,600</b>	<b>10,800</b>	<b>6,545</b>	<b>0.88%</b>	<b>0.25%</b>	
<b>CABLE &amp; ELECTRICAL GOODS</b>									
Pak Elektron Limited	135,000	418,000	-	271,000	282,000	31,110	4.20%	1.19%	0.06%
	<b>135,000</b>	<b>418,000</b>	<b>-</b>	<b>271,000</b>	<b>282,000</b>	<b>31,110</b>	<b>4.20%</b>	<b>1.19%</b>	
<b>CEMENT</b>									
Cherat Cement Company Limited	95,000	186,400	-	160,000	121,400	21,704	2.93%	0.83%	0.07%
D G Khan Cement Company Limited	46,300	219,000	-	116,300	149,000	31,761	4.29%	1.21%	0.03%
Lucky Cement Limited	38,100	29,600	-	14,850	52,850	44,196	5.97%	1.68%	0.02%
Pioneer Cement Limited	93,500	296,400	-	153,500	236,400	30,732	4.15%	1.17%	0.10%
Fauji Cement Company Limited	147,500	964,000	-	1,111,500	-	-	-	-	-
Kohat Cement Limited	25,100	-	-	25,100	-	-	-	-	-
Maple Leaf Cement Factory Limited	95,000	111,700	-	206,700	-	-	-	-	-
	<b>540,500</b>	<b>1,807,100</b>	<b>-</b>	<b>1,787,950</b>	<b>559,650</b>	<b>128,393</b>	<b>17.34%</b>	<b>4.89%</b>	
<b>CHEMICAL</b>									
Engro Polymer & Chemicals Limited	-	432,000	-	-	432,000	15,768	2.13%	0.60%	0.07%
Akzo Nobel Pakistan Limited	-	38,000	-	38,000	-	-	-	-	-
ICI Pakistan Limited	-	28,300	-	28,300	-	-	-	-	-
	<b>-</b>	<b>498,300</b>	<b>-</b>	<b>66,300</b>	<b>432,000</b>	<b>15,768</b>	<b>2.13%</b>	<b>0.60%</b>	
<b>ENGINEERING</b>									
Amrell Steels Limited	250,500	432,000	-	560,500	122,000	15,000	2.03%	0.57%	0.04%
Crescent Steel & Allied Products Limited	123,500	109,000	-	159,200	73,300	17,487	2.36%	0.67%	0.09%
International Industries Limited	-	25,000	-	-	25,000	9,214	1.24%	0.35%	0.02%
International Steels Limited *	-	220,000	-	-	220,000	28,136	3.80%	1.07%	0.05%
Mughal Iron & Steel Industry Limited	268,000	-	-	268,000	-	-	-	-	-
	<b>642,000</b>	<b>786,000</b>	<b>-</b>	<b>987,700</b>	<b>440,300</b>	<b>69,837</b>	<b>9.43%</b>	<b>2.66%</b>	
<b>FERTILIZER</b>									
Dawood Hercules Corporation Limited	-	121,500	-	121,500	-	-	-	-	-
Engro Corporation Limited	72,000	190,400	-	120,700	141,700	46,181	6.24%	1.76%	0.03%
Engro Fertilizers Limited	-	594,000	-	200,000	394,000	21,765	2.94%	0.83%	0.03%
	<b>72,000</b>	<b>905,900</b>	<b>-</b>	<b>442,200</b>	<b>535,700</b>	<b>67,946</b>	<b>9.17%</b>	<b>2.59%</b>	
<b>FOOD &amp; PERSONAL CARE PRODUCT</b>									
Engro Foods Limited	40,000	90,900	-	130,900	-	-	-	-	-
	<b>40,000</b>	<b>90,900</b>	<b>-</b>	<b>130,900</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>GLASS &amp; CERAMICS</b>									
Tariq Glass Industries Limited	-	212,000	-	212,000	-	-	-	-	-
	<b>-</b>	<b>212,000</b>	<b>-</b>	<b>212,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>LEATHER &amp; TANNERIES</b>									
Service Industries Limited	-	15,500	-	8,040	7,460	10,287	1.39%	0.39%	0.06%
	<b>-</b>	<b>15,500</b>	<b>-</b>	<b>8,040</b>	<b>7,460</b>	<b>10,287</b>	<b>1.39%</b>	<b>0.39%</b>	

**HBL ISLAMIC ASSET ALLOCATION FUND**  
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Name of the Investee Company	Number of Share				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	Market value as at June 30, 2017 (Rupees in '000)	Total Investments	Net Assets	
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>									
Mari Petroleum Company Limited	14,500	29,000	-	25,140	18,360	28,929	3.91%	1.10%	0.02%
Oil & Gas Development Company Limited	-	344,500	-	111,200	233,300	32,823	4.43%	1.25%	0.01%
Pakistan Oilfields Limited	25,000	93,600	-	79,200	39,400	18,051	2.44%	0.69%	0.02%
Pakistan Petroleum Limited	110,400	384,100	-	311,100	183,400	27,169	3.67%	1.04%	0.01%
	<b>149,900</b>	<b>851,200</b>	<b>-</b>	<b>526,640</b>	<b>474,460</b>	<b>106,972</b>	<b>14.44%</b>	<b>4.08%</b>	
<b>OIL &amp; GAS MARKETING COMPANIES</b>									
Hascol Petroleum Limited	-	62,200	-	-	62,200	21,216	2.86%	0.81%	0.05%
Pakistan State Oil Company Limited	-	62,000	-	-	62,000	24,016	3.24%	0.92%	0.02%
Sui Northern Gas Pipeline Limited	-	273,000	-	65,500	207,500	30,901	4.17%	1.18%	0.03%
Attock Petroleum Limited	-	8,000	-	8,000	-	-	-	-	-
Sui Southern Gas Company Limited	-	481,000	-	481,000	-	-	-	-	-
	<b>-</b>	<b>886,200</b>	<b>-</b>	<b>554,500</b>	<b>331,700</b>	<b>76,133</b>	<b>10.28%</b>	<b>2.90%</b>	
<b>PAPER &amp; BOARD</b>									
Packages Limited *	-	60,100	-	38,750	21,350	14,851	2.01%	0.57%	0.02%
	<b>-</b>	<b>60,100</b>	<b>-</b>	<b>38,750</b>	<b>21,350</b>	<b>14,851</b>	<b>2.01%</b>	<b>0.57%</b>	
<b>PHARMACEUTICALS</b>									
GlaxoSmithKline Pakistan Limited	49,400	27,200	-	76,600	-	-	-	-	-
The Searle Company Limited (Note 6.1.2)	19,900	55,950	2,360	21,400	56,810	29,086	3.93%	1.11%	0.04%
GlaxoSmithKline Consumer Healthcare Pakistan Limited	10,350	-	-	10,350	-	-	-	-	-
	<b>79,650</b>	<b>83,150</b>	<b>2,360</b>	<b>108,350</b>	<b>56,810</b>	<b>29,086</b>	<b>3.93%</b>	<b>1.11%</b>	
<b>POWER GENERATION &amp; DISTRIBUTION</b>									
Hub Power Company Limited	119,500	466,300	-	262,700	323,100	37,942	5.12%	1.45%	0.03%
K-Electric Limited	-	-	-	-	-	-	-	-	-
(Par value Rs. 3.5 per share)	1,740,000	2,746,500	-	4,486,500	-	-	-	-	-
Kot Addu Power Company Limited	-	353,500	-	353,500	-	-	-	-	-
	<b>1,859,500</b>	<b>3,566,300</b>	<b>-</b>	<b>5,102,700</b>	<b>323,100</b>	<b>37,942</b>	<b>5.12%</b>	<b>1.45%</b>	
<b>REFINERY</b>									
Attock Refinery Limited	-	12,500	-	12,500	-	-	-	-	-
National Refinery Limited	-	4,600	-	4,600	-	-	-	-	-
	<b>-</b>	<b>17,100</b>	<b>-</b>	<b>17,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>TEXTILE COMPOSITE</b>									
Nishat Mills Limited	-	448,300	-	246,800	201,500	31,974	4.32%	1.22%	0.06%
	<b>-</b>	<b>448,300</b>	<b>-</b>	<b>246,800</b>	<b>201,500</b>	<b>31,974</b>	<b>4.32%</b>	<b>1.22%</b>	
<b>TRANSPORT</b>									
Pakistan National Shipping Corporation Limited *	28,000	68,600	-	28,000	68,600	8,637	1.17%	0.33%	0.05%
	<b>28,000</b>	<b>68,600</b>	<b>-</b>	<b>28,000</b>	<b>68,600</b>	<b>8,637</b>	<b>1.17%</b>	<b>0.33%</b>	
<b>Total</b>	<b>3,566,050</b>	<b>10,895,850</b>	<b>-</b>	<b>10,667,530</b>	<b>3,796,730</b>	<b>685,184</b>	<b>92.51%</b>	<b>26.12%</b>	
<b>Cost of investments at June 30, 2017</b>						<b>663,370</b>			

\* Related party due to common directorship

**HBL ISLAMIC ASSET ALLOCATION FUND**  
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**6.1.1** Investments include shares having market value aggregating to Rs. 67.809 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. 67,069 at June 30, 2017 (June 30, 2016: Rs. 6,538 ) 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 Government of Pakistan - Ijarah sukuk**

Issue Date	Tenor	Face Value				Market value as a percentage of		
		As at July 1, 2016	Purchases during the year	Sales during the year	As at June 30, 2017	Market value as at June 30, 2017	Total Investments	Net Assets
----- (Rupees in '000) -----								
February 15, 2016	3 Years	279,500	279,500	559,000	-	-	-	-
March 29, 2016	3 Years	110,000	-	110,000	-	-	-	-
		<b>389,500</b>	<b>279,500</b>	<b>669,000</b>	-	-	-	-

**Cost of investments at June 30, 2017**

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**6.2.1** These Ijarah sukuk carry mark-up at the rate of 6.10% p.a. and 5.59% p.a. respectively.

**6.3 Privately placed sukuk certificates**

Issue Date	Tenor	Number of certificates				Carrying value as a percentage of		
		As at July 1, 2016	Purchases during the year	Matured during the year	As at June 30, 2017	Carrying value as at June 30, 2017	Total Investments	Net Assets
----- (Rupees in '000) -----								
May 25, 2016	6 Months	16,000	-	16,000	-	-	-	-

**Cost of Investments at June 30, 2017**

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**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Notes To The Financial Statements**  
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**6.4 Term Finance Certificates - Listed**

Name of the Investee Company	Number of certificates				Carrying value as a percentage of		
	As at July 1, 2016	Purchases during the year	Sale during the year	As at June 30, 2017	Market value as at June 30, 2017	Total Investments	Net Assets
----- (Rupees in '000) -----							
<b>Fatima Fertilizer Company Limited</b>	-	<b>11,791</b>	-	<b>11,791</b>	<b>55,443</b>	<b>7.49%</b>	<b>2.11%</b>
<b>Cost of investments at June 30, 2017</b>					<b>53,561</b>		

**6.4.1 Significant Terms And Conditions Of Term Finance Certificates and Sukuk bonds outstanding as at June 30, 2017 are as follow:**

Name of Security	Rrmaining Principles (per TFC)	Mark up rate (per annum)	Issued Date	Maturity Date
<b>Term finance Certificate-Listed</b>				
Fatima Fertilizer Company Limited	4,500	6 month KIBOR +1.10%	28-Nov-2016	28-Nov-2021

6.5 Net unrealised appreciation on re-measurement of investments classified as available for sale	Note	----- (Rupees in '000) -----	
		2017	2016
Market value of investments	6.1, 6.2, 6.3 & 6.4	<b>740,627</b>	732,752
Cost of investments		<b>716,931</b>	715,691
Provision against equity securities	6.5.1	<b>(3,388)</b>	-
		<b>(713,543)</b>	<b>(715,691)</b>
		<b>27,084</b>	<b>17,061</b>
<b>6.5.1 Movement in impairment against equity securities</b>			
Opening balance		-	-
Add: Charge for the year		<b>3,388</b>	-
Closing balance		<b>3,388</b>	-
<b>7 DIVIDEND RECEIVABLE AND ACCRUED MARK-UP</b>			
Dividend receivable		<b>2,287</b>	1,131
Mark-up accrued on deposits with banks		<b>8,070</b>	720
Mark-up accrued on Privately placed sukuk certificates		-	533
Mark-up accrued on GoP Ijarah sukuk		-	7,527
Mark-up accrued on Term Finance Certificate - Listed		<b>358</b>	-
		<b>10,715</b>	<b>9,911</b>
<b>8 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
Opening balance		<b>974</b>	-
Cost incurred during the period		-	1,075
Less: amortised during the period		<b>(216)</b>	(101)
Closing balance		<b>758</b>	<b>974</b>

**HBL ISLAMIC ASSET ALLOCATION FUND**  
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9 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	2017	2016
	----- (Rupees in '000) -----	
Security deposit with National Clearing Company of Pakistan Limited	2,500	7,500
Security deposit with Central Depository Company of Pakistan Limited	100	100
Receivable against sale of shares	-	1,514
Prepaid expenses	-	15
Tax receivable on mark-up on bank deposits	-	389
	<u>2,600</u>	<u>9,518</u>

10 PAYABLE TO THE MANAGEMENT COMPANY	Note	2017	2016
		----- (Rupees in '000) -----	
Management fee	10.1	2,889	1,631
Sindh Sales Tax	10.2	375	267
Allocation of expenses related to registrar services, accounting, operation and valuation services	16	192	101
Charging of selling and marketing expenses		2,657	-
Security deposit with National Clearing Company of Pakistan Limited		-	2,500
Security deposit with Central Depository Company of Pakistan Limited		-	100
Preliminary expenses and flotation costs			1,075
		<u>6,113</u>	<u>5,674</u>

**10.1** 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 1.5 percent per annum for the current year.

**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.

11 PAYABLE TO THE TRUSTEE	Note	2017	2016
		----- (Rupees in '000) -----	
Trustee's remuneration	11.1	275	191
Sindh Sales Tax		36	27
		<u>310</u>	<u>218</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 there in, based on the daily Net Asset Value (NAV) of the Fund.

**Tariff Structure :**

The trustee Remuneration shall consist of reimbursement of actual custodial expenses/ charges plus the following tariff:

**HBL ISLAMIC ASSET ALLOCATION FUND**  
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<b>Amount of Funds Under Management (Average NAV)</b>	<b>Tariff per annum</b>
Up to Rs. 1,000 million	Rs. 0.7 million or 0.2% p.a. of NAV whichever is higher
On an amount exceeding Rs. 1,000 million Up to Rs. 10,000 million	Rs. 2 million plus 0.1% p.a. of NAV, exceeding Rs. 1,000 million

	<b>Note</b>	<b>2017</b> <b>----- (Rupees in '000) -----</b>	<b>2016</b> <b>----- (Rupees in '000) -----</b>
<b>12 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	12.1	<u>1,344</u>	<u>377</u>

**12.1** Under the provisions of the Non Banking Finance Companies & Notified Entities Regulations, 2008, a collective investment scheme categorised as Asset Allocation scheme is required to pay as annual fee to the SECP, an amount equal to 0.095% of the average annual net assets of the scheme. The Fund has been categorised as a balanced scheme by the Management Company.

	<b>Note</b>	<b>2017</b> <b>----- (Rupees in '000) -----</b>	<b>2016</b> <b>----- (Rupees in '000) -----</b>
<b>13 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration payable		300	319
Charity payable	13.1	103	42
Federal Excise Duty	13.2	1,063	1,063
Withholding tax payable		22,100	1,649
Sales load - payable to related parties		12,984	848
Payable to HBL Islamic Money Market Fund against conversion of units		-	999
Advance received against sale of units		5	-
Payable to brokers		685	648
Provision for Sindh Workers' Welfare Fund	13.3	4,508	-
Payable against redemption of units		1,178	-
Payable against sale of investment		42,320	-
Dividend payable		459	21
Other payable		137	25
		<u>85,842</u>	<u>5,614</u>

**13.1** This represents amount attributable to income earned from shariah non-compliant avenues, earmarked for onward distribution as charity in accordance with the instructions of the Shariah Advisor.

**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 may result 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 (MUFAP) 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.

Further, the Finance Act 2016, also introduced an amendment to the Federal Excise Act, 2015 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

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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 since launch of the fund, aggregating to Rs. 1.063 million . Had the provision not been made, the Net Asset Value per unit as on June 30, 2017 would have been higher by Rs. 0.0428 (June 30, 2016 : Rs. 0.0807)

**13.3 PROVISION FOR SINDH WORKERS' WELFARE FUND**

The Government of Sindh introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014, which was enacted with effect from May 21, 2015. The Mutual Fund Association of Pakistan (MUFAP), 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, thus SWWF is payable by them. MUFAP has taken up the matter with Sindh Finance Ministry for appropriate resolution of the matter.

However, the Management Company decided that as an abundant caution, provision for SWWF should be recognized from date of establishment of the Fund i.e. January 11, 2016. The decision of the Management Company to record provision for SWWF was later confirmed by MUFAP in its Extra Ordinary General Meeting held on January 11, 2017. Thereafter, the provision for SWWF is being made on a daily basis with effect from date of establishment of the Fund.

The Fund has recognised provision for SWWF amounting to Rs. 4.508 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. 0.18 per unit.

	June 30, 2017	For the period from January 11, 2016 to 30-Jun-16
	----- (Rupees in '000) -----	
<b>14 MARK-UP / RETURN ON INVESTMENTS</b>		
Privately placed sukuk certificates	2,117	533
GoP Ijarah sukuk	11,542	12,724
Term Finance Certificate - Listed	1,842	-
	<u>15,501</u>	<u>13,257</u>
<b>15 MARK-UP ON DEPOSITS WITH BANKS</b>		
Mark-up on savings accounts	<u>41,420</u>	<u>5,865</u>
<b>16. ALLOCATION OF EXPENSES RELATED TO REGISTRAR SERVICES, ACCOUNTING, OPERATION AND VALUATION SERVICES</b>		
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. Further, the shariah advisory fee can also be charged to the Fund. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1 percent of the average annual net assets, being lower amount, to the Fund during the year.		
<b>17. SELLING AND MARKETING EXPENSES</b>		
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.		
<b>18. CONTINGENCIES AND COMMITMENTS</b>		
There are no contingencies and commitments outstanding as at June 30, 2017 and June 30, 2016.		



**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Notes To The Financial Statements**  
For the year ended June 30, 2017

	2017	2016
	-----Number of Units-----	
<b>19 NUMBER OF UNITS IN ISSUE</b>		
Total units in issue at the beginning of the year	13,164,371	-
Units issued	27,614,795	13,620,625
Units redeemed	(15,936,255)	(456,254)
<b>Total units in issue at the end of the year</b>	<b>24,842,911</b>	<b>13,164,371</b>
	June 30, 2017	For the period from January 11, 2016 to June 30, 2016
	----- (Rupees in '000) -----	
<b>20 AUDITORS' REMUNERATION</b>		
Annual audit fee	250	250
Fee for half yearly review	55	-
Review of compliance with the requirements of the Code of Corporate Governance	5	5
Shariah compliance audit fee	2	2
Other certifications and out of pocket expenses	57	62
	<b>369</b>	<b>319</b>

**21. 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.

**22. 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.

**23. FINANCIAL INSTRUMENTS BY CATEGORY**

	-----As on June 30, 2017-----		
	Available for sale	Loans and receivables	Total
	----- Rupees in '000 -----		
<b>Assets</b>			
Bank balances	-	1,962,227	1,962,227
Investments	740,627	-	740,627
Dividend receivable and accrued mark-up	-	10,715	10,715
Advances, deposits and other receivables	-	2,600	2,600
	<b>740,627</b>	<b>1,975,542</b>	<b>2,716,169</b>

**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Notes To The Financial Statements**  
For the year ended June 30, 2017

**Liabilities**

Payable to the Management Company	-	6,113	6,113
Payable to the Trustee	-	310	310
Accrued expenses and other liabilities	-	85,842	85,842
Unit holders' fund	-	2,623,318	2,623,318
	-	2,715,583	2,715,583

-----As on June 30, 2017 -----		
Available for sale	Other financial liabilities	Total
----- Rupees in '000 -----		
-	6,113	6,113
-	310	310
-	85,842	85,842
-	2,623,318	2,623,318
-	2,715,583	2,715,583

**Assets**

Bank balances	-	608,618	608,618
Investments	-	732,752	732,752
Dividend receivable and accrued mark-up	-	9,911	9,911
Advances, deposits and other receivables	-	9,518	9,518
	-	1,360,799	1,360,799

-----As on June 30, 2016 -----		
Available for sale	Loans and receivables	Total
----- Rupees in '000 -----		
-	608,618	608,618
-	732,752	732,752
-	9,911	9,911
-	9,518	9,518
-	1,360,799	1,360,799

**Liabilities**

Payable to the Management Company	-	5,674	5,674
Payable to the Trustee	-	218	218
Accrued expenses and other liabilities	-	5,614	5,614
Unit holders' fund	-	1,349,890	1,349,890
	-	1,361,396	1,361,396

-----As on June 30, 2016 -----		
Available for sale	Other financial liabilities	Total
----- Rupees in '000 -----		
-	5,674	5,674
-	218	218
-	5,614	5,614
-	1,349,890	1,349,890
-	1,361,396	1,361,396

**24. 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.

**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Notes To The Financial Statements**  
*For the year ended June 30, 2017*

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

<b>2017</b>	<b>For the period from January 11, 2016 to June 30, 2016</b>
-----{Rupees in '000}-----	
<b>24.1 Transactions during the year</b>	
<b>HBL Asset Management Limited - Management Company</b>	
Management fee	23,979      8,785
Allocation of Expenses related to registrar services, accounting, operation and valuation services	1,415      435
Selling and marketing expenses	2,657      -
<b>Habib Bank Limited - Sponsor</b>	
Issue of units 6,7086 (2016 :1,007,846 units)	7,086      100,800
Dividend received from the fund	7,086      -
Bank charges paid during the year	45      12
Mark-up earned during the year	2,508      2,316
Mark-up received during the year	2,308      2,217
<b>Central Depository Company of Pakistan Limited - Trustee</b>	
Remuneration	2,710      981
CDS charges	94      29
<b>Al Mizan Foundation - Connected Person due to holding more than 10% units</b>	
Issue of 4,208,255 (2016: Nil) units	471,113      -
Dividend received from the fund	28,151      -
<b>International Steels Limited - Common directorship</b>	
Dividend received	248      -
<b>Packages Limited - Common directorship</b>	
Dividend received	524      488
<b>SIUT Trust - Connected Person due to holding more than 10% units</b>	
Issue of 2,798,347 (2016: Nil) units	314,040      -
Dividend received from the fund	18,720      -

**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Notes To The Financial Statements**  
For the year ended June 30, 2017

	2017	For the period from January 11, 2016 to June 30, 2016
	-----{Rupees in '000}-----	
<b>Executives and their relatives</b>		
Issue of 33 (2016: 101) units	<u>3</u>	<u>10</u>
Dividend received from the fund	<u>4</u>	<u>-</u>
	2017	2016
	-----{Rupees in '000}-----	
<b>24.2 Amounts outstanding as at year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management fee	<u>2,889</u>	<u>1,631</u>
Sindh Sales Tax	<u>375</u>	<u>267</u>
Allocation of Expenses related to registrar services, accounting, operation and valuation services	<u>192</u>	<u>101</u>
Charging of selling and marketing expenses	<u>2,657</u>	<u>-</u>
Sales load payable	<u>-</u>	<u>848</u>
Preliminary expenses and flotation costs	<u>-</u>	<u>1,075</u>
<b>Habib Bank Limited - Sponsor</b>		
Investment held in the Fund: 1,074,932 (1,007,846) units	<u>113,508</u>	<u>103,346</u>
Bank balances	<u>501,362</u>	<u>14,573</u>
Mark-up receivable on deposits with banks	<u>299</u>	<u>99</u>
Sales load payable	<u>12,984</u>	<u>-</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	<u>275</u>	<u>191</u>
Sindh Sales Tax	<u>36</u>	<u>27</u>
Security deposit	<u>100</u>	<u>100</u>
<b>Al Mizan Foundation - Connected Person due to holding more than 10% units</b>		
Investment held in the Fund 4,208,255 (2016: Nil) units	<u>444,373</u>	<u>-</u>
<b>SIUT Trust - Connected Person due to holding more than 10% units</b>		
Investment held in the Fund 2,798,347 (2016: Nil) units	<u>295,493</u>	<u>-</u>
<b>Executives of the Management Company and their relatives</b>		
Investment held in the Fund : 584 (2016: 101) units	<u>62</u>	<u>10</u>

**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Notes To The Financial Statements**  
*For the year ended June 30, 2017*

**25 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+

**26. LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE**

Top ten brokers during the year ended June 30, 2017

1	Habib Metropolitan Financial Services Limited
2	Optimus Capital Management (Private) Limited
3	Invest & Finance Securities Limited
4	Taurus Securities Limited
5	Next Capital Limited
6	Al Habib Capital Markets ( Pvt. ) Ltd.
7	Topline Securities (Pvt.) Limited
8	BMA Capital Management Ltd.
9	Standard Capital Securities (Pvt.) Limited
10	IGI Finex Securities Limited

Top ten brokers during the period ended January 11, 2016 to June 30, 2016

1	Al Habib Securities Limited
2	DJM Securities (Private) Limited
3	Foundation Securities (Private) Limited
4	Global Securities Pakistan Limited
5	Habib Metropolitan Financial Services
6	IGI Finex Securities Limited
7	KASB Securities
8	Next Capital Limited
9	Optimus Capital Management (Private) Limited
10	Pearl Securities Limited

**27 PATTERN OF UNIT HOLDING**

	2017			
	Number of unit holders	Number of units held	Investment amount (Rupees in '000)	Percentage investment
Individuals	448	14,312,007	1,511,295	57.61%
Associated Companies and Directors	1	1,074,932	113,509	4.33%
Retirement Funds	2	17,522	1,850	0.07%
Trust	6	7,163,443	756,432	28.83%
Banks	1	208,879	22,057	0.84%
Others	3	2,066,128	218,175	8.32%
	<b>461</b>	<b>24,842,911</b>	<b>2,623,318</b>	<b>100.00%</b>

	Number of unit holders	Number of units held	2016	
			Investment amount (Rupees in '000)	Percentage investment
Individuals	234	6,122,486	627,807	46.50%
Associated Companies and Directors	1	1,007,849	103,346	7.66%
Banks	1	195,843	20,082	1.49%
Others	5	5,838,193	598,655	44.35%
	<b>241</b>	<b>13,164,371</b>	<b>1,349,890</b>	<b>100.00%</b>

## 28 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 <sup>1</sup>	4	4	-	-
5 Mr. Rehan N. Shaikh <sup>2</sup>	1	1	-	-
6 Ms. Sima Kamil <sup>3</sup>	4	4	-	-
7 Mr. Rizwan Haider	5	4	1	April 27, 2017
8 Mr. Salahuddin Manzoor	5	5	-	-
9 Mr. Aamir Irshad <sup>4</sup>	-	-	-	-
10 Mr. Rayomond Kotwal <sup>5</sup>	-	-	-	-

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 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 shariah compliant equity and shariah compliant 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.

### 29.1 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.

**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Notes To The Financial Statements**  
For the year ended June 30, 2017

	2016			
	Number of unit holders	Number of units held	Investment amount (Rupees in '000)	Percentage investment
Individuals	234	6,122,486	627,807	46.50%
Associated Companies and Directors	1	1,007,849	103,346	7.66%
Banks	1	195,843	20,082	1.49%
Others	5	5,838,193	598,655	44.35%
	<b>241</b>	<b>13,164,371</b>	<b>1,349,890</b>	<b>100.00%</b>

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3 Mr. Nadeem Abdullah	5	4	1	April 27, 2017
4 Mr. Farid Ahmed Khan <sup>1</sup>	4	4	-	-
5 Mr. Rehan N. Shaikh <sup>2</sup>	1	1	-	-
6 Ms. Sima Kamil <sup>3</sup>	4	4	-	-
7 Mr. Rizwan Haider	5	4	1	April 27, 2017
8 Mr. Salahuddin Manzoor	5	5	-	-
9 Mr. Aamir Irshad <sup>4</sup>	-	-	-	-
10 Mr. Rayomond Kotwal <sup>5</sup>	-	-	-	-

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

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The Fund primarily invests in a portfolio of shariah compliant equity and shariah compliant 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.

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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.

**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Notes To The Financial Statements**  
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**29.1.1 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.

**29.1.2 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. During the year, the net income would have increased / (decreased) by Rs. 19.62 million (2016: Rs. 6.07 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 account - 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 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.

	<b>2017</b>				<b>Not exposed to Yield / Interest rate risk</b>
	<b>Total</b>	<b>Exposed to Yield / Interest rate risk</b>			
		<b>Upto three months</b>	<b>More than three months and upto one year</b>	<b>More than one year</b>	
	(Rupees in '000)				
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	1,962,227	1,962,227	-	-	-
Investments	740,627	-	-	55,443	685,184
Dividend receivable and accrued mark-up	10,715	-	-	-	10,715
Preliminary and floatation cost	758	-	-	-	758
Advances, deposits and other receivables	2,600	-	-	-	2,600
	<b>2,716,927</b>	<b>1,962,227</b>	<b>-</b>	<b>55,443</b>	<b>699,257</b>
<b>Financial liabilities</b>					
Payable to the Management Company	6,113	-	-	-	6,113
Payable to the Trustee	310	-	-	-	310
Accrued expenses and other liabilities	58,171	-	-	-	58,171
Unit holders' fund	2,623,318	-	-	-	2,623,318
	<b>2,687,912</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,687,912</b>
<b>On-balance sheet gap</b>	<b>29,015</b>	<b>1,962,227</b>	<b>-</b>	<b>55,443</b>	<b>(1,988,655)</b>
<b>Off-balance sheet financial instruments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



**HBL ISLAMIC ASSET ALLOCATION FUND**  
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For the year ended June 30, 2017

	2016				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)				
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	608,618	608,618	-	-	-
Investments	732,752	-	80,000	394,164	258,588
Dividend receivable and accrued mark-up	9,911	-	-	-	9,911
Preliminary and floatation cost	974	-	-	-	974
Advances, deposits and other receivables	9,503	-	-	-	9,503
	<b>1,361,758</b>	<b>608,618</b>	<b>80,000</b>	<b>394,164</b>	<b>278,976</b>
<b>Financial liabilities</b>					
Payable to the Management Company	5,674	-	-	-	5,674
Payable to the Trustee	218	-	-	-	218
Accrued expenses and other liabilities	2,902	-	-	-	2,902
Unit holders' fund	1,349,890	-	-	-	1,349,890
	<b>1,358,684</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,358,684</b>
<b>On-balance sheet gap</b>	<b>3,074</b>	<b>608,618</b>	<b>80,000</b>	<b>394,164</b>	<b>(1,079,708)</b>
<b>Off-balance sheet financial instruments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 29.1.3 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 KMI-30 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 KMI-30 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. 34.3 million (2016: Rs. 1.006 million) as a result of gains / losses on equity securities classified as available for sale.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KMI-30 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI index, is expected to change over the time.

### 29.2 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

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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:

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)			
Habib Bank Limited	501,362	AAA	JCR-VIS
Dubai Islamic Bank Limited	415,185	A+	JCR-VIS
Bank Islami Pakistan Limited	104,501	A+	PACRA
Bank Al Habib Limited	205	AA+	PACRA
Askari Bank Limited	1,469	AA+	PACRA
Soneri Bank Limited	939,505	AA-	PACRA
	1,962,227		

Name of bank	Balances held by the Fund as at June 30, 2016	Latest available published rating as at June 30, 2016	Rating agency
Habib Bank Limited	14,573	AAA	JCR-VIS
Dubai Islamic Bank Limited	142,544	A+	JCR-VIS
Bank Islami Pakistan Limited	101,188	A+	PACRA
Bank Al Habib Limited	350,313	AA+	PACRA
	608,618		

#### 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.

#### 29.3 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.

**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Notes To The Financial Statements**  
For the year ended June 30, 2017

	2017			
	Total	Upto three months	Over three months and upto one year	Over one year
	(Rupees in '000)			
<b>Financial liabilities (excluding unit holders' fund)</b>				
Payable to the Management Company	6,113	6,113	-	-
Payable to the Trustee	310	310	-	-
Accrued expenses and other liabilities	58,171	58,171	-	-
	<b>64,594</b>	<b>64,594</b>	-	-
<b>Unit holder's fund</b>	<b>2,623,318</b>	<b>2,623,318</b>	-	-
	2016			
	Total	Upto three months	Over three months and upto one year	Over one year
	(Rupees in '000)			
<b>Financial liabilities (excluding unit holders' fund)</b>				
Payable to the Management Company	5,674	5,674	-	-
Payable to the Trustee	218	218	-	-
Accrued expenses and other liabilities	2,902	2,902	-	-
	<b>8,794</b>	<b>8,794</b>	-	-
<b>Unit holder's fund</b>	<b>1,349,890</b>	<b>1,349,890</b>	-	-

**30. 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 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.

**31. 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.

**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Notes To The Financial Statements**  
For the year ended June 30, 2017

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 :

Note	June 30, 2017				Fair Value			
	Available-for-sale	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)								
<b>On-balance sheet financial Instruments</b>								
<b>Financial assets measured at fair value</b>								
<b>Investments</b>								
- Listed equity securities	685,184	-	-	685,184	685,184	-	-	685,184
- Term Finance Certificate - Listed	55,443	-	-	55,443	-	55,443	-	55,443
	<b>740,627</b>	<b>-</b>	<b>-</b>	<b>740,627</b>	<b>685,184</b>	<b>55,443</b>	<b>-</b>	<b>740,627</b>
<b>Financial assets not measured at fair value</b>								
31.1								
Bank balances	-	1,962,227	-	1,962,227				
Dividend receivable and accrued mark-up	-	10,715	-	10,715				
Advances, deposits and other receivables	-	2,600	-	2,600				
	-	<b>1,975,542</b>	-	<b>1,975,542</b>				
<b>Financial liabilities not measured at fair value</b>								
31.1								
Payable to the Management Company	-	-	6,113	6,113				
Payable to the Trustee	-	-	310	310				
Accrued expenses and other liabilities	-	-	58,171	58,171				
Unit holders' fund	-	-	2,623,318	2,623,318				
	-	-	<b>2,687,912</b>	<b>2,687,912</b>				

**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Notes To The Financial Statements**  
For the year ended June 30, 2017

		June 30, 2016							
		Carrying amount			Fair Value				
		Available- for-sale	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
Note		(Rupees in '000)							
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>									
<b>Investments</b>									
		257,946	-	-	257,946	257,946	-	-	257,946
	- Listed equity securities								
	- Government of Pakistan - Ijarah sukuk	394,164	-	-	394,164	-	394,164	-	394,164
		<b>652,110</b>	<b>-</b>	<b>-</b>	<b>652,110</b>	<b>257,946</b>	<b>394,164</b>	<b>-</b>	<b>652,110</b>
<b>Financial assets not measured at fair value</b>									
	Bank balances	-	608,618	-	608,618				
	<b>Investments</b>								
	- Un-Listed equity securities	642	-	-	642				
	- Privately placed sukuk certificates	80,000	-	-	80,000				
	Dividend receivable and accrued mark-up	-	9,911	-	9,911				
	Advances, deposits and other receivables	-	9,503	-	9,503				
		<b>80,642</b>	<b>628,032</b>	<b>-</b>	<b>708,674</b>				
<b>Financial liabilities not measured at fair value</b>									
	Payable to the Management Company	-	-	5,674	5,674				
	Payable to the Trustee	-	-	218	218				
	Accrued expenses and other liabilities	-	-	2,902	2,902				
	Unit holders' fund	-	-	1,349,890	1,349,890				
		<b>-</b>	<b>-</b>	<b>1,358,684</b>	<b>1,358,684</b>				

**31.1** 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.

**32. 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 2.63% which includes 0.58% representing Government Levy and SECP fee.

**33. 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**.

**34. 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.

**35. GENERAL**

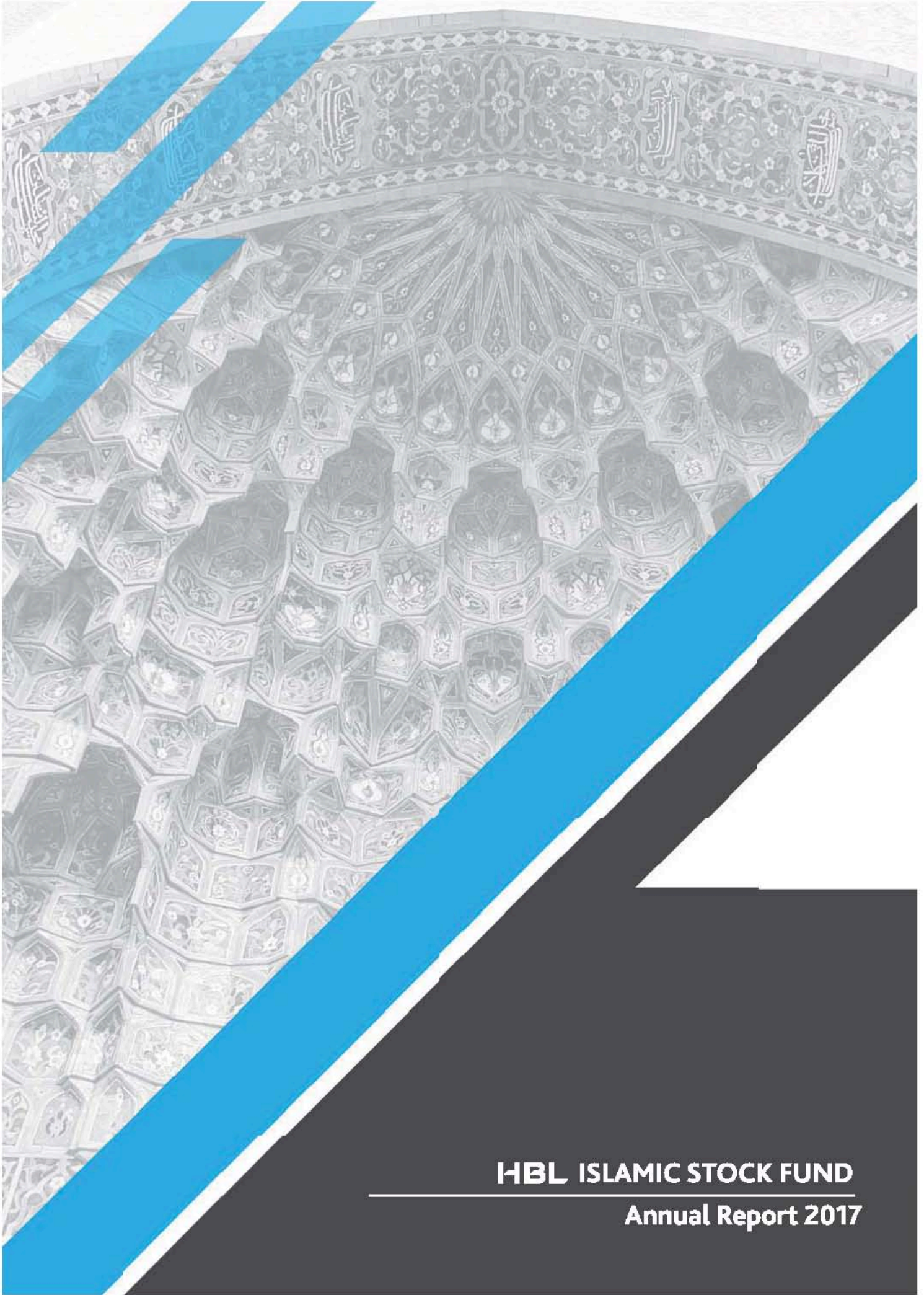
Figures have been rounded off to the nearest thousand rupees.

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

\_\_\_\_\_  
**Chief Financial Officer**

\_\_\_\_\_  
**Chief Executive Officer**

\_\_\_\_\_  
**Director**



**HBL ISLAMIC STOCK FUND**  
**Annual Report 2017**

## FUND INFORMATION

<b>NAME OF FUND</b>	<b>HBL Islamic Stock Fund</b>
<b>NAME OF AUDITOR</b>	<b>Deloitte Yousuf Adil Chartered Accountants.</b>
<b>NAME OF TRUSTEE</b>	<b>Central Depository Company of Pakistan Limited.</b>
<b>NAME OF SHARIAH ADVISORS</b>	<b>Habib Bank Limited      Service till April 20, 2017</b> <b>Al-Hilal Sharia          Appointed from April 21, 2017</b> <b>Advisors (Pvt) Limited.</b>
<b>NAME OF BANKERS</b>	<b>Habib Bank Limited.</b> <b>Bank Islamic Pakistan Limited.</b> <b>Dubai Islamic Bank Limited.</b> <b>National Bank of Pakistan.</b>



# FUND MANAGER'S REPORT - HBL ISLAMIC STOCK FUND

As at June 30, 2017

## Type and Category of Fund

Open end Equity Fund

## Investment Objective and Accomplishment of Objective

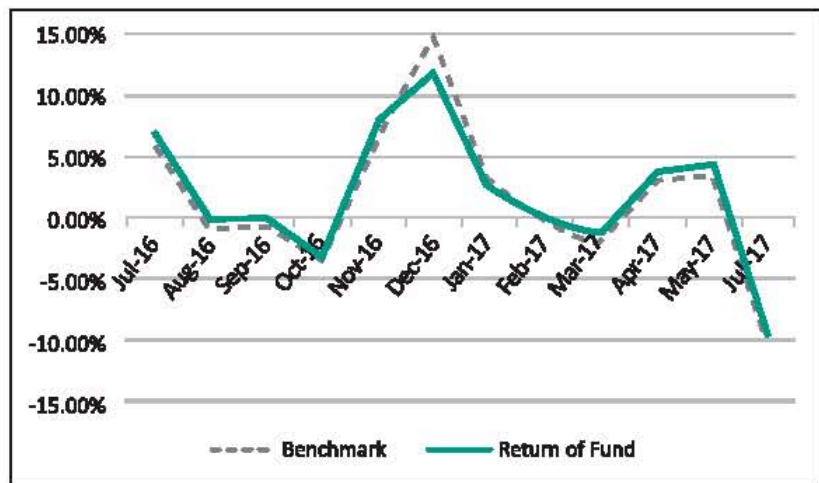
The investment objective of the Fund is to achieve long term capital growth by investing mainly in Shariah Compliant equity securities.

## Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is KMI-30 Index.

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

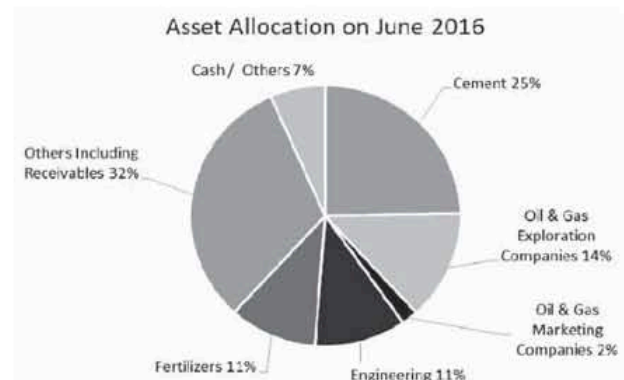
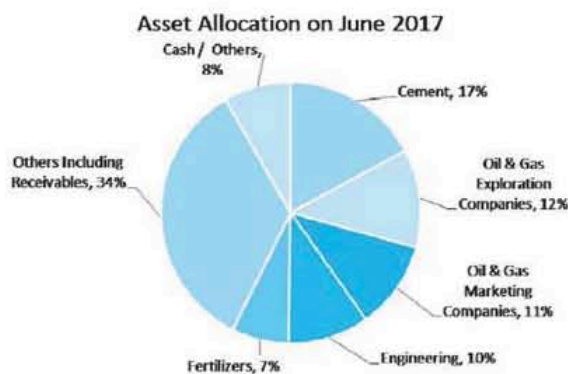
Month	Return of Fund	Benchmark
Jun-17	-10.12%	-9.52%
May-17	3.53%	4.53%
Apr-17	3.23%	3.86%
Mar-17	-2.09%	-1.25%
Feb-17	-0.29%	0.18%
Jan-17	2.47%	2.29%
Dec-16	14.51%	11.83%
Nov-16	7.18%	8.13%
Oct-16	-3.36%	-3.19%
Sep-16	-0.64%	0.02%
Aug-16	-0.98%	-0.03%
Jul-16	5.95%	7.02%



## Strategies and Policies employed during the Year

During the year under review, the Fund reduced its exposure in equity from 93% of total assets as on June 30, 2016 to 92% 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 Cement, oil & gas exploration companies, fertilizers and Engineering was reduced; however exposure in Oil & Gas Marketing 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	17%	25%
Oil & Gas Exploration Companies	12%	14%
Oil & Gas Marketing Companies	11%	2%
Engineering	10%	11%
Fertilizers	7%	11%
Other Equities	34%	32%
<b>Total</b>	<b>92%</b>	<b>93%</b>

### Fund Performance

The total income and net income of the Fund was Rs 198.86 million and Rs 204.53 million respectively during the year ended June 30, 2017. The Net Asset Value (NAV) of the Fund increased from Rs 128.0108 per unit as on June 30, 2016 to Rs 130.0225 per unit as on June 30, 2017 (after incorporating interim dividends at Rs 9.00 per unit and bonus 20.00 per unit) giving a return of 24.51% during the year against the benchmark return (KMI 30 Index) of 18.80%.

### Review of Market Invested In

In FY17 KMI-30 returned 17.6% as compared to FY16 return of 13.8%. Improved LSM growth rate, agriculture output as well as growth in the services sector pick up economic activity which supported the index to close at 78,598 pts. Average daily volume was 72 mn shares up by 31% as compared 55 mn shares in FY16. In USD term KMI 30 index returned 17.5 % which underperformed MSCI Emerging Index 20.4%, but outperform MSCI Frontier Market Index 15.1%. Cements and Oil & Gas Exploration sectors were the prime outperformers during the period under review with return of 25% and 19% respectively. Index touched the highest level of 91,145pts in May'17 just before FY18 budget. However political noise emanating from the JIT investigation, foreign outflow, and unfavorable tax regime for capital markets broke the momentum as index settled at 78,598pts.

### Distribution

The Fund has distributed cash dividend at Rs. 9.00 per unit and bonus dividend of at Rs. 20.00 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	98	3,386
101 - 500	36	9,347
501 - 1,000	22	15,882
100,1 - 10,000	83	310,794
10,001 - 100,000	19	535,672
100,001 - 500,000	3	951,939
500,001 - 1,000,000	-	-
1,000,001 - 5,000,000	-	-
5,000,001 and above	1	6,198,853
<b>Total</b>	<b>262</b>	<b>8,025,872</b>

### 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 ISLAMIC STOCK FUND

As at June 30, 2017

	2017	2016	2015	2014	2013	2012
Net assets at the period end(Rs'000)	1,043,544	784,634	783,608	778,727	469,721	312,236
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	130.0225	128.0108	128.2681	131.9066	155.9098	117.6287
Offer	132.9611	131.3964	131.6903	135.4565	160.2604	119.9813
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	184.8553	137.7412	154.1646	178.2440	165.7097	126.7513
Lowest offer price per unit	131.9828	111.9416	126.7402	129.7224	113.4997	98.5001
Highest redemption price per unit	180.7699	134.1921	150.1584	173.5728	162.4605	124.2660
Lowest redemption price per unit	129.0659	109.0573	123.4188	126.3228	111.2742	96.5687
<b>RETURN ( % )</b>						
Total return	24.51%	0.98%	11.63%	30.17%	44.87%	16.52%
Income distribution	29.00%	1.50%	19.00%	38.50%	25.00%	10.00%
Capital growth	-4.49%	-0.52%	-7.37%	-8.33%	19.87%	6.52%
<b>DISTRIBUTION</b>						
Final dividend distribution- Rs	29.00	1.50	19.00	38.50	25.00	10.00
Date of Income Distribution	22-Jun-17	28-Jun-16	30-Jun-15	27-Jun-14	8-Jul-13	7-Jul-12
Total dividend distribution for the year/ period	29.00	1.50	19.00	38.50	25.00	10.00
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	24.51%	0.98%	11.63%	30.17%	44.87%	16.52%
Average annual return 2 year	12.15%	-	-	-	-	-
Average annual return 3 year	12.03%	-	-	-	-	-
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Net Assets as at 30 June:						
Bank Balances	6%	6%	9%	11%	6%	7%
GoP Ijarah Sukuks	-	-	-	-	-	-
Placement with Banks and DFIs	-	-	-	-	-	-
Corporate Sukuks	-	-	-	-	-	-
Stock / Equities	92%	93%	90%	68%	93%	92%
Others	2%	1%	1%	21%	1%	1%

**Note:**

The Launch date of the Fund is May 10, 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 ISF	Meetings	Resolutions	For	Against	Abstain
Number	3	6	6	-	-
(%ages)		100%	100%	-	-

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

Investment Company	Meeting Date	Meeting Type
Mari Gas Company Limited	07-09-2016	AGM
Pakistan Oilfields Ltd.	29-09-2016	AGM
Crescent Steel and Allied Products Ltd.	30-09-2016	AGM
Hub Power Company Limited	18-10-2016	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
Maple Leaf Cement Factory Limited	31-10-2016	AGM
Cherat Cement Company Limited	31-10-2016	AGM
Tariq Glass Limited	27-10-2016	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	02-28-2017	AGM
Meezan Bank Ltd	28-03-2017	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
Dawood Hercules Corp	28-04-2017	AGM
Service Industries Ltd	28-04-2017	AGM
Hascol Petroleum Ltd	28-04-2017	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.

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 Shakra-e-Faisal,  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com

**TRUSTEE REPORT TO THE UNIT HOLDERS****HBL ISLAMIC 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 Islamic 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 SHARIAH PRINCIPLES

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

**Farid Ahmed Khan**  
Chief Executive Officer  
Dated: August 25, 2017



**Al-Hilal**  
— Shariah Advisors —

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

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

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

Keeping in view the above; we certify that:

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

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

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

Mufti Irfan Ahmad Aijaz  
Shariah Advisor



Faraz Younus Bandukda  
Chief Executive

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

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Pakistan

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Fax: +92 (0) 21- 3454 1314

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## **Independent assurance report to the unit holders on the statement of compliance with the shariah principles**

We have performed an independent assurance engagement of HBL Islamic Stock Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2017. Our engagement was carried out as required under Trust Deed and Shariah Principles of the Fund.

### **Management Company's responsibility**

Management Company (HBL Asset Management Limited) of the Fund is responsible for the preparation of the Statement (the subject matter) and for compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor (criteria). This responsibility includes designing, implementing and maintaining internal control to ensure that operations of the Fund and the investments made by the Fund are in compliance with the Shariah Principles.

### **Responsibility of independent assurance providers**

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we comply with ethical requirements, including independence requirements, and plan and perform the engagement to obtain reasonable assurance whether the Statement reflects the status of the Fund's compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.

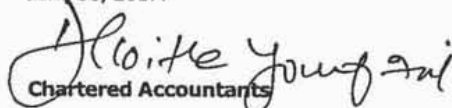
The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Shariah Principles whether due to fraud or error. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

The procedures performed included:

- Checking compliance of specified guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making Investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2017 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

### **Conclusion**

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor for the year ended June 30, 2017.

  
Chartered Accountants

**Dated:** September 22, 2017  
**Place:** Karachi

Member of  
**Deloitte Touche Tohmatsu Limited**



# 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 Islamic 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. Raymond 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

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Chief Executive

---

Director



**Deloitte Yousuf Adil**  
Chartered Accountants  
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## **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 Islamic 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.

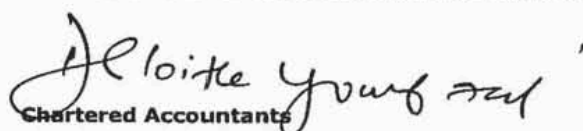
As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risk 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 Islamic 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.

## 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 ISLAMIC STOCK FUND**  
**Statement of Assets and Liabilities**  
*As at June 30, 2017*

	Note	2017 ----- Rupees In '000 -----	2016
<b>Assets</b>			
Bank balances	5	67,149	48,402
Investments	6	1,046,359	770,779
Dividend receivable and accrued mark-up	7	3,559	1,781
Deposits, prepayments and other receivables	8	24,737	6,431
<b>Total assets</b>		<b>1,141,804</b>	<b>827,393</b>
<b>Liabilities</b>			
Payable to the Management Company	9	3,547	1,642
Payable to the Trustee	10	194	151
Payable to Securities and Exchange Commission of Pakistan	11	882	733
Payable against conversion and redemption of units		70,418	1,927
Accrued expenses and other liabilities	12	23,219	38,306
<b>Total liabilities</b>		<b>98,260</b>	<b>42,759</b>
<b>Net assets</b>		<b>1,043,544</b>	<b>784,634</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>1,043,544</b>	<b>784,634</b>
<b>Contingencies and commitments</b>			
	16	----- Number of units -----	
<b>Number of units in issue</b>	22	<b>8,025,872</b>	<b>6,129,438</b>
<b>Net assets value per unit</b>			
		<b>130.0225</b>	<b>128.0108</b>

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 ISLAMIC STOCK FUND**  
**Income Statement and Other Comprehensive Income**  
For the year ended June 30, 2017

	Note	2017 Rupees in '000	2016 Rupees in '000
<b>Income</b>			
Dividend income		36,348	30,667
Profit on bank deposits		3,817	4,225
Capital gain on sale of investments - net		168,055	18,010
		208,220	52,902
Impairment loss on equity securities classified as available-for-sale		(9,365)	(16,494)
<b>Total income</b>		<b>198,855</b>	<b>36,408</b>
<b>Expenses</b>			
Remuneration of the Management Company		21,064	20,422
Remuneration of the Trustee		2,071	1,757
Annual fee to Securities and Exchange Commission of Pakistan		882	733
Allocation of expenses related to registrar services, accounting, operation and valuation services	13	946	450
Selling and marketing expense	15	1,392	-
Securities transaction costs		-	327
Auditors' remuneration	17	381	338
Settlement and bank charges		518	192
Amortisation of preliminary expenses and floatation costs		-	197
Fee and subscription		305	211
Printing and stationary		286	78
Legal and professional charges		22	16
Charity		477	488
<b>Total expenses</b>		<b>28,344</b>	<b>25,208</b>
<b>Net income from operating activities</b>		<b>170,511</b>	<b>11,200</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		32,054	(491)
Reversal of provision for Workers' Welfare Fund	14	8,274	-
Provision for Sindh Workers' Welfare Fund	14	(6,312)	-
		1,962	-
<b>Net income for the year before taxation</b>		<b>204,527</b>	<b>10,709</b>
Taxation	18	-	-
<b>Net income for the year after taxation</b>		<b>204,527</b>	<b>10,709</b>
<b>Other comprehensive Income for the year</b>			
<b>Items that may be reclassified to income statement in subsequent periods</b>			
Unrealised appreciation on remeasurement of investments classified as available-for-sale		158,153	(2,400)
Net reclassification adjustments relating to available-for-sale financial assets		(158,690)	(1,516)
		(537)	(3,916)
<b>Total comprehensive income for the year</b>		<b>203,990</b>	<b>6,793</b>
<b>Earning per unit</b>	20		

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 ISLAMIC STOCK FUND**  
**Distribution Statement**  
*For the year ended June 30, 2017*

	2017	2016
	----- Rupees in '000 -----	
<b>Undistributed Income brought forward - realised</b>	<b>28,260</b>	26,494
Net income for the year	<b>204,527</b>	10,709
Element of income and capital gains included in prices of units issued less those in unit redeemed - amount transferred to the Distribution Statement, from Unit Holders' Fund - net	<b>33,881</b>	88
Interim distribution for the year ended June 30, 2017: Cash distribution of Rs 9.00 per Unit and Rs. 20.00 per unit in the form of bonus units (date of distribution : June 22, 2017) [year ended June 30, 2016: cash distribution of Rs. 1.50 per unit](Date of distribution June 28, 2016)]		
- Cash distribution	<b>(58,404)</b>	(9,031)
- Bonus units - 1,010,496 (2016: Nil)	<b>(129,786)</b>	-
	<b>(188,190)</b>	(9,031)
<b>Undistributed income carried forward - realised</b>	<b>78,478</b>	28,260

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 ISLAMIC STOCK FUND**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2017

	2017	2016
	----- Rupees in '000 -----	
<b>Net assets at beginning of the year</b>	<b>784,634</b>	<b>783,608</b>
Issue of 6,391,070 units (2016: 2,123,007 units)	<b>911,265</b>	262,382
Redemption of 5,505,132 units (2016: 2,102,708 units)	<b>(765,886)</b>	(259,609)
Issue of 1,010,496 bonus units (2016: Nil bonus units)	<b>129,786</b>	-
	<b>275,165</b>	<b>2,773</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		
- transferred to income statement and other comprehensive income	<b>(32,054)</b>	491
- transferred to distribution statement	<b>(33,881)</b>	(88)
	<b>(65,935)</b>	<b>403</b>
Capital gain on sale of investments - net	<b>168,055</b>	18,010
Net unrealised diminution on remeasurement of investments classified as available-for-sale	<b>(537)</b>	(3,916)
Other net income for the year	<b>36,472</b>	(7,301)
<b>Total comprehensive income for the year</b>	<b>203,990</b>	<b>6,793</b>
Interim distribution for the year ended June 30, 2017: Cash distribution of Rs 9.00 per Unit and Rs. 20.00 per unit in the form of bonus units (date of distribution : June 22, 2017) [year ended June 30, 2016: cash distribution of Rs. 1.50 per unit](Date of distribution June 28, 2016)]		
- Cash distribution	<b>(58,404)</b>	(9,031)
- Bonus units - 1,010,496 (2016: Nil)	<b>(129,786)</b>	-
	<b>(188,190)</b>	<b>(9,031)</b>
Element of income and capital gains included in prices of units issued less those in unit redeemed - amount transferred to the distribution statement	<b>33,881</b>	<b>88</b>
<b>Net assets at end of the year</b>	<b>1,043,544</b>	<b>784,634</b>
<b>Net asset value per unit at the beginning of the year</b>	<b>128.0108</b>	<b>128.2681</b>
<b>Net asset value per unit at the end of the year</b>	<b>130.0225</b>	<b>128.0108</b>

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 ISLAMIC STOCK FUND

## Cash Flow Statement

For the year ended June 30, 2017

	2017	2016
Note	----- Rupees in '000 -----	-----
<b>Cash flows from operating activities</b>		
Net income for the year before taxation	204,527	10,709
<b>Adjustments for:</b>		
Amortisation of preliminary expenses and floatation costs	-	197
Capital gain on sale of investments - net	(168,055)	(18,010)
Profit on bank deposits	(3,817)	(4,225)
Dividend income	(36,348)	(30,667)
Impairment loss on investments classified as available-for-sale	9,365	16,494
Reversal of provision for Workers' Welfare Fund	(8,274)	-
Provision for Sindh Workers' Welfare Fund	6,312	-
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	(32,054)	491
	<u>(28,344)</u>	<u>(25,011)</u>
<b>(Increase) / decrease in assets</b>		
Investments - net	(117,427)	(27,454)
Advances, prepayments and other receivables	60	-
	<u>(117,367)</u>	<u>(27,454)</u>
<b>(Decrease) / increase in liabilities</b>		
Payable to the Management Company	1,905	(2,461)
Payable to the Trustee	43	15
Payable to Securities and Exchange Commission of Pakistan	149	(35)
Accrued expenses and other liabilities	(13,125)	16,001
	<u>(11,028)</u>	<u>13,520</u>
Mark-up received	3,476	4,431
Dividend received	34,911	30,336
	<u>(118,352)</u>	<u>(4,178)</u>
<b>Net cash used in operating activities</b>		
<b>Cash flows from financing activities</b>		
Amount received on issue of units	892,898	258,618
Payment against redemption of units	(697,395)	(272,749)
Cash dividend paid	(58,404)	(9,031)
<b>Net cash generated from / (used in) financing activities</b>	<u>137,099</u>	<u>(23,162)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<u>18,747</u>	<u>(27,340)</u>
Cash and cash equivalents at beginning of the year	48,402	75,742
<b>Cash and cash equivalents at end of the year</b>	5 <u>67,149</u>	<u>48,402</u>

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 ISLAMIC STOCK FUND

## Notes To The Financial Statements

For the year ended June 30, 2017

### 1. LEGAL STATUS AND NATURE OF BUSINESS

HBL Islamic Stock Fund (the Fund) was established under a Trust Deed, dated November 23, 2010, 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 December 10, 2010.

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 May 09, 2011 to May 10, 2011.

The principal activity of the Fund is to provide long-term capital growth by investing mainly in Shariah Compliant equity securities and short-term government securities.

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

Items included in these financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani 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); and
- (ii) impairment of financial assets (note 4.2.5, 6.2.1)

**HBL ISLAMIC STOCK FUND**  
**Notes To The Financial Statements**  
*For the year ended June 30, 2017*

**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.

	<b>Effective for accounting periods beginning on or after:</b>
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.

	<b>Effective for accounting periods beginning on or after:</b>
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

Effective from accounting period beginning on or after a date to be determined.

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 include bank balances, demand deposits with banks and other short term highly liquid investments with original maturities of three months or less.

##### **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**

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

**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 '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 under comprehensive income is shown in the income statement.

**a) Loans and receivables**

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

**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 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.

#### **4.6 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.

#### **4.7 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 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.

#### **4.9 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.

#### **4.10 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.

#### **4.11 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.

**HBL ISLAMIC STOCK FUND**  
**Notes To The Financial Statements**  
*For the year ended June 30, 2017*

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.

**4.12 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.

**4.13 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.
- Mark-up / return on bank deposits is 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 on the date of issue and redemption of units.

**4.14 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.

	2017	2016
	----- Rupees in '000 -----	
<b>5. BANK BALANCES</b>		
Balances with banks in:		
savings accounts	67,033	48,283
current account	116	119
	<u>67,149</u>	<u>48,402</u>

5.1 This represent bank accounts held with different banks. Mark-up rates on these accounts range between 1% - 6.6% (June 30, 2016: 4.00% - 6.50%) per annum.



**HBL ISLAMIC STOCK FUND**  
**Notes To The Financial Statements**  
For the year ended June 30, 2017

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.

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	2017	2016
	----- Rupees in '000 -----	
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**HBL ISLAMIC STOCK FUND**  
**Notes To The Financial Statements**  
For the year ended June 30, 2017

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

**6. INVESTMENTS**

Available-for-sale  
- Unlisted equity securities  
- Listed equity securities

-	1,282
<b>1,046,359</b>	<b>769,497</b>
<b>1,046,359</b>	<b>770,779</b>

**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 the 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	
<b>Personal Goods</b>									
Nishat Mills Limited	117,500	617,000	-	347,700	386,800	61,377	5.87%	5.88%	1.10%
	117,500	617,000	-	347,700	386,800	61,377	5.87%	5.88%	1.10%
<b>Construction and Material</b>									
D.G. Khan Cement Company Limited	265,200	252,600	-	316,200	201,600	42,973	4.11%	4.12%	1.30%
Kohat Cement Limited	102,100	33,000	-	135,100	-	-	-	-	-
Lucky Cement Limited	113,000	62,400	-	80,350	95,050	79,487	7.60%	7.62%	0.29%
Maple Leaf Cement Factory Limited	217,000	65,000	-	282,000	-	-	-	-	-
Pioneer Cement Limited	147,000	312,300	-	142,000	317,300	41,249	3.94%	3.95%	1.40%
Cherat Cement Company Limited	122,500	123,800	-	68,000	178,300	31,876	3.05%	3.05%	1.01%
Bestway Cement Limited	-	33,100	-	33,100	-	-	-	-	-
Fauji Cement Limited	-	644,000	-	644,000	-	-	-	-	-
	966,800	1,526,200	-	1,700,750	792,250	195,585	18.69%	18.74%	4.01%
<b>Technology &amp; Communication</b>									
Avanceon Limited	-	194,000	-	194,000	-	-	-	-	-
	-	194,000	-	194,000	-	-	-	-	-
<b>Leather and tanneries</b>									
Service Industries Limited	-	22,200	-	15,050	7,150	9,860	0.94%	0.94%	0.05%
	-	22,200	-	15,050	7,150	9,860	0.94%	0.94%	0.05%
<b>Transport</b>									
Pakistan National Shipping Corporation *	-	85,900	-	-	85,900	10,815	1.03%	1.04%	0.65%
	-	85,900	-	-	85,900	10,815	1.03%	1.04%	0.65%
<b>Commercial Banks</b>									
Meezan Bank Limited	-	278,000	-	-	278,000	21,962	2.10%	2.10%	0.28%
	-	278,000	-	-	278,000	21,962	2.10%	2.10%	0.28%
<b>Glass and ceramics</b>									
Tariq Glass Limited	-	171,000	-	171,000	-	-	-	-	-
	-	171,000	-	171,000	-	-	-	-	-
<b>Electricity</b>									
K-Electric Limited (paid up share of Rs. 3.5 each)	2,900,000	3,286,000	-	6,186,000	-	-	-	-	-
Hub Power Company Limited	639,400	341,900	-	453,400	527,900	61,991	5.92%	5.94%	0.46%
Kot Addu Power Company Limited	221,500	299,500	-	521,000	-	-	-	-	-
	3,760,900	3,927,400	-	7,160,400	527,900	61,991	5.92%	0.06	0.00

**HBL ISLAMIC STOCK FUND**  
**Notes To The Financial Statements**  
For the year ended June 30, 2017

Name of the 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	
<b>OIL &amp; GAS MARKETING COMPANIES</b>									
Mari Petroleum Company Limited	21,200	19,150	-	13,140	27,210	42,873	4.10%	4.11%	0.25%
Pakistan State Oil Company Limited	-	74,000	-	-	74,000	28,664	2.74%	2.75%	0.27%
Pakistan Oilfields Limited	100,200	62,100	-	102,500	59,800	27,397	2.62%	2.63%	0.25%
Pakistan Petroleum Limited	372,100	354,400	-	554,700	171,800	25,450	2.43%	2.44%	0.09%
Oil and Gas Development Company	-	543,000	-	236,000	307,000	43,192	4.13%	4.14%	0.07%
Attock Petroleum Limited	37,750	22,100	-	59,850	-	-	-	-	-
	<b>531,250</b>	<b>1,074,750</b>	<b>-</b>	<b>966,190</b>	<b>639,810</b>	<b>167,576</b>	<b>16.02%</b>	<b>16.06%</b>	<b>0.93%</b>
<b>Fertilizers</b>									
Fauji Fertilizer Bin Qasim Limited	287,000	-	-	287,000	-	-	-	-	-
Engro Corporation Limited	215,600	139,600	-	187,300	167,900	54,720	5.23%	5.24%	0.32%
Engro Fertilizer Limited	-	805,000	-	322,000	483,000	26,681	2.55%	2.56%	0.36%
	<b>502,600</b>	<b>944,600</b>	<b>-</b>	<b>796,300</b>	<b>650,900</b>	<b>81,401</b>	<b>7.78%</b>	<b>7.80%</b>	<b>0.68%</b>
<b>Chemicals</b>									
ICI Pakistan Limited	-	42,700	-	42,700	-	-	-	-	-
Engro Polymer & Chemicals Limited	-	710,000	-	153,000	557,000	20,331	1.94%	1.95%	0.84%
Alkzo Nobel Pakistan Limited	-	16,000	-	16,000	-	-	-	-	-
Dawood Hercules Corporation Limited	-	399,300	-	399,300	-	-	-	-	-
	<b>-</b>	<b>1,168,000</b>	<b>-</b>	<b>611,000</b>	<b>557,000</b>	<b>20,331</b>	<b>1.94%</b>	<b>1.95%</b>	<b>0.84%</b>
<b>Food and personal care products</b>									
Engro Foods Limited	-	187,900	-	187,900	-	-	-	-	-
	<b>-</b>	<b>187,900</b>	<b>-</b>	<b>187,900</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Paper and board</b>									
Roshan Packages Limited	-	50,000	-	50,000	-	-	-	-	-
Packages Limited *	49,800	17,900	-	32,850	34,850	24,241	2.32%	2.32%	0.39%
	<b>49,800</b>	<b>67,900</b>	<b>-</b>	<b>82,850</b>	<b>34,850</b>	<b>24,241</b>	<b>2.32%</b>	<b>2.32%</b>	<b>0.39%</b>
<b>Cable and electrical goods</b>									
Pak Elektron Limited	275,500	558,000	-	337,000	496,500	54,774	5.23%	5.25%	1.00%
	<b>275,500</b>	<b>558,000</b>	<b>-</b>	<b>337,000</b>	<b>496,500</b>	<b>54,774</b>	<b>5.23%</b>	<b>5.25%</b>	<b>1.00%</b>
<b>Pharma and Bio Tech</b>									
Abbott Lab Pakistan Limited	-	9,500	-	9,500	-	-	-	-	-
Searle Company Limited (6.1.2)	54,890	85,900	5,111	48,700	97,201	49,765	4.76%	4.77%	0.63%
GlaxoSmithKline Consumer	20,670	-	-	20,670	-	-	-	-	-
GlaxoSmithKline Pakistan Limited	68,900	21,400	-	90,300	-	-	-	-	-
	<b>144,460</b>	<b>116,800</b>	<b>5,111</b>	<b>169,170</b>	<b>97,201</b>	<b>49,765</b>	<b>4.76%</b>	<b>4.77%</b>	<b>0.63%</b>
<b>Automobile Assembler</b>									
Pak Suzuki Motor Company Limited	41,200	39,200	-	41,200	39,200	30,590	2.92%	2.93%	0.48%
Honda Atlas Cars ( Pakistan) Limited	-	51,850	-	39,800	12,050	10,456	1.00%	1.00%	0.08%
Indus Motor Company Limited	-	6,000	-	6,000	-	-	-	-	-
Atlas Honda Limited	-	21,100	-	21,100	-	-	-	-	-
Millat Tractors Limited	-	55,250	-	40,250	15,000	20,617	1.97%	1.98%	0.34%
	<b>41,200</b>	<b>173,400</b>	<b>-</b>	<b>148,350</b>	<b>66,250</b>	<b>61,663</b>	<b>5.89%</b>	<b>5.91%</b>	<b>0.90%</b>

**HBL ISLAMIC STOCK FUND**  
**Notes To The Financial Statements**  
For the year ended June 30, 2017

Name of the 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	
<b>Automobile parts and Accessories</b>									
Thal Limited	-	35,300	-	18,900	16,400	9,939	0.95%	0.95%	0.40%
General Tyre and Rubber Company Limited	100,900	67,800	-	168,700	-	-	-	-	-
	100,900	103,100	-	187,600	16,400	9,939	0.95%	0.95%	0.40%
<b>Oil and Gas Marketing Companies</b>									
Hascol Petroleum Limited	-	129,300	-	3,800	125,500	42,808	4.09%	4.10%	1.04%
Sul Southern Gas Company Limited	-	305,500	-	305,500	-	-	-	-	-
Sul Northern Gas Pipelines Limited	-	679,500	-	324,500	355,000	52,867	5.05%	5.07%	0.56%
	-	1,114,300	-	633,800	480,500	95,675	9.14%	9.17%	1.60%
<b>Sugar and Allied Industries</b>									
Faran Sugar Mills Limited	-	59,700	-	-	59,700	4,792	0.46%	0.46%	2.39%
	-	59,700	-	-	59,700	4,792	0.46%	0.46%	2.39%
<b>Refinery</b>									
National Refinery Limited	-	66,000	-	66,000	-	-	-	-	-
Attock Refinery Limited	-	38,900	-	38,900	-	-	-	-	-
	-	104,900	-	104,900	-	-	-	-	-
<b>Engineering</b>									
Amreli Steels Limited	515,500	174,500	-	565,000	125,000	15,368	1.47%	1.47%	0.42%
International Industries Limited	-	62,500	-	-	62,500	23,036	2.20%	2.21%	0.52%
International Steels Limited *	-	440,500	-	-	440,500	56,335	5.38%	5.40%	1.01%
Crescent Steel and Allied Products Limited	314,500	96,900	-	328,100	83,300	19,873	1.90%	1.90%	1.07%
Mughal Iron and Steel Limited	455,000	-	-	455,000	-	-	-	-	-
	1,285,000	774,400	-	1,348,100	711,300	114,612	10.95%	10.98%	3.03%
	<b>7,775,910</b>	<b>13,269,450</b>	<b>5,111</b>	<b>15,162,060</b>	<b>5,888,411</b>	<b>1,046,359</b>	<b>100.00%</b>	<b>100.27%</b>	
<b>Cost of investments at June 30, 2017</b>						<b>995,514</b>			

\* Related party due to common directorship

**6.1.1** Investments include shares having market value aggregating to Rs.83.4 million (June 30, 2016: Rs. 52.32 million) that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular 11 dated October 23, 2007 issued by the SECP.

**6.1.2** These includes gross bonus shares as per Fund's entitlement declared by the investee company. Finance Act, 2014 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 funds based on the premise of exemption given to mutual funds under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld the share equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs.0.327 million at June 30, 2017 (June 30, 2016: Rs. 0.166 million) and not yet deposited on CDC account of department of Income tax. Management is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis at fair value in its investments at year end.

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	Note	2017 ----- Rupees in '000 -----	2016
<b>6.2 Net unrealised appreciation on remeasurement of investments classified as available-for-sale</b>			
Market value of investments	6.1	1,046,359	770,779
Cost of investments	6.1	995,514	720,557
Provision against equity securities	6.2.1	(9,365)	(10,525)
		<u>986,149</u>	<u>710,032</u>
		<u>60,210</u>	<u>60,747</u>
<b>6.2.1 Movement in impairment against equity securities</b>			
Opening balance		10,525	-
Add: Charge for the year		9,365	16,494
Less: Reversals made during the year (capital gain)		(10,525)	(5,969)
Net (reversal) / charge		(1,160)	10,525
Closing balance		<u>9,365</u>	<u>10,525</u>
<b>7. DIVIDEND RECEIVABLE AND ACCRUED MARK-UP</b>			
Dividend receivable		3,125	1,688
Mark-up accrued on deposits with banks		434	93
		<u>3,559</u>	<u>1,781</u>
<b>8. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Security deposit with:			
- National Clearing Company of Pakistan Limited		2,500	2,500
- Central Depository Company of Pakistan Limited		100	100
Prepaid expenses		7	67
Receivable against conversion of units		22,130	3,764
		<u>24,737</u>	<u>6,431</u>
<b>9. PAYABLE TO THE MANAGEMENT COMPANY</b>			
Management fee	9.1	1,783	1,288
Sindh Sales Tax	9.2	232	210
Sales load payable		51	80
Selling and marketing payable	15	1,392	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	13	89	64
		<u>3,547</u>	<u>1,642</u>
<b>9.1</b> 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.			

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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.

	Note	2017 Rupees in '000	2016
<b>10. PAYABLE TO THE TRUSTEE</b>			
Trustee fee	10.1	172	129
Sindh Sales Tax		22	22
		<u>194</u>	<u>151</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 Tariff per annum  
[Average Net Assets Value (NAV)]**

Upto Rs 1,000 million whichever is higher	Rs. 0.7 million or 0.20% per annum of NAV,
Exceeding Rs 1,000 million	Rs 2 million plus 0.10% per annum of NAV

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
<b>11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	11.1	882	733

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.

	Note	2017 Rupees in '000	2016
<b>12. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Payable against purchase of shares		-	19,785
Federal Excise Duty	12.2	6,793	6,793
Provision for Workers' Welfare Fund	14	-	8,274
Provision for Sindh Workers' Welfare Fund	14	6,312	-
Charity payable	12.1	155	2,373
Withholding tax payable		8,464	149
Auditors' remuneration		300	278
Payable to brokers		989	525
Others		206	129
		<u>23,219</u>	<u>38,306</u>

- 12.1** In accordance with the instructions of the Shariah Advisor(s), any income earned by the Fund from investments whereby the portions of the investment of the investee company has been made in Shariah non-compliant avenues, such portion of the income of the Fund from those investments should be given away for charitable purposes directly by the Fund.
- 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 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 the Management Company with effect from June 13, 2013 till June 30, 2016, aggregating to Rs. 6.793 million. Had the provision not been made, the Net Asset Value per unit as at June 30, 2017 would have been higher by Rs. 0.85 (June 30, 2016: Rs. 1.11) per unit.

**13. ALLOCATION OF EXPENSES RELATED TO REGISTRAR SERVICES, ACCOUNTING, OPERATION AND VALUATION SERVICES**

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.

**14. 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 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

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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. 8.274 million. Further, as an abundant caution, the Management Company decided to create SWWF provision effective from July 1, 2014 amounting to Rs. 6.312 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. 0.7865 per unit.

**15. 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.

**16. CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments at the year end (2016: Nil)

**17. AUDITORS' REMUNERATION**

	2017	2016
	----- Rupees in '000 -----	
Annual audit fee	250	250
Fee for half yearly review	40	40
Review of compliance with the requirements of the Code of Corporate Governance	5	5
Shariah Compliance Audit Fee	3	3
Out of pocket	86	40
	<b>381</b>	<b>338</b>



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**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. 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 3.04%, which includes 0.12% representing government levy and SECP fee.

**20. 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.

**21. 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. The Management Company has negotiated the credit line with the Bank and subsequent to the year end the obtained the required credit lines amounting to PKR 100 million. The Fund is required to review the committed line at least on quarterly basis against the net assets of the Fund.

<b>22. NUMBER OF UNITS IN ISSUE</b>	<b>2017</b>	<b>2016</b>
	----- Number of units -----	
Opening units in issue	<b>6,129,438</b>	6,109,139
Units issued during the year	<b>7,401,566</b>	2,123,007
Less: Units redeemed	<b>(5,505,132)</b>	(2,102,708)
<b>Total units in issue at the end of the year</b>	<b>8,025,872</b>	<b>6,129,438</b>

**23. 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 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 these financial statements are as follows:

<b>23.1 Transactions during the year</b>	<b>2017</b>	<b>2016</b>
	----- Rupees in '000 -----	
<b>HBL Asset Management Limited - Management Company</b>		
Management Fee including sales tax thereon	<b>21,064</b>	20,422
Allocation of expenses related to registrar services, accounting, operation and valuation services	<b>946</b>	450
Selling and marketing	<b>1,392</b>	-
Issue of 188,752 units (2016: Nil units)	<b>29,400</b>	-
Issue of bonus 26,309 units (2016: Nil units)	<b>3,557</b>	-

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	2017	2016
	----- Rupees in '000 -----	
<b>Habib Bank Limited - Sponsor</b>		
Issue of Nil units (2016: 60,402 units)	-	7,543
Issue of bonus 792,499 units - (2016: Nil units)	101,787	-
Bank charges paid	14	23
Profit on bank deposits earned	906	583
Profit on bank deposits received	688	611
Dividend paid	45,804	-
<b>Packages Limited - Common Directorship</b>		
Dividend earned	1,121	-
	2017	2016
	----- Rupees in '000 -----	
<b>International Steels Limited - Common Directorship</b>		
Dividend earned	401	-
<b>Executives and their relatives</b>		
Issue of 6,293 units (2016: 172 units)	1,047	21
Issue of bonus 2,193 units (2016: Nil units)	282	-
Redemption of 7,915 units (2016: 2,462 units)	1,250	300
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee remuneration	2,071	1,757
Service charges	126	159
<b>23.2 Balances outstanding as at year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management fee	1,783	1,288
Sindh Sales Tax	232	210
Sales load payable	51	80
Selling and marketing payable	1,392	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	89	64
Investment held in the Fund: 215,061 unit (2016 : Nil units)	27,963	-
<b>Habib Bank Limited - Sponsor</b>		
Investment held in the Fund: 6,198,853 units (2016: 5,089,354 units)	805,990	651,492
Bank balances	50,608	3,053
Mark-up receivable on deposits with banks	218	20
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable including sales tax thereon	194	151
Security deposit	100	100
<b>Executives and their relatives</b>		
Investment held in the Fund : units (2016: 16,067 units)	2,089	2,057

**24. 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.

#### **24.1 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.

##### **24.1.1 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.

##### **24.1.2 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. 0.670 million (2016: Rs.0.483 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.

##### **24.1.3 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 10% 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 have increased / decreased by Rs. 52.318 million (2016: Rs. 38.539 million) as a result of gains / losses on equity securities in "available for sale" category, with corresponding effect on Other comprehensive income reported in 'Income statement and other comprehensive income'.

#### **24.2 Credit risk**

Credit risk represents the risk of a loss if the counterparties fail to perform as contracted. The Fund's credit risk is primarily attributable to balances with banks, deposits with 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 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 considering any collateral as at June 30, 2017 is the carrying amount of the financial assets as follows:

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Note	2017 ----- Rupees in '000 -----	2016
<b>Bank balances by rating category</b>		
A-1+ (JCR-VIS)	-	3,171
A-1 (JCR-VIS)	-	2,569
A1 (PACRA)	67,149	42,662
A1+ (PACRA)	-	-
	<u>67,149</u>	<u>48,402</u>
<b>Dividend and profit receivable</b>	<u>3,559</u>	<u>1,781</u>
<b>Deposits and other receivables</b>	<u>24,730</u>	<u>6,364</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 diversified and relate to various sectors. 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.

**24.3 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 21)

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 -----			
<b>Liabilities</b>				
Payable to the Management Company	3,547	-	-	3,547
Payable to the Trustee	194	-	-	194
Accrued expenses and other liabilities	1,649	-	-	1,649
Payable against conversion of units	70,418	-	-	70,418
Unit Holder's Fund	1,043,544	-	-	1,043,544
	<u>1,119,352</u>	-	-	<u>1,119,352</u>

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----- As at June 30, 2016 -----

	Upto three months	More than three months and upto one year	More than one year	Total
----- Rupees in '000 -----				
<b>Liabilities</b>				
Payable to the Management Company	1,642	-	-	1,642
Payable to the Trustee	151	-	-	151
Accrued expenses and other liabilities	23,090	-	-	23,090
Payable against conversion of units	1,927	-	-	1,927
Unit Holder's Fund	784,634	-	-	784,634
	<b>811,444</b>	<b>-</b>	<b>-</b>	<b>811,444</b>

**25. 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							
	Carrying amount			Fair Value				
	Available-for-sale	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
<b>On-balance sheet financial instruments</b>	----- (Rupees in '000) -----							
Investments - Listed equity securities								
<b>Financial assets measured at fair value</b>	<b>1,046,359</b>	-	-	<b>1,046,359</b>	<b>1,046,359</b>	-	-	<b>1,046,359</b>
	<b>1,046,359</b>	-	-	<b>1,046,359</b>	<b>1,046,359</b>	-	-	<b>1,046,359</b>

**HBL ISLAMIC STOCK FUND**  
**Notes To The Financial Statements**  
For the year ended June 30, 2017

		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
<b>On-balance sheet financial Instruments</b>	<b>Note</b>	(Rupees in '000)							
<b>Financial assets not measured at fair value</b>	25.1								
Bank balances		-	67,149	-	67,149				
Dividend receivable and accrued mark-up		-	3,559	-	3,559				
Deposits and other receivables		-	24,730	-	24,730				
		-	95,438	-	95,438				
<b>Financial liabilities not measured at fair value</b>									
Payable to Management Company		-	-	3,547	3,547				
Payable to Trustee		-	-	194	194				
Payable against conversion of units		-	-	70,418	70,418				
Accrued expenses and other liabilities		-	-	1,649	1,649				
		-	-	75,808	75,808				

		June 30, 2016				Fair Value			
		Carrying amount							
		Available-for-sale	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
<b>On-balance sheet financial Instruments</b>		(Rupees in '000)							
<b>Financial assets measured at fair value</b>									
Investments									
- Listed equity securities		769,497	-	-	769,497	769,497	-	-	769,497
		769,497	-	-	769,497	769,497	-	-	769,497
<b>Financial assets not measured at fair value</b>									
Bank balances		-	48,402	-	48,402				
Investments - Unlisted Equity Securities		1,282	-	-	1,282				
Dividend receivable and accrued mark-up		-	1,781	-	1,781				
Deposits and other receivables		-	6,364	-	6,364				
		1,282	56,547	-	57,829				
<b>Financial liabilities not measured at fair value</b>									
Payable to Management Company		-	-	1,642	1,642				
Payable to Trustee		-	-	151	151				
Payable against conversion of units		-	-	1,927	1,927				
Accrued expenses and other liabilities		-	-	23,090	23,090				
		-	-	26,810	26,810				

25.1 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.

**25.2 Transfers during the year**

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

**26. 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.

**HBL ISLAMIC STOCK FUND**  
**Notes To The Financial Statements**  
*For the year ended June 30, 2017*

- 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. LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE**

**Top ten brokers during the year ended June 30, 2017**

- 1 BMA Capital Management Limited
- 2 Habib Metropolitan Financial Services Ltd
- 3 Next Capital Limited
- 4 Taurus Securities Ltd.
- 5 Arif Habib Ltd
- 6 BIPL Securities Ltd
- 7 DJM Securities (Pvt) Ltd
- 8 Pearl Securities Ltd
- 9 Optimus Capital Management (Pvt.) Ltd.
- 10 Topline Securities (Private) Ltd.

**Top ten brokers during the year ended June 30, 2016**

- 1 AKD Securities Limited
- 2 Al Habib Securities Limited
- 3 Arif Habib Limited
- 4 BMA Capital Management Limited
- 5 Elixir Securities Pakistan (Private) Limited
- 6 JS Global Capital Limited
- 7 Next Capital Limited
- 8 Pearl Securities Limited
- 9 Taurus Securities Limited
- 10 Top Line Securities (Private) Limited

**28. 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+

**HBL ISLAMIC STOCK FUND**  
**Notes To The Financial Statements**  
For the year ended June 30, 2017

**29. PATTERN OF UNIT HOLDING**

	2017		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment
Individuals	254	124,872	11.97%
Associated Companies	1	805,991	77.24%
Retirement Funds	1	5,849	0.56%
Asset Management Company	1	27,963	2.68%
Trust	1	59,571	5.71%
Insurance companies	2	10,122	0.97%
Others	2	9,177	0.88%
	<b>262</b>	<b>1,043,545</b>	<b>100%</b>

	2016		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment
Individuals	251	87,440	11.14%
Associated companies	1	651,492	83.03%
Directors	1	4,762	0.61%
Insurance companies	2	40,940	5.22%
	<b>255</b>	<b>784,634</b>	<b>100.00%</b>

**30. 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 <sup>1</sup>	4	4	-	-
5	Mr. Rehan N. Shaikh <sup>2</sup>	1	1	-	-
6	Ms. Sima Kamil <sup>3</sup>	4	4	-	-

	Name of Director	Number of meetings			Meeting not attended
		Held	Attended	Leave granted	
7	Mr. Rizwan Haider	5	4	1	April 27, 2017
8	Mr. Salahuddin Manzoor	5	5	-	-
9	Mr. Aamir Irshad <sup>4</sup>	-	-	-	-
10	Mr. Rayomond Kotwal <sup>5</sup>	-	-	-	-



**HBL ISLAMIC STOCK FUND**  
**Notes To The Financial Statements**  
*For the year ended June 30, 2017*

- 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.

**31. 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.

**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 ISLAMIC INCOME FUND**  
(Formerly PICIC Islamic Income Fund)

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**Annual Report 2017**

## FUND INFORMATION

<b>NAME OF FUND</b>	<b>HBL Islamic Income Fund</b>
<b>NAME OF AUDITOR</b>	<b>Deloitte Yousuf Adil Chartered Accountants.</b>
<b>NAME OF TRUSTEE</b>	<b>Central Depository Company of Pakistan Limited</b>
<b>NAME OF SHARIAH ADVISORS</b>	<b>Al-Hilal Shariah Advisors (Pvt) Limited.</b>
<b>NAME OF BANKERS</b>	<b>Bank Islami Pakistan Limited. Al Baraka Bank Pakistan Limited. United Bank Limited. Burj Bank Limited. NIB Bank Limited. Faysal Bank Limited. Allied Bank Limited. Habib Bank Limited. Dubai Islami Bank Limited. Askari Bank Limited.</b>

# FUND MANAGER'S REPORT - HBL ISLAMIC INCOME FUND

As at June 30, 2017

## Type and Category of Fund

Open end Shariah Compliant Income Fund

## Investment Objective and Accomplishment of Objective

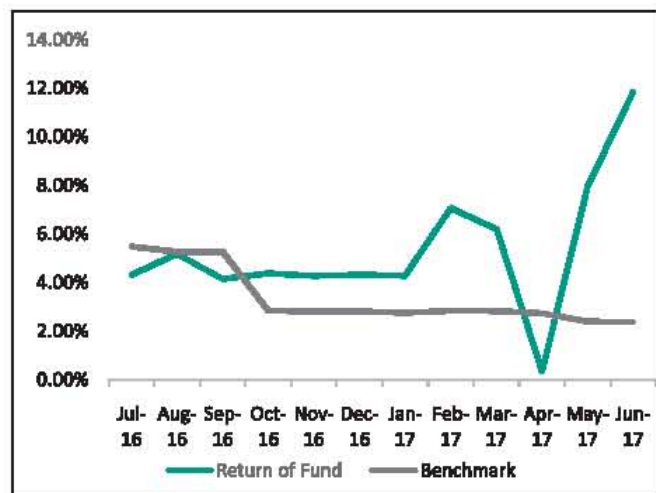
The objective of the Fund is to provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium and short term Shariah compliant debt instruments while taking into account liquidity considerations. The investment objective is achieved.

## Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is average 6Month deposit rates of 3 A rated Islamic Banks or Islamic Windows of Conventional Banks as per MUFAP.

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

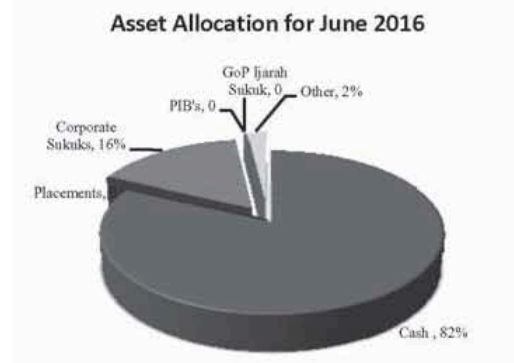
Month	Return of Fund	Benchmark
Jun-17	11.87%	2.37%
May-17	7.97%	2.40%
Apr-17	0.33%	2.74%
Mar-17	6.20%	2.83%
Feb-17	7.07%	2.84%
Jan-17	4.28%	2.75%
Dec-16	4.32%	2.82%
Nov-16	4.27%	2.80%
Oct-16	4.37%	2.84%
Sep-16	4.15%	5.27%
Aug-16	5.18%	5.27%
Jul-16	4.31%	5.48%



## Strategies and Policies employed during the Year

During the year under review, due to lack of available avenues available in the Islamic Fixed Income, funds were majorly placed with banks in the form of cash deposits which yielded higher returns than the return available on the GoP Ijarah Sukuks. However, in the later part of the year, corporate Sukuks were offered in the market, which were bought by the fund manager having strong credit ratings and yielding better returns.

## Asset Allocation



## 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 was increased as the fund acquired the newly issued GoP Ijarah Sukuk 19 to the tune of 33% of the total assets. The Fund Manager also increased the allocation in Placements as we neared the year end to augment the returns.

## Fund Performance

The total income and net income of the Fund was Rs. 42.39 million and Rs.43.46 million respectively during the year ended June 30, 2017. The Net Asset Value (NAV) of the Fund increased from Rs 100.7401 per unit as on June 30, 2016 to Rs 101.0691 per unit (after incorporating interim dividends at Rs 5.20 per unit) as on June 30, 2017; thereby giving an annualized return of 5.52%. During the same year the benchmark return (6 Month bank deposit rates) was 3.37%.

## 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.

## Distribution

The Fund has distributed cash dividend at Rs. 5.20 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 Islamic Income Fund changed as HBL Islamic Income Fund.

## Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 - 100	19	673
101 - 500	20	5,042
501 - 1,000	9	6,123
100,1 - 10,000	62	268,930
10,001 - 100,000	25	915,500
100,001 - 500,000	7	1,449,213
500,001 - 1,000,000	1	818,314
1,000,001 - 5,000,000	2	3,270,121
5,000,001 and above	1	37,406,609
<b>Total</b>	<b>146</b>	<b>44,140,526</b>

## 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 ISLAMIC INCOME FUND

As at June 30, 2017

	2017	2016	2015	2014
Net assets at the period end (Rs'000)	4,461,245	226,967	359,343	769,602
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>				
Redemption	101.0691	100.7401	100.3876	100.0282
Offer	102.7823	102.2512	101.8934	101.5286
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>				
Highest offer price per unit - Class C	107.3662	106.7245	109.6756	102.1769
Lowest offer price per unit - Class C	102.2990	101.9324	101.5694	101.4335
Highest offer price per unit - Class D	107.3662	106.7245	109.6756	102.1769
Lowest offer price per unit - Class D	102.2990	101.9324	101.5694	101.4335
Highest redemption price per unit	105.5767	105.1473	108.0548	100.6669
Lowest redemption price per unit	100.7872	100.4260	100.0684	99.9345
<b>RETURN ( % )</b>				
Total return	5.52%	4.82%	8.37%	8.95%
Income distribution	5.20%	4.50%	8.00%	0.78%
Capital growth	0.32%	0.32%	0.37%	8.17%
<b>DISTRIBUTION</b>				
First Interim dividend distribution (Rs)	4.85	4.50	8.00	0.78
Date of Income Distribution	22-Jun-17	24-Jun-16	24-Jun-15	25-Jun-14
Second Interim dividend distribution (Rs)	0.35	-	-	-
Date of Income Distribution	30-Jun-17	-	-	-
Total dividend distribution for the year (Rs)	5.20	4.50	8.00	0.78
<b>AVERAGE RETURNS ( % )</b>				
Average annual return 1 year	5.52%	4.82%	8.37%	8.95%
Average annual return 2 year	5.18%	6.59%	8.45%	-
Average annual return 3 year	6.24%	6.71%	-	-
<b>PORTFOLIO COMPOSITION - (%)</b>				
Percentage of Total Assets as at 30 June:				
Bank Balances	50%	82%	65%	42%
GoP Ijarah Sukuks	33%	-	22%	-
Placement with Banks and DFIs	14%	-	0%	57%
Corporate Sukuks	3%	16%	11%	-
Others	-	2%	2%	1%
Weighted average portfolio during (No. of days)	481	187	198	33

**Note:**

The Launch date of the Fund is May 29, 2014

**Disclaimer:**

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

**Head Office:**

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Email: info@cdcpak.com

**TRUSTEE REPORT TO THE UNIT HOLDERS****HBL ISLAMIC INCOME FUND  
(Formerly PICIC ISLAMIC 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 Islamic Income Fund (Formerly PICIC Islamic 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 SHARIAH PRINCIPLES

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

**Farid Ahmed Khan**  
Chief Executive Officer  
Dated: August 25, 2017





**Al-Hilal**  
— Shariah Advisors —

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

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

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

Keeping in view the above; we certify that:

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

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

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

Mufti Irshad Ahmad Aijaz  
Shariah Advisor



Faraz Younus Bandukda  
Chief Executive

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

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## **Independent assurance report to the unit holders on the statement of compliance with the shariah principles**

We have performed an independent assurance engagement of HBL Islamic Income Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2017. Our engagement was carried out as required under Trust Deed and Shariah Principles of the Fund.

### **Management Company's responsibility**

Management Company (HBL Asset Management Limited) of the Fund is responsible for the preparation of the Statement (the subject matter) and for compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor (criteria). This responsibility includes designing, implementing and maintaining internal control to ensure that operations of the Fund and the investments made by the Fund are in compliance with the Shariah Principles.

### **Responsibility of independent assurance providers**

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we comply with ethical requirements, including independence requirements, and plan and perform the engagement to obtain reasonable assurance whether the Statement reflects the status of the Fund's compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.

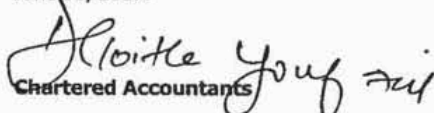
The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Shariah Principles whether due to fraud or error. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

The procedures performed included:

- Checking compliance of specified guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2017 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

### **Conclusion**

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor for the year ended June 30, 2017.

  
Chartered Accountants

**Dated:** September 22, 2017

**Place:** Karachi

Member of  
**Deloitte Touche Tohmatsu Limited**

# 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 Islamic Income Fund (Formerly: PICIC Islamic 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



**Deloitte Yousuf Adil**  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Shahrah-e-Faisal  
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## **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 Islamic Income Fund (Formerly PICIC Islamic 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.

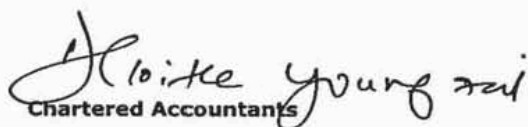
As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risk 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

Member of  
Deloitte Touche Tohmatsu Limited



**Deloitte Yousuf Adil**  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
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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 Islamic Income Fund (Formerly PICIC Islamic 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.

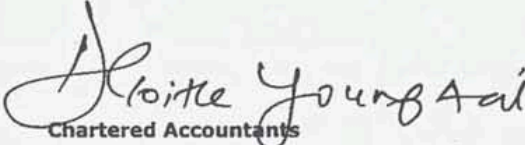
### **Report on other legal and regulatory requirements**

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.

Member of  
**Deloitte Touche Tohmatsu Limited**

## 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 ISLAMIC INCOME FUND (Formerly PICIC Islamic Income Fund)**  
**Statement of Assets and Liabilities**  
*As at June 30, 2017*

	Note	2017 Rupees in '000	2016
<b>Assets</b>			
Bank balances	5	3,192,747	197,507
Investments	6	1,803,410	38,344
Profit receivable	7	7,576	2,694
Preliminary expenses and floatation costs	8	1,557	2,373
Deposits and prepayments	9	102	281
<b>Total assets</b>		<b>5,005,392</b>	<b>241,199</b>
<b>Liabilities</b>			
Payable to the Management Company	10	1,320	255
Payable to the Trustee	11	265	47
Payable to Securities and Exchange Commission of Pakistan	12	353	260
Payable against redemption of units		533,432	7,576
Dividend payable		1,796	2,040
Accrued expenses and other liabilities	13	6,981	4,054
<b>Total liabilities</b>		<b>544,147</b>	<b>14,232</b>
<b>Net assets</b>		<b>4,461,245</b>	<b>226,967</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>4,461,245</b>	<b>226,967</b>
<b>Contingencies and commitments</b>			
	14		
		----- Number of units -----	
<b>Number of units in issue</b>	15	<b>44,140,526</b>	<b>2,252,990</b>
		----- Rupees -----	
<b>Net assets value per unit</b>		<b>101.0691</b>	<b>100.7401</b>

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 ISLAMIC INCOME FUND (Formerly PICIC Islamic Income Fund)**  
**Income Statement and Other Comprehensive Income**  
*For the year ended June 30, 2017*

	2017	2016
Note	----- Rupees in '000' -----	----- Rupees in '000' -----
<b>Income</b>		
Mark-up on deposits with banks	22,006	17,739
Mark-up / return on investments	6,234	4,064
Capital gain on sale of investments - net	1,035	4
	<b>29,275</b>	<b>21,807</b>
Unrealised gain on re-measurement of investments at "fair value through profit or loss - held for trading" - net	13,116	522
	<b>42,391</b>	<b>22,329</b>
<b>Expenses</b>		
Remuneration of the Management Company	10.1 3,223	2,349
Sindh Sales Tax on remuneration of the Management Company	10.2 419	329
Federal Excise Duty and additional sales tax on management fee	13.1 -	428
Remuneration of the Trustee	11.1 842	671
Annual fee to Securities and Exchange Commission of Pakistan	12.1 353	260
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3 481	122
Amortisation of preliminary expenses and floatation costs	8.1 816	819
Security transaction, settlement and bank charges	346	31
Auditors' remuneration	16 218	195
Fees and subscription	243	280
Shariah advisory charges	144	78
Printing charges	72	331
<b>Total expenses</b>	<b>7,157</b>	<b>5,893</b>
<b>Net income from operating activities</b>	<b>35,234</b>	<b>16,436</b>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	9,068	(9,778)
Reversal of provision for Workers' Welfare Fund	13.2 333	-
Provision for Sindh Workers' Welfare Fund	13.2 (1,177)	-
	<b>(843)</b>	<b>-</b>
<b>Net income for the year before taxation</b>	<b>43,459</b>	<b>6,658</b>
Taxation	17 -	-
<b>Net income for the year after taxation</b>	<b>43,459</b>	<b>6,658</b>
<b>Other comprehensive income for the year</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive Income for the year</b>	<b>43,459</b>	<b>6,658</b>

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 ISLAMIC INCOME FUND (Formerly PICIC Islamic Income Fund)**  
**Distribution Statement**  
*For the year ended June 30, 2017*

	2017	2016
	----- Rupees In '000 -----	
<b>Undistributed income / (accumulated losses) brought forward comprising of:</b>		
- Realised income/ (loss)	1,146	(505)
- Unrealised income	522	1,887
	<b>1,668</b>	<b>1,382</b>
<b>Net income for the year</b>	<b>43,459</b>	<b>6,658</b>
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	<b>31,005</b>	<b>(512)</b>
Interim cash distribution:		
- First cash distribution Rs. 4.85 per unit declared on June 22, 2017 (2016: Rs 4.5 per unit declared on June 24, 2016)	<b>(13,595)</b>	<b>(5,860)</b>
- Second cash distribution at Rs. 0.35 per unit declared on June 29, 2017	<b>(15,344)</b>	-
<b>Undistributed income carried forward</b>	<b>47,193</b>	<b>1,668</b>
<b>Undistributed income representing</b>		
- Realised income	<b>34,077</b>	1,146
- Unrealised income	<b>13,116</b>	522
	<b>47,193</b>	<b>1,668</b>

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 ISLAMIC INCOME FUND (Formerly PICIC Islamic Income Fund)**  
**Statement of Movement in Unit Holders' Fund**  
*For the year ended June 30, 2017*

	2017	2016
	----- Rupees in '000 -----	
<b>Net assets at beginning of the year</b>	<b>226,967</b>	359,343
Issue of 51,481,519 units (2016: 7,241,356 units)	<b>5,228,653</b>	740,204
Redemption of 9,593,983 units (2016: 8,567,968 units)	<b>(999,826)</b>	(883,156)
	<b>4,228,827</b>	(142,952)
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	<b>(9,068)</b>	9,778
- Amount transferred to the Distribution statement	<b>(31,005)</b>	512
	<b>(40,073)</b>	10,290
Capital gain on sale of investments - net	<b>1,035</b>	4
Net unrealised gain on investments classified 'at fair value through profit or loss' - "held-for-trading"-net	<b>13,116</b>	522
Other net income for the year	<b>29,308</b>	6,132
<b>Total comprehensive income for the year</b>	<b>43,459</b>	6,658
Interim distribution:		
- First cash distribution Rs. 4.85 per unit declared on June 22, 2017 (2016: Rs 4.5 per unit declared on June 24, 2016)	<b>(13,595)</b>	(5,860)
- Second cash distribution Rs. 0.35 per unit declared on June 29, 2017	<b>(15,344)</b>	-
Element of loss / (income) and capital losses / capital (gains) included in prices of units issued less those in units redeemed - amount transferred to the Distribution Statement	<b>31,005</b>	(512)
<b>Net assets at end of the year</b>	<b>4,461,245</b>	226,967
<b>Net assets value per unit at the beginning of the year</b>	<b>100.7401</b>	100.3861
<b>Net assets value per unit at the end of the year</b>	<b>101.0691</b>	100.7401

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 ISLAMIC INCOME FUND (Formerly PICIC Islamic Income Fund)**  
**Cash Flow Statement**  
*For the year ended June 30, 2017*

Note	2017 Rupees in '000	2016
<b>Cash flow from operating activities</b>		
Net income for the year	43,459	6,658
<b>Adjustments</b>		
Capital gain on sale of Investments - net		
Unrealised gain on re-measurement of investments at "fair value through profit or loss - held for trading" - net	(1,035)	(4)
Amortisation of preliminary expenses and floatation cost	(13,116)	(522)
Element of income and capital gains included in prices of units issued less those in units redeemed - net	816	819
Return / mark-up on;		
- bank profits	(9,068)	9,778
- Investments	(22,006)	(17,739)
Reversal of provision for Workers' Welfare Fund	(6,234)	(4,064)
Provision for Sindh Workers' Welfare Fund	(333)	-
	1,177	-
	<b>(6,341)</b>	<b>(5,074)</b>
<b>(Increase) / decrease in assets</b>		
Investments - net	<b>(1,751,950)</b>	82,228
Deposits and prepayments	179	(31)
	<b>(1,751,771)</b>	82,197
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	1,064	(36)
Payable to the Trustee	218	(13)
Payable to Securities and Exchange Commission of Pakistan	93	(140)
Accrued expenses and other liabilities	2,084	1,825
	3,459	1,637
Profit received	23,358	23,134
<b>Net cash (used in) / generated from operating activities</b>	<b>(1,731,294)</b>	<b>78,760</b>
<b>Cash flow from financing activities</b>		
Amount received on issue of units	5,228,653	740,204
Dividend paid	(29,183)	(9,401)
Payment / payable against redemption of units	(473,970)	(875,690)
<b>Net cash generated from / (used in) financing activities</b>	<b>4,725,500</b>	<b>(144,887)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,994,206</b>	<b>(42,993)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>197,507</b>	<b>240,500</b>
<b>Cash and cash equivalents at end of the year</b>	<b>3,191,712</b>	<b>197,507</b>

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 ISLAMIC INCOME FUND (Formerly PICIC Islamic Income Fund)**  
**Notes To The Financial Statements**  
*For the year ended June 30, 2017*

**1. LEGAL STATUS AND NATURE OF BUSINESS**

The HBL Islamic Income Fund (Formerly PICIC Islamic Income Fund) was established under a trust deed executed between PICIC Asset Management Company 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/AMCW/PIIF/949/2014 dated April 4, 2014 and the trust deed was executed on February 20, 2014.

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. 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 has been categorised as a Shariah Compliant Income Scheme as per the criteria laid down by the SECP for categorization of open-end Collective Investment Schemes (CISs) and is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The investment objective of the Fund is to provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium and short term Shariah compliant debt instruments while taking into account liquidity considerations.

JCR-VIS Credit Rating Company has assigned an asset manager rating of 'AM2' (Positive outlook) 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 Limited as trustee of the Fund.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

**2.1.1** 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. 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.

	<b>Effective from accounting periods beginning on or after:</b>
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.

	<b>Effective from accounting periods beginning on or after</b>
- 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 from 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**

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'.

##### **4.2 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.

## 4.3 Financial Instruments

### 4.3.1 Financial assets

#### 4.3.1.1 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) Loan and Receivable**

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, the Fund does not hold any financial assets categorised as 'available for sale'.

#### 4.3.1.2 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.

#### 4.3.1.3 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.

#### 4.3.1.4 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:

**b) Basis of valuation of shariah compliant 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.

**c) 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.



#### 4.3.1.5 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.

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.

#### 4.3.1.6 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.

#### 4.3.2 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.

#### 4.3.3 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.

#### 4.4 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.

#### 4.5 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 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 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 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.

#### 4.1 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' - held for trading are included in the income statement and other comprehensive income in the period in which they arise.
- 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.
- 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
<b>5. BANK BALANCES</b>			
In saving accounts	5.1	<b>2,492,747</b>	197,507
Term Deposit receipt		<b>700,000</b>	-
		<b>3,192,747</b>	<b>197,507</b>

5.1 Mark-up rates on these accounts range between 5.45% - 6.10% p.a (June 30, 2016: 1.00% - 6.25% p.a).

5.2 These carry markup interest ranging from 5.75% to 5.8% and having maturity maximum by September 28, 2017

6. INVESTMENTS	Note	2017	2016
		----- Rupees in '000 -----	
<b>Financial assets 'at fair value through profit or loss' - held-for-trading</b>			
- Privately placed sukuk certificates	6.1 & 6.1.1	102,755	38,344
- GOP Ijarah sukuk	6.2	1,661,055	-
<b>Loans and receivable</b>			
- Advance against initial public offering	6.3	39,600	-
		<u>1,803,410</u>	<u>38,344</u>

6.1 Privately placed sukuk certificates - Held-for-Trading

Name of the Investee Company	Number of units				Market value as at June 30, 2017 Rupees in '000's	Market value as a percentage of	
	As at July 1, 2016	Purchases during the year	Sales during the year	As at June 30, 2017		Total Investments	Net Assets
----- (Number of certificates) -----							
<b>Corporate Sukuks</b>							
Engro Fertilizers Limited	8,000	8,000	16,000	-	-	-	-
Meezan Bank Limited	-	30	30	-	-	-	-
Fatima Fertilizer Company Limited	-	12,943	2,000	10,943	51,456	2.9%	1.15%
Ghani Gasses Limited	-	530	-	530	51,300	2.8%	1.15%
	<u>8,000</u>	<u>21,503</u>	<u>18,030</u>	<u>11,473</u>	<u>102,755</u>	<u>5.7%</u>	<u>2.30%</u>

Cost of Investments at June 30, 2017

100,695

6.1.1 These Sukuk carry semi annual mark-up at the rate of 7.14% & 7.25% per annum. (June 30, 2016: semi annual mark-up at the rate of 8.21% per annum) respectively.

6.2 GOP Ijara Sukuk

Issue Date	Number of units				Market value as at June 30, 2017	Market value as a	
	As at July 1, 2016	Purchases during the year	Sales during the year	As at June 30, 2017		Total Investments	Net Assets
GOP Ijara Sukuk 17	-	2,000	2,000	-	-	-	-
GOP Ijara Sukuk 19	-	16,500	-	16,500	1,661,055	92%	37%
	-	<u>18,500</u>	<u>2,000</u>	<u>16,500</u>	<u>1,661,055</u>	<u>92%</u>	<u>37%</u>

Cost of Investments at June 30, 2017

1,650,000

6.3 This represents advance amount paid in relation to IPO of sukuk certificates to be issued by AGP Limited.

	Note	2017 Rupees in '000	2016
<b>7. PROFIT RECEIVABLE</b>			
Profit on bank deposits		6,132	1,250
Profit on Corporate Sukuk		1,096	1,444
Profit on GOP Ijarah Sukuk		237	-
Profit on Term Deposit Receipt		111	
		<u>7,576</u>	<u>2,694</u>
<b>8. PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
Opening balance		2,373	3,192
Cost incurred during the period	8.1	(816)	(819)
Closing balance		<u>1,557</u>	<u>2,373</u>

8.1 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 May 29, 2014 (post IPO) as per the requirements set out in the Trust Deed of the Fund and NBFC regulations.

	Note	2017 Rupees in '000	2016
<b>9. DEPOSITS AND PREPAYMENTS</b>			
Security deposit with Central Depository Company of Pakistan Limited		100	100
Prepayments		2	181
		<u>102</u>	<u>281</u>
<b>10. PAYABLE TO MANAGEMENT COMPANY</b>			
Management fee	10.1	858	155
Sindh sales tax	10.2	111	22
Sales load payable		233	54
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	117	24
		<u>1,320</u>	<u>255</u>

10.1 As per the offering document of the fund, the Management Company shall charge a fee at the rate of 10% of gross earnings of the Scheme, calculated on daily basis not exceeding 1.50% of the average daily net assets of the Scheme and subject to a minimum fee of 0.50% of the average daily net assets 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.

10.2 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.

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
<b>11. PAYABLE TO THE TRUSTEE</b>			
Trustee fee	11.1	265	47

- 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 are as follows:

Amount of funds under management [Average Net Assets Value (NAV)]	Tariff Per Annum
Upton Rs 1,000 million	0.17% p.a. of NAV
Exceeding Rs 1,000 million and up to Rs 5,000 million	Rs 1.70 million plus 0.085% p.a. of NAV exceeding Rs 1,000 million
Over 5,000 million	Rs 5.10 million plus 0.07% p.a. of NAV exceeding Rs 5,000 million

	Note	2017 Rupees in '000	2016
<b>12. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	12.1	<u>353</u>	<u>260</u>

- 12.1** Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 a collective investment scheme categorised as a income 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
<b>13 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Withholding tax payable		4,127	2,069
Federal excise duty	13.1	1,344	1,344
Provision for Sindh Workers' Welfare Fund	13.2	1,177	-
Provision for Workers' Welfare Fund	13.2	-	333
Auditors' remuneration		140	115
Payable to brokers		97	-
Printing charges		80	175
Other payables		16	18
		<u>6,981</u>	<u>4,054</u>

- 13.1** 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. 1.344 million. Had the provision not been made, the Net Asset Value per certificate as at June 30, 2017 would have been higher by Rs. 0.0304 (June 30, 2016: Rs. 0.5963 ) per certificate.

- 13.2** "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. 0.333 million. Further, the Fund has recognised provision for SWWF amounting to Rs. 1.177 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. 0.0267 per unit

#### 14. CONTINGENCIES AND COMMITMENTS

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

	2017	2016
	-----Units-----	
<b>15. NUMBER OF UNITS IN ISSUE</b>		
Total units in issue at the beginning of the year	2,252,990	3,579,602
Units issued	51,481,519	7,241,356
Units redeemed	(9,593,983)	(8,567,968)
Total units in issue at the end of the year	<u>44,140,526</u>	<u>2,252,990</u>

	2017	2016
	-----Rupees in '000'-----	
<b>16. AUDITORS' REMUNERATION</b>		
Annual statutory audit fee	94	94
Fee for half yearly review	47	47
Review of compliance with the requirements of the Code of Corporate Governance	32	32
Out of pocket	45	21
	<u>218</u>	<u>194</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 at June 30, 2017			
	Loans and receivables	At fair value through profit or loss	Available for sale	Total
	-----Rupees in '000'-----			
<b>Assets</b>				
Bank balances	3,192,747	-	-	3,192,747
Investments	39,600	1,763,810	-	1,803,410
Profit receivable	7,576	-	-	7,576
	<u>3,239,923</u>	<u>1,763,810</u>	<u>-</u>	<u>5,003,733</u>

	As at June 30, 2017		
	At fair value through profit or loss	Other financial liabilities	Total
	Rupees in '000'		
<b>Liabilities</b>			
Payable to the Management Company	-	1,320	1,320
Payable to Trustee	-	265	265
Accrued expenses and other liabilities	-	333	333
Payable against redemption of units	-	533,432	533,432
Unit holders' fund	-	4,461,245	4,461,245
	-	4,996,595	4,996,595

	As at June 30, 2016			
	Loans and receivables	At fair value through profit or loss	Available for sale	Total
	Rupees in '000'			
<b>Assets</b>				
Bank balances	197,507	-	-	197,507
Investments	-	38,344	-	38,344
Profit receivable	2,694	-	-	2,694
	200,200	38,344	-	238,545

	As at June 30, 2016		
	At fair value through profit or loss	Other financial liabilities	Total
	Rupees in '000'		
<b>Liabilities</b>			
Payable to the Management Company	-	255	255
Payable to Trustee	-	47	47
Accrued expenses and other liabilities	-	308	308
Payable against redemption of units	-	7,576	7,576
Unit holders' fund	-	226,967	226,967
	-	235,153	235,153

## 20. 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 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 -----	
<b>20.1 Transactions during the year</b>		
<b>Management Company</b>		
<b>HBL Asset Management Limited</b>		
Remuneration of the Management Company for the year	3,223	31
Sindh sales tax on remuneration of the Management Company	419	195
Allocation of expenses related to registrar services, accounting, operation and valuation services	481	122
Issue of nil units (June 2016: 248,136 units)	-	24,993
Redemption of 248,136 (2016: 498,588) units	25,400	52,407
<b>Habib Bank Limited - Sponsors</b>		
Profit on bank deposits	74	2
Bank charges paid	4	1
<b>Central Depository Company of Pakistan Limited-Trustee</b>		
Remuneration	842	671
Transaction charges paid	9	6
<b>Directors and executives of the Management Company</b>		
Issue of 272,129 units (2016: 52,632 units)	28,100	5,461
Redemption of 171,627 units (2016: 20,597 units)	18,061	2,124
Dividend paid		-
	2017	2016
	----- Rupees In '000 -----	
<b>MCBFSL Trustee Hbl Islamic Financial Planning Fund Strategic Allocation Plan</b>		
<b>Connected person due to more than 10% holding</b>		
Issue of 38,577,118 units	3,900,000	-
Redemption of 1,299,931 units	131,500	-
Dividend paid of 129,423 units	13,047	-
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund Active Allocation Plan</b>		
Issue of 1,512,478 (2016: Nil) units	152,990	-
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund Conservative Allocation Plan</b>		
Issue of 384,899 (2016: Nil) units	38,919	-
<b>Jubilee Life Insurance Company Limited Associated company due to common Directorship</b>		
Sale of GOP Ijara Sukuk	210,445	-
<b>Balances outstanding as at year end</b>		
<b>HBL Asset Management Limited</b>		
Nil units (2016: 248,136 units)	-	24,997
Management fee	858	177
Sindh sales tax	111	-
Sales load payable	233	54
Allocation of expenses related to registrar services, accounting, operation and valuation services	117	24

	2017	2016
	----- Rupees in '000 -----	
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	265	47
<b>Habib Bank Limited - Sponsor</b>		
Bank balances	8,722	139
<b>Executives of the Management Company and their relatives</b>		
Investment held in the Fund : 131,223 units (2016: 46,242 units)	13,298	4,658
<b>MCBFSL Trustee Hbl Islamic Financial Planning Fund Strategic Allocation Plan-Associated company</b>		
Investment held in the Fund : 37,406,609 units (2016: nil units)	3,780,652	-
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund Active Allocation Plan</b>		
Issue of 1,512,478 (2016: Nil) units	<u>152,865</u>	<u>-</u>
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund Conservative Allocation Plan</b>		
Issue of 384,899 (2016: Nil) units	<u>38,901</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 primarily invests in a portfolio of long, medium and short term Shariah compliant debt instruments. These activities are exposed to a variety of financial risks, market risks, credit risks and liquidity risks

### 21.1 Market risk

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

The 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.

#### 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 full 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 and Term deposit receipts. The net income for the year would have increased / (decreased) by Rs. 319.275 million (2016: Rs. 19.751 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

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 -----					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	3,192,747	-	-	-	3,192,747
Investments	-	1,763,810	-	-	1,763,810
Loans and receivables	-	39,600	-	-	39,600
Profit receivable	-	-	-	7,576	7,576
	3,192,747	1,803,410	-	7,576	5,003,733
<b>Financial liabilities</b>					
Payable to the Management Company	-	-	-	1,320	1,320
Payable to the Trustee	-	-	-	265	265
Payable against redemption of units	533,432	-	-	-	533,432
Accrued expenses and other liabilities	-	-	-	333	333
Unit holders' fund	-	-	-	4,461,245	4,461,245
	533,432	-	-	4,463,163	4,996,595
<b>On-balance sheet gap</b>	2,659,314	1,803,410	-	(4,455,587)	7,137
<b>Off-balance sheet financial instruments</b>	-	-	-	-	-
<b>Off-balance sheet gap</b>	-	-	-	-	-

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 -----					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	197,507	-	-	-	197,507
Investments	-	38,344	-	-	38,344
Loans and receivables	-	-	-	-	-
Profit receivable	-	-	-	2,694	2,694
	197,507	38,344	-	2,694	238,545

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				
<b>Financial liabilities</b>					
Payable to the Management Company	-	-	-	255	255
Payable to the Trustee	-	-	-	47	47
Payable against redemption of units	7,576	-	-	-	7,576
Accrued expenses and other liabilities	-	-	-	308	308
Unit holders' fund	-	-	-	226,967	226,967
	<b>7,576</b>	<b>-</b>	<b>-</b>	<b>227,577</b>	<b>235,153</b>
<b>On-balance sheet gap</b>	<b>189,931</b>	<b>38,344</b>	<b>-</b>	<b>(224,883)</b>	<b>3,392</b>
<b>Off-balance sheet financial instruments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 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.

### 21.2 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 shariah compliant 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 maximum exposure to credit risk before any credit enhancement as at June 30, 2017 is the carrying amount of the financial assets as follows:

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'-----			
Dubai Islamic Bank Limited	1,384,927	A-1+	PACRA
Askari bank Limited	500,010	A1+	PACRA
Sonerl bank Limited	422,743	A1+	PACRA
BankIslami Pakistan Limited	176,243	A1	PACRA
Habib bank Limited	8,722	A-1+	PACRA
AlBaraka Bank (Pakistan) Limited	50	A1	PACRA
United Bank Limited	31	A-1+	PACRA
Allied bank Limited	10	A1+	PACRA
Faisal Bank Limited	10	A1+	PACRA
	<b>2,492,746</b>		

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'-----			
United Bank Limited	758	A-1+	JCR-VIS
Habib bank Limited	138	A-1+	JCR-VIS
Dubai Islamic Bank Limited	10	A-1	JCR-VIS
Soneri bank Limited	610	A1+	PACRA
BankIslami Pakistan Limited	195,445	A1	PACRA
AlBaraka Bank (Pakistan) Limited	545	A1	PACRA
	195,990		

### 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 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 -----			
Payable to the Management Company	1,320	-	1,320
Payable to the Trustee	265	-	265
Accrued expenses and other liabilities	6,981	-	6,981
Payable against redemption of units	533,432	-	533,432
	541,997	-	541,997
Unit holders' fund	4,461,245	-	4,461,245

As at June 30, 2016			
Upto three months	More than three months and upto one year	More than one year	Total
Rupees in '000			
Financial liabilities (excluding unit holders' fund)			
Payable to the Management Company	255	-	255
Payable to the Trustee	47	-	47
Accrued expenses and other liabilities	4,054	-	4,054
Payable against redemption of units	7,576	-	7,576
	11,932	-	11,932
Unit holders' fund	226,967	-	226,967

## 22. FAIR VALUE 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.

	Fair value through profit or loss-HFT	June 30, 2017			Fair Value			
		Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments	1,763,810	-	-	1,763,810		1,763,810		1,763,810
	1,763,810	-	-	1,763,810	-	1,763,810	-	1,763,810
Financial assets not measured at fair value								
Bank balances	-	3,192,747	-	3,192,747				
Investments	-	39,600	-	39,600				
Profit receivable	-	7,576	-	7,576				
Deposits and prepayments	-	102	-	102				
	-	3,240,025	-	3,240,025				
Financial liabilities not measured at fair value								

		June 30, 2017						
		Carrying amount			Fair Value			
	Fair value through profit or loss-HFT	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>On-balance sheet financial Instruments</b>	<b>Note</b>	(Rupees in '000)						
Payable to Management Company	-	-	1,320	1,320				
Payable to Trustee	-	-	265	265				
Payable against redemption of units	-	-	533,432	533,432				
Accrued expenses and other liabilities	-	-	333	333				
Unit holders' fund	-	-	4,461,245	4,461,245				
	-	-	4,996,595	4,996,595				

		June 30, 2016						
		Carrying amount			Fair Value			
	Held for trading	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>On-balance sheet financial Instruments</b>	(Rupees in '000)							
<b>Financial assets measured at fair value</b>								
Investments	38,344	-	-	38,344		38,344	-	38,344
	38,344	-	-	38,344	-	38,344	-	38,344
<b>Financial assets not measured at fair value</b>								
Bank balances	-	197,507	-	197,507				
Investments	-	-	-	-				
Profit receivable	-	2,694	-	2,694				
Deposits and Prepayments	-	281	-	281				
	-	200,482	-	200,482				
<b>Financial liabilities not measured at fair value</b>								
Payable to Management Company	-	-	255	255				
Payable to Trustee	-	-	47	47				
Payable against redemption of units	-	-	7,576	7,576				
Accrued expenses and other liabilities	-	-	4,054	4,054				
Unit holders' fund	-	-	226,967	226,967				
	-	-	238,899	238,899				

**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 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 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.

#### 24. TOP BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE

Top brokers during the year ended June 30, 2017

- 1 BMA Capital Management Ltd.
- 2 Next Capital Ltd.
- 3 Paramount Capital (Pvt) Ltd.
- 4 Summit Capital (Pvt) Ltd.

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 Invest Capital Markets Limited
- 2 KASB Securities Ltd

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

#### 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+
2	Muhammad Imran	Chief Investment Officer	MBA	17+
3	Tauqir Shamshad	Head of Fixed Income	MBA, M.Com	31+
4	Faizan Saleem	Sr. Fund Manager Fixed Income	MBA (Finance)	10+
5	Coling Miranda	Acting Head of Research	CFA, FRM	8+
6	Noman Ameer	Manager Risk	B.S Actuarial Sciences	9+

#### 26. 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	134	42,112,919	193,932	4.35%
Associated Companies and Directors	-	-	-	-
Retirement Funds	2	108,806	10,997	0.25%
Other corporate	10	1,918,801	4,256,319	95.41%
	<b>146</b>	<b>44,140,526</b>	<b>4,461,248</b>	<b>100.00%</b>



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	106	822,360	82,846	36.50%
Associated Companies and Directors	1	248,136	24,997	11.01%
Retirement Funds	3	497,530	50,121	22.08%
Other corporate	4	684,964	69,003	30.40%
	114	2,252,990	226,967	100%

## 27. 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 <sup>1</sup>	4	4	-	-
5	Mr. Rehan N. Shaikh <sup>2</sup>	1	1	-	-
6	Ms. Sima Kamil <sup>3</sup>	4	4	-	-
7	Mr. Rizwan Haider	5	4	1	April 27, 2017
8	Mr. Salahuddin Manzoor	5	5	-	-
9	Mr. Aamir Irshad <sup>4</sup>	0	0	-	-
10	Mr. Rayomond Kotwal <sup>5</sup>	0	0	-	-

1 Appointed on September 1, 2016 by Board Of Directors in 57th meeting.

2 Resigned on August 31, 2016.

3 Resigned on April 27, 2017.

4 Appointed on April 27, 2017 and resigned on June 22, 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 2.07% (YTD) which includes 0.46% 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. 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**

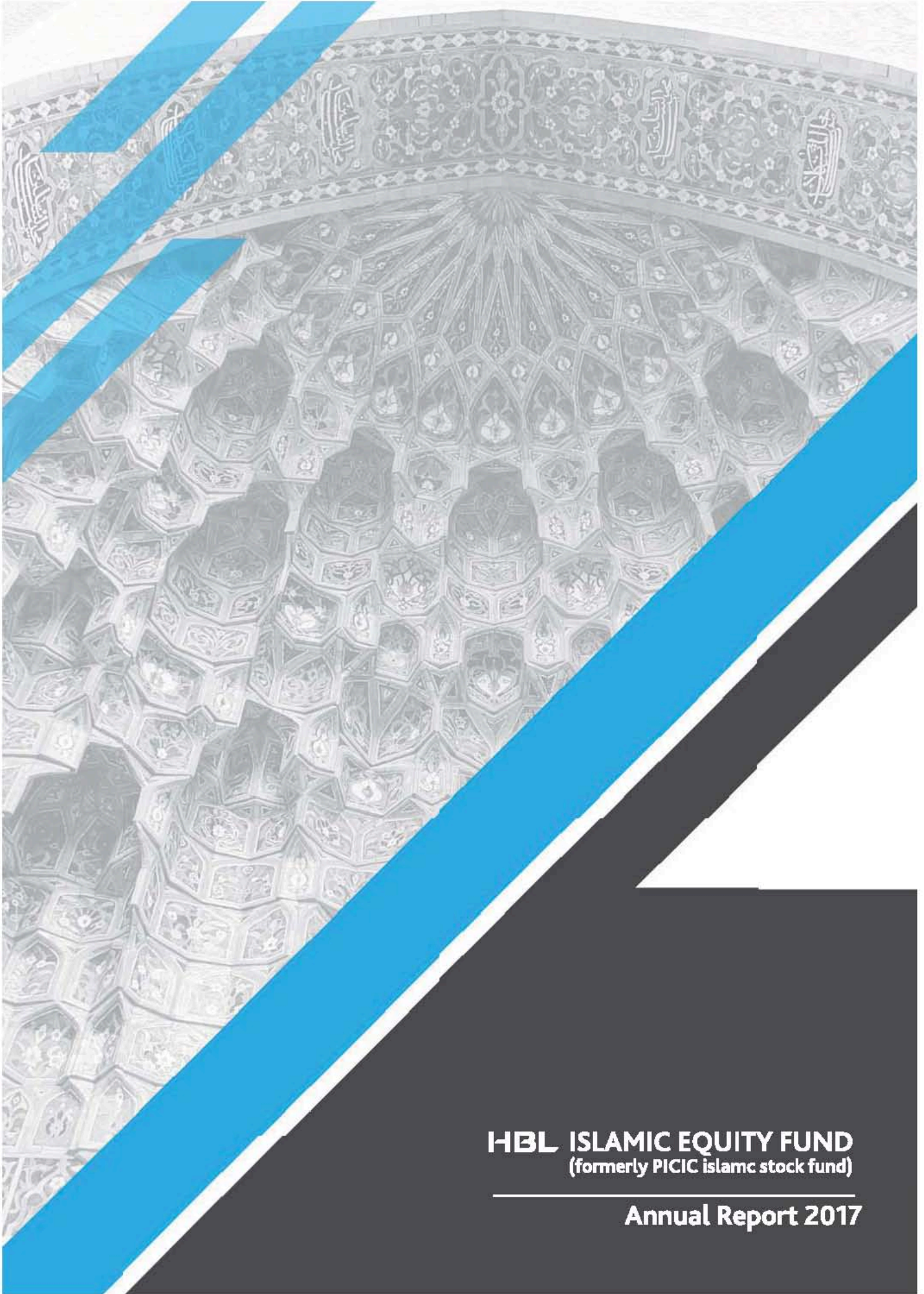
Figures have been rounded off to the nearest thousand Rupees.

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

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director



**HBL ISLAMIC EQUITY FUND**  
(formerly PICIC islamc stock fund)

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**Annual Report 2017**

## FUND INFORMATION

### NAME OF FUND

**HBL Islamic Equity Fund**

### NAME OF AUDITOR

**Deloitte Yousuf Adil Chartered Accountants.**

### NAME OF TRUSTEE

**Central Depository Company of Pakistan Limited**

### NAME OF SHARIAH ADVISORS

**Al-Hilal Shariah Advisores (Pvt) Limited.**

### NAME OF BANKERS

**Bank Islami Pakistan Limited.  
Al Baraka Bank Pakistan Limited.  
United Bank Limited.  
Burj Bank Limited.  
NIB Bank Limited.  
Faysal Bank Limited.  
Allied Bank Limited.**

# FUND MANAGER'S REPORT - HBL ISLAMIC EQUITY FUND

As at June 30, 2017

## FUND MANAGER'S REPORT - HBL ISLAMIC EQUITY FUND

Type and Category of Fund

Open end Equity Fund

Investment Objective and Accomplishment of Objective

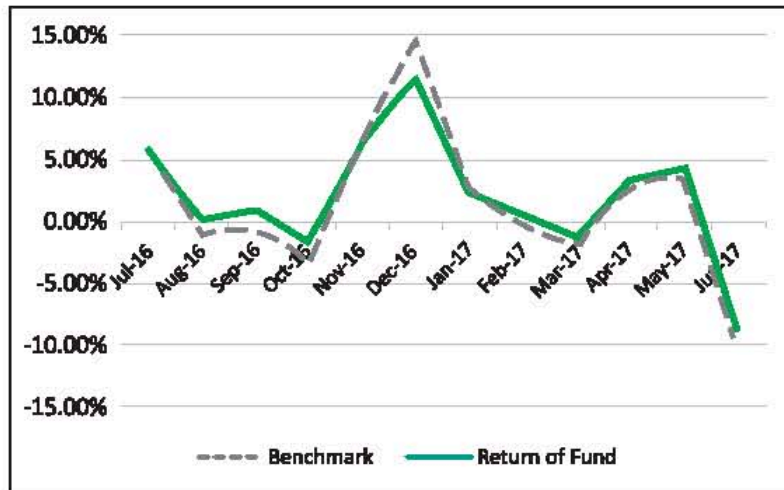
The objective of the Fund is to provide maximum total return to the unit holders from investment in shariah compliant equity investments for the given level of risk.

Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is KMI 30 Index.

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

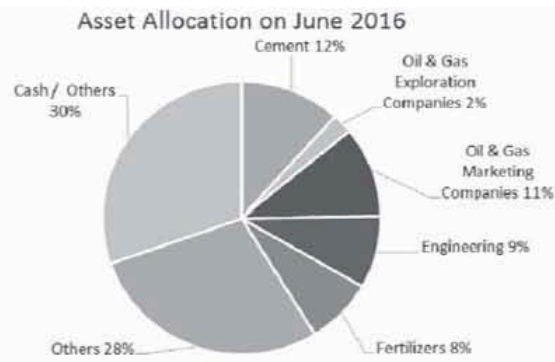
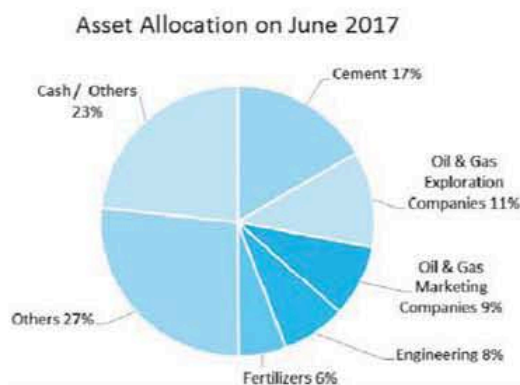
Month	Return of Fund	Benchmark
Jun-17	-10.12%	-8.73%
May-17	3.53%	4.23%
Apr-17	3.23%	3.25%
Mar-17	-2.09%	-1.31%
Feb-17	-0.29%	0.53%
Jan-17	2.47%	2.23%
Dec-16	14.51%	11.42%
Nov-16	7.18%	6.60%
Oct-16	-3.36%	-1.68%
Sep-16	-0.64%	0.93%
Aug-16	-0.99%	0.18%
Jul-16	5.95%	5.79%



### Strategies and Policies employed during the Year

During the year under review, the Fund increased its exposure in equity from 70% of total assets as on June 30, 2016 to 77% 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 Fertilizers, 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
Cement	17%	12%
Oil & Gas Exploration Companies	11%	2%
Oil & Gas Marketing Companies	9%	11%
Engineering	8%	9%
Fertilizers	6%	8%
Other Equities	27%	28%
<b>Total</b>	<b>77%</b>	<b>70%</b>

### Fund Performance

The total income and net income of the Fund was Rs 110.74 million and Rs 79.51 million respectively during the year ended June 30, 2017. The Net Asset Value (NAV) of the Fund decreased from Rs 106.4738 per unit as on June 30, 2016 to Rs 105.4755 per unit as on June 30, 2017 (after incorporating interim dividends at Rs 1.00 per unit and bonus 26.00 per unit) giving a return of 24.42% during the year against the benchmark return (KMI 30 Index) of 18.80%.

### Market Review

In FY17 KMI-30 returned 17.6% as compared to FY16 return of 13.8%. Improved LSM growth rate, agriculture output as well as growth in the services sector pick up economic activity which supported the index to close at 78,598 pts. Average daily volume was 72 mn shares up by 31% as compared 55 mn shares in FY16. In USD term KMI 30 index returned 17.5 % which underperformed MSCI Emerging Index 20.4%, but outperform MSCI Frontier Market Index 15.1%. Cements and Oil & Gas Exploration sectors were the prime outperformers during the period under review with return of 25% and 19% respectively. Index touched the highest level of 91,145pts in May'17 just before FY18 budget. However political noise emanating from the JIT investigation, foreign outflow, and unfavorable tax regime for capital markets broke the momentum as index settled at 78,598pts.

### Distribution

The Fund has distributed cash dividend at Rs. 1.00 per unit and bonus dividend of at Rs. 26.00 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 Islamic Stock Fund changed as HBL Islamic Equity Fund.

### Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 - 100	6	428
101 - 500	34	8,739
501 - 1,000	23	16,716
100,1 - 10,000	81	248,784
10,001 - 100,000	35	745,138
100,001 - 500,000	3	383,796
500,001 - 1,000,000	3	2,362,485
1,000,001 - 5,000,000	2	3,722,929
5,000,001 and above	0	-
<b>Total</b>	<b>187</b>	<b>7,489,015</b>

**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 - HBL ISLAMIC EQUITY FUND

As at June 30, 2017

	2017	2016	2015	2014
Net assets at the period end(Rs'000)	789,907	348,924	229,129	131,280
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>				
Redemption	105.4755	106.4735	116.4714	100.8827
Offer	107.8590	109.6677	119.9655	103.9092
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>				
Highest offer price per unit	152.2625	132.6151	127.8777	101.6865
Lowest offer price per unit	102.5189	104.4090	91.8137	97.5635
Highest redemption price per unit	148.8974	132.6151	127.8777	101.6865
Lowest redemption price per unit	100.2532	104.4090	91.8137	97.5635
<b>RETURN ( % )</b>				
Total return	24.42%	10.96%	24.49%	0.88%
Income distribution	27.00%	23.00%	9.00%	-
Capital growth	-2.58%	-12.04%	15.49%	0.88%
<b>DISTRIBUTION</b>				
Final dividend distribution- Cash	26.00	3.00	9.00	-
Date of Income Distribution	20-Jun-17	24-Jun-16	23-Jun-15	-
Final dividend distribution- Bonus	1.00	20.00	-	-
Date of Income Distribution	20-Jun-17	24-Jun-16	23-Jun-15	-
Total dividend distribution for the year/ period	27.00	23.00	9.00	-
<b>AVERAGE RETURNS ( % )</b>				
Average annual return 1 year	24.42%	10.96%	24.49%	0.88%
Average annual return 2 year	17.50%	17.53%	12.07%	-
Average annual return 3 year	19.79%	11.70%	-	-
<b>PORTFOLIO COMPOSITION - (%)</b>				
Percentage of Total Assets as at 30 June:				
Bank Balances	23%	29%	5%	2%
GoP Ijarah Sukuks	-	-	-	-
Placement with Banks and DFIs	-	-	-	-
Corporate Sukuks	-	-	-	-
Stock / Equities	77%	70%	88%	95%
Others	-	1%	7%	3%

**Note:**

The Launch date of the Fund is May 29, 2014

**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.

Islamic Equity Fund	Meetings	Resolutions	For	Against	Abstain
Number	3	6	6	-	-
(%ages)		100%	100%	-	-

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

Investment Company	Meeting Date	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 Products 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
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
Hub Power Co Ltd	15-02-2017	EOGM
Pak Suzuki Motor Company Limited	16-02-2017	EOGM
Pakistan Petroleum Ltd	28-02-2017	AGM
Meezan Bank Ltd	28-03-2017	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
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.

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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**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 SHARIAH PRINCIPLES

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

**Farid Ahmed Khan**  
Chief Executive Officer  
Dated: August 25, 2017



**Al-Hilal**  
— Shariah Advisors —

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

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

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

Keeping in view the above; we certify that:

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

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

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

Mufti Irshad Ahmad Aijaz  
Shariah Advisor



Faraz Younus Bandukda  
Chief Executive

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

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## **Independent assurance report to the unit holders on the statement of compliance with the shariah principles**

We have performed an independent assurance engagement of HBL Islamic Equity Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2017. Our engagement was carried out as required under Trust Deed and Shariah Principles of the Fund.

### **Management Company's responsibility**

Management Company (HBL Asset Management Limited) of the Fund is responsible for the preparation of the Statement (the subject matter) and for compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor (criteria). This responsibility includes designing, implementing and maintaining internal control to ensure that operations of the Fund and the investments made by the Fund are in compliance with the Shariah Principles.

### **Responsibility of independent assurance providers**

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we comply with ethical requirements, including independence requirements, and plan and perform the engagement to obtain reasonable assurance whether the Statement reflects the status of the Fund's compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Shariah Principles whether due to fraud or error. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

The procedures performed included:

- Checking compliance of specified guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2017 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

### **Conclusion**

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor for the year ended June 30, 2017.

  
Chartered Accountants

**Dated:** September 22, 2017  
**Place:** Karachi

Member of  
Deloitte Touche Tohmatsu Limited

# 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 Islamic Equity Fund (Formerly: PICIC Islamic 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



**Deloitte Yousuf Adil**  
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## **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 Islamic Equity Fund (Formerly PICIC Islamic 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 Islamic Equity Fund (Formerly PICIC Islamic 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**

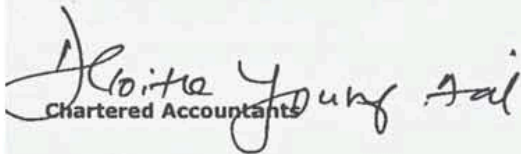
In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2017, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### **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.

## 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 ISLAMIC EQUITY FUND (Formerly PICIC Islamic Stock Fund)**  
**Statement of Assets and Liabilities**  
*As at June 30, 2017*

	Note	2017 ----- Rupees in '000 -----	2016
<b>Assets</b>			
Bank balances	5	209,464	111,376
Investments	6	708,091	263,994
Dividends and profit receivable	7	2,678	549
Deposits and other receivable	8	2,632	2,632
Preliminary and floatation costs	9	386	589
<b>Total assets</b>		<b>923,251</b>	<b>379,140</b>
<b>Liabilities</b>			
Payable to the Management Company	10	2,293	778
Payable to the Trustee	11	216	72
Payable to Securities and Exchange Commission of Pakistan	12	451	377
Payable against equity settlement		-	13,060
Dividend payable		-	1,630
Payable against redemption of units		116,993	3,536
Accrued expenses and other liabilities	13	13,391	10,763
<b>Total liabilities</b>		<b>133,344</b>	<b>30,216</b>
<b>Net assets</b>		<b>789,907</b>	<b>348,924</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>789,907</b>	<b>348,924</b>
<b>Contingencies and commitments</b>			
	14		
		----- Number of units -----	
<b>Number of units in issue</b>	16	<b>7,489,015</b>	<b>3,277,092</b>
		----- Rupees -----	
<b>Net assets value per unit</b>		<b>105.4755</b>	<b>106.4738</b>

The annexed notes from 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 ISLAMIC EQUITY FUND (Formerly PICIC Islamic Stock Fund)**  
**Income Statement and Other Comprehensive Income**  
*For the year ended June 30, 2017*

	Note	2017 — Rupees in '000 —	2016
<b>Income</b>			
Capital gain on sale of investments - net		79,069	28,766
Dividend income		17,062	16,253
Profit on bank deposits		2,844	3,895
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' held-for-trading - net	6.1.3	11,769	2,962
<b>Total income</b>		<b>110,744</b>	<b>51,876</b>
<b>Expenses</b>			
Remuneration of the Management Company	10.1	9,488	11,526
Sindh Sales Tax on remuneration of the Management Company	10.2	1,233	1,614
Federal Excise Duty on the Management Fee	13.2	-	2,102
Remuneration of the Trustee	11.1	1,072	929
Annual fee to Securities and Exchange Commission of Pakistan	12.1	451	377
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	483	220
Selling and marketing expense	10.3	685	-
Amortisation of preliminary and floatation costs	9.1	203	203
Auditors' remuneration	15	218	195
Settlement and bank charges		105	10
Securities transaction cost		4,065	2,143
Fee and subscription		47	189
Printing charges		91	359
Shariah advisory services		144	78
<b>Total expenses</b>		<b>18,285</b>	<b>19,945</b>
<b>Net Income from operating activities</b>		<b>92,459</b>	<b>31,931</b>
Element of loss and capital losses included in prices of units issued less those in units redeemed - net		(10,758)	(2,769)
Reversal of provision for Workers' Welfare Fund	13.1	1,000	-
Provision for Sindh Workers' Welfare Fund	13.1	(3,194)	-
		(2,194)	-
<b>Net Income for the year before taxation</b>		<b>79,507</b>	<b>29,162</b>
Taxation	17	-	-
<b>Net Income for the year after taxation</b>		<b>79,507</b>	<b>29,162</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive Income for the year</b>		<b>79,507</b>	<b>29,162</b>
<b>Earnings per unit</b>	18		

The annexed notes from 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 ISLAMIC EQUITY FUND (Formerly PICIC Islamic Stock Fund)**  
**Distribution Statement**  
*For the year ended June 30, 2017*

	2017	2016
	----- Rupees in '000 -----	
<b>Undistributed income brought forward</b>		
- Realised income	18,253	5,078
- Unrealised income	2,962	27,326
	<u>21,215</u>	<u>32,404</u>
Element of income and capital gains included in prices of units issued less those in unit redeemed - amount transferred to the Distribution Statement, from Unit Holders' Fund - net	27,268	21,575
<b>Net Income for the year after taxation</b>	<b>79,507</b>	<b>29,162</b>
Interim distribution :		
Cash distribution Re. 1.00 per unit declared on June 20, 2017 (2016: Rs 3.00 per unit declared on June 24, 2016)	(3,222)	(8,078)
Issue bonus units Rs. 26.00 declared on June 20, 2017 (2016: Rs. 20.00 declared on June 24, 2016)	(83,762)	(53,848)
<b>Undistributed income carried forward</b>	<b>41,006</b>	<b>21,215</b>
<b>Undistributed income representing:</b>		
- Realised income	29,237	18,253
- Unrealised income	11,769	2,962
<b>Undistributed income at the end of the year</b>	<b>41,006</b>	<b>21,215</b>

The annexed notes from 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 ISLAMIC EQUITY FUND (Formerly PICIC Islamic Stock Fund)**  
**Statement of Movement in Unit Holders' Fund**  
*For the year ended June 30, 2017*

	2017	2016
	— Rupees in '000 —	
<b>Net assets at the beginning of the year</b>	<b>348,924</b>	<b>229,129</b>
Issuance of 8,489,950 (2016: 3,632,909) units	<b>1,016,733</b>	381,834
Redemption of 5,060,194 (2016: 2,323,066) units	<b>(662,793)</b>	(285,891)
	<b>353,940</b>	95,943
Issue of 782,167 bonus units (2016 : 500,571) units	<b>83,762</b>	53,847
Interim distribution :		
Cash distribution Re. 1.00 per unit declared on June 20, 2017 (2016: Rs 3.00 per unit declared on June 24, 2016)	<b>(3,222)</b>	(8,078)
Issue bonus units Rs. 26.00 declared on June 20, 2017 (2016: Rs. 20.00 declared on June 24, 2016)	<b>(83,762)</b>	(53,847)
Element of loss and capital losses included in prices of less those in units redeemed - net	<b>10,758</b>	2,768
Capital gain on sale of investments - net	<b>79,069</b>	28,766
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' held-for-trading - net	<b>11,769</b>	2,962
Other net loss for the year	<b>(11,331)</b>	(2,566)
Total comprehensive income for the year	<b>79,507</b>	29,162
<b>Net assets at the end of the year</b>	<b>789,907</b>	<b>348,924</b>
	— Rupees —	
<b>Net assets value per unit at the beginning of the year</b>	<b>106.4738</b>	116.4714
<b>Net assets value per unit at the end of the year</b>	<b>105.4755</b>	106.4738

The annexed notes from 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 ISLAMIC EQUITY FUND (Formerly PICIC Islamic Stock Fund)**  
**Cash Flow Statement**  
For the year ended June 30, 2017

	2017	2016
Note	----- Rupees In '000 -----	
<b>Cash flows from operating activities</b>		
Net income for the year before taxation	79,507	29,162
<b>Adjustments:</b>		
Return / mark-up on bank profit	(2,844)	(3,895)
Dividend income	(17,062)	(16,253)
Capital gain on sale of investments - net	(79,069)	(28,766)
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss - held-for-trading' - net	(11,769)	(2,962)
Amortisation of preliminary and floatation costs	203	203
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	10,758	2,769
Reversal of provision for Workers' Welfare Fund	(1,000)	-
Provision for Sindh Workers' Welfare Fund	3,194	-
	(18,082)	(19,742)
<b>(Increase) / decrease in assets</b>		
Investments - net	(353,259)	(12,026)
Deposits and other receivable	-	(32)
Receivable from equity settlement	-	12,117
	(353,259)	59
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	1,515	(165)
Payable to the Trustee	144	12
Annual fee Payable to Securities and Exchange Commission of Pakistan	74	188
Payable against equity settlement	(13,060)	13,060
Dividend payable	(1,630)	-
Accrued expenses and other liabilities	434	5,769
	(12,523)	18,864
Bank profits received	2,652	3,833
Dividend income received	15,125	16,314
<b>Net cash (used in) / generated from operating activities</b>	(366,087)	19,328
<b>Cash flows from financing activities</b>		
Cash received from issuance of units	1,016,733	381,834
Amount paid on redemption of units	(549,336)	(282,355)
Cash dividend paid	(3,222)	(21,583)
<b>Net cash generated from financing activities</b>	464,175	77,896
<b>Net increase in cash and cash equivalents</b>	98,088	97,224
<b>Cash and cash equivalents at the beginning of the year</b>	111,376	14,152
<b>Cash and cash equivalents at the end of the year</b>	5 209,464	111,376

The annexed notes from 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 ISLAMIC EQUITY FUND (Formerly PICIC Islamic Stock Fund)**  
**Notes To The Financial Statements**  
*For the year ended June 30, 2017*

**1. LEGAL STATUS AND NATURE OF BUSINESS**

HBL Islamic Equity Fund (formerly PICIC Islamic 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 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/AMCW/PISF/965/2014 dated April 23, 2014 and the Trust Deed was executed on February 20, 2014.

The Fund has been categorised as a Shariah Compliant equity scheme as per the criteria laid down by the SECP for categorisation of Open-End Collective Investment Schemes (CISs) is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

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 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 objective of HBL Islamic Equity Fund (formerly PICIC Islamic Stock Fund) is to provide the maximum total return to the unit holders from investment in "Shariah Compliant" equity investments for the given level of risk. Title to the assets of the Fund is held in the name of Central Depository Company Limited as trustee of the Fund.

JCR-VIS Credit Rating Company has assigned an asset management 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:



**HBL ISLAMIC EQUITY FUND (Formerly PICIC Islamic Stock Fund)**  
**Notes To The Financial Statements**  
*For the year ended June 30, 2017*

- (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.

	<b>Effective for accounting periods beginning on or after:</b>
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 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.

	<b>Effective for accounting periods beginning on or after:</b>
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

**HBL ISLAMIC EQUITY FUND (Formerly PICIC Islamic Stock Fund)**  
**Notes To The Financial Statements**  
*For the year ended June 30, 2017*

Effective from accounting period beginning on or after a date to be determined.

Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property

January 01, 2017

**Effective for accounting periods beginning on or after:**

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, the 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 - 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' and 'available for sale' are valued as follows:
  - 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 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 recognised in the income statement and other comprehensive income through the amortisation process or 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 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 financial 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 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 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 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.

**HBL ISLAMIC EQUITY FUND (Formerly PICIC Islamic Stock Fund)**  
**Notes To The Financial Statements**  
For the year ended June 30, 2017

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

**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.
- Dividend income from equity securities is recognised when the right to receive dividend is established.
- 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 and other comprehensive income in the period in which they arise.
- Profit on bank deposits is 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 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 and other comprehensive income on a time apportionment basis using the effective interest method.

	Note	2017 ----- Rupees in '000 -----	2016 ----- Rupees in '000 -----
<b>5 BANK BALANCES</b>			
Current accounts		2,546	2,270
Savings accounts	5.1	206,918	109,106
		<b>209,464</b>	<b>111,376</b>

5.1 These accounts carry mark-up at rates ranging between 5.45% and 6.10% (2016: 1.00% and 6.25%) per annum.

	Note	2017 ----- Rupees in '000 -----	2016 ----- Rupees in '000 -----
<b>6 INVESTMENTS</b>			
<b>Financial assets at fair value through profit or loss - held-for-trading</b>			
Listed equity securities	6.1	708,091	263,994

**HBL ISLAMIC EQUITY FUND (Formerly PICIC Islamic Stock Fund)**  
**Notes To The Financial Statements**  
For the year ended June 30, 2017

**6.1 Listed equity securities**

Shares of listed companies - fully paid up ordinary shares of Rs. 10 each unless stated otherwise.

Name of Investee Company	Number of shares					Market value	Percentage in relation to		
	As at July 01, 2016	Purchases during the period	Bonus / rights issue	Sales during the period	As at June 30, 2017		Net assets of the Fund	Total investments	Investee paid up capital
<b>Automobile Assembler</b>									
Honda Atlas Cars (Pakistan) Limited	-	6,000	-	6,000	-	-	-	-	-
Millat Tractors Limited	-	21,000	-	10,000	11,000	15,119	1.91%	2.14%	0.02%
Pak Suzuki Motor Company Limited	20,800	50,500	-	47,800	23,500	18,338	2.32%	2.59%	0.03%
	<b>20,800</b>	<b>77,500</b>	<b>-</b>	<b>63,800</b>	<b>34,500</b>	<b>33,457</b>	<b>4.23%</b>	<b>4.73%</b>	
<b>Automobiles Parts &amp; Accessories</b>									
General Tyre and Rubber Company of Pakistan Limited	-	36,000	-	36,000	-	-	-	-	-
Thal Limited (Par value Rs 5 per share)	-	31,500	-	23,500	8,000	4,848	0.61%	0.68%	0.01%
	<b>-</b>	<b>67,500</b>	<b>-</b>	<b>59,500</b>	<b>8,000</b>	<b>4,848</b>	<b>0.61%</b>	<b>0.68%</b>	
<b>Cable &amp; Electrical Goods</b>									
Pak Elektron Limited	148,500	721,000	-	482,000	387,500	42,749	5.41%	6.04%	0.08%
	<b>148,500</b>	<b>721,000</b>	<b>-</b>	<b>482,000</b>	<b>387,500</b>	<b>42,749</b>	<b>5.41%</b>	<b>6.04%</b>	
<b>Cement</b>									
Bestway Cement Limited	-	3,500	-	3,500	-	-	-	-	-
Cherat Cement Company Limited	99,500	210,400	-	164,500	145,400	25,995	3.29%	3.67%	0.08%
D.G Khan Cement Company Limited	-	254,000	-	108,000	146,000	31,121	3.94%	4.40%	0.03%
Dewan Cement Limited	-	360,000	-	360,000	-	-	-	-	-
Fauji Cement Company Limited	125,000	553,000	-	678,000	-	-	-	-	-
Fecto Cement Limited	-	36,500	-	36,500	-	-	-	-	-
Lucky Cement Limited (6.1.1)	22,000	105,650	-	49,350	78,300	65,479	8.29%	9.25%	0.02%
Maple Leaf Cement Factory Limited	-	182,500	-	182,500	-	-	-	-	-
Pioneer Cement Limited	127,500	246,100	-	133,200	240,400	31,252	3.96%	4.41%	0.11%
Power Cement Limited	-	200,000	-	200,000	-	-	-	-	-
	<b>374,000</b>	<b>2,151,650</b>	<b>-</b>	<b>1,915,550</b>	<b>610,100</b>	<b>153,847</b>	<b>19.48%</b>	<b>21.73%</b>	
<b>Chemicals</b>									
Akzo Nobel Pakistan Limited	-	24,000	-	24,000	-	-	-	-	-
Engro Polymer & Chemicals Limited	-	520,000	-	132,000	388,000	14,162	1.79%	2.00%	0.06%
ICI Pakistan Limited	-	12,500	-	12,500	-	-	-	-	-
Lotte Chemical Pakistan Limited	150,000	1,300,000	-	1,450,000	-	-	-	-	-
	<b>150,000</b>	<b>1,856,500</b>	<b>-</b>	<b>1,618,500</b>	<b>388,000</b>	<b>14,162</b>	<b>1.79%</b>	<b>2.00%</b>	
<b>Commercial Bank</b>									
Meezan Bank Limited	171,000	146,500	-	171,000	146,500	11,574	1.47%	1.63%	0.01%
	<b>171,000</b>	<b>146,500</b>	<b>-</b>	<b>171,000</b>	<b>146,500</b>	<b>11,574</b>	<b>1.47%</b>	<b>1.63%</b>	
<b>Engineering</b>									
Amrell Steels Limited	324,500	69,500	-	351,500	42,500	5,225	0.66%	0.74%	0.01%
Crescent Steel & Allied Products Limited	17,500	235,100	-	151,000	101,600	24,239	3.07%	3.42%	0.13%
International Steels Limited**	-	314,000	-	-	314,000	40,157	5.08%	5.67%	0.07%
Mughal Iran & Steel Inds Limited	228,500	50,000	-	278,500	-	-	-	-	-
	<b>570,500</b>	<b>668,600</b>	<b>-</b>	<b>781,000</b>	<b>458,100</b>	<b>69,621</b>	<b>8.81%</b>	<b>9.83%</b>	

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Name of Investee Company	Number of shares					Market value	Percentage in relation to		
	As at July 01, 2016	Purchases during the period	Bonus / rights issue	Sales during the period	As at June 30, 2017		Net assets of the Fund	Total investments	Investee paid up capital
<b>Fertilizer</b>									
Dawood Hercules Corporation Limited	-	184,300	-	184,300	-	-	-	-	-
Engro Corporation Limited	30,500	192,300	-	95,500	127,300	41,488	5.25%	5.86%	0.02%
Engro Fertilizers Limited	214,000	465,000	-	484,000	195,000	10,772	1.36%	1.52%	0.01%
Fatima Fertilizer Company Limited	25,000	22,500	-	47,500	-	-	-	-	-
Fauji Fertilizer Company Limited	44,000	284,500	-	328,500	-	-	-	-	-
	<b>313,500</b>	<b>1,148,600</b>	<b>-</b>	<b>1,139,800</b>	<b>322,300</b>	<b>52,260</b>	<b>6.61%</b>	<b>7.38%</b>	
<b>Glass &amp; Ceramics</b>									
Ghani Global Glass Limited	-	200,000	-	200,000	-	-	-	-	-
Tariq Glass Industries Limited	-	59,500	-	59,500	-	-	-	-	-
	<b>-</b>	<b>259,500</b>	<b>-</b>	<b>259,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Miscellaneous</b>									
Synthetic Products Enterprises Limited	-	100,500	-	100,500	-	-	-	-	-
	<b>-</b>	<b>100,500</b>	<b>-</b>	<b>100,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Oil and Gas Exploration Companies</b>									
Mari Petroleum Company Limited	120	25,730	-	5,040	20,810	32,789	4.15%	4.63%	0.02%
Oil & Gas Development Company Limited (6.1.1)	30,100	316,500	-	165,000	181,600	25,549	3.23%	3.61%	0.00%
Pakistan Oilfields Limited	13,000	117,500	-	90,400	40,100	18,372	2.33%	2.59%	0.02%
Pakistan Petroleum Limited	1,500	222,200	-	34,500	189,200	28,028	3.55%	3.96%	0.01%
	<b>44,720</b>	<b>681,930</b>	<b>-</b>	<b>294,940</b>	<b>431,710</b>	<b>104,738</b>	<b>13.26%</b>	<b>14.79%</b>	

Name of Investee Company	Number of shares					Market value	Percentage in relation to		
	As at July 01, 2016	Purchases during the period	Bonus / rights issue	Sales during the period	As at June 30, 2017		Net assets of the Fund	Total investments	Investee paid up capital
<b>Oil and Gas Marketing Companies</b>									
Attock Petroleum Limited	46,050	-	-	46,050	-	-	-	-	-
Hascol Petroleum Limited	-	115,100	-	45,100	70,000	23,877	3.02%	3.37%	0.06%
Hi-Tech Lubricants Limited	-	156,500	-	156,500	-	-	-	-	-
Pakistan State Oil Company Limited	54,000	79,000	-	83,500	49,500	19,174	2.43%	2.71%	0.02%
Sul Northern Gas Pipeline Limited	-	461,000	-	210,500	250,500	37,304	4.72%	5.27%	0.04%
	<b>100,050</b>	<b>811,600</b>	<b>-</b>	<b>541,650</b>	<b>370,000</b>	<b>80,355</b>	<b>10.17%</b>	<b>11.35%</b>	
<b>Power Generation &amp; Distribution</b>									
Hub Power Company Limited	-	459,500	-	81,400	378,100	44,400	5.62%	6.27%	0.03%
K-Electric Limited (Par value Rs 3.50 per share)	578,000	4,131,000	-	4,709,000	-	-	-	-	-
Kot Addu Power Company Limited	300,000	36,500	-	336,500	-	-	-	-	-
	<b>878,000</b>	<b>4,627,000</b>	<b>-</b>	<b>5,126,900</b>	<b>378,100</b>	<b>44,400</b>	<b>5.62%</b>	<b>6.27%</b>	
<b>Pharmaceuticals</b>									
Abbott Laboratories (Pakistan) Limited	13,000	4,850	-	3,000	14,850	13,879	1.76%	1.96%	0.02%
GlaxoSmithKline Pakistan Limited	47,000	50,500	-	97,500	-	-	-	-	-
GlaxoSmithKline Consumer Healthcare Pakistan Limited	14,100	-	-	14,100	-	-	-	-	-
The Searle Company Limited (Note 6.1.2)	7,000	76,700	2,650	33,500	52,850	27,058	3.43%	3.82%	0.03%

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Name of Investee Company	Number of shares					Market value	Percentage in relation to		
	As at July 01, 2016	Purchases during the period	Bonus / rights issue	Sales during the period	As at June 30, 2017		Net assets of the Fund	Total investments	Investee paid up capital
<b>Paper &amp; Board</b>									
Century Paper and Board Mills Limited	-	125,000	-	125,000	-	-	-	-	-
Packages Limited**	-	27,500	-	4,150	23,350	16,242	2.06%	2.29%	0.03%
	-	<b>152,500</b>	-	<b>129,150</b>	<b>23,350</b>	<b>16,242</b>	<b>2.06%</b>	<b>2.29%</b>	
<b>Refinery</b>									
Attock Refinery Limited	-	41,500	-	41,500	-	-	-	-	-
Byco Petroleum Pakistan Limited	-	180,000	-	180,000	-	-	-	-	-
National Refinery Limited	-	8,000	-	8,000	-	-	-	-	-
	-	<b>229,500</b>	-	<b>229,500</b>	-	-	-	-	-
<b>Textile Composite</b>									
Nishat Mills Limited	10,000	485,000	-	298,600	196,400	31,165	3.95%	4.40%	0.06%
	<b>10,000</b>	<b>485,000</b>	-	<b>298,600</b>	<b>196,400</b>	<b>31,165</b>	<b>3.95%</b>	<b>4.40%</b>	
<b>Transport</b>									
Pakistan International Bulk Terminal Limited	-	255,000	-	255,000	-	-	-	-	-
	-	<b>255,000</b>	-	<b>255,000</b>	-	-	-	-	-
<b>Technology &amp; Communication</b>									
Avanceon Limited	-	287,000	-	287,000	-	-	-	-	-
Pakistan Telecommunication Company Limited	-	39,000	-	39,000	-	-	-	-	-
Systems Limited	440,000	31,000	-	369,000	102,000	7,736	0.98%	1.09%	0.09%
	<b>440,000</b>	<b>357,000</b>	-	<b>695,000</b>	<b>102,000</b>	<b>7,736</b>	<b>0.98%</b>	<b>1.09%</b>	
<b>June 30, 2017 Total:</b>	<b>3,302,170</b>	<b>14,929,430</b>	<b>2,650</b>	<b>14,309,990</b>	<b>3,924,260</b>	<b>708,091</b>	<b>89.63%</b>	<b>100%</b>	
June 30, 2016 Total:	2,358,560	7,320,750	-	6,377,140	3,302,170	263,994			

\*\*Related party due to common directorship

**6.1.1** The above investments include shares with market value aggregating to Rs. 39.157 million (June 30, 2016: Rs. 24.50 million) which have been pledged with the National Clearing Company of Pakistan (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.

**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 funds based on the premise of exemption given to mutual funds under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld the share equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 0.473 million at June 30, 2017 (June 30, 2016: Rs. 0.298 million) and not yet deposited on CDC account of department of Income tax. Management is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis at fair value in its investments at period end.



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	Note	2017 ----- Rupees in '000' -----	2016 ----- Rupees in '000' -----
<b>6.1.3 Net unrealised gain on re-measurement of investments classified as fair value through profit and loss - held-for-trading</b>			
Market value of investment		708,091	263,994
Carrying value of investment		(696,322)	(261,032)
		<u>11,769</u>	<u>2,962</u>
<b>7 DIVIDENDS AND PROFIT RECEIVABLE</b>			
Dividend receivable		2,248	311
Profit receivable		430	238
		<u>2,678</u>	<u>549</u>
<b>8 DEPOSITS AND OTHER RECEIVABLE</b>			
Deposit with:			
National Clearing Company of Pakistan Limited		2,500	2,500
Central Depository Company of Pakistan Limited		100	100
Advance tax on dividend		32	32
		<u>2,632</u>	<u>2,632</u>
<b>9 PRELIMINARY AND FLOATATION COSTS</b>			
Unamortised cost	9.1	589	792
Amortised to the income statement during the year		(203)	(203)
Closing balance		<u>386</u>	<u>589</u>

9.1 This represents expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from May 29, 2014 (post IPO) as per the requirements set out in the Trust Deed.

	Note	2017 ----- Rupees in '000' -----	2016 ----- Rupees in '000' -----
<b>10 PAYABLE TO THE MANAGEMENT COMPANY</b>			
Remuneration to the Management Company	10.1	1,022	629
Sindh Sales Tax on Management Company's remuneration	10.2	133	88
Sales load payable to Management Company		402	30
Charging of selling and marketing expenses	10.3	685	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.4	51	31
		<u>2,293</u>	<u>778</u>

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- 10.1** As per the offering document of the fund, the Management Company shall charge a fee at the rate of 2% of the average annual net assets on daily basis of the Scheme subject to the guidelines as may be issued by the SECP from time to time. Therefore, the management fee is charged at 2%. 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** 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.
- 10.4** 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' -----
<b>11 PAYABLE TO THE TRUSTEE</b>			
Remuneration to the Trustee	11.1	<u>216</u>	<u>72</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 are as follows:

**Amount of funds under management  
[Average Net Assets Value (NAV)]**

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' -----
<b>12 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	12.1	<u>451</u>	<u>377</u>

- 12.1** Under the provisions of the NBFC and Notified Entities Regulations, 2008, a collective investment scheme categorised as an income 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 ----- Rupees in '000' -----
<b>13 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision for Workers' Welfare Fund	13.1	-	1,000
Provision for Sindh Workers' Welfare Fund	13.1	<b>3,194</b>	-
Provision for Federal excise duty on Management fee	13.2	<b>3,268</b>	3,268
Donation payable		<b>1,535</b>	2,068
Brokerage charges		<b>522</b>	386

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Note	2017	2016
	----- Rupees in '000' -----	
Withholding tax	4,605	3,716
Auditors' remuneration	140	115
Printing charges	80	175
Others	47	35
	13,391	10,763
	13,391	10,763

**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 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

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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. 1 million. Further, as an abundant caution, the Management Company decided to create SWWF provision effective from July 1, 2014 amounting to Rs. 3.194 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. 0.4265 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 the 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. 3.268 million.

Had the provision not been made, NAV per unit of the Fund as at June 30, 2017 would have been higher by Rs. 0.44 per unit (June 30, 2016: 1.00 per unit).

**14 CONTINGENCIES AND COMMITMENTS**

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

**15 AUDITORS' REMUNERATION**

	2017	2016
	----- Rupees in '000 -----	
Annual audit fee	80	80
Fee for half yearly review	40	40
Review of compliance with the requirements of the Code of Corporate Governance	30	30
Shariah compliance audit fee	2	2
Other certifications and out of pocket	66	43
	<b>218</b>	<b>195</b>

**16 NUMBER OF UNITS IN ISSUE**

	2017	2016
	----- Number of units -----	
Total units in issue at the beginning of the year	3,277,092	1,967,249
Sales during the year	8,489,950	3,132,338
Redemption during the year	(5,060,194)	(2,323,066)
Bonus during the year	782,167	500,571
Total units in issue at the end of the year	<b>7,489,015</b>	<b>3,277,092</b>

**HBL ISLAMIC EQUITY FUND (Formerly PICIC Islamic Stock Fund)**  
**Notes To The Financial Statements**  
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**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 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.

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' —	
<b>19.1 Balance as at June 30, 2017</b>		
<b>HBL Asset Management Company Limited</b>		
1,702,128 (2016: 2,108,446) units	<u>179,533</u>	<u>224,494</u>
Management fee payable	<u>1,155</u>	<u>716</u>
Sales load payable	<u>402</u>	<u>30</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee Fee payable	<u>216</u>	<u>72</u>
<b>Directors and executives of the Management Company</b>		
Issue of 25,748 (2016: 10,569) units	<u>2,716</u>	<u>1,125</u>
<b>Connected Person due to holding more than 10% units:</b>		
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund Strategic Allocation Plan</b>		
Issue of 2,020,801 (2016: Nil) units	<u>213,145</u>	<u>-</u>
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund Active Allocation Plan</b>		
Issue of 176,613 (2016: Nil) units	<u>18,628</u>	<u>-</u>
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund Conservative Allocation Plan</b>		
Issue of 105,864 (2016: Nil) units	<u>11,166</u>	<u>-</u>

**HBL ISLAMIC EQUITY FUND (Formerly PICIC Islamic Stock Fund)**  
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	2017	2016
	----- Rupees in '000' -----	
<b>NIB Bank Limited</b>		
Issue of 916,259 (2016: Nil) units	<u>96,643</u>	<u>-</u>
Deposits in current accounts	<u>2,546</u>	<u>2,271</u>
<b>Pak-Qatar Individual Family Participant Investment Fund</b>		
Issue of 873,297 (2016: Nil) units	<u>92,111</u>	<u>-</u>
<b>19.2 Transactions during the year</b>		
<b>HBL Asset Management Company Limited</b>		
Remuneration of the Management Company for the period	<u>9,488</u>	<u>11,526</u>
Sindh Sales tax on remuneration of the Management Company	<u>1,233</u>	<u>1,614</u>
Sale load	<u>1,416</u>	<u>1,043</u>
Issue of 11,366 (2016: 856,508) units	<u>1,199</u>	<u>104,250</u>
Bonus of 337,744 units (2016: 326,395 units)	<u>35,618</u>	<u>35,111</u>
Cash dividend	<u>1,370</u>	<u>5,267</u>
Redemption of 738,542 units (2016: 473,551 units)	<u>100,000</u>	<u>56,756</u>
Reimbursement of fund operations, accounting and related costs	<u>483</u>	<u>112</u>
<b>Directors and executives of the Management Company</b>		
Issue of 11,109 (2016: 14,724) units	<u>1,426</u>	<u>1,738</u>
Bonus of 5,109 (2016: 1,636) units	<u>539</u>	<u>176</u>
Cash dividend	<u>21</u>	<u>-</u>
Redemption of 2,914 (2016: 16,628) units	<u>397</u>	<u>2,033</u>
<b>International Steel Limited - Common Directorship</b>		
Dividend income earned during the year	<u>315</u>	<u>-</u>
<b>Packages Limited - Common Directorship</b>		
Dividend income earned during the year	<u>475</u>	<u>-</u>
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund Strategic Allocation Plan</b>		
Issue of 2,020,801 (2016: Nil) units	<u>210,688</u>	<u>-</u>
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund Active Allocation Plan</b>		
Issue of 176,613 (2016: Nil) units	<u>18,682</u>	<u>-</u>
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund Conservative Allocation Plan</b>		
Issue of 105,864 (2016: Nil) units	<u>11,099</u>	<u>-</u>

**HBL ISLAMIC EQUITY FUND (Formerly PICIC Islamic Stock Fund)**  
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**Connected Person due to holding more than 10% units:**

**NIB Bank Limited**

Issue of 2,397,860 (2016: Nil) units	
Bonus of 181,635 (2016: Nil) units	
Cash dividend	
Redemption of 1,654,154 (2016: Nil) units	

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

366,737	-
19,155	-
737	-
220,329	-

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

**Pak-Qatar Individual Family Participant Investment Fund**

Issue of 1,560,686 (2016: Nil) units	
Redemption of 687,388 (2016: Nil) units	

191,050	1,738
91,049	2,033

**Central Depository Company of Pakistan Limited**

Trustee fee	
CDS charges	

1,072	929
97	-

**20 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 -----		
-	209,464	209,464
708,091	-	708,091
-	2,678	2,678
708,091	212,142	920,233

----- As at June 30, 2017 -----

At fair value through profit or loss - held-for-trading	Other financial liabilities	Total
----- Rupees in '000 -----		
-	2,160	2,160
-	216	216
-	116,993	116,993
-	742	742
-	789,907	789,907
-	910,018	910,018

**Assets**

Bank balances	
Investments	
Dividends and profit receivable	

**Liabilities**

Payable to the Management Company	
Payable to the Trustee	
Payable against redemption of units	
Accrued expenses and other liabilities	
Unit holders' fund	

**HBL ISLAMIC EQUITY FUND (Formerly PICIC Islamic Stock Fund)**  
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	----- As at June 30, 2016 -----		
	At fair value through profit or loss - held-for- trading	Loans and receivables	Total
	----- Rupees in '000 -----		
<b>Assets</b>			
Bank balances	-	111,376	111,376
Investments	263,994	-	263,994
Dividends and profit receivable	-	549	549
	<u>263,994</u>	<u>111,925</u>	<u>375,919</u>
	----- As at June 30, 2016 -----		
	At fair value through profit or loss - held-for- trading	Other financial liabilities	Total
	----- Rupees in '000 -----		
<b>Liabilities</b>			
Payable to the Management Company	-	746	746
Payable to the Trustee	-	72	72
Dividend Payable	-	1,630	1,630
Accrued expenses and other liabilities	-	2,744	2,744
Unit holders' fund	-	348,924	348,924
	<u>-</u>	<u>354,117</u>	<u>354,117</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 future cash flows of a financial instrument will 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.

#### 21.1.1 Currency risk

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



**HBL ISLAMIC EQUITY FUND (Formerly PICIC Islamic Stock Fund)**  
**Notes To The Financial Statements**  
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**21.1.2 Yield / 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**

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. 2.069 million (2016: Rs.1.091 million) had the interest rates on savings accounts with the 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 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 35.405 million (2016: Rs 13.200 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 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)			
NIB Bank Limited	2,546	AA-	PACRA
Faysal Bank Limited	10	AA	PACRA
Bank Islami Pakistan Limited	205,262	A+	PACRA
AlBaraka Bank Limited	385	A	PACRA
Burj Bank Limited	12	A	PACRA
UBL Bank Limited	1,249	AAA	JCR-VIS
	209,464		

**HBL ISLAMIC EQUITY FUND (Formerly PICIC Islamic Stock Fund)**  
**Notes To The Financial Statements**  
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Name of bank	Balances held by the Fund as at June 30, 2016	Latest available published rating as at June 30, 2016	Rating agency
NIB Bank Limited	2,271	AA-	PACRA
Bank Islami Pakistan Limited	107,690	A+	PACRA
AlBaraka Bank Limited	375	A	PACRA
Burj Bank Limited	11	A	PACRA
UBL Bank Limited	1,029	AAA	JCR-VIS
	<b>111,376</b>		

**Concentration of credit risk**

The Fund mainly deals in equity securities which are primarily subject to price risk. The 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 comprise of bank balances and dividend receivables which are with various credit-worthy counterparties thereby mitigating any significant concentration of credit risk.

**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.

The Fund is exposed to daily cash redemptions, if any. 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 of. The Fund's policy is therefore to invest the majority of its assets in securities that 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 period no borrowings were made by the Fund.

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 requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the 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			Total
	Upto three months	Over three months and upto one year	Over one year	
Rupees in '000				
<b>Financial liabilities</b>				
Payable to the Management Company	2,293	-	-	2,293
Payable to the Trustee	216	-	-	216
Payable against redemption of units	116,993	-	-	116,993
Accrued expenses and other liabilities	522	220	-	742
<b>Contractual cash outflows</b>	<b>120,024</b>	<b>220</b>	<b>-</b>	<b>120,244</b>
<b>Unit holders' fund</b>	<b>789,907</b>	<b>-</b>	<b>-</b>	<b>789,907</b>

**HBL ISLAMIC EQUITY FUND (Formerly PICIC Islamic Stock Fund)**  
**Notes To The Financial Statements**  
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-----As at June 30, 2016-----

	Upto three months	Over three months and upto one year	Over one year	Total
--	-------------------	-------------------------------------	---------------	-------

-----Rupees in '000-----

Financial liabilities				
Payable to the Management Company	746	-	-	746
Payable to the Trustee	72	-	-	72
Dividend payable	1,630	-	-	1,630
Accrued expenses and other liabilities	2,489	290	-	2,779
Contractual cash outflows	4,937	290	-	5,227
Unit holders' fund	<u>348,924</u>	<u>-</u>	<u>-</u>	<u>348,924</u>

**22 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				
		Fair value through profit or loss- held-for-trading	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
Note	6	708,091	-	-	708,091	708,091	-	-	708,091
		<u>708,091</u>	<u>-</u>	<u>-</u>	<u>708,091</u>	<u>708,091</u>	<u>-</u>	<u>-</u>	<u>708,091</u>

(Rupees in '000)

**On-balance sheet financial instruments**

**Financial assets measured at fair value**

**Investments**

**Listed equity securities**

**HBL ISLAMIC EQUITY FUND (Formerly PICIC Islamic Stock Fund)**  
**Notes To The Financial Statements**  
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June 30, 2017							
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

Note (Rupees in '000)

**On-balance sheet financial instruments**

**Financial assets not measured at fair value**

Bank balances	5	-	209,464	-	209,464	-	-	-
Dividend and profit receivable	7	-	2,678	-	2,678	-	-	-
		-	212,142	-	212,142	-	-	-

**Financial liabilities not measured at fair value**

Payable to the Management Company	10	-	-	2,293	2,293	-	-	-
Payable to the Trustee	11	-	-	216	216	-	-	-
Payable against redemption of units		-	-	116,993	116,993	-	-	-
Accrued expenses and other liabilities	13	-	-	2,324	2,324	-	-	-
Unit holders' fund		-	-	789,907	789,907	-	-	-
		-	-	911,733	911,733	-	-	-

June 30, 2016

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

Note (Rupees in '000)

**On-balance sheet financial instruments**

**Financial assets measured at fair value**

Investments

Listed equity securities	6	263,994	-	-	263,994	263,994	-	-	263,994
		263,994	-	-	263,994	263,994	-	-	263,994

**Financial assets not measured at fair value**

Bank balances	5	-	111,376	-	111,376	-	-	-
Dividend and profit receivable	7	-	549	-	549	-	-	-
		-	111,925	-	111,925	-	-	-

**Financial liabilities not measured at fair value**

Payable to the Management Company	10	-	-	746	746	-	-	-
Payable to the Trustee	11	-	-	72	72	-	-	-
Accrued expenses and other liabilities	13	-	-	2,779	2,779	-	-	-
Unit holders' fund		-	-	348,924	348,924	-	-	-
		-	-	352,521	352,521	-	-	-

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.

**HBL ISLAMIC EQUITY FUND (Formerly PICIC Islamic Stock Fund)**  
**Notes To The Financial Statements**  
*For the year ended June 30, 2017*

**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 derived from Quotation rates at reporting date per share multiplied by the number of shares held .

**Transfers during the period**

No transfers were made between various levels of fair value hierarchy during the year.

**23 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."

**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 follow:

Name	Designation	Qualification	Experience in years
Farid Ahmed Khan	Chief Executive Officer	CFA, MBA	23+
Muhammad Imran	Chief Investment Officer	MBA (Finance)	17+
Colin Miranda	Acting Head of Research	CFA, MBA	8+
Jawad Naeem	Fund Manager- Equity	MBA (Finance)	9.5+
Adeel Abdul Wahab	Fund Manager- Equity	ACCA	8+
Noman Ameer	Manager Risk	B.S Acturial Sciences	11+

**25 PATTERN OF UNITHOLDING**

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

Category	No. of unit holders	Number of units held	Investment amount	Percentage of total
(Rupees in '000)				
Individuals	179	1,076,820	113,580	14.38%
Associated Companies and Directors	1	1,702,129	179,530	22.73%
Insurance Companies	1	873,297	92,110	11.66%
Banks and DFIs	1	916,259	96,640	12.23%
Retirement Funds	-	-	-	-
Others	5	2,920,510	308,047	39.00%
	<b>187</b>	<b>7,489,015</b>	<b>789,907</b>	<b>100.00%</b>

**HBL ISLAMIC EQUITY FUND (Formerly PICIC Islamic Stock Fund)**  
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Pattern of unit holding at June 30, 2016 is as follows:

Category	No. of unit holders	Number of units held	Investment amount	Percentage of total
(Rupees in '000)				
Individuals	145	555,445	59,140	16.95%
Associated Companies and Directors	-	-	-	-
Insurance Companies	-	-	-	-
Banks and DFIs	-	-	-	-
Retirement Funds	3	90,503	9,636	2.76%
Others	3	2,631,144	280,148	80.29%
	<b>151</b>	<b>3,277,092</b>	<b>348,924</b>	<b>100.00%</b>

**26 LIST OF TOP TEN BROKERS / DEALERS**

**Top ten brokers during the year ended June 30, 2017**

Taurus Securities Limited  
Next Capital Limited  
Shajar Capital Pakistan (Private) Limited  
Topline Securities (Private) Limited  
AL Falah Securities (Private) Limited  
WE Financial Services Limited  
Zillion Capital Securities (Private) Limited  
M.M. Securities (Private) Limited  
BIPL Securities Limited  
IGI Finex Securities Limited

**Top ten brokers during the year ended June 30, 2016:**

Taurus Securities Limited  
AL Falah Securities (Private) Limited  
Zillion Capital Securities (Private) Limited  
WE Financial Services Limited  
Al-Hoqani Securities and Investment Corporation (Private) Limited  
First Capital Equities Limited  
M.M. Securities (Private) Limited  
IGI Finex Securities Limited  
Next Capital Limited  
Aba Ali Habib Securities (Private) Limited

**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:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Towfiq H. Chinoy	5	5	-	-
Ms. Ava Ardeshir Cowasjee	5	5	-	-
Mr. Nadeem Abdullah	5	4	1	April 27, 2017
Mr. Farid Ahmed Khan <sup>1</sup>	4	4	-	-
Mr. Rehan N. Shaikh <sup>2</sup>	1	1	-	-
Ms. Sima Kamil <sup>3</sup>	4	4	-	-
Mr. Rizwan Haider	5	4	1	April 27, 2017
Mr. Salahuddin Manzoor	5	5	-	-
Mr. Aamir Irshad <sup>4</sup>	-	-	-	-
Mr. Raymond Kotwal <sup>5</sup>	-	-	-	-

**HBL ISLAMIC EQUITY FUND (Formerly PICIC Islamic Stock Fund)**  
**Notes To The Financial Statements**  
*For the year ended June 30, 2017*

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 April 27, 2017.

4 Appointed on April 27, 2017 and resigned on June 22, 2017.

5 Appointed on June 22, 2017.

**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 4.32% which includes 0.98% 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. The Management Company has negotiated the credit line with the Bank and subsequent to the year end, the fund has obtained the required credit lines amounting to PKR 50 million.

**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 ISLAMIC FINANNCIAL PLAINING FUND**  
**Annual Report 2017**

## FUND INFORMATION

<b>NAME OF FUND</b>	<b>HBL Islamic Financial Plaining Fund</b>
<b>NAME OF AUDITOR</b>	<b>Deloitte Yousuf Adil Chartered Accountants.</b>
<b>NAME OF TRUSTEE</b>	<b>MCB Financial Services Limited.</b>
<b>NAME OF SHARIAH ADVISORS</b>	<b>Al-Hilal Shariah Advisores (Pvt) Limited.</b>
<b>NAME OF BANKERS</b>	<b>Habib Bank Limited Dubai Islamic Bank Limited</b>

## FUND MANAGER'S REPORT - HBL ISLAMIC FINANCIAL PLAINING FUND

As at June 30, 2017

### Category of Fund

Open end Shariah Compliant Fund of Funds Scheme

### Investment Objective

The objective of the Fund is to generate returns on Investment as per the respective Allocation Plan by investing in Shariah Compliant Mutual Funds in line with the risk tolerance of the Investor.

### Benchmark and Performance Comparison with Benchmark

The Fund's benchmark for Conservative Allocation Plan, Active Allocation Plan and Strategic Allocation plan is as follows:

#### Conservative Allocation Plan

- 20% KMI 30 index
- Six(6) months average deposit rates of three(3) AA- rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP
- Three(3) months average deposit rates of three(3) AA rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP

B and c will be based on actual proportion of investment in Islamic Income and Islamic Money Market Funds/ Cash and near cash instruments.

#### Active Allocation Plan & Strategic Allocation Plan

- KMI 30 index
- Six(6) months average deposit rates of three(3) AA- rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP
- Three(3) months average deposit rates of three(3) AA rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP

Based on actual proportion in Equity Fund and Income / Money Market Funds and/or in cash And/or near cash instruments in each allocation plan.

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

#### Conservative Allocation Plan

Month	Benchmark	Return of Fund
Jun-17	0.34%	0.19%

#### Active Allocation Plan

Month	Benchmark	Return of Fund
Jun-17	0.17%	0.01%

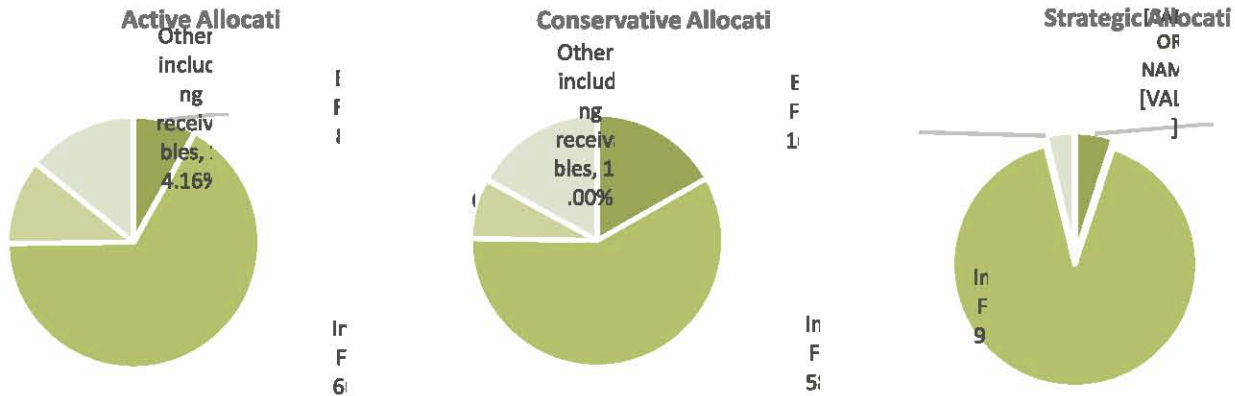
#### Strategic Allocation Plan

Month	Benchmark	Return of Fund
Jun-17	0.51%	0.20%

### Strategies and Policies employed during the Year

HBL Islamic Financial Planning Funds were launched on 19th June, 2017. During this period, Active Allocation Plan asset allocation comprises of 8.13% investment in equity funds while cash assets, Income Funds and receivables represent 11.03%, 66.69% and 14.16% of total assets respectively. Conservative allocation plan invested the funds in equity fund, income fund and cash at 16.78%, 58.46% and 7.76% of the fund respectively while other receivable accounts for 17% of the fund. Strategic Allocation Plan asset allocation comprises of 5.04% investment in equity funds while cash assets, Income Funds and receivables represent 0.05%, 91.18% and 3.74% of total assets respectively.

## Asset Allocation



### Fund Performance

HBL Islamic Financial Planning Fund commenced its operations from June 17, 2017. The Fund comprises of three sub funds (plans) namely Active allocation plan, Conservative allocation plan and Strategic allocation plan.

The Fund as a whole earned total and net income of Rs. 18.92 million and Rs. 16.76 million respectively during the period under review. The fund size of the fund stood at Rs. 4.478 billion. Performance review for plan is given below:

#### Active Allocation Plan

During the period under review, the Active allocation plan earned total and net income of Rs. 0.46 million and Rs 0.33 million respectively. The net assets of the Active allocation plan stood at Rs. 194 million representing Net Asset Value (NAV) of Rs. 100.0133 per unit as at June 30, 2017. The plan earned a return of 0.17% for the period under review. The plan is invested to the extent of 67% in income funds & 8% in equity funds.

The Chief Executive Officer under the authority of the Board of Directors approved interim cash distribution of Rs 0.16 per unit to the unit holders for the year ended June 30, 2017.

#### Conservative Allocation Plan

During the period under review, the Conservative allocation plan earned total and net income of Rs. 0.22 million and Rs 0.20 million respectively. The net assets of the Conservative allocation plan stood at Rs. 58 million representing Net Asset Value (NAV) of Rs. 100.0178 per unit as at June 30, 2017. The plan earned a return of 0.34% for the period under review. The plan is invested to the extent of 58% in income funds & 17% in equity funds.

The Chief Executive Officer under the authority of the Board of Directors approved interim cash distribution of Rs 0.32 per unit to the unit holders for the year ended June 30, 2017.

#### Strategic Allocation Plan

During the period under review, the Strategic allocation plan earned total and net income of Rs. 18.24 million and Rs 16.24 million respectively. The net assets of the Strategic allocation plan stood at Rs. 4.23 billion representing Net Asset Value (NAV) of Rs. 100.0143 per unit as at June 30, 2017. The plan earned a return of 0.51% for the period under review. The plan is invested to the extent of 91% in income funds & 5% equity funds.

The Chief Executive Officer under the authority of the Board of Directors approved interim cash distribution of Rs 0.37 per unit to the unit holders for the year ended 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 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 KMI-30 returned 17.6% as compared to FY16 return of 13.8%. Improved LSM growth rate, agriculture output as well as growth in the services sector pick up economic activity which supported the index to close at 78,598 pts. Average daily volume was 72 mn shares up by 31% as compared 55 mn shares in FY16. In USD term KMI 30 index returned 17.5 % which underperformed MSCI Emerging Index 20.4%, but outperform MSCI Frontier Market Index 15.1%. Cements and Oil & Gas Exploration sectors were the prime outperformers during the period under review with return of 25% and 19% respectively. Index touched the highest level of 91,145pts in May'17 just before FY18 budget. However political noise emanating from the JIT investigation, foreign outflow, and unfavorable tax regime for capital markets broke the momentum as index settled at 78,598pts.

#### Distribution

Active Allocation Plan has distributed cash dividend at Rs. 0.16 per units for the year ended June 30, 2017. Conservative Allocation Plan has distributed cash dividend at Rs. 0.32 per units for the year ended June 30, 2017. Strategic Allocation Plan has distributed cash dividend at Rs. 0.37 per units for 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)	Active Allocation Plan		Conservative Allocation Plan		Strategic Allocation Plan	
	Number of Unit Holders	Units Held	Number of Unit Holders	Units Held	Number of Unit	Units Held
1 - 100	0	-	0	-	-	-
101 - 500	2	777	0	-	-	1,745
501 - 1,000	0	-	1	666	-	2,504
1,001 - 10,000	25	134,621	8	43,934	-	52,366
10,001 - 100,000	24	753,972	20	538,682	-	1,007,061
1,000,001 - 5,000,000	7	1,052,414	0	-	-	3,153,904
500,001 - 1,000,000	0	-	0	-	-	1,785,663
1,000,001 - 5,000,000	0	-	0	-	-	1,002,780
5,000,001 and above	0	-	0	-	-	35,243,494
Total	58	1,941,784	29	583,282	-	42,249,517

#### 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 ISLAMIC FINANCIAL PLAINING FUND

As at June 30, 2017

	Active Allocation Plan	2017 Consevative Allocation Plan	Stragic Allocation Plan
Net assets at the period end (Rs'000)	194,204	58,338	4,225,557
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>			
Redemption	100.0133	100.0178	100.0143
Offer	103.0137	103.0183	N/A
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>			
Highest offer price per unit	103.0671	103.3839	103.2220
Lowest offer price per unit	100.0000	100.0000	N/A
Highest redemption price per unit	100.0651	100.3727	100.2155
Lowest redemption price per unit	100.0000	100.0000	N/A
<b>RETURN ( % )</b>			
Total return	0.17%	0.34%	0.51%
Income distribution	0.16%	0.32%	0.37%
Capital growth	0.01%	0.02%	0.14%
<b>DISTRIBUTION</b>			
Final dividend distribution- Rs	0.16	0.32	0.37
Date of Income Distribution	29-Jun-17	29-Jun-17	29-Jun-17
Total dividend distribution for the year (Rs)	0.16	0.32	0.37
<b>AVERAGE RETURNS ( % )</b>			
Average annual return 1 year	0.17%	0.34%	0.51%
<b>PORTFOLIO COMPOSITION - (%)</b>			
Percentage of Net Assets as at 30 June:			
Bank Balances	11.03%	7.76%	0.05%
Equity Funds	8.13%	16.78%	5.04%
Income Funds	66.69%	58.46%	91.18%
Others	14.16%	17.00%	3.74%

**Note:**

The Launch date of the Fund is June 19, 2017

**Disclaimer:**

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



## MCB FINANCIAL SERVICES LIMITED

### REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

#### HBL ISLAMIC FINANCIAL PLANNING FUND

#### Report of the Trustee Pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

HBL Islamic Financial Planning Fund, an open-end Scheme established under a Trust Deed dated March 22, 2017 executed between HBL Asset Management Company Limited, as the Management Company and MCB Financial Services Limited, as the Trustee. The Fund commenced its operations from June 17, 2017.

1. HBL Asset Management Company Limited, the Management Company of HBL Islamic Financial Planning Fund has, in all material respects, managed HBL Islamic Financial Planning Fund during the period from June 17, 2017 to June 30, 2017 in accordance with the provisions of the following:
  - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
  - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
  - (iii) the creation and cancellation of units are carried out in accordance with the deed;
  - (iv) and any regulatory requirement

Khawaja Anwar Hussain  
Chief Executive Officer  
MCB Financial Services Limited

Karachi: September 21, 2017

## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

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

**Farid Ahmed Khan**  
Chief Executive Officer  
Dated: August 25, 2017





**Al-Hilal**  
— Shariah Advisors —

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

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

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

Keeping in view the above; we certify that:

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

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

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

Mufti Irshad Ahmad Aijaz  
Shariah Advisor



Faraz Younus Bandukda  
Chief Executive

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

3rd Floor, Razi Tower, BC-13, Block No. 9, KDA Scheme No. 5, Clifton, Karachi.  
Tel: +92 21 3530 9119, Fax: +92 21 3530 9156, Web: www.alhilal.com

## **Independent assurance report to the unit holders on the statement of compliance with the shariah principles**

We have performed an independent assurance engagement of HBL Islamic Financial Planning Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2017. Our engagement was carried out as required under Trust Deed and Shariah Principles of the Fund.

### **Management Company's responsibility**

Management Company (HBL Asset Management Limited) of the Fund is responsible for the preparation of the Statement (the subject matter) and for compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor (criteria). This responsibility includes designing, implementing and maintaining internal control to ensure that operations of the Fund and the investments made by the Fund are in compliance with the Shariah Principles.

### **Responsibility of independent assurance providers**

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we comply with ethical requirements, including independence requirements, and plan and perform the engagement to obtain reasonable assurance whether the Statement reflects the status of the Fund's compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.

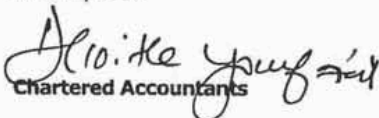
The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Shariah Principles whether due to fraud or error. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

The procedures performed included:

- Checking compliance of specified guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2017 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

### **Conclusion**

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor for the year ended June 30, 2017.

  
Chartered Accountants

**Dated:** September 22, 2017  
**Place:** Karachi

Member of  
Deloitte Touche Tohmatsu Limited

# 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 Islamic Financial Planning 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. Raymond 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



**Deloitte Yousuf Adil**  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Shahrah-e-Faisal  
Karachi-75350  
Pakistan

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## **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 Islamic Financial Planning 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.

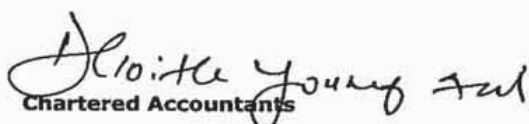
As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risk 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  
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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 Islamic Financial Planning 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 period from June 17, 2017 to June 30, 2017, 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.

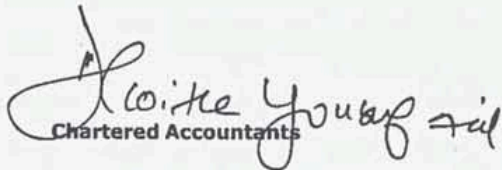
### **Opinion**

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 period from June 17, 2017 to June 30, 2017 in accordance with approved accounting standards as applicable in Pakistan.

Member of  
**Deloitte Touche Tohmatsu Limited**

## 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

**Engagement Partner**  
Naresh Kumar

**Date:** September 22, 2017  
**Place:** Karachi

**HBL ISLAMIC FINANCIAL PLAINING FUND**  
**Statement of Assets and Liabilities**  
*As at June 30, 2017*

	Note	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
----- (Rupees in '000) -----					
<b>Assets</b>					
Bank balances	4	25,286	5,166	2,018	32,470
Investments	5	171,493	50,067	4,072,801	4,294,361
Accrued mark-up		149	47	3,629	3,825
Receivable against sale of investment		-	-	131,500	131,500
Receivable against sale of units		32,217	11,240	27,282	70,739
Preliminary expenses and flotation costs			23	4,811	4,919
<b>Total assets</b>		<b>229,230</b>	<b>66,543</b>	<b>4,242,041</b>	<b>4,537,814</b>
<b>Liabilities</b>					
Payable to the Management Company	6	279	44	12,633	12,956
Payable to the Trustee	7	6	2	92	100
Payable to Securities and Exchange Commission of Pakistan	8	6	2	132	140
Accrued expenses and other liabilities	9	50	28	3,627	3,705
Dividend payable		2	-	-	2
Payable against redemption of units		34,683	8,129	-	42,812
<b>Total liabilities</b>		<b>35,026</b>	<b>8,205</b>	<b>16,484</b>	<b>59,715</b>
<b>Net assets</b>		<b>194,204</b>	<b>58,338</b>	<b>4,225,557</b>	<b>4,478,099</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>194,204</b>	<b>58,338</b>	<b>4,225,557</b>	<b>4,478,099</b>
<b>Contingencies and commitments</b>	10				
<b>Number of units in issue</b>	11	<b>1,941,784</b>	<b>583,282</b>	<b>42,249,517</b>	<b>44,774,583</b>
----- (Rupees) -----					
<b>Net asset value per unit</b>		<b>100.0133</b>	<b>100.0178</b>	<b>100.0143</b>	

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

For HBL Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director



**HBL ISLAMIC FINANCIAL PLAINING FUND**  
**Income Statement and Other Comprehensive Income**  
For the year ended June 30, 2017

Note	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
(Rupees in '000)				
<b>Income</b>				
Dividend income	490	119	13,047	13,656
Mark-up on deposits with bank	149	47	3,629	3,825
Capital gain on sale of investment - net	-	-	82	82
Unrealised (diminution) / appreciation on re-measurement of investments at 'fair value through profit or loss - held-for-trading' - net	(178)	49	1,484	1,355
<b>Total income</b>	<b>461</b>	<b>215</b>	<b>18,242</b>	<b>18,918</b>
<b>Expenses</b>				
Remuneration of the Management Company	54	11	484	549
Sindh Sales Tax on remuneration of the Management Company	7	1	63	71
Remuneration of the Trustee	6	2	92	100
Annual fee to Securities and Exchange Commission of Pakistan	6	2	132	140
Selling and marketing expense	24	7	555	586
Allocation of expenses related to registrar services, accounting, operation and valuation services	6	2	139	147
Amortisation of preliminary expenses and flotation costs	1	-	80	81
Auditors' remuneration	2	1	48	51
Printing charges	4	1	95	100
Shariah advisory fee	-	-	10	10
<b>Total expenses</b>	<b>110</b>	<b>27</b>	<b>1,698</b>	<b>1,835</b>
<b>Net income from operating activities</b>	<b>351</b>	<b>188</b>	<b>16,544</b>	<b>17,083</b>
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - net	(13)	12	22	21
Provision for Sindh Workers' Welfare Fund	(7)	(4)	(330)	(341)
<b>Net income for the period before taxation</b>	<b>331</b>	<b>196</b>	<b>16,236</b>	<b>16,763</b>
Taxation	-	-	-	-
<b>Net income for the period after taxation</b>	<b>331</b>	<b>196</b>	<b>16,236</b>	<b>16,763</b>
<b>Other comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>331</b>	<b>196</b>	<b>16,236</b>	<b>16,763</b>

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

For HBL Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# HBL ISLAMIC FINANCIAL PLAINING FUND

## Distribution Statement

For the year ended June 30, 2017

	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
----- Rupees in '000 -----				
<b>Undistributed income at the beginning of the period</b>				
- Realised income	-	-	-	-
- Unrealised income	-	-	-	-
	-	-	-	-
<b>Net Income for the period after taxation</b>	<b>331</b>	<b>196</b>	<b>16,236</b>	<b>16,763</b>
Interim distribution declared on June 29, 2017 at:				
- Rs. 0.16 per unit of Active Allocation Plan	(305)	-	-	(305)
- Rs. 0.32 per unit of Conservative Allocation Plan	-	(186)	-	(186)
- Rs. 0.37 per unit of Strategic Allocation Plan	-	-	(15,586)	(15,586)
<b>Undistributed income carried forward</b>	<b>26</b>	<b>10</b>	<b>650</b>	<b>686</b>
<b>Undistributed income carried forward comprising of:</b>				
- Realised income / (loss)	204	(39)	(834)	(669)
- Unrealised (loss) / income	(178)	49	1,484	1,355
	26	10	650	686

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

For HBL Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

**HBL ISLAMIC FINANCIAL PLAINING FUND**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2017

	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
----- Rupees in '000 -----				
<b>Net assets at the beginning of the period</b>	-	-	-	-
Issuance of 2,298,110 units	229,813	-	-	229,813
Issuance of 668,385 units	-	66,862	-	66,862
Issuance of 42,481,784 units	-	-	4,248,113	4,248,113
Redemption of 356,326 units	(35,648)	-	-	(35,648)
Redemption of 85,103 units	-	(8,522)	-	(8,522)
Redemption of 232,267 units	-	-	(23,184)	(23,184)
	194,165	58,340	4,224,929	4,477,434
Element of loss / (income) 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	13	(12)	(22)	(21)
Capital gain on sale of investment - net	-	-	82	82
Unrealised (diminution) / appreciation on re-measurement of investments at 'fair value through profit or loss - held-for-trading' - net	(178)	49	1,484	1,355
Other net income for the period	509	147	14,670	15,326
<b>Net comprehensive income for the period</b>	331	196	16,236	16,763
Interim distribution declared on June 29, 2017 at: - Rs. 0.16 per unit of Active Allocation Plan	(305)	-	-	(305)
- Rs. 0.32 per unit of Conservative Allocation Plan	-	(186)	-	(186)
- Rs. 0.37 per unit of Strategic Allocation Plan	-	-	(15,586)	(15,586)
<b>Net assets at the end of the period</b>	194,204	58,338	4,225,557	4,478,099
----- Rupees -----				
<b>Net assets value per unit at the end of the period</b>	100.0133	100.0178	100.0143	

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

For HBL Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

# HBL ISLAMIC FINANCIAL PLAINING FUND

## Cash Flow Statement

For the year ended June 30, 2017

Note	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
(Rupees in '000)				
<b>Cash flows from operating activities</b>				
Net income for the period before taxation	331	196	16,236	16,763
<b>Adjustments for non-cash items</b>				
Dividend income	(490)	(119)	(13,047)	(13,656)
Mark-up on deposits with bank	(149)	(47)	(3,629)	(3,825)
Capital gain on sale of investment - net	-	-	(82)	(82)
Unrealised appreciation / (diminution) on re-measurement of investments at 'fair value through profit or loss - held-for-trading' - net	178	(49)	(1,484)	(1,355)
Amortisation of preliminary expenses and flotation costs	1	-	80	81
Element of loss / (income) and capital losses / (gains) included in prices of prices of units issued less those in units redeemed - net	13	(12)	(22)	(21)
Provision for Sindh Workers' Welfare Fund	(7)	(4)	(330)	(341)
	(123)	(35)	(2,278)	(2,436)
<b>Increase in assets</b>				
Investments	(171,671)	(50,018)	(4,071,235)	(4,292,924)
Receivable against sale of investment	-	-	(131,500)	(131,500)
	(171,671)	(50,018)	(4,202,735)	(4,424,424)
<b>Decrease in liabilities</b>				
Payable to the Management Company	279	44	12,633	12,956
Payable to the Trustee	6	2	92	100
Payable to Securities and Exchange Commission of Pakistan	6	2	132	140
Accrued expenses and other liabilities	57	32	3,957	4,046
Dividend payable	2	-	-	2
	350	80	16,814	17,244
	(171,444)	(49,973)	(4,188,199)	(4,409,616)
Preliminary expenses and flotation costs paid	(86)	(23)	(4,891)	(5,000)
Dividend income received	490	119	13,047	13,656
<b>Net cash used in operating activities</b>	<b>(171,040)</b>	<b>(49,877)</b>	<b>(4,180,043)</b>	<b>(4,400,960)</b>
<b>Cash flows from financing activities</b>				
Amount received / receivable on issue of units	197,596	55,622	4,220,831	4,474,049
Amount paid / payable on redemption of units	(965)	(393)	(23,184)	(24,542)
Dividend paid	(305)	(186)	(15,586)	(16,077)
<b>Net cash generated from financing activities</b>	<b>196,326</b>	<b>55,043</b>	<b>4,182,061</b>	<b>4,433,430</b>
<b>Net increase in cash and cash equivalents</b>	<b>25,286</b>			<b>32,470</b>
Cash and cash equivalents at the beginning of the period	-	-	-	-
<b>Cash and cash equivalents at the end of the period</b>	<b>25,286</b>	<b>5,166</b>	<b>2,018</b>	<b>32,470</b>

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

For HBL Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# HBL ISLAMIC FINANCIAL PLANNING FUND

## Notes To The Financial Statements

For the year ended June 30, 2017

### 1. LEGAL STATUS AND NATURE OF BUSINESS

HBL Islamic Financial Planning Fund (the "Fund"), was established under the Trust Deed executed between HBL Asset Management Limited as the Management Company and MCB Financial Services Limited (MCBFSL) as the Trustee. The Trust Deed was executed on March 22, 2017 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on May 4, 2017 in accordance with the requirements of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Management Company is situated at 24C, Khyaban-e-Hafiz, Phase VI, DHA, Karachi. Subsequent to the year end, the registered office of the Management Company has been changed to 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton. The Fund commenced its operations from June 17, 2017.

The Fund is an open ended shariah compliant fund of fund scheme and the Fund is listed on Pakistan Stock Exchange. The Fund has three different plans namely Conservative Allocation Plan, Active Allocation Plan and Strategic Allocation Plan (collectively referred as 'Plans'). The units of Conservative Allocation and Active Allocation Plan were initially offered to public (IPO) on June 16, 2016 whereas units of Strategic Allocation Plan were offered from June 15, 2016 to June 16, 2016. The units are transferable and can be redeemed by surrendering them to the Fund at the option of unit holder. The duration of the fund is perpetual however the allocation plans may have a set time frame. Each Allocation Plan will announce separate NAVs which will rank pari passu inter se according to the number of Units of the respective Allocation Plans. Units are offered for public subscription on a continuous basis. However, term-based plans, may be offered for a limited subscription period.

The objective of the Fund is to generate returns on Investment as per the respective Allocation Plan by investing in Shariah Compliant Mutual Funds in line with the risk tolerance of the Investor. The investment policy for each of the Plan are as follows;

- The "Conservative Allocation Plan" is an Allocation Plan under the Fund and primarily aims to provide stable returns with some capital appreciation through a pre-determined mix of shariah compliant investments in equity, income and money market funds. This Allocation Plan is suitable for Investors who have moderate risk tolerance and have a short to medium term investment horizon.
- The "Active Allocation Plan" is an Allocation Plan under the Fund with an objective to earn a potentially high return through active asset allocation between Islamic Equity scheme(s), Islamic Income scheme(s) and Islamic Money Market Scheme(s) based on the Fund Manager's outlook on the asset classes.
- The "Strategic Allocation Plan" is an Allocation Plan under the Fund with an objective to earn a potentially high return through active allocation of funds between Islamic Equity scheme(s), Islamic Income scheme(s) and Islamic Money Market Scheme(s) based on fundamental analysis of economic indicators, underlying asset values and a strategy of risk aversion to market volatility. Fund Manager will take a medium term strategic view of the portfolio assets to deliver competitive returns to investors. The duration of this plan is 24 months (Two Years).

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

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

No comparative figures / information have been disclosed in these financial statements as the fund commenced its operations on June 17, 2017.

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

#### 2.2 Basis of Measurement

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

#### 2.4 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 3.3.2.1, 3.2.2.3 and 3.2.2.4); and
- (ii) impairment of financial assets (note 3.3.2.5)

### 3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS THAT ARE EFFECTIVE FOR THE PERIOD FROM JUNE 17, 2017 TO JUNE 30, 2017 AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 New accounting standards / amendments and IFRS interpretations that are effective for the period from June 17, 2017 to June 30, 2017 but relevant to the Fund

The following standards, amendments and interpretations are effective for the period ended from June 17, 2017 to 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.

	<b>Effective from accounting periods beginning on or after:</b>
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.

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

	<b>Effective from accounting periods beginning on or after:</b>
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.

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

### 3.3 Summary of Significant Accounting Policies

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

#### 3.3.1 Cash and cash equivalents

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

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

#### 3.3.2 Financial assets

##### 3.3.2.1 Classification

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

The Fund classifies its financial assets in the following categories:

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

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

**b) Loans and receivables**

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

**c) Available for sale**

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

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

**3.3.2.2 Regular way contracts**

All regular purchases / sales of investments are recognized on the trade date i.e. the date that the Fund commits to purchase / sell the investments.

**3.3.2.3 Initial recognition and measurement**

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

**3.3.2.4 Subsequent measurement**

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

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

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

**b) Basis of valuation of equity securities**

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange.

**c) Basis of valuation of Government securities**

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

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

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

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

**3.3.2.5 Impairment of financial assets**

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



**a) Debt securities**

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

**b) Equity securities**

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

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

**3.3.2.6 Derecognition**

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

**3.3.3 Financial liabilities**

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

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

**3.3.4 Offsetting of financial assets and financial liabilities**

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

**3.3.5 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 amortized over a period of three years in accordance with the requirements set out in the Trust Deed of the Fund and the NBFC Rules.

**3.3.6 Provisions**

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

**3.3.7 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.

**3.3.8 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.

### **3.3.9 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.

### **3.3.10 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.

### **3.3.11 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.

#### **Amendment in the NBFC Regulations subsequent to the period end**

Subsequent to the period 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.

### **3.3.12 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 period end.

### **3.3.13 Revenue recognition**

- Capital gains / (losses) arising on sale of investments are included in the Income Statement and Other Comprehensive Income. and other comprehensive income on the date at which the transaction takes place.
- Unrealized gains / (losses) arising on revaluation of investments classified as 'financial assets at fair value through profit or loss - held-for-trading' are included in the Income Statement and Other Comprehensive Income. and other comprehensive income in the period in which they arise.
- Dividend income is recognized when the right to receive the dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.

- Markup / return on government securities, term finance certificate, sukuk certificates, commercial papers, clean placements, bank balances and term deposit receipts are recognized on a time apportion basis using the effective interest method.

### 3.3.14 Earnings per unit (EPU)

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

### 3.3.15 Expenses

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

## 4. BANK BALANCES

		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	Note	(Rupees in '000)			
Savings accounts	4.1	25,286	5,166	2,018	32,470

## 5. INVESTMENTS

		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	Note	(Rupees in '000)			
At fair value through profit or loss - held-for-trading					
Units of mutual funds	5.1	171,493	50,067	4,072,801	4,294,361

### 5.1 Units of mutual funds

Name of Investee Funds	Purchases during the period	Redemptions during the period	As at June 30, 2017	Total carrying value as at June 30, 2017	Total market value as at June 30, 2017	Appreciation/ (diminution) as at June 30, 2015	Market value as a percentage of net assets	Market value as a percentage of total value of Investment
	Number of units			(Rupees in '000)			%	
<b>Active Allocation Plan</b>								
HBL Islamic Income Fund (Formerly PICIC)								
Islamic Income Fund	1,512,478	-	1,512,478	152,990	152,865	(125)	78.71	89.14
HBL Islamic Equity Fund (Formerly PICIC)								
Islamic Stock Fund	176,613	-	176,613	18,681	18,628	(53)	9.59	10.86
	1,689,091	-	1,689,091	171,671	171,493	(178)	88.30	100.00

Name of Investee Funds	Purchases during the period	Redemptions during the period	As at June 30, 2017	Total carrying value as at June 30, 2017	Total market value as at June 30, 2017	Appreciation/ (diminution) as at June 30, 2015	Market value as a percentage of net assets	Market value as a percentage of total value of Investment
	----- Number of units -----			----- (Rupees in '000) -----			----- % -----	
<b>Conservative Allocation Plan</b>								
HBL Islamic Income Fund (Formerly PICIC Islamic Income Fund)	384,899	-	384,899	38,919	38,901	(18)	66.68	11.70
HBL Islamic Equity Fund (Formerly PICIC Islamic Stock Fund)	105,864	-	105,864	11,099	11,166	67	19.14	22.30
	<u>490,763</u>	<u>-</u>	<u>490,763</u>	<u>50,018</u>	<u>50,067</u>	<u>49</u>	<u>85.82</u>	<u>100.00</u>
<b>Strategic Allocation Plan</b>								
HBL Islamic Income Fund (Formerly PICIC Islamic Income Fund)	38,706,540	1,299,931	37,406,609	3,781,629	3,780,656	(973)	89.47	92.83
HBL Islamic Equity Fund (Formerly PICIC Islamic Stock Fund)	2,020,801	-	2,020,801	210,688	213,145	2,457	5.04	5.23
HBL Islamic Money Market Fund	785,072	-	785,072	79,000	79,000	-	1.87	1.94
	<u>41,512,413</u>	<u>1,299,931</u>	<u>40,212,482</u>	<u>4,071,317</u>	<u>4,072,801</u>	<u>1,484</u>	<u>96.38</u>	<u>100.00</u>
<b>Total as at June 30, 2017</b>	<u>43,692,267</u>	<u>1,299,931</u>	<u>42,392,336</u>	<u>4,293,006</u>	<u>4,294,361</u>	<u>1,355</u>		

## 6. Payable to the Management Company

	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	----- (Rupees in '000) -----			
Formation Cost	85	23	4,891	4,999
Management fee	6.1	54	11	484
Sindh Sales Tax on Management Company's remuneration	6.2	7	1	63
Allocation of expenses related to registrar services, accounting, operation and valuation services	6.3	6	2	139
Selling and marketing	6.4	24	7	555
Sales load payable		103	-	6,501
	<u>279</u>	<u>44</u>	<u>12,633</u>	<u>12,956</u>

6.1 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. However, no management fee is charged on that part of the net assets which have been invested in mutual funds managed by the Management Company. The fee is payable monthly in arrears. Management fee is also subject to Sindh Sales Tax on Services at applicable rates.

- 6.2** This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (June 30, 2016: 14%) on the services provided by the Management Company as required by Sindh Sales Tax on Services Act, 2011.
- 6.3** "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 period."
- 6.4** 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. Subsequent to the year end, Management Company has stopped charging these expenses to the fund and reversed the whole provision till June 30, 2017, as these expenses are not applicable to the fund of funds category.

**7. PAYABLE TO THE TRUSTEE**

		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	<b>Note</b>	(Rupees in '000)			
Remuneration payable to the Trustee	7.1	5	2	81	88
Sindh Sales Tax on Trustee's remuneration	7.2	1	-	11	12
		<b>6</b>	<b>2</b>	<b>92</b>	<b>100</b>

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

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

Net assets	Tariff per annum
Up to Rs. 1 billion	Rs. 0.09 per annum of the daily average net assets
Over Rs. 1 billion of the daily average net assets	Rs 0.9 million plus 0.065% per annum exceeding one billion

- 7.2** The Sindh Revenue Board through Circular No. SRB-3-4/TP/01/2015/86554 dated June 13, 2015, amended the definition of services of shares, securities and derivatives and included the custodianship services within the purview of the Sindh Sales Tax. Accordingly Sindh Sales Tax of 14 % is applicable on Trustee fee which is now covered under section 2(79A) of the Sindh Sales Tax on Services Act, 2011.

**8. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

Under the provisions of the NBFC Regulations, 2008 a collective investment scheme categorised as a fund of fund 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.

**9. ACCRUED EXPENSES AND OTHER LIABILITIES**

		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	<b>Note</b>	(Rupees in '000)			
Withholding tax		37	22	3,144	3,203
Provision for Sindh Workers' Welfare Fund	9.1	7	4	330	341
Shariah advisory fee		-	-	10	10
Printing		4	1	95	100
Auditors' remuneration	12	2	1	48	51
		<b>50</b>	<b>28</b>	<b>3,627</b>	<b>3,705</b>

## 9.1 SINDH WORKER'S WELFARE FUND

classification and valuation of financial assets (notes 3.3.2.1, 3.2.2.3 and 3.2.2.4); and

The Government of Sindh has introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. The Mutual Fund Association of Pakistan (MUFAP), 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.

In view of the above developments regarding applicability of SWWF, 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) recognized 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.

Based on above, provision against SWWF amounting to Rs.0.007 million, Rs. 0.004 million and Rs. 0.3 million has been made during the period in Active Allocation Plan, Conservative Allocation Plan and Strategic Allocation Plan respectively. Had the provision not been made, the net asset value per unit would have been higher by Rs. 0.036 per unit, Rs. 0.069 per unit and Rs. 0.078 per unit of the Active Allocation Plan, Conservative Allocation Plan and Strategic Allocation Plan respectively.

## 10. CONTINGENCIES AND COMMITMENTS

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

## 11. NUMBER OF UNITS IN ISSUE

	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	----- Number of Units -----			
Units issued	2,298,110	668,385	42,481,784	45,448,279
Units redeemed	(356,326)	(85,103)	(232,267)	(673,696)
Total units in issue at the end of the period	1,941,784	583,282	42,249,517	44,774,583

## 12. AUDITOR'S REMUNERATION

	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	----- (Rupees in '000) -----			
Annual Audit fee including certification	2	1	48	51

## 13. 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 period, 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.

#### 14. TRANSACTIONS WITH CONNECTED PERSONS

"Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, MCB Financial Services Limited being the Trustee of the Fund, collective investment schemes managed by the Management Company, directors and officers of the Management Company and directors of the connected persons.

Transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates. Remuneration payable to the Management Company and Trustee is determined in accordance with the provisions of the offering document. Details of the transactions with connected persons and balances with them, if not disclosed elsewhere in these financial statements are as follows:"

##### 14.1 Transactions during the period

	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
------(Rupees in '000)-----				
<b>HBL Asset Management Limited - Management Company</b>				
Remuneration of the Management Company	54	11	484	549
Sindh Sales Tax on remuneration of the Management Company	7	1	63	71
Selling and marketing expense	24	7	555	586
Allocation of expenses related to registrar services, accounting, operation and valuation services	6	2	139	147
<b>Habib Bank Limited - Sponsor</b>				
Mark-up on deposits with bank	94	36	672	802
<b>MCB Financial Services Limited - Trustee</b>				
Remuneration of the Trustee	6	2	92	100
<b>Darayus Happy Minwalla - Connected person due to 10% holding</b>				
Issue of 15,140,192 units	-	-	1,514,019	1,514,019
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
------(Rupees in '000)-----				
<b>Imperial Developers &amp; Builders (Pvt) Ltd - Connected person due to 10% holding</b>				
Issue of 20,000,000 units	-	-	2,000,000	2,000,000
<b>HBL Islamic Income Fund (Formerly PICIC Islamic Income Fund - CIS managed by Management Company)</b>				
Purchase of 1,512,478 units	152,990	-	-	152,990
Purchase of 384,899 units	-	38,919	-	38,919
Purchase of 38,706,540 units	-	-	3,913,047	3,913,047
Redemption of 1,299,931	-	-	131,500	131,500

	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
------(Rupees in '000)-----				
<b>HBL Islamic Equity Fund (Formerly PICIC Islamic Stock Fund - CIS managed by Management Company)</b>				
Purchase of 176,613 units	18,681	-	-	18,681
Purchase of 105,864 units	-	11,099	-	11,099
Purchase of 2,020,801 units	-	-	210,688	210,688
<b>HBL Islamic Money Market Fund - CIS managed by Management Company</b>				
Purchase of 785,072 units	-	-	79,000	79,000
<b>Mohsin Safdar - Connected Person due to 10% holding</b>				
Issue of 59,748 units	-	5,977	-	5,977
Dividend	-	17	-	17
<b>Mr Rehan Ul Ghani - Connected Person due to 10% holding</b>				
Issue of 61,158 units	-	6,116	-	6,116
Redemption of 61,158 units	-	6,119	-	6,119
<b>Mrs Afshan Usman Malik - Connected Person due to 10% holding</b>				
Issue of 58,699 units	-	5,870	-	5,870
Dividend	-	16	-	16
<b>Mrs Nashid Anam Shahid - Connected Person due to 10% holding</b>				
Issue of 61,023 units	-	6,102	-	6,102
Redemption of 1,993 units	-	200	-	200
Dividend	-	17	-	17
<b>Shahnaz Arshed Gilani - Connected Person due to 10% holding</b>				
Issue of 288,327 units	28,837	-	-	28,837
Dividend	41	-	-	41



## 14.2 Balances outstanding as at period end

	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
(Rupees in '000)				
<b>HBL Asset Management Limited - Management Company</b>				
Management fee	54	11	484	549
Sindh Sales Tax on Management Company's remuneration	7	1	63	71
Selling and marketing	24	7	555	586
Allocation of expenses related to registrar services, accounting, operation and valuation services	6	2	139	147
Sales load payable	103	-	6,501	6,604
Formation Cost	85	23	4,891	4,999
<b>Habib Bank Limited - Sponsor</b>				
Mark-up accrued on deposits with bank	94	36	672	802
Balance in savings account	10,468	2,359	1,687	14,514
<b>MCB Financial Services Limited - Trustee</b>				
Remuneration payable to the Trustee	5	2	81	88
Sindh Sales Tax on Trustee's remuneration	1	-	11	12
<b>Darayus Happy Minwalla - Connected Person due to 10% holding</b>				
Units held 15,140,192 units	-	-	1,514,236	1,514,236
<b>Imperial Developers &amp; Builders (Pvt) Ltd - Connected Person due to 10% holding</b>				
Units held 20,000,000 units	-	-	2,000,287	2,000,287
<b>Mohsin Safdar - Connected Person due to 10% holding</b>				
Units held 59,748 units	-	5,976	-	5,976
<b>3.3 Mrs Afshan Usman Malik - Connected Person due to 10% holding</b>				
<b>3.3.1</b> Units held 58,699 units	-	5,871	-	5,871
<b>Mrs Nashid Anam Shahid - Connected Person due to 10% holding</b>				
<b>3.3.2</b> Units held 59,030 units	-	5,904	-	5,904
<b>3.3.2.1 Shahnaz Arshed Gilani - Connected Person due to 10% holding</b>				
Units held 288,327 units	28,838	-	-	28,838
<b>HBL Islamic Income Fund (Formerly PICIC Islamic Income Fund - CIS managed by Management Company)</b>				
Units held 1,512,478 units	152,865	-	-	152,865
Units held 384,899 units	-	38,901	-	38,901
Units held 37,406,609 units	-	-	3,780,656	3,780,656
<b>HBL Islamic Equity Fund (Formerly PICIC Islamic Stock Fund - CIS managed by Management Company)</b>				
Units held 176,613 units	18,628	-	-	18,628
Units held 105,864 units	-	11,166	-	11,166
Units held 2,020,801 units	-	-	213,145	213,145
<b>HBL Islamic Money Market Fund - CIS managed by Management Company</b>				
Units held 785,072 units	-	-	79,000	79,000

## 15. FINANCIAL INSTRUMENTS BY CATEGORY

	Active Allocation Plan			Conservative Allocation Plan			Strategic Allocation Plan			Total
	At fair value through profit or loss - held-for-trading	Loans and receivables	Total	At fair value through profit or loss - held-for-trading	Loans and receivables	Total	At fair value through profit or loss - held-for-trading	Loans and receivables	Total	
(Rupees in '000)										
<b>Financial Assets</b>										
Bank balances	-	25,286	25,286	-	5,166	5,166	-	2,018	2,018	32,470
Investments	171,493	-	171,493	50,067	-	50,067	4,072,801	-	4,072,801	4,294,361
Accrued mark-up	-	149	149	-	47	47	-	3,629	3,629	3,825
Receivable against sale of investment	-	-	-	-	-	-	-	131,500	131,500	131,500
Receivable against sale of units	-	32,217	32,217	-	11,240	11,240	-	27,282	27,282	70,739
	171,493	57,652	229,145	50,067	16,453	66,520	4,072,801	164,429	4,237,230	4,532,895

	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
(Rupees in '000)				
Payable to the Management Company	279	44	12,633	12,956
Payable to the Trustee	6	2	92	100
Accrued expenses and other liabilities	6	2	153	161
Dividend payable	2	-	-	2
Payable against redemption of units	34,683	8,129	-	42,812
Unit Holders' Fund	194,204	58,338	4,225,557	4,478,099
	229,180	66,515	4,238,435	4,534,130

## 16. 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.

## 16.1 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 price risk.

### 16.1.1 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.

### 16.1.2 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. 0.253 million of Active Allocation Plan, Rs. 0.052 million of Conservative Allocation plan and Rs. 0.020 of Strategic Allocation Plan, 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.

### 16.1.3 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's exposure to price risk is limited to the fair value of the respective funds in which it invests. The Fund manages its exposure to price risk by investing in Shariah Compliant Mutual Funds as per the respective Allocation Plan in line with the risk tolerance of the investor and benchmarking the sector weighting to that of average daily return of KMI 30 index, 6m deposit rate of AA- rated Islamic Banks and Islamic windows of conventional banks and 3m deposit rate of AA rated Islamic Banks and Islamic windows of conventional banks and based on actual proportion Equity Fund and Income / Money Market Funds and/or in cash and/or near cash instruments in each allocation plan of Active Allocation Plan and Strategic Allocation Plan and 20% KMI 30 index, 6m deposit rate of AA- rated Islamic Banks and Islamic windows of conventional banks, and 3m deposit rate of AA rated Islamic Banks and Islamic windows of conventional banks and based on actual proportion of investment in Islamic Income and Islamic Money Market Funds / cash and near cash instruments of Conservative Allocation Plan In case of 5% increase / decrease in price of all units held by Fund at the period end, net income for the period would increase / decrease by Rs 8.575 million of Active Allocation Plan, Rs. 2.503 million of Conservative Allocation Plan and Rs.203.64 million of Strategic Allocation Plan and net assets of the Active Allocation Plan, Conservative Allocation Plan and Strategic Allocation Plan would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

### 16.1.4 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 units are settled / paid for upon delivery using the system of Trustee. 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	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Latest available published rating as at June 30, 2017	Rating agency
----- (Rupees in '000) -----					
Dubai Islamic Bank	14,818	2,807	331	A+	JCR-VIS
Habib Bank Limited	10,468	2,359	1,687	AAA	JCR-VIS
	<b>25,286</b>	<b>5,166</b>	<b>2,018</b>		

The maximum exposure to credit risk before considering any collateral as at June 30, 2017 is the carrying amount of the financial assets. Investments in units, 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 bank balances is held with two bank. Management believes that such banks are reputed institution.

#### 16.1.5 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 period 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 period.

	Active Allocation Plan				Conservative Allocation Plan				Strategic Allocation Plan				Total
	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	
(Rupees in '000)													
<b>Financial Liabilities</b>													
Payable to the Management Company	279	-	-	279	44	-	-	44	12,633	-	-	12,633	12,956
Payable to the Trustee	6	-	-	6	2	-	-	2	92	-	-	92	100
Accrued expenses and other liabilities	6	-	-	6	2	-	-	2	153	-	-	153	161
Dividend payable	2	-	-	2	-	-	-	-	-	-	-	-	2
Payable against redemption of units	34,683	-	-	34,683	8,129	-	-	8,129	-	-	-	-	42,812
	<b>34,976</b>	-	-	<b>34,976</b>	<b>8,177</b>	-	-	<b>8,177</b>	<b>12,878</b>	-	-	<b>12,878</b>	<b>56,031</b>
Unit Holders' Fund	<b>194,204</b>	-	-	<b>194,204</b>	<b>58,338</b>	-	-	<b>58,338</b>	<b>4,225,557</b>	-	-	<b>4,225,557</b>	<b>4,478,099</b>

## 17. 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. units of mutual funds are based on the quoted NAVs at the close of 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.

	Note	Carrying amount			Fair Value				
		Fair value through profit and loss - held-for-trading	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>									
Units of mutual funds	5	4,294,361	-	-	4,294,361	4,294,361	-	-	4,294,361
		<b>4,294,361</b>	<b>-</b>	<b>-</b>	<b>4,294,361</b>	<b>4,294,361</b>	<b>-</b>	<b>-</b>	<b>4,294,361</b>
<b>Financial assets not measured at fair value</b>									
	17.1								
Bank balances		-	32,470	-	32,470				
Accrued mark-up		-	3,825	-	3,825				
Receivable against sale of investment		-	131,500	-	131,500				
Receivable against sale of units		-	70,739	-	70,739				
		<b>-</b>	<b>238,534</b>	<b>-</b>	<b>238,534</b>				
<b>Financial liabilities not measured at fair value</b>									
	17.1								
Payable to the Management Company		-	12,956	-	-				
Payable to the Trustee		-	100	-	-				
Accrued expenses and other liabilities		-	161	-	-				
Dividend payable		-	2	-	-				
Payable against redemption of units		-	42,812	-	-				
Unit Holders' Fund		-	4,478,099	-	-				
		<b>-</b>	<b>4,534,130</b>	<b>-</b>	<b>-</b>				

17.1 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.

#### 18. Valuation techniques

For level 1 investments at fair value through profit or loss - held for trading investment in respect of units of mutual funds, Fund uses daily NAVs which are taken from MUFAP at reporting date.

#### 19. Transfers during the period

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

#### 20. 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 period.

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.

**21. LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE**

There were no brokers during the year ended June 30, 2017

**22. PATTERN OF UNIT HOLDER'S**

	Active Allocation Plan			Conservative Allocation Plan			Strategic Allocation Plan		
	No of Unit Holders	Investment Amounts	Percentage Investments	No of Unit Holders	Investment Amounts	Percentage Investments	No of Unit Holders	Investment Amounts	Percentage Investments
Trust	-	-	-	-	-	-	01	5,021	0.12%
Insurance Companies	-	-	-	-	-	-	01	20,083	0.48%
Retirement Funds	-	-	-	-	-	-	08	177,189	4.19%
Other Corporate	-	-	-	-	-	-	10	2,292,909	54.26%
Individuals	58	194,204	100%	29	58,338	100%	48	1,736,101	41.09%

In accordance with the risk management policies stated in note 19, 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.

**23. 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	Tauqir Shamshad	Head of Fixed Income	MBA, MCOM	31
5	Faizan Saleem	Sr. Fund Manager - Fixed Income	MBA (Finance)	10
6	Jawad Naeem	Fund Manager	MBA (Finance)	9.5
7	Adeel Abdul Wahab	Fund Manager	ACCA	8
8	Noman Ameer	Manager Risk	BS Acturial Sciences	11

**24. 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 for the period ended June 30, 2017 is 0.06%, 0.06% and 0.05% (YTD) which includes 0.01%, 0.01% and 0.01% representing government levy and SECP fee of the Active Allocation Plan, Conservative Allocation Plan and Strategic Allocation Plan respectively.

## 25. 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 <sup>1</sup>	4	4	-	-
5 Mr. Rehan N. Shaikh <sup>2</sup>	1	1	-	-
6 Ms. Sima Kamil <sup>3</sup>	4	4	-	-

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
7 Mr. Rizwan Haider	5	4	1	April 27, 2017
8 Mr. Salahuddin Manzoor	5	5	-	-
9 Mr. Aamir Irshad <sup>4</sup>	-	-	-	-
10 Mr. Rayomond Kotwal <sup>5</sup>	-	-	-	-

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. 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.

## 27. GENERAL

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

For HBL Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director



## Distribution Network

### Contact Us Distribution Network Head Office

Karachi:  
24-C, Khayaban-e-Hafiz,  
Phase VI, D.H.A, Karachi.  
UAN: 111 HBL AMC (111-425-262)  
Fax: 021-35240630 & 021-35240634

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

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

### HBL Branches

#### SINDH Karachi

##### 1. Campbell Street (IB)

16 S.R. Serai Quarters, Campbell Street Off. M.A. Jinnah Road,  
Karachi.

##### 2. Korangi Industrial Area

Plot # H/3, Sector # 5, Ground Floor, Elahi Arcade, Main Korangi  
Road, Karachi.

##### 3. Korangi Rd Phase 2 DHA

69-C, Korangi Road Defence Phase - 2, Karachi.

##### 4. Korangi No 2

Plot No. Ls-4, (St-1), Sector 33-A, Q-16/17 Korangi No. 2, Karachi  
East.

##### 5. Malir Halt

Plot No 157 Deh Safooran, Tappoo Songal Shah Faisal Market Malir  
Halt Karachi.

##### 6. Saudabad Malir

D-3, 208 Indus Mehran Co-Operative Housing Society, Adjacent  
Sindh Heart Hospital, Saudabad, Malir Karachi.

##### 7. Community Centre, PECHS

J-97 Block No 2 PECHS Society Karachi

##### 8. Adamjee Nagar

Shop No.1,2,3 Adamjee Nagar Tipu Sultan Road, Karachi

##### 9. Aliabad/Delhi Mercantile (IB)

Mustafa Heights, Shop No.1 & 2 Plot No. 7/4, Block-II, Delhi  
Mercantile Co-Operative Housing Society Karachi

##### 10. P.A.F. Shahra-e-Faisal

PAF Shahrah-E-Faisal, Karachi

##### 11. SMCHS

Plot No Block A Adjacent To Kazi Hall, Ghulam Ali Memon Road  
Smch Society Karachi-74400

##### 12. Shaheed-e-Millat

Habib Bank Building, Shaheed-E-Millat Road, Karachi

##### 13. PECHS Comm. Area

2-A Block 6 Pechs Shahrah-E-Faisal Karachi

##### 14. Park Avenue

Shop # 7 To 10, Plot # 24-A, Block-6, Pechs, Park Avenue, Shahrah-  
E-Faisal, Karachi.

##### 15. Karachi Admin.

SA/2 Block 3 KAECHS Karachi

##### 16. Dhoraji Colony (IB)

C-20, Society Apartment, Dhoraji Colony, Karachi

##### 17. Habib Bank Annexe

Ground Floor, Habib Bank Annexe Building Hasrat Mohani Road,  
Karachi

##### 18. HBL Plaza

Habib Bank Plaza I.I. Chundrigar Road Karachi

##### 19. Khalid Bin Waleed Rd

Plot # 167/A, Block-3, Ground Floor, Al-Harum Corner, Main Khalid  
Bin Waleed Road, PECHS, Karachi.

##### 20. Dawood Centre

Dawood Centre, M.T. Khan Road, Karachi

##### 21. Khayaban-e-Shahbaz, DHA

Plot # 1-C/3-C, Khayaban-E-Shahbaz, Dha, Karachi.

##### 22. Shahra-e-Faisal

Show Room No. 5,6 & 7 Ibrahim Centre, Shahrah-E-Faisal, Karachi.

##### 23. Saba Avenue

Plot # 34-C, Khayaban-E-Shahbaz, Phasevi, Dha, Karachi.

##### 24. Sind Secretariat

Tughlaq House, Sindh Secretariat, Kamal Atatürk Road, Saddar,  
Karachi.

## Distribution Network

### 25. Garden

Saifee Building, Nishter Road, Karachi

### 26. Soldier Bazar

Shop No.2, P/2, Sheet No.502, Soldier Bazar, Karachi.

### 27. Iqbal Library

J.M.3/491 Jigar Muradabadi Road Jamsheed Town Karachi.

### 28. Garden East

Shop No. 13-15, Jumani Centre, Britto Road, Garden East, Karachi.

### 29. State Life

State Life Bldg. No. 9 Dr. Ziauddin Ahmed Road Karachi.

### 30. Civic Center (KDA)

KDA Civic Center, Main University Road, Karachi

### 31. Dastagir Colony

Bs-1, Block 16, F.B. Area Karachi.

### 32. Shahrah-e-Pakistan

Shop No 26 Block-A Abbas Square St-7/B-11 FB Area Karachi

### 33. Jofa Tower (IB)

G-1, (Ground Floor), Jofa Tower, Plot # Sb-23, Block 13-C, KDA Scheme 24, Gulshan-E-Iqbal, Karachi.

### 34. Gulshan Block-5

Shop No.6,7,8 & 9 LSC 1 To 10, St-2 Row No 4 Block-5, Gulshan-E-Iqbal, Karachi

### 35. Gulshan Block-2

A-12, Block-2, Near Continental Bakers, Gulshan-E-Iqbal, Karachi.

### 36. High Court

High Court Building, Court Road,Khi.

### 37. Malir Cantt.

Shop No S-4, Plot No 2-Cd At Bazar Area Malir Cantonment Karachi.

### 38. Rizvia Society

67-C/40 Rizvia Market Gulbahar Chowrangi Nazimabad Karachi

### 39. Iddgah

Plot # Rb-12, Survey # 1, Ground Floor, M.A. Jinnah Road Adjacent To Radio Pakistan, Karachi.

### 40. Kharadar

Plot No.G.K4/52/53/54 Rehmattullah Manzil Ghulam Hussain Qasim Quarters, Kharadar, Karachi.

### 41. New Challi

Shop No. B-7 To B-12, Plot No. Sr-8/3-4, Shahrah-E-Liaquat, New Challi Trade Centre, Karachi.

### 42. Finlay House (IB)

Islamic Banking Br.Finlay House, Karachi.

### 43. Barkat-e-Hyderi

D-14, Block-F, Euro Classic Haidery, Main North Nazimabad Road, Opposite Dolmen Centre, Karachi.

### 44. Khadija Market

Sc-5 Block I, North Nazimabad Karachi

### 45. Paposh Nagar

Shop No 12 & 13 Bearing No 1/B Sub Block D Block V Anarkali Market Paposh Nagar, Nazimabad No 5 Karachi

### 46. Muslim Town

Shop No 21-A, 22-A, A-23 Ground Floor Plot No Sc-23 Sector 11-H North Karachi

### 47. Nursery

A-49 Block-6, P.E.C.H.S, Karachi

### 48. Karsaz

Shop No 4 & 5 Royal Apartment KDA Scheme No 1 Habib Ibrahim Rehmattullah Road Karachi

### 49. Shahrah-e-Jehangir

SC-9,Block-L, Kanwal Square, North Nazimabad, Karachi

### 50. North Nazimabad (IB)

Shop # 1 & 2, Plot # Sc-13, Safa Residency, Block-F, North Naziamad, Karachi.

### 51. PIB Colony

Plot No.368, PIB Colony, Karachi

### 52. Sir Syed Rd

158/M Block 2 Pechs 1 Sir Syed Road Off Tariq Road Karachi

### 53. Bahadurabad

Plot No. 59/1, Shop No. 3, Marium Complex, Sharfabad, Bahadur Shah Zafar Road, Karachi.

### 54. Gulistan-e-Johar

Shop No 6,7,8,9 Ruffi Lake Drive Block 18 Gulistan-E-Jauhar Karachi.

### 55. Safora Goth

Shop No 1,2,3,4 & 5 Huma Arcade Plot No Sb 38 Block 7 Gulistan-E-Jauhar University Road Karachi

## Distribution Network

### 56. Hassan Square

Shop 16, 17, & 18 Fl No.3/4, Blk-13/A, Hasan Square Gulshan-E-Iqbal, Karachi.

### 57. Abul Hassan Isphani Rd

Shop No 8,9,10, & 11 Rabia Flower Main Abul Hassan Isphani Road Gulshan-E-Iqbal Karachi

### 58. Jinnah Terminal

Jinnah International Airport Karachi

### 59. Rashid Minhas Rd

Shop No. 9,10, 11 & 12 Fl-5, Lal Flats Block -10-A, Rashid Minhas Road, Karachi

### 60. Zamzama, Boulevard, DHA

Plot No.15-C & 17C, Lane-5, Main Zamzama Road, Kyc.

### 61. Clifton Broadway

Clifton Broadway Project Plot No.S-2, Main Clifton Road, Karachi

### 62. Defence Housing Society

Plot # 1/A, Commercial Area, Phase-I, Defence Housing Authority, Karachi.

### 63. Delhi Colony

Ground Floor, Jamiyat Hospital, Dehli Colony, Off Ch.Khaliqzaman Road (Gizri Road), Karachi.

### 64. Badar Com. Area, 26th St. DHA

Shop No 25 & 27 C, 26Th Street, DHA Phase V Ext Karachi

### 65. Kehkashan

Plot No. F/101/5, Block No. 7, Clifton, Karachi.

### 66. Khayaban-e-Saadi, Clifton

Ac-1, Clifton Block-2, Opposite Bilawal House, Main Khayaban-E-Saadi, Karachi

### 67. DHA Phase IV (IB)

Plot # 29-C, Sunset Commercial Street # 3, Main Khayaban-E-Jami, Phase-Iv, Karachi.

### 68. Khayaban-e-Hafiz, DHA

Plot # 22C/24C, Shahbaz Lane 1, Main Khayaban-E-Hafiz, Phase-1, Dha, Karachi.

### 69. Khayaban-e-Bukhari

32-C, Khayaban-E-Bukhari, Phase - 4, DHA, Karachi.

### 70. Dolmen Mall, Clifton

Lg-09, Lower Ground Floor, Dolmen Mall, Block-4, Scheme # 5,

Clifton, Karachi.

### 71. DHA Phase VII (IB)

Plot # 8-C, Sehar Lane # 4, Dha Phase-VII, Karachi.

### 72. Khayaban-e-Ittehad

Plot # 31-C, Khayaban-E-Ittehad Commercial Lane No. 10, Phase VI, Defense Housing Authority, Karachi.

### 73. Club Road

Hotel Metropole Bldg. Club Road Karachi.

### 74. Elphinstone Street

Shop No.4, State Life Bldg. No.5-B, Zaibunisa Street, Saddar, Karachi

### 75. J.P.M.C.

Next To Sindh Medical College, Rafiq Shah Road, Karachi

### 76. Mansfield Street

Survey No.47, Sheet Sb-2, (Old Survey No.S-3/112) Mansfield Street, Saddar, Karachi.

### 77. Abdullah Haroon Rd

Plot No.272/1, R.A. Lines, State Life Bldg. No.11 Ground Floor, Abdullah Haroon Road, Karachi.

### 78. Cantt. Station

Plot No. 18/3/A-1,/1, Shop No.4,5, & 6 Mehran VIP Apartment, Dr. Dawoodpota Road,Khi

### 79. Liaquatabad

Near Nayab Masjid Dakhana S.M.Taufiq Road Liaquatabad Karachi

### 80. Karimabad

Plot No Bs/21 Block-3 Al Prince Market Karimabad, F.B.Area KYC

### 81. Al Azam Square

Shop No K-3, K-3/A, K-4, K-4/A, K-5, K-5/A Plot No St-6 Block-1 Fb Area Al-Azam Square Karachi

### 82. Samanabad

Plot BS-9 Block 18 FB Area Karachi

### 83. Yousuf Plaza

Shop No C-10, C-10/A, C-11, C-11-A Block 16 Main Road Yousuf Plaza Karachi

### 84. Ziauddin Shaheed

Plot C-172, Block 10, KDA, Scheme # 16 Federal B-Area, Karachi.

### 85. New Town

JM 911/912/79, Junction Clayton Road, Opp. Sabeel Wali Masjid, New Town, Karachi.

## Distribution Network

### Hyderabad

#### 1. Jinnah Road Mirpurkhas

Ward-A, Torabad Opposite Ali Medicare Hospital, Umerkot Road, District Mirpurkhas.

#### 2. Station Road Hyderabad

C.S.#.D-2474,2476, Station Road Hyderabad

#### 3. Gari Khata Hyderabad

Gari Khata, Hyder Chowk, Hyderabad

#### 4. District Council Hyderabad

Shop #.17 & 18, Distt. Council Shopping Center Hyderabad

#### 5. Jail Road Hyderabad

A/113-209, Jail Road Hirabad Hyderabad

#### 6. Latifabad No.7 Hyderabad

Plot No.3-B, Unit No.7, Latifabad, Hyderabad

#### 7. Qasimabad Hyderabad

Plot # 06, Main Road, Qasimabad, Hyderabad

#### 8. Autobhan Road

Plot No. A/8, Unit # 3, Auto Bhan Road, Latifabad, Hyderabad

### Sukkur

#### 1. BUNDER ROAD LARKANA

A-216/217, BUNDER ROAD, LARKANA.

#### 2. SUKKUR - FRERE ROAD

CITY SURVEY NO.C 380/1/1, FRERE ROAD, SUKKUR

#### 3. KASHMORE-CITY

350, MUSLIM BAZAR, KASHMORE CITY.

#### 4. KANDHKOT

MAIN ROAD KANDHKOT TEHSIL KANDHKOT DISTT: KASHMORE

#### 5. KHAIRPUR S.A.L.U

580-581, DEH BUGRO, S.A.L.U. CAMPUS, KHAIRPUR.

#### 6. MIRPUR MATHELO-F.F.C., TOWNSHIP

FAUJI FERTILIZER COMPANY TOWNSHIP MIRPUR MATHELO MAIN G.T.ROAD

#### 7. SUKKUR -MILITARY ROAD

DEH OLD SUKKUR, MILITARY ROAD, SUKKUR

#### KHYBER PAKHTUNKHWA

### Peshawar

#### Dabgari Gate

DABGARI GATE P/NO.34510/458C

#### University Town

8-E PARK ROAD. UNIVERSITY TOWN PESHAWAR

#### Peshawar Cantt

PROP. NO.15 SADDAR RD.PESH.CANTT

#### Peshawar City

153-CHOWK ABRASHAM GARAN Peshawar

#### University Campus

CENTRE (CANTEEN) UNIVERSITY CAMPUS, PESHAWAR.

#### AZAD KASHMIR

### Muzaffarabad

#### 1. Bagh

Khasra No 1135, Bagh Tehsil & Distt Bagh

#### 2. Main Branch

Khasra # 1275/488, Main Branch, Gillani Chowk, Muzaffarabad Tehsil & Distt Muzaffarabad

#### 3. Chatter Domel

Khasra # 02, Chatter Domel Tehsil & Distt Muzaffarabad

#### 4. Aj&K University

Khasra # 961, Khewat # 1014, City Tower, Naya Mohalla, Ward # 10, Muzaffarabad, Azad Kashmir.

#### 5. Sathra Road

Khasra No. 338, Mozia Jalalabad, Sathra Road (Near District Headquarters / A.G. Office) Tehsil & District Muzaffarabad, Azad Kashmir.

#### 6. Kh.Chowk (Ib)

Khasra No. 921, 1420 / 895, Madina Market, Khawaja Chowk, Muzaffarabad, Azad Kashmir.

#### 7. Pullandri

Khasra # 1093, Pullandri Tehsil Pullandri Distt Sudhnoti

#### 8. Rawalakot

## Distribution Network

Khasra # 270 Rawalakot Tehsil & Distt Rawalakot

PUNJAB

Lahore

1. Chowk Hall Road

Chowk Hall-15, Mcleod Road, Lahore

2. Royal Park

Montgomery Road, Lahore.

3. Circular Road

53-Circular Road, Lahore.

4. Shah Alam Market

Shah Alam Market, Lahore.

5. Urdu Bazar

Jalal Din Building (Waqf) Urdu Bazar, Lahore.

6. Timber Market

74- Ravi Road, Lahore

7. IBB Azam Cloth Market

Shop # 545, 546 & 555, 61-Azam Cloth Market (Chandni Chowk), Lahore.

8. Walton Road

E/17-5-A Islam Nagar Walton Road Lahore

9. D. H. A., H-Block

H-136-H.Phase 1, Defence Housing Authority Branch Lahore Cantt. -D.H.A Lahore

10. D. H. A., Z-Block

Plot 318, Z, Dha, Phase-iii, Dha, Lahore.

11. IBB LDA Plaza

12. Wahdat Road

Khasra No. 1604/811 Wahdat Road Model Town Lahore

13. New Muslim Town

243-A-New Muslim Town Lahore

14. New Garden Town

Plot No. 15, Abu Bakar Block, New Garden Town, Tehsil & District Lahore.

15. IBB Ali Block New Garden Town

19-Ali Block, New Garden Town, Lahore.

16. Baghbanpura

245. G.T. Road Lahore

17. Doctor's Hospital

101- G-1, Main Boulevard Johar Town, Near Doctors Hospital, Cantt. Lahore.

18. Batapur

20-G.T.Road Batapur,Lahore

19. Shad Bagh

Property No.Ne-iii S.B. 257/R-1-1/Shop Gole Bagh, Shad Bagh, Lahore.

20. Mughalpura

Se-39 145-Moghalpura,Shalimar Link Road Lahore

21. Jail Road

Property # S-77-R/4, Jail Road Branch, Lahore.

22. Chauburji

S-94-R-8A Bc Chowk Chauburji Multan Road Lahore

23. Ferozepur Road Ichhra

174-Ferozepur Road Ichhra Lahore

24. Shadman Colony

Shop No. 212223 Agro. Sq. 47 Shadman Colony Lahore

25. Engineering University

20-G.T. Road Engineering Univesity Lahore

26. Gulshan Ravi

12-C Main Road, Gulshan-E-Ravi Lahore

27. A. I. M. C.

Administration Block Allama Iqbal Medical College Lahore

28. Faisal Town

Plot # 02, Block-B, Faisal Town, Lahore

29. Model Town

1-C Model Town Lahore

30. Township

278 Sec. B Block II Town Ship Lahore

31. Naseerabad

Plot # 52-53, Street #. 01, Naseerabad, Ferozepur Road, Lahore.

32. Cavalry Ground

## Distribution Network

- 15-C Commercial Area Cavalry Ground Cantt Lahore
33. Liberty Market Gulberg
- 9 - Commercial Zone Liberty Market Gulberg-III Lahore
34. Factory Area Gulberg
- Plot No. 394 Block A Gulberg-III Lahore
35. Main Boulevard Gulberg
- 19-A, Main Boulevard, Gulberg, Lahore.
36. Liberty Roundabout Gulberg
- Plot # 103, Block E-1, Liberty Roundabout, Main Boulevard, Gulberg, Lahore.
37. IBB Regal Chowk
- Plot # 49, Ahmed Mansion, Shahrah-E-Quaid, Lahore
38. Opposite UCH, Main Boulevard Gulberg
- House # 7, E/2, Gulberg-III, Main Boulevard, Lahore
39. 76-Z Block, DHA
- Plot # 76, Z-Block, Phase-3, Commercial Area, Dha, Lahore
40. IBB Shad Bagh
- Plot # 5, Tajpura Chowk, Shad Bagh, Lahore
41. Valencia
- Plot # 6-A, Block-D, Commercial Area, Valencia Housing Society, Lahore
42. Samanabad
- 383,84 Main Road Samanabad Lahore
43. F. J. M. C.
- Sir Ganga Ram Hospital Lahore
44. P. U. - New Campus
- Pb.University New Campus Lahore Cantt
45. Allama Iqbal Town
- Plot # 12, Kashmir Block, Allama Iqbal Town, Main Boulevard, Lahore.
46. IBB Multan Road
- Plot # 9-A, Industrial Block, Allama Iqbal Town, Multan Road, Lahore.
47. Cantonment
- 1482-F Saddar Bazar Sarwar Road Lahore Cantt
48. P. A. F. Market
- PAF Market Shop No.23, Sarfaraz Rafiqi Road, Lahore.
49. Dharampura
- 198-Allama Iqbal Road Dharampura Lahore
50. Fortress Stadium
- Shop No.6-Main Block Fortress Stadium.Lahore
51. Mall
- Property No.S-65-R-21, Bank Square,Shahrah-E-Quaid-I-Azam The Mall Lahore.
52. Davis Road
- 8.Davis Road Amin Chamber,Lahore
53. Nisbett Road
- Chowk Nisbet Road, Lahore.
54. Allama Iqbal Road
- 65/1, Allama Iqbal Road, Garhi Shahu, Tehsil & District Lahore.
55. Opposite High Court
- Shop No. 6 Ground Floor Mall Mansion Mall Lahore
56. D. H. A., Phase V
- Plot # 1, Block -Cca, Phase-V-C, Defense Housing Authority, Lahore.
57. IBB D. H. A., Z-Block
- Plot # 46, Z-Block, Defense Housing Authority, Lahore.
58. Raiwind
- Khawat No.1448 Khatooni No. 230, Sabzi Mandi Raiwind.
59. WAPDA Town
- F-2 Khasra No.1828, Wapda Town Sattokatla, Lahore
60. M. A. Jauhar Town
- 436-E, Block Muhammad Ali Johar Town, Lahore
61. IBB EXPO Centre
- Plot No. 288-A, Block-H-II, M.A.Johar Town, Near Expo Centre, Lahore.
62. IBB P. I. A., Housing Society
- Plot # 428, Block-E, Pia Housing Society Near Wapda Town Roundabout, Lahore.
63. Civil Lines
- Civil Lines Lahore
64. Lake Road
- Munshi Chamber Lake Road Lahore
65. Krishan Nagar

## Distribution Network

S-W-Iii 40S12 Krishan Nagar Lahore

66. Rewaz Garden

253 Rewaz Garden Model Town Lahore

Bhawalpur

1. Farid Gate

Property # 1612/5 B-Iv Farid Gate Circular Road Bahawalpur

2. Ahmedpur East-Kutchery Road

B-Vi-371/55- C/1 Kutchery Road Ahmed Pur East District Bahawalpur

3. Bwp-Ghalla Mandi

House # B-1, Model Town-B, Ghalla Mandi, Tehsil & District Bahawalpur.

4. Model Town A

Bangla # 33/C Chowk Mir Sahib Ghazanvi Road Model Town A Bahawalpur

5. Chishtian-Ghalla Mandi

Shop No. 38/B, Khewat No. 165/165, Khatooni No. 115, Village & Tehsil Chishtian, District Bahawalnagar.

6. B / Nagar-Tehsil Bazar

442-Chowk Rafique Shah Tehsil Bazar Bahawalnagar

7. Haroonabad-Ghalla Mandi

Shop # 69/C Ghalla Mandi Haroonabad Distt Bahawalnagar

8. Hasilpur-Baldia Road

98/C Khewat, No. 441 Khatoni, No. 449/1, Baldia Road Hasilpur

9. Khanpur-Ghalla Mandi

Shop # 37-38, Galla Mandi Road, Khanpur, District Rahimyar Khan

10. Bahawalpur-Qamc

Quaid-E-Azam Medical College Bahawalpur

11. Satellite Town - Bahawalpur

Plot # 55/C Mouza Hamiyatian Taxation # Viii-790 Satellite Town Bahawalpur

12. Islamia Univ.Old Campus

Islamia University Old Campus Bahawalpur

13. Ryk-Shahi Road

Shop # 25-26 Shahi Road, Rahim Yar Khan.

14. Machi Goth-Fff

Fuji Fertilizer Factory Machi Goth Tehsil Sadiq Abad District Rahim Yar Khan

15. Sheikh Zayed Medical College

Plot # 4, Sheikh Zayed Medical College & Hospital Road, Rahim Yar Khan.

Saalkot

1. Sialkot-Cantonment

F.X.Cs:82/R-3 Hbl.96, 98-Aziz Shaheed Road, Sialkot Cantt.

2. Sialkot-Circular Road

9/17, Circular Road, Sialkot.

3. Sialkot-Neikapura

Property B-Xiv,17-5-193 Pasrur Road, Neikapura, District Sialkot

4. Sialkot-City

B-11-9-F-52, 54, Sialkot City, Sialkot

Sargodha

1. Jhang-Saddar Session Chowk

Khatoni No.461/1301 Khasra No.36/8/9 Session Chowk Jhang

2. Liaquatabad Thall, Piplan

Plot.No.8 Khasra No.1609/1,Railway Road Liaqatabad Tahll Distt.Mianwali.

3. Mianwali-Zaka Centre

F/135/A Zaka Centre, Mianwali City-

4. Isa Khel

1582- Bannu Road Tehsil Isa Khel, Mianwali

5. Chashma Barrage Colony

Chashma Barrage Colony-Mianwali

6. Kamer Mushani

Kamar Mushani, Tehsil Isa Khel, Distt. Mianwali

7. Queens Road Sargodha

Plot # 8/1, Khasra # 8/1, Khatooni # 8, Near Cantoment Board, Dispensary Queens Road, Tehsil & District Sargodha

8. Jauharabad

Khewat .468 Khatwani 1332 Main Bazar Jauharabad, Sarwar Shaheed Chowk ,Jauharabad, Distt. Khushab.

## Distribution Network

### 9. Khushab-Bank Square

Bank Square 92 Near Old Bus Stand Khushab

### 10. Quaidabad

Khewat No.10209 Khatoono 10209 Plot No. 156, Block -D Mandi Quaidabad District Khushab

### 11. Jhang-Shaheed Road

Khata # 76, Khasra # 2138/60-45, Near Saddar Police Station, Yousuf Shah Road, Jhang Saddar.

### 12. Shorkot-City

Khata No.513, Tehsil Chowk Shorkot City & District Jhang

### 13. Garh Maharaja More

Khewat No.222/202 Khsara No.35/7/1/3 Gharh Maharaja More.

### 14. Sargodha-Gilwala

Khewat No.89 Khatoni No.220 Gilwala Sargodha

### 15. Sargodha-College Road

Khewat No.05 Khatoni No.06 Plot No.23 College Road Sargodha

### 16. Sargodha-Main Road Block No. 27

Khasra No.46/1 Main Road Block No.27 Sargodha.

### 17. Sargodha-Kutchery Bazar

Khewat No.110 Khatoni No.110 Block No.5 Sargodha

### 18. Bhalwal-Shahrah-E-Liaquat Ali Khan

Khata No.18 Property No.131 Liaquat Shaheed Road Bhalwal, Sargodha

### 19. Sargodha-Muslim Bazar

Khewat # 185 & 37, Khatooni # 185 & 37, Khasra # 86/3/2 & 86/2, Block-2, Shop # 2/F/2, Muslim Bazar, Opposite Imam Bargah, Tehsil & District Sargodha.

### 20. Sargodha-Satellite Town

Khewat No.64 Khatoni No.14, 35/C Satellite Town Sargodha

### 21. Azad Road Ib Branch 5016

Khewat No. 83, Khatooni No. 83, Uc No. 141-2, Block No. 14, Azad Road, Sargodha.

### 22. Sargodha-University Of Sargodha

University Of Sargodha ,College Road Sargodha.

### 23. Silanwali

Khewat No.104, Khatooni No.104, Town Hall Rd, (Committee Road), Silanwali, District Sargodha

### 24. Chenab Nagar (Rabwah)

Plot No.12 Block No.15 Afzal Brothers Plaza Gole Bazar Chenab Nagar (Rabwah) District Jhang

>Faisalabad

### 1. Faisalabad-Akbar Chowk,Gulistan Col

Akbar Chowk Plot No.755/G Raja Road, Gulistan Colony, Faisalabad.

### 2. Faisalabad-Opp. National Silk Mill

Property No.P-492 Opp.National Silk Mills, Jarawala Road, Faisalabad.

### 3. Faisalabad-Hajiabad

Hajiabad, Sheikhpura Road, Faisalabad

### 4. Faisalabad-Fawara Chowk

Fowara Chowk 248/A, Commercial P.C. Extn, Peoples Colony No.2, Faisalabad.

### 5. Faisalabad-Madina Town

Susan Road, Madina Town,Faisalabad

### 6. Faisalabad-Satyana Road

P-85/1, Satyana Road Branch Faisalabad.

### 7. Faisalabad-Akbar Chowk,Gulistan Col

Akbar Chowk Plot No.755/G Raja Road, Gulistan Colony, Faisalabad.

### 8. Faisalabad-Opp. National Silk Mill

Property No.P-492 Opp.National Silk Mills, Jarawala Road, Faisalabad.

### 9. Faisalabad-Hajiabad

Hajiabad, Sheikhpura Road, Faisalabad

### 10. Faisalabad-Fawara Chowk

Fowara Chowk 248/A, Commercial P.C. Extn, Peoples Colony No.2, Faisalabad.

### 11. Faisalabad-Madina Town

Susan Road, Madina Town,Faisalabad

### 12. Faisalabad-Satyana Road

P-85/1, Satyana Road Branch Faisalabad.

### 13. Faisalabad-Akbar Chowk,Gulistan Col

Akbar Chowk Plot No.755/G Raja Road, Gulistan Colony, Faisalabad.

### 14. Faisalabad-Opp. National Silk Mill

Property No.P-492 Opp.National Silk Mills, Jarawala Road, Faisalabad.

### 15. Faisalabad-Hajiabad



## Distribution Network

Hajiabad, Sheikhpura Road, Faisalabad

16. Faisalabad-Fawara Chowk

Fowara Chowk 248/A, Commercial P.C. Extn, Peoples Colony No.2, Faisalabad.

17. Faisalabad-Madina Town

Susan Road, Madina Town, Faisalabad

18. Faisalabad-Satyana Road

P-85/1, Satyana Road Branch Faisalabad.

19. Faisalabad-Akbar Chowk, Gulistan Col

Akbar Chowk Plot No.755/G Raja Road, Gulistan Colony, Faisalabad.

20. Faisalabad-Opp. National Silk Mill

Property No.P-492 Opp.National Silk Mills, Jarawala Road, Faisalabad.

21. Faisalabad-Hajiabad

Hajiabad, Sheikhpura Road, Faisalabad

22. Faisalabad-Fawara Chowk

Fowara Chowk 248/A, Commercial P.C. Extn, Peoples Colony No.2, Faisalabad.

23. Faisalabad-Madina Town

Susan Road, Madina Town, Faisalabad

24. Faisalabad-Satyana Road

P-85/1, Satyana Road Branch Faisalabad.

Multan

1. Bosan Road

Khewat No. 785-B/782-R, Khatooni No. 1187,1192, Khasra No. 14, 1995/4143, Mouza Neel Kot, Bosan Road, Multan.

2. Main Khanewal

Khewat # 1287, Khatooni # 1336, Block-12, Chowk Ahl-E-Hadees, & District Khanewal.

3. Mouza Hala (G.T.P.S)Wapda

3766, G.T.P.S. Kot Addu

4. Cantonment - Multan

Quaid-E-Azam Shopping Centre No.4, Multan Cantt 1650

5. Chowbara Road Layya

408 Choubara Road Layyah City-

6. Hussain Agahi

2575-W/10-B Hussain Agahi Road, Multan

7. Gulgasht Colony

588/C Gulgasht Colony Multan

8. Shah Rukn-E-Alam

Shah Rukan-E-Alam Colony 55/F. Multan

Islamabad

1. Islamabad-Aabpara Market

10 - Waljis Building, Aabpara Market Islamabad.

2. Alipur Farash

Khasra No.209/53, Madina Town Alipur Frash, Islamabad

3. Bhara Kahu

Property No. Nil, Main Muree Highway, Near Main Chowk Bhara Kahu, Khewat No.539, Khatooni No.883, Khasra No.499, Village Of Bhara Kahu District Islamabad.

4. Diplomatic Enclave Branch

Plot # 3-W-H, G-5, Ground Floor, Chughtai Plaza, Diplomatic Enclave, Islamabad

5. Islamabad-I-8 Markaz

Aneeq Plaza, I - 8, Markaz Islamabad

6. SBC Islamabad

Serena Business Complex, Central Wing, Level-1, Plot # 17, Sector G-5/1, Ramna-5, Khayaban-E-Suharwardi, Islamabad.

7. NRC Branch Islamabad

Ground Floor, National Agriculture Research Centre, (Narc) Building, Park Road, Chak Shahzad, Islamabad

8. Haripur-Main Bazar

No.863/C, Sheranwala Gate, Main Bazar.

9. Abbottabad-Jinnah Road

Cantonment Board, Shop No.112, Block IV

10. Attock-City

22 & 23 A-Block Chowk Bazar Attock City

11. Fatehjang

Shop # (1,2,3,4 & 5) Khasra # (1032, 1034 & 1035), Ahmed Plaza, Main Rawalpindi Road, Fateh Jang City, Tehsil Fatehjang, District Attock.

12. Kamra-Pakistan Aeronautical Complex

MRF-PSI Bldg, Pac Kamra, Attock

13. Rawalpindi-District Council

## Distribution Network

Executive Block, District Court, Jhelum Road, Kutchery Chowk, Rawalpindi.

### 14. Rawalpindi-Murree Road

I-168,169, Mushtaq Hotel, Committee Chowk, Rawalpindi

### 15. Rawalpindi-Liaquat Road

G-238 Liaquat Road, Rawalpindi

### 16. Rawalpindi-P.A.F Chaklala Base

Shaheeen Complex, PAF Base Chaklala

### 17. Sihala

Khewat No.759 Khatooni No.1536, Khasra No.5451/1362, Near Kak Pul Kahuta Road, Sihala District Islamabad.

### 18. Rawalpindi-Main Airport Road

497-Main Airport Road, Jhanda Chichi, Rawalpindi

### 19. Islamabad-F-7 Commercial Area

Plot No. 43, Sector G-15 Markaz, Islamabad

### 20. Islamabad-F-6 Super Market

Block 16, F/6 Super Market, Islamabad

### 21. Islamabad-F-11 Markaz

Shop No.1 To 8, Ground Floor, Plot No.28, Al-Karam Center, F-11 Markaz, Islamabad

### 22. Islamabad-F10- Markaz

5-C, Plaza, F-10 Markaz, Islamabad

### 23. F-8- Markaz, Islamabad

8-C, Shawaiz Centre, F - 8 Markaz, Islamabad

### 24. Centaurus Mall

Plot # 1, Shop # 214, 2Nd Floor, Centaurus Mall, Jinnah Venue, Blue Area, Islamabad.

### 25. E-11, Islamabad

Plot # 21, Ground Floor, Ghousia Plaza, Multi Professional Co-Operative Housing Society, Sector E-11, Islamabad.

### 26. Islamabad-I-9 Industrial Area

Plot # 398, Service Road, 9- Avenue Industrial Area Near 7Up Chowk, I-9, Islamabad

### 27. Islamabad-G-9/4 Indust/Trading Cn.

Plot No.62, I & T Centre, G/9-4 Islamabad

### 28. Aamir Plaza Branch, Blue Area Islamabad

Plot # 94, West Ground & Mezzanine Floor, Aamir Plaza, Jinnah Avenue, Blue Area, Islamabad.

### 29. Rawalpindi-Massy Gate

1459-Adamjee Road, Saddar Rawalpindi

### 30. Rawalpindi-Services

274-Peshwar Road 'Old Supreme Curt Building" Rwp

### 31. Rawalpindi-Kashmir Road

29-Kashmir Road, Rawalpindi

### 32. Karachi Company G-9 Markaz Islamabad

Plot # 29, Shop # 19,20 & 21, Ground & First Floor, Awami Trade Centre, G-9, Markaz, Karachi Company, Islamabad

### 33. Range Road

Khewat # 243, Khatooni # 288, Khasra # 1266/296, Khan Plaza, Main Shalley Valley Chowk, Range Road, Rawalpindi.

### 34. Raffay Mall Branch

Shop # 4, Rafay Mall, Peshawar Road, Rawalpindi.

### 35. Mansehra-Abbottabad Road

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### 36. Murree-Jinnah Road

Opposite GPO, Jinnah Road, The Mall, Murree

### 37. Islamabad-Foreign Affairs Building

Foreign Affairs Bldg., Islamabad

### 38. Islamabad-C.D.A. Civic Centre

Evacue Trust, Plot No.20, Markaz G/6 Civic Centre, Islamabad

### 39. Rawalpindi-Sadiqabad

DT-182, Chirah Road, Sadiqabad, Rawalpindi

### 40. Bahria Civic Centre

Plot # 180, Block-D, Main Boulevard, Bahria Civic Centre, Islamabad

### 41. Rawalpindi-Khayban-E-Sir Syed

Plot No. 164/A, Sector-1, Main Double Road, Khayaban-E-Sir Syed, Rawalpindi

### 42. G-13 Islamabad

Shop No. 1,2,5 & 6. Plot No. 07-C, Bazar No. 8, Barkat Plaza, Sector G-13/4, Islamabad.

### 43. DHA Phase II

Plot No. 28, Sector-E, Main Jinnah Boulevard, Dha Phase-II, Islamabad.

### 44. Adamjee Road Branch ,Rawalpindi

Plot # 168-D, Adjacent To 5-Sarki Petrol Pump, Adamjee Road,

## Distribution Network

Rawalpindi.

45. Rawalpindi-City

B-9, Oriental Building, Bank Square, Rawalpindi

46. Rawalpindi-Lalkurti

226-A Khadim Hussain Road, Lalkurti Rawalpindi

47. Rawalpindi-S.D.V. Mall Road

13-A, The Mall Rawalpindi

48. Mora Nagyal, (Swan Camp)

Khasra # 2883-2884, Khewat # 347, Khatooni # 531, Swan Camp, Mohra Nagyal, District Islamabad.

49. Rawalpindi-Adiala Road

Asad Jahangir Plaza, Ground Floor, Khasra No. 432 / 1202 / 1313 & 1314 Mouza Kalyel, Gulshan-E-Asad, Adiala Road, Rawalpindi

50. Rawalpindi-Rehmanabad

66- A-2, Block - A, Rehmanabad Chowk, 5Th Road, Rose Arcade Sattalite Town, Rawalpindi

51. Rawalpindi-Satellite Town

B-1255, Commercial Centre, Satellite Town

52. Rawalpindi-Asghar Mall

M-1900, Asghar Mallchowk, Rwp

53. Rawalpindi-Faizabad

Khasra No.752, National Business Centre, Gulshan Dadu Khan, Muree Road Rawalpindi.

54. Wah Cantt.-P.O.F.

Khasra No. 03/37-Aslam Mrkt. Wan Cantt.

55. Hassan Abdal

Khasra # 1490, 1479, 1480, Khewat # 439, Khatooni # 702, Ground Floor, Ch. Tariq Plaza, G.T. Road, Tehsil Hassan Abdal, District Attock.

56. Wah Cantt.-Nawababad

Khasra # 11,12,13,14, Khewat # 2,4 18, Khatooni # 01, G.T. Road, Nawababad Wah Cantt. Tehsil Taxila, District Rawalpindi.

57. College Road

Plot # 13-C, College Road, Main F-7 Markaz, Islamabad

58. GPO Chowk, Haider Road

Plot # 7 & 7-A, Survey # 363/11 & 362/11, Haider Road Adjacent To Askari Bank, Saddar, Rawalpindi Cantt.

Mirpur

1. Mirpur Main Branch

Plot 33 Sector C/1 Mirpur

2. B.S Nangi

Plot No.632 Sector B/1, Mirpur Ak

3. Chaksawari

Khasra No.146 Brotian Wahid Plaza Main Bazar Chaksawari

4. Dadyal

Dadyal Khasra No.111, Tehsil Headquarter Dadyal, Distt. Mirpur (A.K)

5. Jatlan

282, Rehmat Plaza, Main Canal Road, Jatlan, District Mirpur A.K.

6. Kotli Main Branch

Khasra No 674 Main Bazar Kotli

7. Kotli Chowk Shaheed

Khasra No. 607, Shaheed Chowk, Tehsil & District Kotli, Mirpur A.K.

Gujrat

1. Kharian Cantt

Plot No 188 Commercial Area Kharian Cantt. Tehsil Kharian Distt.Gujrat

2. Mandi Bahauddin

Khasra No.232, Khatooni No.241 Kuthchery Road Mandi Bahauddin

3. Main Bzr. Phalia

Khasra No. 5, Near Bilal Chowok, M.B., Phalia District Mandi Bahuddin

4. G.T. Rd. Lalamusa

B-8/8-7 G.T.Road, Lalamusa Tehsil Kharian Distt. Gujrat.

5. Gujrat Circular Road

Shop No. B-13/1192, Circular Road, Gujrat.

6. Gujrat Railway Road

B-16/1260-61 Railway Road, Gujrat.

7. Pakistan Chowk Br. Gujrat

Prop. No.B-Xiii/2097 Pakistan Chowk, Gujrat.

8. Jalalpur Jattan

Property No.4 /5325 Gole Karachi Ward No.4, Jalalpur Jattan, Tehsil & District Gujrat

9. Sarai Alamgir (M.B)

## Distribution Network

Sarai Alamgir G.T. Road (Military College )Tehsil Sarai Alamgir Distt. Gujrat

10. Mandir

Khasra No.900 Vill. & P.O. Mandir Teh.Kharian Distt. Gujrat.

11. Gujrat Gharib Pura

Property No B-1/98 Gharibpura,Kutchery Chowk Gujrat

12. Gujrat Narowali

Property No B/18/845-846 ,Narowali Sargodha Road Gujrat

13. Mangowal

Scheme No.79 Khasra No.59/56,Village & P.O Mangowal,Tehsil & Distt Gujrat.

Sialkot

1. Sialkot-Cantonment

F.X.Cs:82/R-3 Hbl.96, 98-Aziz Shaheed Road, Sialkot Cantt.

2. Sialkot-Circular Road

9/17, Circular Road, Sialkot.

3. Sialkot-Neikapura

Property B-Xiv,17-S-193 Pasrur Road, Neikhapura, District Sialkot

4. Sialkot-City

B-11-9-F-52, 54, Sialkot City, Sialkot

Sahiwal

1. SAHIWAL-FARID TOWN

387-I, Farid Town Sahiwal

2. SAHIWAL-HIGH STREET, JINNAH ROAD

KHEWAR NO.2673/2660 KHATONI NO.4800 EHATA NO.8820/8825  
412-B-III HIGH STREET SAHIWAL

3. CHICHAWATNI -GRAIN MARKET

KHEWAT NO.146 KHATONI NO.148, RAILWAY ROAD CHICHAWATNI

4. JINNAH CHOWK

Khawat No. 1053, Khotoni No.1079 Jinnah Chowk , Sahiwal

5. VEHARI BAZAR BRANCH

PLOT # 79. F-BLOCK, KHEWAT # 562/555, KHATOONI # 580, VEHARI  
BAZAR, BUREWALA.

Gujranwala

1. Bank Square

Property No.Bxx-Vii-S-548,Bank Square Gujranwala

2. Outside Khiali Gate

Bxxiv-43-19, O/S Khiali Gate Gujranwala.

3. G. T. Road

lii-Is-20, Sialkoti G. T. Road Gujranwala.

4. Grain Market Hfz

B-V-88-37 & B-V-78-99, Grain Market Hafizbad.

5. Civil Quarters Skp

Khasra No. 1327/2, Khatooni No. 965, Khewat No. 525, Civil Quarters  
Road, District Sheikhpura.

6. Cantt. Gujranwala

Gulabpura, Bazar Area, Gujranwala Cantt.

7. Rahwali

Khewat No.514, Khatooni No. 929 Khasra No.5121/1978 Rahwali,  
G. T. Road Distt. Gujranwala.

8. Model Town - Gujranwala

438-1-1B, Model Town, Gujranwala.

9. Railway Road Skp

Railway Road Sheikhpura

10. Wapda Town

Plot No. Mm-063-A & Mm-063-B, Main Commercial Market. Wapda  
Town, Gujranwala.

11. Kamoke

Khasra No.2278/2 Khatooni No.1853, Khewat No.1691 G.T. Road  
Kamoke. District Gujranwala.

12. Shahdara

Shahdara, Ferozewala Distt. Lahore

13. Muridke

G.T Road Tehsil Muridke, Ferozewala

14. Jhallan Saleempura

Jhallan (Saleempur More) Khawat No.84 Khatooni No.216, Khasra  
No.1532 Hafizabad Road The Nowshera Vikran, Distt Gujranwala

15. Qila Didar Singh

Main Bazar Qila Didar Singh Khasra No.2894/2746/218 Khatooni  
No.1442 Khewat No.970 Distt. Gujranwala.

## Distribution Network

### 16. Kutchery Chowk Wzd

Khasra No.432, Khewar No.757/1 Khatoni No.1353, Kutchery Chowk Br. Wazirabad Distt. Gujranwala.

### 17. Rasool Nagar

Rasool Nagar, Tehsil Wazirabad Distt. Gujranwala.

### 18. Satellite Town - Gujranwala

144-A, Satellite Town Gujranwala

### Jhelum

#### 1. Chakwal-Bhoun Chowk

Bhoun Chowk Chakwal Khasra No 3504-A-7

#### 2. Dhudhial

Vill P O Dhudial, Khasra No 4527/355, Tehsil & District Chakwal

#### 3. Dina

Mangla Road Dina Jhelum B-iv-2-R-47

#### 4. Pindi Gheb

B-10 - 205 Town Committee Road, Pindi Gheb District Attock

#### 5. Jhelum-Thathi Gujran

Khasra No 526/77-19, Thatti Gujran Opp Ptc Jhelum

#### 6. Jhelum-Cantt.

Combined Military Hospital Road Jhelum

#### 7. Kallar Saidan, Darkali Mamoori

Darkali Mamoori Kallar Saidan Teh. Kahuta Distt Rawalpindi

#### 8. Kahuta Distt. Rawalpindi

B-419, Main Bazar Kahuta.

#### 9. Khaur

Khasra No.4121, Main Bazar Khaur, Pakistan Oil Fields Ltd. Khaur, Tehsil Pindi Gheb, Distt. Attock

#### 10. Jhelum-Ramdin Bazar

B- Viii-3S 20- B-Viii I-R-18 Ramdin Bazar Jhelum

#### 11. Jhelum-Chowk Shandar

Khatooni No. Bvi-2R-138, Chowk Shandar, Near Major Akram Shaheed Park, Tehsil & District Jhelum.

#### 12. Jhelum-Ladies Branch

Khasra No 127/272/273/ B-II S-8 Civil Lines Jhelum

#### 13. Talagang

B-1/493, Main Road, Talagang Distt Chakwal.

#### 14. Mangla Cantt.

Near Village Restaurant Mp Check Post No.1 Mangla Cantt. Distt. Jhelum.

#### 15. Gujar Khan-G.T. Road

Muslim Market G.T.Road Gujar Khan B-iii-367-A

#### 16. Rawat

Khasra No. 3707, Khatooni No. 1507, Khewat No. 800, G.T. Road, Tehsil & District Islamabad.

#### 17. Jhatla

Vill & Po Jhatla, Talagang Road, District Chakwal

#### Other Distributors

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Phone: 021-35845761

Al Habib Capital Market (Pvt.) Ltd.  
GF-01, Techno City, Hasrat Mohani Road, Karachi.  
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BMA Financial Services Ltd.  
8th Floor, Unitower, I.I Chundrigar Road Karachi  
Phone: 021-111-262-111  
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Foundation Securities (Pvt.) Ltd.  
Ground Floor, Bahria Complex II, M.T.Khan Road Karachi.  
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IGI Investment Bank Limited  
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Metro Securities (Private) Ltd  
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# HBL

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