

HBL

**ASSET
MANAGEMENT**

HBL IslamicMoneyMarketFund

Annual Report 2015

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HBL ISLAMIC MONEY MARKET FUND

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VISION / MISSION / VALUES

OUR VISION

Enabling people to advance with confidence and success.

OUR MISSION

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

OUR 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

- **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.

- **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 expects us to possess an steadfastly adhere to high moral principle and professional standards.

- **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 investors first.

- **Meritocracy**

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

- **Progressiveness**

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

CORPORATE INFORMATION

Management Company

HBL Asset Management Limited.

Board of Directors

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

Audit Committee

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

Human Resource Committee

Chairperson	Ms. Sima Kamil	(Non-Executive Director)
Members	Mr. Salim Amlani	(Non-Executive Director)
	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Mr. Rehan N. Shaikh	(Executive Director)

Risk Management Committee

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

Company Secretary & Chief Financial Officer

Mr. Noman Qurban

External Auditors

KPMG Taseer Hadi & Co., Chartered Accountants,
Sheikh Sultan Trust Building No 02
Beaumont Road, Karachi-75530, Pakistan

Internal Auditors

A.F. Ferguson & Co., Chartered Accountants,
State Life Building No.1-C, I.I Chundrigar Road,
P.O.Box 4716, Karachi.

Trustee

Central Depository Company of Pakistan Limited (CDC)
CDC House, 99- B, Block "B", S.M.C.H.S, Main Shahra-e-Faisal, Karachi

Legal Advisors

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

Website

www.hblasst.com

Head Office

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

Registered Office

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

FUND INFORMATION

NAME OF FUND

HBL Islamic Money Market Fund

FUND MANAGER

Mr. Fahad Aziz

NAME OF AUDITORS

External Auditors

KPMG Taseer Hadi & Co., Chartered Accountants.

Internal Auditors

A.F. Ferguson & Co., Chartered Accountants.

NAME OF BANKERS

**Habib Bank Limited
National Bank of Pakistan
Habib Metropolitan Bank
Meezan Bank Limited**

FUND MANAGER REPORT

Type and Category of Fund

Open end Islamic Money Market Fund

Investment Objective and Accomplishment of Objective

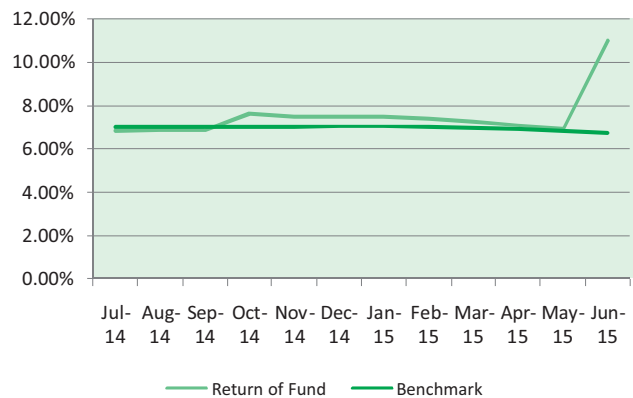
The investment objective of the Fund is to seek high liquidity, competitive return and maximum possible preservation of Capital for investors by investing in low risk Shariah Compliant securities.

Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is average 3 Months deposit rates offered by any three Islamic Banks.

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

Month	Return of Fund	Benchmark
Jul-14	6.83%	6.99%
Aug-14	6.86%	6.99%
Sep-14	6.86%	6.99%
Oct-14	7.64%	6.99%
Nov-14	7.52%	7.02%
Dec-14	7.50%	7.04%
Jan-15	7.50%	7.05%
Feb-15	7.43%	7.01%
Mar-15	7.27%	6.96%
Apr-15	7.11%	6.92%
May-15	6.94%	6.84%
Jun-15	11.01%	6.75%

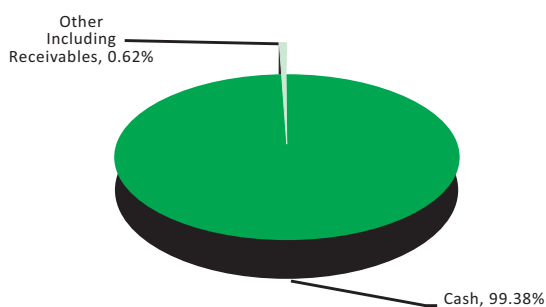


Strategies and Policies employed during the Period

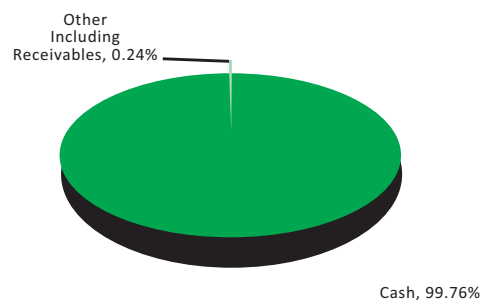
New Investments were made in Ijara Sukuk. The fund has decreased its exposure in Commercial paper due to maturity.

Asset Allocation

Asset Allocation June 2015



Asset Allocation June 2014



Fund Performance

The total income and net income of the Fund was Rs. 37.63 million and Rs. 28.75 million respectively during the year ended June 30, 2015. The Net Asset Value (NAV) of the Fund increased from Rs 100.1872 per unit as on June 30 2014 to Rs 100.4237 per unit as on June 30, 2015 (after accounting for dividend of Rs 6.50 per unit); there by giving an annualized return of 6.70% during the period under review. During the same period the benchmark return (3 Month bank deposit rates) was 6.75%.

Review of Market invested in

During the Fiscal year, State Bank of Pakistan did not conduct any Government Ijara Sukuk (GIS) Auctions. The central bank however extended the maturity dates of all existing GIS to 21st Nov 2015. The lack of fresh Sukuk offerings continued to be a problem for Islamic participants of the interbank market. This was somewhat dealt by offering Bai-muajjal facility to Islamic Banks. Islamic Funds however continued to experience shortage of investment avenues in the market.

The shortage of GIS along with expanding deposit base of Islamic bank poses great challenges for Islamic Banks, Money Market & Income Funds.

Distribution

The Fund has distributed cash dividend at Rs. 6.50 per unit for the year ended June 30, 2015.

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	591	10,135
101 - 500	35	7,527
501 - 1,000	15	9,897
1,001 - 10,000	64	233,942
10,001 - 100,000	31	510,987
100,001 - 500,000	1	236,833
500,001 - 1,000,000	-	-
1,000,001 - 5,000,000	1	3,544,863
5,000,001 and above	-	-
Total	738	4,554,184

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.

HBL ISLAMIC MONEY MARKET FUND PERFORMANCE TABLE

NET ASSETS AND PRICES	For the year ended June 30, 2015	For the year ended June 30, 2014	For the year ended June 30, 2013	For the year ended June 30, 2012	For the year ended June 30, 2011
Net assets at the period end(Rs'000)	457,348	446,142	439,246	343,438	397,438
Net asset value per unit at the period end/period end(Rs)	100.4237	100.1872	100.9840	103.0235	101.4612
Selling price/repurchasing price	100.4237	100.1872	100.9840	103.0235	101.4612
Earning per unit(Rs) (note 3.10)					
Highest selling price per unit(Rs)	106.5827	100.9653	102.2988	103.4576	101.4322
Lowest selling price per unit(Rs)	100.3186	100.0852	100.1753	100.2278	100.00
Highest repurchase price per unit(Rs)	100.9653	100.9653	102.2988	103.4576	101.4322
Lowest repurchasing price per unit(Rs)	100.0852	100.0852	100.1753	100.2278	100.00
RETURN (%)					
Total return	6.70%	6.86%	8.45%	10.33%	10.46%
Income distribution	6.55%	7.46%	8.16%	10.00%	10.45%
Capital growth	0.15%	-0.60%	0.29%	0.33%	0.01%
DISTRIBUTION					
First Interin dividend distribution	-	0.56	2.20	2.25	-
Second Interin dividend distribution	-	0.54	0.73	-	-
Third Interin dividend distribution	-	0.54	0.72	-	-
Fourth Interin dividend distribution	-	0.54	0.69	2.25	-
Fifth Interin dividend distribution	-	0.53	0.62	-	-
Sixth Interin dividend distribution	-	0.56	0.52	-	-
Seventh Interin dividend distribution	-	0.55	0.54	2.50	-
Eighth Interin dividend distribution	-	0.47	0.60	-	-
Ninth Interin dividend distribution	-	0.47	0.59	-	-
Tenth Interin dividend distribution	-	0.45	-	-	-
Eleventh Interin dividend distribution	-	0.44	-	-	-
Twelveth Interin dividend distribution	-	0.86	-	-	-
Final dividend distribution	6.50	0.95	0.95	3.00	1.46
Total dividend distribution for the year/ period	6.50	7.46	8.16	10.00	1.46
AVERAGE RETURNS (%)					
Average annual return 1 year	6.70%	6.86%	8.45%	10.33%	10.46
Average annual return 2 year	6.78%	7.66%	9.39%	10.40%	-
Average annual return 3 year	7.34%	8.55%	9.75%	10.40%	10.46%
Average return since inception	9.27%	9.46%	9.99%	10.40%	10.46
Weighted average portfolio during (No. of days)	1	1	63	45	26

Disclaimer:

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

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S.M.C.H.S. Main Shahr-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 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, 2015 in accordance with the provisions of the following:

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


Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited
Karachi, October 27, 2015



REVIEW REPORT OF THE SHARIAH ADVISOR

As a shariah adviser of the **HBL Islamic Money Market Fund**. I am issuing this report in accordance with clause 829 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the Shariah compliance of the Fund's activities.

It is the responsibility of HBL Asset Management Limited, the management company of the fund, to establish and maintain a system on internal controls to ensure compliance with the Shariah guidelines. As a Shariah Adviser my responsibility is to express an opinion, based on my review of the representations made by the management, to the extent where such compliance can be objectively verified.

As part of my mandate as the Shariah Adviser to the Fund, I have reviewed the following , during the period:

- The modes of investment of Fund's property and its compliance with Shariah guidelines.
- The process of deployment of Fund's property and its compliance with Shariah guidelines.
- The process of purification o income and its compliance with Shariah guidelines.

In light of the above scope, I hereby certify that all the provisions of the scheme and investments made by the Fund for the period ended 30 June 2015 are in compliance with the Shariah principles.

Mufti Yahya Asim
Shariah Advisor

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 for the year ended June 30, 2015. This has been duly confirmed by the Shariah Advisor of the Fund.

Rehan N.Shaikh

Chief Executive Officer

Date: September 30, 2015



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Karachi, 75530 Pakistan

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Independent Assurance Report to the Unit Holders on the Statement of Compliance with the Shariah Principles

We were engaged by the Board of directors of HBL Asset Management Limited, Management Company of HBL Islamic Money Market Fund (the Fund), to report on Fund's Compliance with the Shariah principles as set out in the annexed statement prepared by the management company for the year ended June 30, 2015 in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly, in all material respects, the status of the Fund's compliance with Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor as required under clause 8.3.1 of the Trust Deed of the Fund.

Management Company's Responsibilities

The management company of the fund is responsible for preparing the annexed statement that is free from material misstatement in accordance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor. This responsibility includes designing, implementing and maintaining internal control relevant to the operations of the Fund in accordance with the Shariah principles and to ensure that Fund's investments and placements are made in compliance with Shariah principles.

Our Responsibilities

Our responsibility is to examine the annexed statement prepared by the Management Company and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE 3000) 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board. That standard requires that we comply with ethical requirements, including independence requirements, and plan and perform our procedures to obtain reasonable assurance about whether the annexed statement fairly presents the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliance with Shariah principles whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the operations of the Fund in accordance with the Shariah principles in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Fund's internal control.

The procedures performed included:

1. Checking compliance of specific guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund.

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



2. Check that the Shariah Advisor has certified that investments made by the Fund during the period ended June 30, 2015 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

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for the year ended June 30, 2015.

Date: 30 September 2015

Karachi

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

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015.

This statement is being presented to comply with the Code of Corporate Governance contained in Chapter XI of Listing Regulations of the Lahore Stock Exchange for the purpose of establishing a framework of good Governance, whereby a listed Company is managed in compliance with the best practice of corporate governance.

HBL Asset Management Limited, the Management Company, is not listed and hence, the Code is not applicable to it. However, **HBL - Islamic Money Market Fund** (the Fund) being listed at the Lahore Stock Exchange comes under the ambit of the Code. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and has appointed the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Secretary of the Management Company and other necessary personnel to manage its affairs.

HBL - Islamic Money Market Fund is an open ended mutual fund and was listed on Lahore Stock Exchange on May 11, 2011. The units of the Fund have been offered for public subscription on a continuous basis from May 09, 2011.

- The Management Company encourages representation of independent non-executive directors. As on June 30, 2015 the Board includes following members:

Category	Names
Independent Directors	1. Mr. Tawfiq Habib Chinnoy 2. Ms. Sadia Khan
Executive Directors	1. Mr. Rehan N. Shaikh
Non- Executive Directors	1. Mr. Salim Amlani 2. Ms. Sima Kamil 3. Mr. Rizwan Haider 4. Mr. Salahuddin Manzoor

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

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
- 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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- No casual vacancy occurred during the year.
- 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. Further; it has also been placed on the Management Company's website.
- The Board has developed a vision/mission statement, over all corporate strategy and significant policies of the Management Company. A complete record of the particulars along with the dates on which they were approved or amended has been maintained.
- 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 CEO, other executive and non-executive directors, have been taken by the Board.
- 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 Board met at least once in every quarter except the first quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.
- Two Directors have acquired the formal training certificates in earlier years. The Management Company, however, intends to facilitate further training for remaining directors in near future as defined in the Code of Corporate Governance.
- The performance evaluation of the members of the Board including the chairman and chief executive was undertaken and the mechanism of questionnaire was prepared by the BOD and circulated among the members of Board of Directors and exercise is under progress.
- The Board has approved the appointment of Chief Financial Officer and Company Secretary including his terms of remuneration of employment.
- Directors Report for the year ended June 30, 2015 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

13. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
14. The Directors, CEO and Executives do not hold units of the Fund other than those disclosed in note 17 to the financial statements "Transactions with Connected Persons / related parties".
15. The Company has complied with the corporate and financial reporting requirements of the Code.
16. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors. The Chairman of the Committee is also non-executive director. At present the Committee has no independent Director.
17. The meetings of the Audit Committee were held at least once every quarter except in the first quarter. The meetings of Audit Committee were held prior to approval of interim and final results of the Fund, as required by the CCG. The term of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has formed an HR Committee. It comprises of four members, of whom three are non-executive directors and the Chairman of the HR committee is a non-executive Director.
19. The Company has outsourced its internal audit function to a reputable firm of Chartered Accountants who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company. Further, the Company has designated Head of Internal Audit for the coordination between the firm and the Audit Committee of the Board. However, the individual does not meet the qualification criteria relating to head of Internal Audit.
20. 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, that they or any of the partners of the firm, their spouse and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
21. 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.
22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the net asset value per unit of the Fund's units, was not determined and nor intimated to directors, employees and stock exchange(s).
23. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
24. We confirm that all other material principle enshrined in the CCG have been complied with while the Code of Corporate Governance requires that where any director, CEO or executive of a Fund or their spouses sell, buy or transact, whether directly or indirectly, in units of the Fund of which he is a director, CEO or executive, as the case may be, he shall immediately notify in writing to the Company Secretary of such transaction. During the year, no such transactions were notified to the Company Secretary in writing.

Rehan N. Shaikh
Chief Executive Officer

Date:
Place: Karachi



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Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of **HBL Asset Management Limited** ("the Management Company") for and on behalf of HBL Islamic Money Market Fund ("the Fund") for the year ended June 30, 2015, to comply with the Listing Regulation No. 35 (Chapter xi) of Lahore Stock Exchange (Guarantee) 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 of Compliance 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 of Directors' statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2015.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

S.No.	Paragraph reference	Description
1	8	Quarterly meetings of Board of Directors

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



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of **HBL Asset Management Limited** ("the Management Company") for and on behalf of HBL Islamic Money Market Fund ("the Fund") for the year ended June 30, 2015, to comply with the Listing Regulation No. 35 (Chapter xi) of Lahore Stock Exchange (Guarantee) Limited where the Fund is listed.

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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 of Directors' statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2015.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

S.No.	Paragraph reference	Description
1	8	Quarterly meetings of Board of Directors

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



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Chartered Accountants
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Internet www.kpmg.com.pk

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, 2015 and the related income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in Unit Holders' fund for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the Fund'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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2015 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

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



KPMG Taseer Hadi & Co.

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.

Date: 30 September 2015

Karachi

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.

Chartered Accountants

Syed Iftikhar Anjum

HBL ISLAMIC MONEY MARKET FUND
Statement of Assets and Liabilities
As at June 30, 2015

	Note	2015 (Rupees in '000)	2014
Assets			
Bank balances	4	464,049	449,096
Accrued mark-up	5	2,363	563
Preliminary expenses and flotation costs	6	197	427
Prepaid expenses		62	73
Other receivables		263	-
Total assets		<u>466,934</u>	<u>450,159</u>
Liabilities			
Payable to HBL Asset Management Limited - Management Company	7	470	431
Payable to Central Depository Company of Pakistan Limited - Trustee	8	55	50
Payable to Securities and Exchange Commission of Pakistan	9	358	349
Accrued expenses and other liabilities	10	8,703	3,187
Total liabilities		<u>9,586</u>	<u>4,017</u>
Net assets		<u>457,348</u>	<u>446,142</u>
Unit holders' fund (as per statement attached)		<u>457,348</u>	<u>446,142</u>
		(Number of units)	
Number of units in issue		<u>4,554,184</u>	<u>4,453,087</u>
		(Rupees)	
Net assets value per unit		<u>100.4237</u>	<u>100.1872</u>

The annexed notes 1 to 25 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC MONEY MARKET FUND

Income Statement

For the Year ended June 30, 2015

	Note	2015 (Rupees in '000)	2014
Income			
Mark-up on deposits with banks	11	39,877	28,473
Mark-up / return on investments	12	-	11,138
		<u>39,877</u>	<u>39,611</u>
Expenses			
Remuneration of HBL Asset Management Limited - Management Company		6,363	6,259
Remuneration of Central Depository Company of Pakistan Limited - Trustee		716	698
Annual fee to Securities and Exchange Commission of Pakistan Auditors' remuneration	13	358	349
		328	250
Settlement and bank charges		39	53
Amortisation of preliminary expenses and floatation costs	6	230	230
Other expenses		251	190
		<u>8,285</u>	<u>8,029</u>
Net income from operating activities		<u>31,592</u>	<u>31,582</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		(2,257)	(110)
Provision for Workers' Welfare Fund	14	(581)	(638)
Net income for the year before taxation		<u>28,754</u>	<u>30,834</u>
Taxation	15	-	-
Net income for the year after taxation		<u>28,754</u>	<u>30,834</u>

The annexed notes 1 to 25 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC MONEY MARKET FUND
Statement of Comprehensive Income
For the Year ended June 30, 2015

	2015	2014
	(Rupees in '000)	
Net income for the year	28,754	30,834
Other comprehensive income for the year		
<i>Items to be reclassified to income statement in subsequent periods:</i>		
Net unrealised loss on re-measurement of investments classified as available for sale	-	(54)
Total comprehensive income for the year	<u>28,754</u>	<u>30,780</u>

The annexed notes 1 to 25 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC MONEY MARKET FUND

Distribution Statement

For the Year ended June 30, 2015

	2015 (Rupees in '000)	2014
Undistributed income brought forward - realised	816	4,226
Net income for the year	28,754	30,834
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing income / (loss) that form part of the unit holder's fund	2	2
Final distribution for the year ended June 30, 2014: Rs. Nil per unit [(Year ended June 30, 2013: Rs. 0.95 per unit) (Date of distribution: July 08, 2013)] - Nil bonus units (Year ended June 30, 2013: 41,308 bonus units)	-	(4,132)
First interim distribution: Year ended June 30, 2015: Rs. 6.50 per unit (Date of distribution: June 26, 2015) [(Year ended June 30, 2014: Rs. 0.86 per unit) (Date of distribution: June 27, 2014)] - Cash distribution - Nil bonus units (Year ended June 30, 2014: 23,894 bonus units)	(27,757) -	- (2,392)
Second interim distribution: Year ended June 30, 2014: Rs.0.54 per unit (Date of distribution: September 02, 2013) - 24,062 bonus units	-	(2,409)
Third interim distribution: Year ended June 30, 2014: Rs. 0.54 per unit (Date of distribution: October 01, 2013) - 23,931 bonus units	-	(2,395)
Fourth interim distribution: Year ended June 30, 2014: Rs. 0.54 per unit (Date of distribution: November 01,2013) - 26,670 bonus units	-	(2,669)
Fifth interim distribution: Year ended June 30, 2014: Rs. 0.53 per unit (Date of distribution: December 01, 2013) - 26,358 bonus units	-	(2,640)
Sixth interim distribution: Year ended June 30, 2014: Rs. 0.56 per unit (Date of distribution: January 02, 2014) - 28,047 bonus units	-	(2,810)
Seventh interim distribution: Year ended June 30, 2014: Rs. 0.55 per unit (Date of distribution: February 03, 2014) - 27,660 bonus units	-	(2,772)
Eighth interim distribution: Year ended June 30, 2014: Rs. 0.47 per unit (Date of distribution: March 03, 2014) - Nil bonus units (Year ended June 30, 2014: 22,607 bonus units)	-	(2,267)
Ninth interim distribution: Year ended June 30, 2014: Rs. 0.47 per unit (Date of distribution: April 01, 2014) - 20,342 bonus units	-	(2,042)
Tenth interim distribution: Year ended June 30, 2014: Rs. 0.45 per unit (Date of distribution: May 02, 2014) - 19,768 bonus units	-	(1,985)
Eleventh interim distribution: Year ended June 30, 2014: Rs. 0.44 per unit (Date of distribution: June 02, 2014) - 19,238 bonus units	-	(1,936)
Twelfth interim distribution: Year ended June 30, 2014: Rs. 0.86 per unit (Date of distribution: June 27, 2014) - 37,931 bonus units	-	(3,797)
Total distributions	(27,757)	(34,246)
Undistributed income carried forward - realised	1,815	816

The annexed notes 1 to 25 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC MONEY MARKET FUND
Statement of Movement in Unit Holders' Fund
For the Year ended June 30, 2015

	2015	2014
	(Rupees in '000)	
Net assets at beginning of the year [Rs.100.1872 per unit (2014: Rs.100.9840 per unit)]	446,142	439,246
Issue of 2,892,057 units (2014: 1,854,799 units)	299,694	186,371
Redemption of 2,790,960 units (2014: 2,093,191 units)	(291,742)	(210,365)
Issue of Nil bonus units (2014: 341,816 bonus units)	-	34,246
	7,952	10,252
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - transferred to income statement	2,257	110
Net income for the year	28,754	30,834
Net unrealised loss on re-measurement of investments classified as available for sale	-	(54)
Total comprehensive income for the year	28,754	30,780
Final distribution for the year ended June 30, 2014: Rs. Nil per unit [(Year ended June 30, 2013: Rs. 0.95 per unit) (Date of distribution: July 08, 2013)] - Nil bonus units (Year ended June 30, 2013: 41,308 bonus units)	-	(4,132)
First interim distribution: Year ended June 30, 2015: Rs. 6.50 per unit (Date of distribution: June 26, 2015) [(Year ended June 30, 2014: Rs. 0.86 per unit) (Date of distribution: June 27, 2014)] - Cash distribution - Nil bonus units (Year ended June 30, 2014: 23,894 bonus units)	(27,757)	(2,392)
Second interim distribution: Year ended June 30, 2014: Rs.0.54 per unit (Date of distribution: September 02, 2013) - 24,062 bonus units	-	(2,409)
Third interim distribution: Year ended June 30, 2014: Rs. 0.54 per unit (Date of distribution: October 01, 2013) - 23,931 bonus units	-	(2,395)
Fourth interim distribution: Year ended June 30, 2014: Rs. 0.54 per unit (Date of distribution: November 01, 2013) - 26,670 bonus units	-	(2,669)
Fifth interim distribution: Year ended June 30, 2014: Rs. 0.53 per unit (Date of distribution: December 01, 2013) - 26,358 bonus units	-	(2,640)
Sixth interim distribution: Year ended June 30, 2014: Rs. 0.56 per unit (Date of distribution: January 02, 2014) - 28,047 bonus units	-	(2,810)
Seventh interim distribution: Year ended June 30, 2014: Rs. 0.55 per unit (Date of distribution: February 03, 2014) - 27,660 bonus units	-	(2,772)
Eighth interim distribution: Year ended June 30, 2014: Rs. 0.47 per unit (Date of distribution: March 03, 2014) - Nil bonus units (Year ended June 30, 2014: 22,607 bonus units)	-	(2,267)
Ninth interim distribution: Year ended June 30, 2014: Rs. 0.47 per unit (Date of distribution: April 01, 2014) - 20,342 bonus units	-	(2,042)
Tenth interim distribution: Year ended June 30, 2014: Rs. 0.45 per unit (Date of distribution: May 02, 2014) - 19,768 bonus units	-	(1,985)
Eleventh interim distribution: Year ended June 30, 2014: Rs. 0.44 per unit (Date of distribution: June 02, 2014) - 19,238 bonus units	-	(1,936)
Twelfth interim distribution: Year ended June 30, 2014: Rs. 0.86 per unit (Date of distribution: June 27, 2014) - 37,931 bonus units	-	(3,797)
Total distributions	(27,757)	(34,246)
Net assets at end of the year [Rs.100.4237 per unit (2014: Rs.100.1872 per unit)]	457,348	446,142

The annexed notes 1 to 25 form an integral part of these financial statements.

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

Chief Executive

Director

HBL ISLAMIC MONEY MARKET FUND

Cash Flow Statement

For the Year ended June 30, 2015

	Note	2015 (Rupees in '000)	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		28,754	30,834
Adjustments			
Amortisation of preliminary expenses and floatation costs	6	230	230
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		2,257	110
		<u>31,241</u>	<u>31,174</u>
(Increase) / decrease in assets			
Investments		-	203,251
Accrued mark-up		(1,800)	4,690
Prepaid expenses		11	(40)
Other receivables		(263)	-
		<u>(2,052)</u>	<u>207,901</u>
Increase / (decrease) in liabilities			
Payable to HBL Asset Management Limited - Management Company		39	(648)
Payable to Central Depository Company of Pakistan Limited - Trustee		5	(3)
Payable to Securities and Exchange Commission of Pakistan		9	49
Accrued expenses and other liabilities		5,516	1,385
		<u>5,569</u>	<u>783</u>
Net cash generated from operating activities		34,758	239,858
CASH FLOWS FROM FINANCING ACTIVITIES			
Amount received on issue of units		299,694	186,371
Payment against redemption of units		(291,742)	(210,365)
Cash dividend paid		(27,757)	-
Net cash used in financing activities		(19,805)	(23,994)
Net increase in cash and cash equivalents		14,953	215,864
Cash and cash equivalents at beginning of the year		449,096	233,232
Cash and cash equivalents at end of the year	4	464,049	449,096

The annexed notes 1 to 25 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC MONEY MARKET FUND

Notes To The Financial Statements

For the Year ended June 30, 2015

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 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.

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 Lahore Stock Exchange. 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-' 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 approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, 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 directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

2.2 Standards, interpretations and amendments to approved accounting standards, that are not yet effective:

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after July 01, 2015:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after January 01, 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after January 01, 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after January 01, 2016. The adoption of this standard is not likely to have an impact on Fund's financial statements.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after January 01, 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after January 01, 2016. The adoption of this standard is not likely to have an impact on Fund's financial statements.
- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after January 01, 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Fund's financial statements.

- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after January 01, 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Fund's financial statements.
- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after January 01, 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Fund's financial statements.
- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after January 01, 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Fund's financial statements.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after January 01, 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are not likely to have an impact on Fund's financial statements.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after January 01, 2016). The new cycle of improvements contain amendments to the following standards:
 - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting. The amendment is not likely to have an impact on Fund's financial statements.
 - IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods. The amendment is not likely to have an impact on Fund's financial statements.
 - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. The amendment is not likely to have an impact on Fund's financial statements.
 - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred. The amendment is not likely to have an impact on Fund's financial statements.

2.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise their judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments and provision for taxation (note 3.2 note 15).

2.4 Accounting convention

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

2.5 Functional and presentation currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

3.1 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 and bank overdrafts.

3.2 Financial assets

3.2.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement', at the time of initial recognition.

The Fund classifies its financial assets in the following categories:

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'Financial assets at fair value through profit or loss' category.

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 (a) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit or loss.

3.2.2 Regular way contracts

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell assets.

3.2.3 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.

3.2.4 Subsequent measurement

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

a) Basis of valuation of Debt Securities (other than government)

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

b) Basis of valuation of Government Securities

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

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

Net gains and losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are taken to the income statement.

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

3.2.5 Impairment of financial assets

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

Provision for non-performing debt securities and other exposures is made in accordance with the criteria specified in Circular No. 33 of 2012 dated October 24, 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of Management Company.

3.2.6 Derecognition

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

3.2.7 Offsetting of financial assets and liabilities

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

3.3 Financial liabilities

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

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

3.4 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchanges and other expenses. These costs are 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.

3.5 Provisions

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

3.6 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 amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account.

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.

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 amounts used for taxation purposes. 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 at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year in the form of cash.

3.7 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 / Management Company during business hours on the date on which the funds are actually realized against application. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors / Management company receive redemption requests during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

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

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

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

3.9 Net Assets Value per unit

The Net Assets Value per unit as disclosed in 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 period end.

3.10 Earnings per unit (EPU)

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

3.11 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Mark-up on deposits with banks and mark-up / return on debt securities and government securities is recognised using the effective interest method.

3.12 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. BANK BALANCES	Note	2015 (Rupees in '000)	2014
Savings accounts	4.1	<u>464,049</u>	<u>449,096</u>

4.1 This represents bank accounts held with different banks. Mark-up rates on these accounts range between 5.75% - 8% p.a (2014: 6.95% - 9% p.a).

5. ACCRUED MARK-UP	2015	2014
	(Rupees in '000)	
Mark-up accrued on deposits with banks	<u>2,363</u>	<u>563</u>
6. PRELIMINARY EXPENSES AND FLOATATION COSTS		
Opening balance	427	657
Less: amortised during the year	<u>(230)</u>	<u>(230)</u>
Closing balance	<u>197</u>	<u>427</u>

6.1 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 the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and NBFC regulations.

7. PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note	2015	2014
		(Rupees in '000)	
Management fee	7.1	400	363
Sindh Sales Tax	7.2	<u>70</u>	<u>68</u>
		<u>470</u>	<u>431</u>

7.1 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% per annum for the current year (2014: 1% per annum).

7.2 The Sindh Government has levied Sindh Sales Tax at the rate of 15% on the remuneration of the Management Company through Finance Act, 2015 effective from July 1, 2014.

8. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2015	2014
		(Rupees in '000)	
Trustee's remuneration	8.1	<u>55</u>	<u>50</u>

8.1 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 Asset Value (NAV) of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2015 is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Upto Rs. 1,000 million	0.15% of NAV, w.e.f 1st April 2013,
On an amount exceeding Rs. 1,000 million and upto Rs. 10,000 million	Rs. 1.5 million plus 0.075% p.a. of NAV, exceeding Rs. 1,000 million
On an amount exceeding Rs. 10,000 million	Rs. 8.25 million plus 0.06% p.a. of NAV, on amount exceeding Rs. 10,000 million

9. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	<i>Note</i>	2015	2014
		(Rupees in '000)	
Annual fee	9.1	<u>358</u>	<u>349</u>
<p>9.1 Under the provisions of the NBFC Regulations, 2008 a collective investment scheme categorised as money market scheme is required to pay as annual fee to the SECP, at an amount equal to 0.075% (2014: 0.075%) of the average annual net assets of the scheme. HBL Islamic Money Market Fund has been classified as a money market scheme by the Management Company.</p>			
10. ACCRUED EXPENSES AND OTHER LIABILITIES	<i>Note</i>	2015	2014
		(Rupees in '000)	
Auditors' remuneration		301	199
Federal Excise Duty	10.1	1,430	667
Payable to HBL Money Market Fund against conversion of units		2,972	-
Withholding tax payable		834	-
Provision for Workers' Welfare Fund	14	2,802	2,222
Other payable		364	99
		<u>8,703</u>	<u>3,187</u>
<p>10.1 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective 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. In 2014, the Honourable High Court of Sindh in a Constitutional petition relating to levy of FED on Mutual Fund has granted a stay order for the recovery of FED. As a matter of abundant caution, the Management Company has made a provision with effect from June 13, 2013, aggregating to Rs. 1.608 million out of which Rs. 0.178 million have been paid to the Management Company. Had the provision not being made, the Net Asset Value per unit of the fund as at June 30, 2015 would have been higher by Rs. 0.3531 per unit.</p>			
11. MARK-UP ON DEPOSITS WITH BANKS		2015	2014
		(Rupees in '000)	
Mark-up on savings accounts		39,877	18,665
Mark-up on term deposit receipts		-	9,808
		<u>39,877</u>	<u>28,473</u>
12. MARK-UP / RETURN ON INVESTMENTS			
GoP Ijarah sukuk		-	11,138
		<u>-</u>	<u>11,138</u>
13. AUDITORS' REMUNERATION			
Statutory audit fee		250	125
Half yearly review fee		40	65
Reporting on compliance with the Code of Corporate Governance		5	5
Shariah Compliance Audit fee		3	5
Out of pocket expenses		30	50
		<u>328</u>	<u>250</u>

	2015		
	Liabilities at fair value through profit or loss	At amortised cost	Total
	----- (Rupees in '000) -----		
Financial liabilities			
Payable to HBL Asset Management Limited - Management Company	-	470	470
Payable to Central Depository Company of Pakistan Limited - Trustee	-	55	55
Payable to Securities and Exchange Commission of Pakistan	-	358	358
Accrued expenses and other liabilities	-	4,471	4,471
	-	5,354	5,354

	2014			
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
	----- (Rupees in '000) -----			
Financial assets				
Bank balances	449,096	-	-	449,096
Investments	-	-	-	-
Accrued mark-up	563	-	-	563
	449,659	-	-	449,659

	2014		
	Liabilities at fair value through profit or loss	At amortised cost	Total
	----- (Rupees in '000) -----		
Financial liabilities			
Payable to HBL Asset Management Limited - Management Company	-	431	431
Payable to Central Depository Company of Pakistan Limited - Trustee	-	50	50
Payable to Securities and Exchange Commission of Pakistan	-	349	349
Accrued expenses and other liabilities	-	298	298
	-	1,128	1,128

17. 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 to 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:

17.1 Transactions during the year	2015	2014
	(Rupees in '000)	
HBL Asset Management Limited - Management Company		
Management Fee	6,363	6,259
Habib Bank Limited - Sponsor		
Issue of 215,376 units (2014: Nil units)	21,609	-
Issue of Nil bonus units (2014: 237,869 bonus units)	-	23,830
Mark-up earned during the year	20,481	7,439
Mark-up received during the year	19,885	10,051
Bank charges paid	35	53
HBL Asset Management Limited - Employees Provident Fund		
Issue of Nil units (2014: 69,559 units)	-	7,000
Redemption of Nil units (2014: 69,559 units)	-	7,007
Profit earned on units redeemed	-	7
Executives of the Management Company and their relatives		
Issue of 8,028 units (2014: 19,309 units)	850	1,940
Issue of Nil bonus units (2014: 191 bonus units)	-	19
Redemption of 8,028 units (2014: 19,499 units)	851	1,958
Profit earned on units redeemed	1	18
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	716	698
17.2 Amounts outstanding as at year end		
HBL Asset Management Limited - Management Company		
Management fee	400	363
Sindh Sales tax	70	68
Habib Bank Limited - Sponsor		
Investment held in the Fund: 3,539,777 units (2014: 3,324,401 units)	355,477	333,063
Bank balances	17,979	30,418
Mark-up receivable on bank deposits	772	176
HBL Money Market Fund - Associate		
Payable to HBL Money Market Fund against conversion of units	2,972	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	55	50

18. 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. Rehan N. Shaikh	Chief Executive Officer	B.Com	20
2	Mr. Amir Khan	Head of Research & Business Development	MBA	22
3	Mr. Naseer Ladhani	Head of Risk & Compliance	MBA	30
4	Mr. Fahad Aziz	Fund Manager	MBA	10

18.1 Mr. Fahad Aziz is the Fund Manager of the HBL Islamic Money Market Fund. He has obtained a Masters Degree in Business Administration. He is also the Fund Manager of HBL Income Fund and HBL Money Market Fund.

19. PATTERN OF UNIT HOLDING

	2015		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment
Individuals	735	74,615	16.31%
Associated companies	1	355,477	77.73%
Retirement funds	1	2,143	0.47%
Others	3	25,113	5.49%
	740	457,348	100.00%

	2014		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment
Individuals	663	78,627	17.62%
Associated companies and directors	1	333,063	74.66%
Others	5	34,452	7.72%
	669	446,142	100.00%

20. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 47th, 48th, 49th, 50th and 51st board meetings were held on October 30, 2014, December 05, 2014, January 19, 2015, February 27, 2015 and April 28, 2015. respectively. Information in respect of attendance by Directors in the meetings is as follows:

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
1 Mr. Towfiq Habib Chinoy	5	5	-	
2 Mr. Rehan N. Shaikh	5	4	1	50th meeting
3 Mr. Rizwan Haider Rizvi	5	5	-	
4 Mr. Mohammad Salahuddin Manzoor	5	3	2	50th & 51st meeting
5 Mr. Salim Amlani	5	5	-	
6 Ms. Sadia Khan	5	4	1	49th meeting
7 Ms. Sima Kamil	5	3	2	50th & 51st meeting

21. FINANCIAL RISK MANAGEMENT

The Fund primarily invests in a portfolio of Shariah Compliant money market securities such as government securities as permitted by Shariah Advisor(s). These investments are exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

21.1 Market risk

This 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 Securities and Exchange Commission of Pakistan.

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

21.1.1 Currency risk

This 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.

21.1.2 Interest rate risk

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

a) Sensitivity analysis for variable rate instruments

As at June 30, 2015, the Fund does not hold any variable rate instrument that could expose the Fund to interest rate risk.

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2015, the Fund does not hold any financial instruments which are classified as available for sale, exposing the Fund to fair value interest rate risk.

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, 2015 is not necessarily indicative of the effect on the Fund's net assets 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.

2015					
Yield / Interest rate (%)	Total	Exposed to Yield / Interest rate risk			Not exposed to Yield / Interest rate risk
		Upto three months	More than three months and upto one year	More than one year	
----- (Rupees in '000) -----					
On-balance sheet financial instruments					
Financial assets					
Bank balances	464,049	464,049	-	-	-
Accrued mark-up	2,363	-	-	-	2,363
	466,412	464,049	-	-	2,363
Financial liabilities					
Payable to HBL Asset Management Limited - Management Company	470	-	-	-	470
Payable to Central Depository Company of Pakistan Limited - Trustee	55	-	-	-	55
Payable to Securities and Exchange Commission of Pakistan	358	-	-	-	358
Accrued expenses and other liabilities	4,471	-	-	-	4,471
	5,354	-	-	-	5,354
On-balance sheet gap	461,058	464,049	-	-	(2,991)
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-

2014					
Yield / Interest rate (%)	Total	Exposed to Yield / Interest rate risk			Not exposed to Yield / Interest rate risk
		Upto three months	More than three months and upto one year	More than one year	
----- (Rupees in '000) -----					
On-balance sheet financial instruments					
Financial assets					
Bank balances	449,096	449,096	-	-	-
Accrued mark-up	563	-	-	-	563
	449,659	449,096	-	-	563
Financial liabilities					
Payable to HBL Asset Management Limited - Management Company	431	-	-	-	431
Payable to Central Depository Company of Pakistan Limited - Trustee	50	-	-	-	50
Payable to Securities and Exchange Commission of Pakistan	349	-	-	-	349
Accrued expenses and other liabilities	298	-	-	-	298
	1,128	-	-	-	1,128
On-balance sheet gap	448,531	449,096	-	-	(565)
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-

21.1.3 Price Risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Fund is not exposed to price risk as at June 30, 2015.

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 its obligations.

The Fund's credit risk is primarily attributable to its investment in government securities, privately placed sukuks, 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 and companies 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 assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company. The Fund does not expect to incur material credit losses on its financial assets.

The maximum exposure to credit risk is as follow:

	2015	2014
	(Rupees in '000)	
Bank balances by rating category		
A-1+ (JCR-VIS)	18,161	-
A1+ (PACRA)	445,888	449,096
	<u>464,049</u>	<u>449,096</u>
Accrued mark-up	<u>2,363</u>	<u>563</u>

The maximum exposure to credit risk before any credit enhancement is the carrying amount of these financial assets. None of these assets are 'impaired' nor 'past due but not impaired'.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Almost 99% (2014: 99%) of the Fund's Financial assets are placed with various banks. Owing to strong financial position of the banks, Fund does not foresee any credit risk on this balance.

21.3 Liquidity risk

This 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 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 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.

	2015			
	Total	Upto three months	Over three months and upto one year	Over one year
----- (Rupees in '000) -----				
Financial liabilities				
(excluding unit holders' fund)				
Payable to HBL Asset Management Limited - Management Company	470	470	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	55	55	-	-
Payable to Securities and Exchange Commission of Pakistan	358	358	-	-
Accrued expenses and other liabilities	4,471	4,471	-	-
	5,354	5,354	-	-
Unit holders' fund	457,348	457,348	-	-

	2014			
	Total	Upto three months	Over three months and upto one year	Over one year
----- (Rupees in '000) -----				
Financial liabilities				
(excluding unit holders' fund)				
Payable to HBL Asset Management Limited - Management Company	431	431	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	50	50	-	-
Payable to Securities and Exchange Commission of Pakistan	349	349	-	-
Accrued expenses and other liabilities	298	298	-	-
	1,128	1,128	-	-
Unit holders' fund	446,142	446,142	-	-

22. UNITS HOLDERS' FUND RISK MANAGEMENT

The units holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

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

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

In accordance with the risk management policies stated in note 22, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short-term borrowings arrangements (which can be entered if necessary) or disposal of investments where necessary.

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences can arise between carrying values and 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 year end date. The Fund does not hold any securities that are based on quoted market prices.

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 fair value of financial assets i.e. Government of Pakistan - Ijara Sukuk are not traded in an active market is determined with reference to the rates quoted by Financial Market Association of Pakistan.

The estimated fair value of other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

IFRS 7, 'Financial instruments: Disclosures' 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).

At year end, the Company does not hold any investment which has been carried at fair values.

24. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on **September 30, 2015**.

25. GENERAL

Figures have been rounded off to the nearest thousand rupees.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

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HBL Asset Management Limited



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