

**HBL**

**ASSET MANAGEMENT**

**ايسيت مينجمنت**

**HBL** Islamic Pension Fund

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**Annual Report 2015**

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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 spirit 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. Salahuddin Manzoor	(Non-Executive Director)
	Mr. Rehan N. Shaikh	(Executive Director)
	Ms. Sadia Khan	(Independent Non-Executive Director)

### Risk Management Committee

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

### Company Secretary & Chief Financial Officer

Mr. Noman Qurban

### 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 Shakra-e-Faisal, Karachi

### Legal Advisors

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

### Website

[www.hblasst.com](http://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 Pension Fund**

### NAME OF AUDITORS

#### External Auditors

**Deloitte Yousuf Adil, Chartered Accountants  
Member of Deloitte Touche Tohmatsu Limited  
Cavish Court, A-35, Block 7 & 8 KCHSU  
Sharae Faisal, Karachi – 75350, Pakistan**

#### Internal Auditors

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

### NAME OF BANKERS

**Habib Bank Limited  
Faysal Bank Limited  
Bank Islami Paksitan Limited**

## HBL ISLAMIC PENSION FUND PERFORMANCE TABLE

	For the period ended June 30,2015			For the period ended June 30,2014			For the period ended June 30,2013			For the period ended November 29, 2011 to June 30,2012		
	Equity	Debt	Money Market	Equity	Debt	Money Market	Equity	Debt	Money Market	Equity	Debt	Money Market
<b>NET ASSETS AND PRICES</b>												
Net assets at the period end(Rs'000)	151,736	74,923	58,291	115,123	63,003	54,736	68,802	54,248	55,509	42,452	41,595	42,083
Net asset value per unit at the period end/period end(Rs)	327.7553	127.0785	125.8416	260.2925	121.0647	119.5334	180.2516	113.0976	112.6871	119.9318	104.0739	104.6350
Selling price/repurchasing price	327.7553	127.0785	125.8416	260.2925	121.0647	119.5334	180.2516	113.0976	112.6871	119.9318	104.0739	104.6350
Earning per unit(Rs) (note 3.9 )												
Highest selling price per unit(Rs)	336.838	127.1655	125.9589	260.2925	121.0699	119.6898	188.2958	113.0976	112.6940	128.3560	104.7549	104.8575
Lowest selling price per unit(Rs)	238.5543	120.7781	119.3724	176.9243	113.1407	112.7385	119.6268	104.1838	104.8077	98.3040	100.00	100.00
Highest repurchase price per unit(Rs)	336.838	127.1655	125.9589	260.2925	121.0699	119.6898	188.2958	113.0976	112.6940	128.3560	104.7549	104.8575
Lowest repurchasing price per unit(Rs)	238.5543	120.7781	119.3724	176.9243	113.1407	112.7385	119.6268	104.1838	104.8077	98.3040	100.00	100.00
<b>RETURN ( % )</b>												
Total return	25.92%	4.97%	5.28%	44.41%	7.04%	6.08%	50.30%	8.67%	7.70%	35.17%	9.77%	9.29%
Capital growth	25.92%	4.97%	5.28%	44.41%	7.04%	6.08%	50.30%	8.67%	7.70%	35.17%	9.77%	9.29%
<b>AVERAGE RETURNS ( % )</b>												
Average annual return	25.92%	4.97%	5.28%	44.41%	7.04%	6.08%	50.30%	8.67%	7.70%	35.17%	9.77%	9.29%
Average return since inception	227.76%	7.55%	7.21%	160.29%	8.14%	7.55%	8.25%	8.26%	8.00%	35.17%	9.77%	9.29%
Weighted average portfolio during (No. of days)	-	194	135	-	370	254	-	294	163	-	577	247

**Disclaimer:**

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

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

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

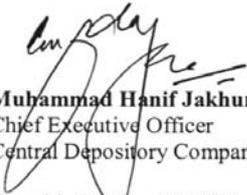


**TRUSTEE REPORT TO THE PARTICIPANTS**

**HBL ISLAMIC PENSION FUND**

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Pension Fund (the Fund) are of the opinion that HBL Asset Management Limited being the Pension Fund Manager of the Fund has in all material respects managed the Fund during the year ended June 30, 2015 in accordance with the provisions of the constitutive documents of the Fund and the Voluntary Pension System Rules, 2005.

  
**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 Pension Fund**, I am issuing this report in accordance with 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 Pension Fund Manager, to establish and maintain a system of 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.

For screening investment in equities, I have advised criteria on the basis of the following:

- (i) nature of business of the investee company,
- (ii) debt to the total assets,
- (iii) non compliant investments to total assets, and
- (iv) non-compliant income to total revenue.

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 of 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.

There are investments made by HBL Islamic Pension Fund where investee companies have earned a part of their income from non-compliant sources (e-g, interest income). In such cases, the Pension Fund Manager, in consultation with me, the Shariah Adviser of the Fund, have determined the Haram portion of the income of the Fund and marked to charity in order to purify the whole income.

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Mufti Yahya Asim  
Shariah Advisor

## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

**HBL Islamic Pension Fund** (the fund) has fully complied with the Shariah principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during 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

## INDEPENDENT AUDITORS' REPORT TO THE PARTICIPANTS OF THE HBL ISLAMIC PENSION FUND

We have audited the annexed financial statements comprising:

- i. Balance Sheet;
- ii. Income Statement;
- iii. Statement of Comprehensive Income;
- iv. Cashflow Statement; and
- v. Statement of Movement in Participants' Fund.

of **HBL ISLAMIC Pension Fund** ("the Fund") as at June 30, 2015 together with the notes forming part thereof, for the year ended June 30, 2015.

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

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

In our opinion:-

- a) the accounts prepared for the year ended June 30, 2015 have been properly drawn in accordance with the relevant provisions of the trust deed and the Voluntary Pension System Rules, 2005 including the guidelines thereunder;
- b) a true and fair view is given of the disposition of the Fund as at June 30, 2015 and transactions of the Fund for the year ended June 30, 2015 in accordance with approved accounting standards as applicable in Pakistan;
- c) the allocation and reallocation of units of the sub-funds for all the participants have been made according to the Voluntary Pension System Rules, 2005;
- d) the cost and expenses debited to the Fund and apportionment of expenses between sub-funds are as specified in the constitutive documents of the Fund;
- e) the accounts prepared are in agreement with the Fund's books and records;
- f) we were able to obtain all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit; and
- g) no zakat was deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980).

The financial statements of the Fund for the year ended June 30, 2014 were audited by another firm of Chartered Accountants, whose report dated October 30, 2014 expressed an un-modified opinion thereon.



**Chartered Accountants**

**Engagement Partner:**

Naresh Kumar

**Date:** September 30, 2015

**Place:** Karachi

Member of  
**Deloitte Touche Tohmatsu Limited**

**HBL ISLAMIC PENSION FUND**  
**Balance Sheet**  
*As at June 30, 2015*

	2015				2014				
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	
Note	------(Rupees in '000)-----				------(Rupees in '000)-----				
<b>ASSETS</b>									
Bank balances	4	13,986	10,223	3,665	27,874	8,927	14,479	15,238	38,644
Investments - net	5	139,854	65,201	54,895	259,950	104,874	48,680	39,503	193,057
Dividend and profit receivable	6	292	169	377	838	169	217	399	785
Preliminary expenses and floatation costs	7	-	-	-	-	5	5	5	15
Advances, deposits, prepayments and other receivables	8	100	100	-	200	5,469	100	-	5,569
<b>Total assets</b>		<b>154,232</b>	<b>75,693</b>	<b>58,937</b>	<b>288,862</b>	<b>119,444</b>	<b>63,481</b>	<b>55,145</b>	<b>238,070</b>
<b>LIABILITIES</b>									
Payable to HBL Asset Management Limited - Pension Fund Manager	9	211	106	87	404	161	84	78	323
Payable to the Central Depository Company of Pakistan Limited - Trustee	10	17	9	7	33	15	1	-	16
Payable to the Securities and Exchange Commission of Pakistan	11	43	23	20	86	31	19	16	66
Accrued expenses and other liabilities	12	2,225	632	532	3,389	4,114	374	315	4,803
<b>Total liabilities</b>		<b>2,496</b>	<b>770</b>	<b>646</b>	<b>3,912</b>	<b>4,321</b>	<b>478</b>	<b>409</b>	<b>5,208</b>
<b>NET ASSETS</b>		<b>151,736</b>	<b>74,923</b>	<b>58,291</b>	<b>284,950</b>	<b>115,123</b>	<b>63,003</b>	<b>54,736</b>	<b>232,862</b>
<b>PARTICIPANTS' SUB-FUNDS</b> (as per statement attached)		<b>151,736</b>	<b>74,923</b>	<b>58,291</b>	<b>284,950</b>	<b>115,123</b>	<b>63,003</b>	<b>54,736</b>	<b>232,862</b>
Contingencies and commitments	13								
Number of units in issue	14	462,955	589,580	463,203	1,515,738	442,284	520,412	457,919	1,420,615
Net asset value per unit	Rupees	327.7553	127.0785	125.8416		260.2925	121.0647	119.5334	

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

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

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

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

**HBL ISLAMIC PENSION FUND**  
**Income Statement**  
For the year ended June 30, 2015

Note	2015				2014			
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total
	------(Rupees in '000)-----				------(Rupees in '000)-----			
<b>INCOME</b>								
	4,154	-	-	4,154	4,416	-	-	4,416
	541	483	699	1,723	702	904	1,364	2,970
16	-	5,082	3,732	8,814	-	3,915	2,407	6,322
	30,170	-	-	30,170	23,574	(88)	6	23,492
	<b>34,865</b>	<b>5,565</b>	<b>4,431</b>	<b>44,861</b>	<b>28,692</b>	<b>4,731</b>	<b>3,777</b>	<b>37,200</b>
<b>EXPENSES</b>								
	2,603	1,374	1,128	5,105	1,872	1,167	973	4,012
	195	103	85	383	143	90	75	308
	43	23	19	85	31	19	16	66
17	114	116	116	346	94	94	94	282
7	5	5	5	15	11	11	11	33
	26	10	4	40	32	14	8	54
	57	-	-	57	78	-	-	78
	<b>3,043</b>	<b>1,631</b>	<b>1,357</b>	<b>6,031</b>	<b>2,261</b>	<b>1,395</b>	<b>1,177</b>	<b>4,833</b>
	<b>31,822</b>	<b>3,934</b>	<b>3,074</b>	<b>38,830</b>	<b>26,431</b>	<b>3,336</b>	<b>2,600</b>	<b>32,367</b>
18	(637)	(82)	(65)	(784)	(529)	(79)	(52)	(660)
	<b>31,185</b>	<b>3,852</b>	<b>3,009</b>	<b>38,046</b>	<b>25,902</b>	<b>3,257</b>	<b>2,548</b>	<b>31,707</b>
19	-	-	-	-	-	-	-	-
	<b>31,185</b>	<b>3,852</b>	<b>3,009</b>	<b>38,046</b>	<b>25,902</b>	<b>3,257</b>	<b>2,548</b>	<b>31,707</b>

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

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

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

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

**HBL ISLAMIC PENSION FUND**  
**Statement of Comprehensive Income**  
*For the year ended June 30, 2015*

	2015				2014			
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total
	(Rupees in '000)				(Rupees in '000)			
Net income for the year after taxation	31,185	3,852	3,009	38,046	25,902	3,257	2,548	31,707
Other comprehensive income for the year								
<i>Items that may be reclassified subsequently to income statement:</i>								
Net unrealized appreciation in the market value of investments classified as available-for-sale	(422)	(465)	(84)	(971)	8,621	664	306	9,591
<b>Total comprehensive income for the year</b>	<b>30,763</b>	<b>3,387</b>	<b>2,925</b>	<b>37,075</b>	<b>34,523</b>	<b>3,921</b>	<b>2,854</b>	<b>41,298</b>

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

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

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

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

**HBL ISLAMIC Pension FUND**  
**Statement of Movement in Participants Funds**  
*For the year ended June 30, 2015*

Note	2015				2014				
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	
	------(Rupees in '000)-----				------(Rupees in '000)-----				
Net assets at the beginning of the year	115,123	63,003	54,736	232,862	68,802	54,248	55,509	178,559	
Issuance of units	15	10,540	11,638	4,372	26,550	13,741	17,878	16,711	48,330
Redemption of units	(5,543)	(3,461)	(2,533)	(11,537)	(11,787)	(13,525)	(10,013)	(35,325)	
Reallocation among sub funds	853	356	(1,209)	-	9,844	481	(10,325)	-	
Net income for the year	31,185	3,852	3,009	38,046	25,902	3,257	2,548	31,707	
Net unrealized appreciation in the market value of investments classified as available-for-sale	(422)	(465)	(84)	(971)	8,621	664	306	9,591	
Total comprehensive income for the year	30,763	3,387	2,925	37,075	34,523	3,921	2,854	41,298	
Net assets at the end of the year	151,736	74,923	58,291	284,950	115,123	63,003	54,736	232,862	

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

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

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

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

**HBL ISLAMIC PENSION FUND**  
**Statement of Cash Flows**  
For the year ended June 30, 2015

	2015				2014			
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total
	(Rupees in '000)				(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Net income for the year before taxation	31,185	3,852	3,009	38,046	25,902	3,257	2,548	31,707
<b>Adjustments for non-cash items</b>								
Dividend income	(4,154)	-	-	(4,154)	(4,416)	-	-	(4,416)
Profit on bank deposits	(541)	(483)	(699)	(1,723)	(702)	(904)	(1,364)	(2,970)
Mark-up / return on investments	-	(5,082)	(3,732)	(8,814)	-	(3,915)	(2,407)	(6,322)
Capital (gain) / loss on sale of investments	(30,170)	-	-	(30,170)	(23,574)	88	(6)	(23,492)
Amortization of preliminary expenses and floatation costs	5	5	5	15	11	11	11	33
Provision for Workers' Welfare Fund	637	82	65	784	529	79	52	660
	(3,038)	(1,626)	(1,352)	(6,016)	(2,250)	(1,384)	(1,166)	(4,800)
<b>(Increase) / decrease in assets</b>								
Investments - net	(5,232)	(16,986)	(15,476)	(37,694)	(10,690)	1,983	14,893	6,186
Advances, deposits, prepayments and other receivables	5,369	-	-	5,369	(5,369)	-	-	(5,369)
	137	(16,986)	(15,476)	(32,325)	(16,059)	1,983	14,893	817
<b>Increase / (decrease) in liabilities</b>								
Payable to HBL Asset Management Limited - Pension Fund Manager	50	22	9	81	(74)	(134)	(35)	(243)
Payable to the Central Depository Company of Pakistan Limited - Trustee	2	8	7	17	6	(7)	(8)	(9)
Payable to the Securities and Exchange Commission of Pakistan	12	4	4	20	13	3	(1)	15
Accrued expenses and other liabilities	(2,526)	176	152	(2,198)	2,350	144	114	2,608
	(2,462)	210	172	(2,080)	2,295	6	70	2,371
Dividend income received	(5,363)	(18,402)	(16,656)	(40,421)	(16,014)	605	13,797	(1,612)
Mark-up income received	4,009	-	-	4,009	4,349	-	-	4,349
	563	5,613	4,453	10,629	699	5,491	4,170	10,360
<b>Net cash (used in) / generated from operating activities</b>	(791)	(12,789)	(12,203)	(25,783)	(10,966)	6,096	17,967	13,097
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
Amount received on issue of units	10,540	11,638	4,372	26,550	13,741	17,878	16,711	48,330
Amount paid on redemption of units	(5,543)	(3,461)	(2,533)	(11,537)	(11,787)	(13,525)	(10,013)	(35,325)
Reallocation among sub-funds	853	356	(1,209)	-	9,844	481	(10,325)	-
<b>Net cash (used in) / generated from financing activities</b>	5,850	8,533	630	15,013	11,798	4,834	(3,627)	13,005
<b>Net (decrease) / increase in cash and cash equivalents</b>	5,059	(4,256)	(11,573)	(10,770)	832	10,930	14,340	26,102
Cash and cash equivalents at the beginning of the year	8,927	14,479	15,238	38,644	8,095	3,549	898	12,542
<b>Cash and cash equivalents at the end of the year</b>	13,986	10,223	3,665	27,874	8,927	14,479	15,238	38,644

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

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

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

\_\_\_\_\_  
Director

# HBL ISLAMIC PENSION FUND

## Notes To The Financial Statements

For the year ended June 30, 2015

### 1. LEGAL STATUS AND NATURE OF BUSINESS

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

The Pension Fund Manager has been licensed to act as a Pension Fund Manager under the Voluntary Pension System Rules, 2005 (VPS Rules) through a certificate of registration issued by the SECP. The registered office of the Pension Fund Manager is situated at 24-C, Khayaban-e-Hafiz, Phase VI, D.H.A, Karachi, Pakistan.

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

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

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

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

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

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

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2-' (2014: 'AM2-') to the Pension Fund Manager while the Fund is currently not rated.

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

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, technical releases issued by the Institute of Chartered Accountants of Pakistan from time to time and the requirements of the Voluntary Pension System Rules, 2005 (the VPS Rules). Wherever the requirements of the VPS Rules differ with the requirements of the IFRS, the requirements of the VPS Rules shall prevail.

#### 2.2 Basis of Measurement

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

### 2.3 Functional and presentation currency

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

### 2.4 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2015

The following standards, amendments and interpretations are effective for the year ended June 30, 2015. 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.

#### **Amendments to IAS 19 Employee Benefits: Employee contributions**

**Effective from accounting period beginning on or after July 01, 2014**

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties that are linked to services to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contribution as a reduction of the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service either using the plan's contribution formula or on a straight line basis; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service. Retrospective application is required."

#### **Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities**

**Effective from accounting period beginning on or after January 01, 2014**

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

#### **IAS 36 Impairment of Assets - Recoverable amount disclosures for non-financial assets**

**Effective from accounting period beginning on or after January 01, 2014**

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. The new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair value Measurements. The amendments require retrospective application.

#### **IAS 39 Financial Instruments: Recognition and measurement - Novation of derivatives and continuation of hedge accounting**

**Effective from accounting period beginning on or after January 01, 2014**

The amendment allows the continuation of hedge accounting (under IAS 30 and IFRS 9 chapter on hedge accounting) when a derivative is novated to a clearing counterparty and certain conditions are met.

#### **IFRIC 21 - Levies**

**Effective from accounting period beginning on or after January 01, 2014**

IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognised when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy.

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

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

#### **Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortization**

**Effective from accounting period beginning on or after January 01, 2016**

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendment to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) When the intangible asset is expressed as a measure of revenue. For example, an entity could acquire a concession to explore and extract gold from a gold mine. The expiry of the contract might be based on a fixed amount of total revenue to be generated from the extraction (for example,

a contract may allow the extraction of gold mine until the total cumulative revenue from the sale of goods reaches CU 2 billion) and not be based on time or on the amount of gold extracted. Provided that the contract specifies a fixed total amount of revenue to be generated on which amortization is to be determined, the revenue that is to be generated might be an appropriate basis for amortizing the intangible asset; or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible assets are highly correlated. The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

**Amendments to IAS 16 and IAS 41 Agriculture: Bearer plants**

**Effective from accounting period beginning on or after January 01, 2016**

The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. In terms of the amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16.

On the initial application of the amendments, entities are permitted to use the fair value of the items of bearer plants as their deemed cost as at the beginning of the earliest period presented. Any difference between the previous carrying amount and fair value should be recognized in opening retained earnings at the beginning of the earliest period presented.

The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

**IAS 27 (Revised 2011) – Separate Financial Statements  
IAS 27 (Revised 2011) will concurrently apply with IFRS 10.**

**Effective from accounting period beginning on or after January 01, 2015.**

The revised Standard sets out the requirements regarding separate financial statements only. Most of the requirements in the revised Standard are carried forward unchanged from the previous Standard. Subsequently, IASB issued amendment to IAS 27 wherein it has allowed to follow the equity method in the separate financial statements also. These amendments will be effective from January 01, 2016 with earlier application allowed.

**IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures**

**Effective from accounting period beginning on or after January 01, 2015.**

Similar to the previous Standard, the new Standard deals with how to apply the equity method of accounting. However, the scope of the revised Standard has been changed so that it covers investments in joint ventures as well because IFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting.

**IFRS 10 – Consolidated Financial Statements  
Earlier adoption is encouraged.**

**Effective from accounting period beginning on or after January 01, 2015.**

IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC 12 Consolidation - Special Purpose Entities. Under IFRS 10, there is only one basis for consolidation for all entities, and that basis is control. This change is to remove the perceived inconsistency between the previous version of IAS 27 and SIC 12; the former used a control concept while the latter placed greater emphasis on risks and rewards. IFRS 10 includes a more robust definition of control in order to address unintentional weaknesses of the definition of control set out in the previous version of IAS 27. Specific transitional provisions are given for entities that apply IFRS 10 for the first time. Specifically, entities are required to make the 'control' assessment in accordance with IFRS 10 at the date of initial application, which is the beginning of the annual reporting period for which IFRS 10 is applied for the first time. No adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is the same before and after the application of IFRS 10. However, adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is different from that before the application of IFRS 10.

**IFRS 11 – Joint Arrangements**

**Effective from accounting period beginning on or after January 01, 2015**

IFRS 11 replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non monetary Contributions by Venturers. IFRS 11 deals with how a joint arrangement should be classified where two or more parties have joint control. There are two types of joint arrangements under IFRS 11: joint operations and joint ventures. These two types of joint arrangements are distinguished by parties' rights and obligations under the arrangements. Under IFRS 11, the existence of a separate vehicle is no longer a sufficient condition for a joint arrangement to be classified as a joint venture whereas, under IAS 31, the establishment of a separate legal vehicle was the key factor in determining whether a joint arrangement should be classified as a jointly controlled entity.

**IFRS 12 – Disclosure of Interests in Other Entities**

**Effective from accounting period beginning on or after January 01, 2015**

IFRS 12 is a new disclosure Standard that sets out what entities need to disclose in their annual consolidated financial statements when they have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities (broadly the same as special purpose entities under SIC 12). IFRS 12 aims to provide users of financial statements with information that helps evaluate the nature of and risks associated with the reporting entity's interest in other entities and the effects of those interests on its financial statements.

## IFRS 13 – Fair Value Measurement

Effective from accounting period beginning on or after January 01, 2015

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. IFRS 13 gives a new definition of fair value for financial reporting purposes. Fair value under IFRS 13 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. IFRS 13 should be applied prospectively as of the beginning of the annual period in which it is initially applied.

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 SECP.

- 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

### 2.6 Critical accounting estimates and judgments

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

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

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.1 Cash and cash equivalents

Cash and cash equivalents include bank balances and other short term deposits with original maturities of three months or less.

#### 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 - 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".

##### 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.

### 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. Purchases / sales of investments require delivery of securities within the time frame established by the regulations.

### 3.2.3 Initial recognition and measurement

Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss - held for trading'. Financial assets carried 'at fair value through profit or loss - held for trading' are initially recognized at fair value and transaction costs are recognized 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 - 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.

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.

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

### 3.2.5 Impairment of financial assets

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

#### a) Debt securities

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

#### b) Equity Securities

The Fund assess at each reporting date whether there is objective evidence that a financial asset or a group of financial asset is impaired. In case of investments classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for 'available-for-sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously 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.

### 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.

### 3.2.2 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. Purchases / sales of investments require delivery of securities within the time frame established by the regulations.

### 3.2.3 Initial recognition and measurement

Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss - held for trading'. Financial assets carried 'at fair value through profit or loss - held for trading' are initially recognized at fair value and transaction costs are recognized 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 - 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.

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.

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

### 3.2.5 Impairment of financial assets

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

#### a) Debt securities

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#### 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.

### 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.

### 3.2.7 Offsetting of financial assets and financial liabilities

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

### 3.3 Financial liabilities

All financial liabilities are 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.

### 3.4 Preliminary expenses and floatation costs

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

### 3.5 Provisions

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

### 3.6 Revenue recognition

- Capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealized gains / (losses) arising on revaluation of investments classified as 'financial assets at fair value through profit or loss - held for trading' are included in the income statement 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.
- Mark-up / return on government securities, term finance certificate, sukuk certificates, commercial papers, clean placements, bank balances and term deposit receipts are recognized on a time proportion basis using the effective interest method.

### 3.7 Taxation

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

### 3.8 Issue and redemption of units

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

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

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

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

### 3.9 Net Asset Value per unit

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

### 3.10 Earnings per unit (EPU)

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

### 4. BANK BALANCES

Note	2015				2014				
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	
	------(Rupees in '000)-----				------(Rupees in '000)-----				
Savings accounts	4.1	13,986	10,223	3,665	27,874	8,927	14,479	15,238	38,644

4.1 This represents bank accounts held with various banks. Mark-up rates on these accounts range between 3.14% to 9.25% (2014: 6.95% to 9%) per annum.

### 5. INVESTMENTS - NET

Note	2015				2014				
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	
	------(Rupees in '000)-----				------(Rupees in '000)-----				
<b>Investments by category</b>									
<b>Available for sale investments</b>									
Listed equity securities	5.1	139,609	-	-	139,609	104,874	-	-	104,874
Government of Pakistan - Ijarah Sukuks	5.2	-	63,046	54,895	117,941	-	46,170	39,503	85,673
Sukuk certificates - Unlisted	5.3	-	2,155	-	2,155	-	2,510	-	2,510
Redeemable Preference Shares	5.4	245	-	-	245	-	-	-	-
		139,854	65,201	54,895	259,950	104,874	48,680	39,503	193,057

5.1 Listed equity securities

5.1.1 Held by Equity Sub-Fund

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

Name of the investee company	As at July 1, 2014	Purchases during the year	Bonus / Right issue during	Sales during the year	As at June 30, 2015	Market value	Market value as a % of net assets of the sub-fund	Market value as a % of total investment	% of paid-up capital of the investee company
	-----Number of shares-----				-----Rupees in '000-----		-----%-----		
<b>Oil and Gas Exploration Companies</b>									
Oil and Gas Development Company Limited	20,400	18,000	-	38,400	-	-	-	-	-
Pakistan Petroleum Limited	15,100	30,000	-	45,100	-	-	-	-	-
Mari Petroleum Company Limited *	29,500	14,000	2,800	43,500	2,800	1,312	0.86	0.95	0.0025
Pakistan Oilfields Limited	-	11,000	-	-	11,000	4,442	2.93	3.18	0.0047
	65,000	73,000	2,800	127,000	13,800	5,754	3.79	4.13	
<b>Oil and Gas Marketing Companies</b>									
Pakistan State Oil Company Limited	34,322	30,400	-	48,922	15,800	6,095	4.02	4.36	0.0058
Attock Petroleum Limited	5,640	3,500	-	-	9,140	5,184	3.42	3.71	0.0110
	39,962	33,900	-	48,922	24,940	11,279	7.44	8.07	
<b>Fertilizer</b>									
Engro Corporation Limited	-	48,000	-	10,100	37,900	11,249	7.41	8.05	0.0072
Engro Fertilizers Limited	-	165,000	-	-	165,000	14,634	9.64	10.47	0.0124
Fauji Fertilizer Bin Qasim Limited	-	130,000	-	130,000	-	-	-	-	-
Fauji Fertilizer Company Limited	-	50,000	-	9,800	40,200	6,007	3.96	4.31	0.0032
	-	393,000	-	149,900	243,100	31,890	21.01	22.83	
<b>Chemical</b>									
ICI Pakistan Limited	17,200	-	-	-	17,200	7,377	4.86	5.28	0.0186
	17,200	-	-	-	17,200	7,377	4.86	5.28	
<b>Cement</b>									
Kohat Cement Limited	65,500	20,000	-	85,500	-	-	-	-	-
Lucky Cement Limited	20,700	16,300	-	27,700	9,300	4,833	3.19	3.47	0.0029
Fauji Cement Company Limited	-	124,500	-	-	124,500	4,341	2.86	3.11	0.0094
Maple Leaf Cement Factory Limited	-	156,000	-	156,000	-	-	-	-	-
D.G. Khan Cement Company Limited	-	74,500	-	5,500	69,000	9,851	6.49	7.05	0.0157
Cherat Cement Company Limited	-	130,000	-	130,000	-	-	-	-	-
	86,200	521,300	-	404,700	202,800	19,025	12.54	13.63	
<b>Food &amp; Personal Care Products</b>									
Engro Foods Limited	4,500	50,000	-	13,000	41,500	6,285	4.14	4.50	0.0054
National Foods Limited **	16,375	16,375	-	-	32,750	11,126	7.33	7.97	0.0316
	20,875	66,375	-	13,000	74,250	17,411	11.47	12.47	
<b>Power Generation &amp; Distribution</b>									
Hub Power Company Limited	82,133	100,000	-	107,000	75,133	7,030	4.63	5.04	0.0065
K-Electric Limited	850,000	935,000	-	850,000	935,000	7,873	5.19	5.64	0.0034
Nishat Chunian Power Limited	-	45,000	-	-	45,000	2,673	1.76	1.92	0.0123
	932,133	1,080,000	-	957,000	1,055,133	17,576	11.58	12.60	
<b>Commercial Banks</b>									
Meezan Bank Limited	175,000	-	-	175,000	-	-	-	-	-
	175,000	-	-	175,000	-	-	-	-	-
<b>Automobile Assembler</b>									
Pak Suzuki Motor Company Limited	42,700	-	-	21,200	21,500	9,372	6.18	6.71	0.0261
Indus Motor Company Limited	-	6,500	-	-	6,500	8,119	5.35	5.82	0.0083
Millat Tractors Limited	-	10,000	-	10,000	-	-	-	-	-
	42,700	16,500	-	31,200	28,000	17,491	11.53	12.53	
<b>Miscellaneous</b>									
Synthetic Products Enterprises Limited	-	150,000	-	106,500	43,500	2,387	1.57	1.72	0.0562
	-	150,000	-	106,500	43,500	2,387	1.57	1.72	
<b>Automobile Parts &amp; Accessories</b>									
Thal Limited	-	33,000	-	-	33,000	9,419	6.21	6.74	0.0407
	-	33,000	-	-	33,000	9,419	6.21	6.74	
	<b>1,379,070</b>	<b>2,367,075</b>	<b>2,800</b>	<b>2,013,222</b>	<b>1,735,723</b>	<b>139,609</b>	<b>92.00</b>	<b>100</b>	
Carrying Value as at June 30, 2015						<b>114,709</b>			

12.1 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Pension Fund Manager was applied effective from June 13, 2013. The Pension Fund Manager is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. In prior year, the Honourable High Court Sindh in a Constitutional petition relating to levy of FED on Mutual Funds has granted a stay order for the recovery of FED. As a matter of abundant caution, the Pension Fund Manager has made a provision with effect from June 13, 2013, aggregating to Rs. 0.513 million, Rs. 0.289 million and Rs. 0.236 million for Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively. Had the provision not been made, the Net Asset Value (NAV) per unit of Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund as at June 30, 2015 would have been higher by Rs. 1.1081, Rs. 0.4902 and Rs. 0.5095 respectively.

### 13. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2015.

### 14. NUMBER OF UNITS IN ISSUE

	2015				2014			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	-----Number of units-----				-----Number of units-----			
Opening units in issue	442,284	520,412	457,919	1,420,615	381,699	479,656	492,597	1,353,952
Units issued during the year	35,205	93,792	35,829	164,826	64,150	144,970	140,708	349,828
Less: Units redeemed	(18,092)	(27,904)	(20,839)	(66,835)	(47,073)	(117,571)	(84,538)	(249,182)
Reallocation effect	3,558	3,280	(9,706)	(2,868)	43,508	13,357	(90,848)	(33,983)
<b>Total units in issue at the end of the year</b>	<b>462,955</b>	<b>589,580</b>	<b>463,203</b>	<b>1,515,738</b>	<b>442,284</b>	<b>520,412</b>	<b>457,919</b>	<b>1,420,615</b>

### 15. CONTRIBUTION TABLE

Contributions received are as follows:

	2015							
	Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund		Total	
	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)
<b>From:</b>								
Individuals	35,205	10,540	93,792	11,638	35,829	4,372	164,826	26,550

	2014							
	Equity Sub Fund		Debt Sub Fund		Money Market Sub Fund		Total	
	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)
<b>From:</b>								
Individuals	64,150	13,741	144,970	17,878	140,708	16,711	349,828	48,330

## 16. MARK-UP / RETURN ON INVESTMENTS

	2015				2014			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
Mark-up / return on:								
Government of Pakistan - Ijarah Sukuk	-	4,832	3,732	8,564	-	3,733	2,407	6,140
Sukuks - Unlisted	-	250	-	250	-	182	-	182
	-	5,082	3,732	8,814	-	3,915	2,407	6,322

## 17. AUDITOR'S REMUNERATION

	2015				2014			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
Annual Audit fee	46	67	67	180	39	39	39	117
Half yearly review fee	31	31	31	93	28	28	28	84
Shariah compliance certification	25	-	-	25	-	-	-	-
Out of pocket expenses	12	18	18	48	27	27	27	81
	114	116	116	346	94	94	94	282

## 18. PROVISION FOR 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 / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

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 of Labour and Manpower 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.

Furthermore, in 2011 the Honorable Lahore High Court in a Constitutional Petition relating to the amendments brought in WWF Ordinance through the Finance Act 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Pension Fund Manager is hopeful that the decision of the Honorable Lahore High Court, will lend further support to the Constitutional Petition which is pending in the Honorable High Court of Sindh.

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.

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.

However, without prejudice to the above and owing to the fact that the decision of Sindh High Court on the applicability of WWF (till June 30, 2015) to the CISs is currently pending for adjudication, the Pension Fund Manager, as a matter of abundant caution, has decided to record and retain provision of WWF in financial statements till June 30, 2015 aggregating to Rs. 1,397,622, Rs. 269,187 and Rs. 223,311 for Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively (including Rs. 784,517 for the current period). Had the provision not been made, the Net Asset Value (NAV) per unit of Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund as at June 30, 2015 would have been higher by Rs. 3.0189, Rs. 0.4566 and Rs. 0.4821 respectively.

## 19. TAXATION

No provision for taxation for the year ended June 30, 2015 has been made in view of the exemption available under clause 57 (3) (viii) of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

## 20. TRANSACTIONS WITH CONNECTED PERSONS

20.1 Connected persons include HBL Asset Management Limited being the Pension Fund Manager, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited being the Trustee of the Fund, collective investment schemes managed by the Pension Fund Manager, directors and officers of the Pension Fund Manager and of the connected persons. Transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates. Remuneration payable to the Pension Fund Manager and Trustee is determined in accordance with the provisions of the VPS Rules and the Trust Deed respectively. Details of the transactions with connected persons and balances with them, if not disclosed elsewhere in these financial statements are as follows:

### 20.2 Transactions during the year

	2015				2014				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	
	(Rupees in '000)				(Rupees in '000)				
<b>HBL Asset Management Limited - Pension Fund Manager</b>									
Management fee	2,603	1,374	1,128	5,105	1,872	1,167	973	4,012	
<b>Habib Bank Limited - Sponsor</b>									
Bank charges	2	2	4	8	8	5	5	18	
Profit earned on deposits with bank	509	329	383	1,221	607	813	1,254	2,674	
Profit received on deposits with bank	531	330	322	1,183	604	802	1,161	2,567	
<b>Directors and Executives of the Pension Fund Manager and their relatives</b>									
<b>Executives and their relatives</b>									
Issue of units	Number	86	4,111	6,171	10,368	418	171	-	589
Amount of units issued		22	498	738	1,258	79	20	-	99
Redemption of units	Number	-	3,923	5,955	9,878	537	222	-	759
Amount of units redeemed		-	476	714	1,190	98	26	-	124
Reallocation of units	Number	1,601	(848)	(2,567)	(1,814)	(5)	10	-	5
Amount of units reallocated		410	(103)	(307)	-	(1)	1	-	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>									
Remuneration		195	103	85	383	143	90	75	308
Central Depository System Charges		22	6	-	28	17	6	-	23
<b>Directors of connected persons</b>									
Issue of units	Number	967	2,404	1,217	4,588	521	1,522	383	2,426
Amount of units issued		300	300	150	750	120	180	45	345
Redemption of units on retirement	Number	652	3,505	9,227	13,384	47,827	149,825	113,202	310,854
Amount of units redeemed on retirement		188	432	1,125	1,745	11,495	18,231	13,564	43,290
Reallocation of units	Number	(2,247)	2,679	2,220	2,652	51,724	2,775	(112,197)	(57,698)
Amount of units reallocated		(590)	325	265	-	10,637	318	(12,761)	(1,806)
Issue of units in Income Plan	Number	-	-	-	-	7,428	47,579	125,664	180,671
Amount reinvested in Income Plan		-	-	-	-	1,746	5,801	15,082	22,629

## 20.3 Balances outstanding as at year end

	2015				2014			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
<b>HBL Asset Management Limited - Pension Fund Manager</b>								
Management fee payable	180	90	74	344	136	72	66	274
Sindh Sales Tax	31	16	13	60	25	12	12	49
Federal Excise Duty payable	513	289	236	1,038	201	124	101	426
<b>Habib Bank Limited - Sponsor</b>								
Units held	300,000	300,000	300,000	900,000	300,000	300,000	300,000	900,000
Amount of units held	98,327	38,124	37,752	174,203	78,088	36,319	35,860	150,267
Profit accrued on deposits with bank	20	24	168	212	42	25	107	174
Balance in savings account	12,096	10,156	3,621	25,873	8,736	8,380	5,643	22,759
<b>Directors and Executives of the Pension Fund Manager and their relatives</b>								
<b>Executives and their relatives</b>								
Units held	1,687	997	158	2,842	-	1,657	2,509	4,166
Amount of units held	553	127	20	700	-	201	283	484
<b>Central Depository Company of Pakistan Limited - Trustee</b>								
Remuneration payable	17	9	7	33	15	1	-	16
Security deposit receivable	100	100	-	200	100	100	-	200
<b>Directors of connected persons</b>								
Units held	38,482	70,145	100,615	209,242	40,414	68,567	106,405	215,386
Amount of units held	12,613	8,914	12,662	34,189	10,519	8,301	12,719	31,539

## 21. FINANCIAL INSTRUMENTS BY CATEGORY

	2015									
	Equity Sub Fund			Debt Sub Fund			Money Market Sub Fund			Total
	Loans and receivables	Available for sale	Total	Loans and receivables	Available for sale	Total	Loans and receivables	Available for sale	Total	
(Rupees in '000)										
<b>Financial Assets</b>										
Bank balances	13,986	-	13,986	10,223	-	10,223	3,665	-	3,665	27,874
Investments - net	-	139,854	139,854	-	65,201	65,201	-	54,895	54,895	259,950
Dividend and profit receivable	292	-	292	169	-	169	377	-	377	838
Advances, deposits and other receivables	100	-	100	100	-	100	-	-	-	200
	14,378	139,854	154,232	10,492	65,201	75,693	4,042	54,895	58,937	288,862

	2015				
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	
	At amortized cost (Rupees in '000)				
<b>Financial liabilities</b>					
Payable to HBL Asset Management Limited - Pension Fund Manager		211	106	87	404
Payable to the Central Depository Company of Pakistan Limited - Trustee		17	9	7	33
Accrued expenses and other liabilities		828	363	309	1,500
		1,056	478	403	1,937

	2014									Total
	Equity Sub Fund			Debt Sub Fund			Money Market Sub Fund			
	Loans and receivables	Available for sale	Total	Loans and receivables	Available for sale	Total	Loans and receivables	Available for sale	Total	
----- (Rupees in '000) -----										
<b>Financial Assets</b>										
Bank balances	8,927	-	8,927	14,479	-	14,479	15,238	-	15,238	38,644
Investments - net	-	104,874	104,874	-	48,680	48,680	-	39,503	39,503	193,057
Dividend and profit receivable	169	-	169	217	-	217	399	-	399	785
Advances, deposits and other receivables	5,469	-	5,469	100	-	100	-	-	-	5,569
	<u>14,565</u>	<u>104,874</u>	<u>119,439</u>	<u>14,796</u>	<u>48,680</u>	<u>63,476</u>	<u>15,637</u>	<u>39,503</u>	<u>55,140</u>	<u>238,055</u>

	2014				
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	
	At amortized cost				
----- (Rupees in '000) -----					
<b>Financial liabilities</b>					
Payable to HBL Asset Management Limited - Pension Fund Manager		161	84	78	323
Payable to the Central Depository Company of Pakistan Limited - Trustee		15	1	-	16
Payable to the Securities and Exchange Commission Accrued expenses and other liabilities		3,354	187	157	3,698
		<u>3,530</u>	<u>272</u>	<u>235</u>	<u>4,037</u>

## 22. FINANCIAL RISK MANAGEMENT

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

### 22.1 Market risk

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

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

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

#### 22.1.1 Currency risk

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

#### 22.1.2 Interest rate risk

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

a) **Sensitivity analysis for fixed rate instruments**

As at June 30, 2015, the Fund does not hold any fixed rate instruments that could expose the Fund to fair value interest rate risk.

b) **Sensitivity analysis for variable rate instruments**

As at June 30, 2015, the Debt Sub-Fund and Money Market Sub-Fund hold GoP Ijarah Sukuks and Sukuk certificates which have been classified as 'available for sale', exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in mark-up rates on June 30, 2015, with all other variables held constant, the impact on the net assets and other comprehensive income for the year is as follows:

	<b>Effect on total comprehensive income and net assets</b>					
	<b>2015</b>			<b>2014</b>		
	<b>Debt Sub-Fund</b>	<b>Money Market Sub-Fund</b>	<b>Total</b>	<b>Debt Sub-Fund</b>	<b>Money Market Sub-Fund</b>	<b>Total</b>
	----- <b>(Rupees in '000)</b> -----			----- <b>(Rupees in '000)</b> -----		
<b>Change in basis points</b>						
100	574,222	449,068	1,023,290	446,647	315,540	762,187
(100)	(574,222)	(449,068)	(1,023,290)	(446,647)	(315,540)	(762,187)

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by the Financial Market Association are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2015 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

2015																			
Equity Sub Fund					Debt Sub Fund					Money Market Sub Fund					Total				
Exposed to yield / interest rate risk					Exposed to yield / interest rate risk					Exposed to yield / interest rate risk									
Yield / Interest rate	Upto three months	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	Total	Yield / Interest rate	Upto three months	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	Total	Yield / Interest rate	Upto three months	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	Total		
%	(Rupees in '000)				%	(Rupees in '000)				%	(Rupees in '000)				(Rupees in '000)				
<b>On-balance sheet financial instruments</b>																			
<b>Financial assets</b>																			
Bank balances	3.14 - 9.25	13,986	-	-	-	13,986	3.14 - 9.25	10,223	-	-	-	10,223	3.14 - 9.25	3,665	-	-	-	3,665	27,874
Investments - net		-	-	-	139,854	139,854	6.94 - 8.99	-	63,046	2,155	-	65,201	6.94 - 7.84	-	54,895	-	-	54,895	259,950
Dividend and profit receivable		-	-	-	292	292		-	-	-	169	169		-	-	-	377	377	838
Advances, deposits and other receivables		-	-	-	100	100		-	-	-	100	100		-	-	-	-	-	200
		13,986	-	-	140,246	154,232		10,223	63,046	2,155	269	75,693		3,665	54,895	-	377	58,937	288,862
<b>Financial liabilities</b>																			
Payable to HBL Asset Management Limited - Pension Fund Manager		-	-	-	211	211		-	-	-	106	106		-	-	-	87	87	404
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	17	17		-	-	-	9	9		-	-	-	7	7	33
Accrued expenses and other liabilities		-	-	-	828	828		-	-	-	363	363		-	-	-	309	309	1,500
		-	-	-	1,056	1,056		-	-	-	478	478		-	-	-	403	403	1,937
<b>On-balance sheet gap</b>		13,986	-	-	139,190	153,176		10,223	63,046	2,155	(209)	75,215		3,665	54,895	-	(26)	58,534	286,925
<b>Off-balance sheet financial instruments</b>																			
<b>Off-balance sheet gap</b>		-	-	-	-	-		-	-	-	-	-		-	-	-	-	-	-

	Equity Sub Fund					Debt Sub Fund					Money Market Sub Fund					Total				
	Exposed to yield / interest rate risk				Total	Exposed to yield / interest rate risk				Total	Exposed to yield / interest rate risk				Total					
	Yield / Interest rate	Up to three months	More than three months and up to one year	More than one year		Not exposed to yield / interest rate risk	Yield / Interest rate	Up to three months	More than three months and up to one year		More than one year	Not exposed to yield / interest rate risk	Yield / Interest rate	Up to three months			More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	
	(Rupees in '000)					(Rupees in '000)					(Rupees in '000)					(Rupees in '000)				
On-balance sheet financial instruments																				
Financial assets																				
Bank balances	6.95 - 8	8,927	-	-	-	8,927	6.95 - 9	14,479	-	-	-	-	14,479	6.95 - 9	15,238	-	-	-	15,238	38,644
Investments - net		-	-	-	104,874	104,874	9.22 - 11.19	-	46,170	2,510	-	48,680	9.08 - 9.98	-	39,503	-	-	39,503	193,057	
Dividend and profit receivable		-	-	-	169	169		-	-	-	217	217		-	-	-	399	399	785	
Advances, deposits and other receivables		-	-	-	5,469	5,469		-	-	-	100	100		-	-	-	-	-	5,569	
		8,927	-	-	110,512	119,439		14,479	46,170	2,510	317	63,476		15,238	39,503	-	399	55,140	238,055	
Financial liabilities																				
Payable to HBL Asset Management Limited - Pension Fund Manager		-	-	-	161	161		-	-	-	84	84		-	-	-	78	78	323	
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	15	15		-	-	-	1	1		-	-	-	-	-	16	
Accrued expenses and other liabilities		-	-	-	3,354	3,354		-	-	-	187	187		-	-	-	157	157	3,698	
		-	-	-	3,530	3,530		-	-	-	272	272		-	-	-	235	235	4,037	
On-balance sheet gap		8,927	-	-	106,982	115,909		14,479	46,170	2,510	45	63,204		15,238	39,503	-	164	54,905	234,018	
Off-balance sheet financial instruments																				
Off-balance sheet gap																				

### 22.1.3 Price risk

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

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

**Sector wise portfolio**

Fertilizer  
Cement  
Power Generation & Distribution  
Automobile Assembler  
Food & Personal Care Products  
Oil and Gas Marketing Companies  
Oil and Gas Exploration Companies  
Others

**Total**

2015	
Equity Sub-Fund	
Funds equity portfolio (%)	KMI-30 benchmark portfolio (%)
23%	32%
14%	18%
13%	17%
13%	2%
12%	2%
8%	7%
4%	16%
13%	6%
<b>100%</b>	<b>100%</b>

**Sector wise portfolio**

Oil and Gas  
Chemicals  
Construction and Materials  
Automobile and Parts  
Food Producers  
Electricity  
Personal Goods  
Fixed Line Telecommunication  
Commercial Banks  
Others

**Total**

2014	
Equity Sub-Fund	
Funds equity portfolio (%)	KMI-30 benchmark portfolio (%)
35%	51%
6%	12%
16%	14%
11%	-
13%	1%
12%	13%
-	2%
-	2%
7%	-
-	5%
<b>100%</b>	<b>100%</b>

In case of 5% increase / decrease in KMI-30 Index on June 30, 2015, with all other variables held constant, the net assets of the sub-fund would increase / decrease by Rs. 7.096 million (2014: Rs. 0.976 million) as a result of gains / losses on equity securities classified as 'available-for-sale'.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KMI-30 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI index, is expected to change over the time. Accordingly, the sensitivity analysis prepared as of June 30, 2015 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KMI-30 Index.

**22.1.4 Credit risk**

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

The Fund's credit risk is primarily attributable to its investment in debt 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.

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

The maximum exposure to credit risk is as follows:

	2015			
	Equity Sub-Fund	Debt Fund	Sub- Money Market Sub-Fund	Total
	(Rupees in '000)			
<b>Bank balances by rating category</b>				
A-1+ (JCR-VIS)	12,169	10,214	3,665	26,048
A1 (PACRA)	1,812	9	-	1,821
A-1 (JCR-VIS)	5	-	-	5
	<b>13,986</b>	<b>10,223</b>	<b>3,665</b>	<b>27,874</b>
<b>Sukuk certificates by rating category</b>				
AAA	-	2,155	-	2,155
<b>Dividend and profit receivable</b>	<b>292</b>	<b>69</b>	<b>168</b>	<b>529</b>
<b>Advances, deposits and other receivables</b>	<b>100</b>	<b>100</b>	<b>-</b>	<b>200</b>

	2014			
	Equity Sub-Fund	Debt Fund	Sub- Money Market Sub-Fund	Total
	(Rupees in '000)			
<b>Bank balances by rating category</b>				
A-1+ (JCR-VIS)	8,736	9,414	5,671	23,821
A1+ (PACRA)	71	5,056	9,567	14,694
A1 (PACRA)	120	9	-	129
	<b>8,927</b>	<b>14,479</b>	<b>15,238</b>	<b>38,644</b>
<b>Sukuk certificates by rating category</b>				
AAA	-	2,510	-	2,510
<b>Dividend and profit receivable</b>	<b>169</b>	<b>217</b>	<b>399</b>	<b>785</b>
<b>Advances, deposits and other receivables</b>	<b>5,469</b>	<b>100</b>	<b>-</b>	<b>5,569</b>

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

#### Concentration of credit risk

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

#### 22.1.5 Liquidity risk

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

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

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

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

	Equity Sub Fund				Debt Sub Fund				Money Market Sub Fund				Total
	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	
(Rupees in '000)													
<b>Financial Liabilities (excluding participants' sub-funds)</b>													
Payable to HBL Asset Management Limited - Pension Fund Manager	211	-	-	211	106	-	-	106	87	-	-	87	404
Payable to the Central Depository Company of Pakistan Limited - Trustee	17	-	-	17	9	-	-	9	7	-	-	7	33
Accrued expenses and other liabilities	828	-	-	828	363	-	-	363	309	-	-	309	1,500
	1,056	-	-	1,056	478	-	-	478	403	-	-	403	1,937
Participants' sub-funds	151,736	-	-	151,736	74,923	-	-	74,923	58,291	-	-	58,291	284,950

	Equity Sub Fund				Debt Sub Fund				Money Market Sub Fund				Total
	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	
(Rupees in '000)													
<b>Financial Liabilities (excluding participants' sub-funds)</b>													
Payable to HBL Asset Management Limited - Pension Fund Manager	161	-	-	161	84	-	-	84	78	-	-	78	323
Payable to the Central Depository Company of Pakistan Limited - Trustee	15	-	-	15	1	-	-	1	-	-	-	-	16
Accrued expenses and other liabilities	3,354	-	-	3,354	187	-	-	187	157	-	-	157	3,698
	3,530	-	-	3,530	272	-	-	272	235	-	-	235	4,037
Participants' sub-funds	115,123	-	-	115,123	63,003	-	-	63,003	54,736	-	-	54,736	232,862

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

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

### 23. PARTICIPANTS' FUNDS RISK MANAGEMENT (CAPITAL RISK)

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

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

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

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

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

### 24. FAIR VALUE 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 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 year end date. The quoted market prices 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 fair value of financial assets (e.g. Treasury bills, Terms finance certificates and Sukuks) that are not traded in an active market is determined with reference to the rates quoted by Financial Market Association of Pakistan and MUFAP. The fair value quoted by MUFAP is calculated in accordance with valuation methodology prescribed by Circular No. 33 of 2012 dated October 24, 2012 issued by the Securities and Exchange Commission of Pakistan (SECP).

If a security is not quoted by MUFAP due to it being 'non-performing status', its value is determined by making provisions in accordance with Circular No. 33 of 2012 dated October 24, 2012 issued by the SECP.

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.

According to the amendments to International Financial Reporting Standard 7 Financial Instruments: Disclosure - Improving disclosures about financial instruments, an entity shall 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 (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs) (Level 3)

2015				2014			
Equity Sub Fund				Equity Sub Fund			
Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)				(Rupees in '000)			

**Financial assets available-for-sale**

Equity Securities	139,609	-	-	139,609	104,874	-	-	104,874
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2015				2014			
Debt Sub Fund				Debt Sub Fund			
Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)				(Rupees in '000)			

**Financial assets available-for-sale**

Government securities - GoP Ijarah	-	63,046	-	63,046	-	46,170	-	46,170
Sukuk	-	2,155	-	2,155	-	2,510	-	2,510
Sukuk certificates	-	65,201	-	65,201	-	48,680	-	48,680

2015				2014			
Money Market Sub Fund				Money Market Sub Fund			
Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)				(Rupees in '000)			

**Financial assets available-for-sale**

Government securities - GoP Ijarah	-	54,895	-	54,895	-	39,503	-	39,503
Sukuk	-	-	-	-	-	-	-	-

**25. FINANCIAL PERFORMANCE**

**25.1 Equity sub-fund**

	Equity Sub Fund					
	2015	2014	% Change	2013	2012	2011
	(Rupees in '000)			(Rupees in '000)		
Net income for the year	31,185	25,902	20%	9,308	2,028	-
Realized capital gains / (losses)	30,170	23,574	28%	6,942	1,100	-
Unrealized capital gains / (losses)	(422)	8,621	-105%	12,639	4,062	-
Dividend income / profit on bank deposits	4,695	5,118	-8%	3,953	1,498	-
NAV per unit (Rupees)	327.7553	260.2925	26%	180.2516	119.9318	-
Transactions in securities						
Purchases	169,639	172,340	-2%	43,603	37,275	-
Sales	134,511	161,645	-17%	41,024	2,458	-
Total contribution received						
Individuals	10,540	13,741	-23%	4,403	6,362	-
Habib Bank Limited - Sponsor	-	-	-	-	30,000	-

**25.2 Debt sub-fund**

	Debt Sub Fund					
	2015	2014	% Change	2013	2012	2011
	(Rupees in '000)			(Rupees in '000)		
Net income for the year	3,852	3,257	18%	3,652	1,558	-
Realized capital gains / (losses)	-	(88)	-100%	-	-	-
Unrealized capital gains / (losses)	(465)	664	-170%	245	(327)	-
Mark-up income	5,565	4,819	15%	4,793	2,108	-
NAV per unit (Rupees)	127.0785	121.0647	5%	113.0976	104.0739	-
Transactions in securities						
Purchases	17,600	88,570	-80%	17,000	38,600	-
Sales	-	10,505	-100%	-	-	-
Total contribution received						
Individuals	11,638	17,878	-35%	8,756	10,364	-
Habib Bank Limited - Sponsor	-	-	-	-	30,000	-

### 25.3 Money market sub-fund

	Money Market Sub Fund					
	2015	2014	% Change	2013	2012	2011
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Net income for the year	3,009	2,548	18%	3,656	1,537	-
Realized capital gains / (losses)	-	6	-100%	-	-	-
Unrealized capital gains / (losses)	(84)	306	-127%	(31)	(135)	-
Mark-up income	4,431	3,771	18%	4,823	2,022	-
NAV per unit (Rupees)	125.8416	119.5334	5%	112.6871	104.6350	-
Transactions in securities						
Purchases	16,000	71,555	-78%	35,000	41,000	-
Sales	-	9,014	-100%	-	-	-
Total contribution received						
Individuals	4,372	16,711	-74%	9,801	10,681	-
Habib Bank Limited - Sponsor	-	-	-	-	30,000	-

### 25.4 Highest and lowest issue price of units during the year

	Equity Sub Fund		Debt Sub Fund		Money Market Sub Fund	
	2015	2014	2015	2014	2015	2014
	----- Rupees -----					
Highest issue price	336.8400	260.2925	127.0800	121.0699	125.8600	119.6898
Lowest issue price	238.5500	176.9243	120.7800	113.1407	119.3700	112.7385

### 26. DATE OF AUTHORISATION FOR ISSUE

This financial statements were authorized for issue on **September 30, 2015** by the Board of Directors of the Pension Fund Manager.

### 27. GENERAL

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

For HBL Asset Management Limited  
(Management Company)

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

\_\_\_\_\_  
Director

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