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FUND AND CORPORATE INFORMATION

Management Company HBL Asset Management Limited.

Board of Directors (As of August 26, 2016)

Chairman	Mr. Towfiq Habib Chinoy	(Independent Non-Executive Director)
Directors	Mr. Farid Ahmed Khan	(Executive Director & CEO)
	Mr. Rizwan Haider	(Non-Executive Director)
	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Ms. Sima Kamil	(Non-Executive Director)
	Mr. Nadeem Abdullah	(Independent Non-Executive Director)
	Ms. Ava Ardeshir Cowasjee	(Independent Non-Executive Director)

Audit Committee (As of August 26, 2016)

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

Human Resource Committee

Chairperson	Mr. Towfiq Habib Chinoy	(Non-Executive Director)
Members	Ms. Sima Kamil	(Non-Executive Director)
	Mr. Farid Ahmed Khan	(Executive Director & CEO)

Risk Management Committee

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

Company Secretary & Chief Financial Officer

Mr. Noman Qurban

External Auditors

Deloitte Yousuf Adil,
Member of Deloitte Touch Tohmastu Limited
Cavish Court, A-35, block 7 & 8 KCHSU,
Shahra-e-Faisal, Karachi-75350, Pakistan

Internal Auditors

Ernst Young Rhodes Sidat Hyder
Progressive Plaza, Beaumont Road, 75530,
Karachi, Pakistan.

Trustee

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

Bankers

Habib Bank Limited
Bank Al-Habib Limited
MCB Bank Limited
Habib Metropolitan Bank Limited
Bank Al Falah Limited
Faysal Bank Limited
Allied Bank Limited
Soneri Bank Limited
NIB Bank Limited

Legal Advisors

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

Website

www.hblasset.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.

**HBL ISLAMIC PENSION FUND
DIRECTOR REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

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

The Fund as a whole earned total and net income of Rs. 17.55 million and Rs. 15.87 million respectively during the year under review. The fund size increased from Rs 315.038 million as at June 30, 2016 to Rs. 330.113 million as at September 30, 2016 showing growth of 4.79%. Performance review for each sub Fund is given below:

Equity Sub-Fund

During the period, the Equity sub-fund earned total and net income of Rs. 15.05 million and Rs. 14.18 million respectively. The net assets of the Equity sub-fund was Rs. 180.172 million representing Net Asset Value (NAV) of Rs. 381.3698 per unit as at September 30, 2016. The Fund yielded a return of 10.23% for the period.

Debt Sub-Fund

During the period, the Debt sub-fund earned total and net income of Rs. 1.33 million and Rs. 0.86 million respectively. The net assets of the Debt sub-fund was Rs. 85.393 million representing Net Asset Value (NAV) of Rs. 133.1528 per unit as at September 30, 2016. The Fund yielded annualized return of 5.94% for the period.

Money Market Sub-Fund

During the period, the Money Market sub-fund earned total and net income of Rs. 1.16 million Rs. 0.83 million respectively. The net assets of the Money Market sub-fund was Rs.64.548 million representing Net Asset Value (NAV) of Rs. 130.9184 per unit as at September 30, 2016. An annualized return of 4.65% was earned by the Fund for the period.

Acknowledgement

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

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

Karachi Fareed Ahmed Khan
Date: October 31, 2016

For and on behalf of the Board
Chief Executive Officer

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

CDC House, 99-B, Block 'B',
S.M.C.H.S. Main Shahra-e-Faisal,
Karachi - 74400, Pakistan.

Tel: (92-21) 111-111-500

Fax: (92-21) 34326020 - 23

URL: www.cdcpakistan.com

Email: info@cdcpak.com



TRUSTEE REPORT TO THE PARTICIPANTS

HBL 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, 2016 in accordance with the provisions of the constitutive documents of the Fund and the Voluntary Pension System Rules, 2005.

However, we would like to draw participants' attention towards the fact that unidentified contributions amounting to Rs 4 million (approx.) are appearing in the collection account of the Fund, against which investors are not currently identifiable by the Pension Fund Manager. In this regard, we have been informed by the Pension Fund Manager that they are in process of reconciling the collection account of the Fund to identify details of such contributions, subsequent to which they will be transferred to the respective sub-funds.


Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, October 28, 2016

DRAFT

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

We have audited the annexed financial statements comprising:

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

of **HBL Islamic Pension Fund** ("the Fund") as at June 30, 2016 together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:-

- a) the accounts prepared for the year ended June 30, 2016 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, 2016 and the transactions of the Fund for the year then ended in accordance with approved accounting standards as applicable in Pakistan;
- c) the allocation and reallocation of units of the sub-funds for all the participants have been made according to the Voluntary Pension System Rules, 2005;

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

Chartered Accountants

Engagement Partner
Naresh Kumar *NA*

Date:
Place: Karachi

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**HBL ISLAMIC PENSION FUND
BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2016**

	2016				2015				
	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)				
ASSETS									
Bank balances	4	15,080	19,016	40,838	74,934	13,986	10,223	3,665	27,874
Investments - net	5	151,679	68,863	22,810	243,352	139,854	65,201	54,895	259,950
Dividend and profit receivable	6	395	1,287	602	2,284	292	169	377	838
Advances, deposits, prepayments and other receivables	8	100	100	-	200	100	100	-	200
Total assets		167,254	89,266	64,250	320,770	154,232	75,693	58,937	288,862
LIABILITIES									
Payable to HBL Asset Management Limited - Pension Fund Manager	9	232	125	91	448	211	108	87	404
Payable to the Central Depository Company of Pakistan Limited - Trustee	10	23	12	9	44	17	9	7	33
Payable to the Securities and Exchange Commission of Pakistan	11	51	28	20	99	43	23	20	86
Accrued expenses and other liabilities	12	3,331	916	894	5,141	2,225	632	532	3,389
Total liabilities		3,637	1,081	1,014	5,732	2,496	770	646	3,912
NET ASSETS		163,617	88,185	63,236	315,038	151,736	74,923	58,291	284,950
PARTICIPANTS' SUB-FUNDS (as per statement attached)		163,617	88,185	63,236	315,038	151,736	74,923	58,291	284,950
Contingencies and commitments									
Number of units in issue	14	472,936	672,201	488,681	1,633,818	462,955	589,580	463,203	1,515,738
Net asset value per unit	Rupees	345.9646	131.1891	129.4022		327.7553	127.0785	125.8416	

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

For HBL Asset Management Limited
(Pension Fund Manager)

Chief Executive

Director

**HBL ISLAMIC PENSION FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016**

Note	2016				2015			
	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)			
INCOME								
Dividend income	5,936	-	-	5,936	4,154	-	-	4,154
Profit on bank deposits	622	706	1,033	2,361	541	483	699	1,723
Mark-up / return on investments	-	3,508	1,887	5,395	-	5,082	3,732	8,814
Capital gain / (loss) on sale of Investments	20,999	(770)	(378)	19,811	30,170	-	-	30,170
	27,517	3,444	2,542	33,503	34,865	5,565	4,431	44,861
EXPENSES								
Remuneration of HBL Asset Management Limited - Pension Fund Manager	3,019	1,644	1,208	5,871	2,603	1,374	1,128	5,105
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	257	140	103	500	195	103	85	383
Annual fee to the Securities and Exchange Commission of Pakistan	51	28	20	99	43	23	19	85
Auditors' remuneration	119	119	119	357	114	116	116	346
Amortization of preliminary expenses and floatation costs	32	10	5	47	5	5	5	15
Settlement and bank charges	32	10	5	47	26	10	4	40
Other expenses	94	-	-	94	57	-	-	57
	3,572	1,941	1,455	6,968	3,043	1,631	1,357	6,031
Net income from operating activities	23,945	1,503	1,087	26,535	31,822	3,934	3,074	38,830
Provision for Workers' Welfare Fund	-	-	-	-	(637)	(82)	(65)	(784)
Net income for the year before taxation	23,945	1,503	1,087	26,535	31,185	3,852	3,009	38,046
Taxation	-	-	-	-	-	-	-	-
Net income for the year after taxation	23,945	1,503	1,087	26,535	31,185	3,852	3,009	38,046

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

For HBL Asset Management Limited
(Pension Fund Manager)

Chief Executive

Director

**HBL ISLAMIC PENSION FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016**

	2016				2015			
	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	23,945	1,503	1,067	26,535	31,185	3,852	3,009	38,046
Other comprehensive income for the year								
Items that may be reclassified subsequently to income statement:								
Net unrealized (diminution) / appreciation in the market value of investments classified as available-for-sale	(14,881)	650	203	(14,028)	(422)	(465)	(84)	(971)
Total comprehensive income for the year	9,064	2,153	1,290	12,507	30,763	3,387	2,925	37,075

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

DTP

For HBL Asset Management Limited
(Pension Fund Manager)

Chief Executive

Director

**HBL ISLAMIC PENSION FUND
STATEMENT OF MOVEMENT IN PARTICIPANTS' SUB-FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

Note	2016				2015			
	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	151,736	74,923	58,291	284,950	115,123	63,003	54,736	232,862
Issuance of units	8,841	12,980	6,266	28,087	10,540	11,638	4,372	26,550
Redemption of units	(1,126)	(5,483)	(3,897)	(10,506)	(5,543)	(3,461)	(2,533)	(11,537)
Reallocation among sub funds	(4,898)	3,612	1,286	-	853	356	(1,209)	-
Net income for the year	23,945	1,503	1,087	26,535	31,185	3,852	3,009	38,046
Net unrealized (diminution) / appreciation in the market value of investments classified as available-for-sale	(14,881)	650	203	(14,028)	(422)	(465)	(84)	(971)
Total comprehensive income for the year	9,064	2,153	1,290	12,507	30,763	3,387	2,925	37,075
Net assets at the end of the year	163,617	88,185	63,236	315,038	151,736	74,923	58,291	284,950

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

For HBL Asset Management Limited
(Pension Fund Manager)

Chief Executive

Director

**HBL ISLAMIC PENSION FUND
STATEMENT OF CASH FUD FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

	2016				2015			
	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)			
CASH FLOWS FROM OPERATING ACTIVITIES								
Net income for the year before taxation	23,945	1,503	1,087	26,535	31,185	3,852	3,009	38,046
Adjustments for non-cash items								
Dividend income	(5,936)	-	-	(5,936)	(4,154)	-	-	(4,154)
Profit on bank deposits	(522)	(706)	(1,033)	(2,261)	(54)	(483)	(699)	(1,723)
Mark-up / return on investments	-	(3,508)	(1,887)	(5,395)	-	(5,082)	(3,732)	(8,814)
Capital / (gain) / loss on sale of investments	(20,959)	770	378	(19,811)	(30,170)	-	-	(30,170)
Amortization of preliminary expenses and floatation costs	-	-	-	-	5	5	5	15
Provision for Workers' Welfare Fund	-	-	-	-	637	82	65	784
	(3,572)	(1,941)	(1,455)	(6,968)	(3,038)	(1,625)	(1,352)	(6,016)
(Increase) / decrease in assets								
Investments - net	(5,747)	(3,782)	31,910	22,381	(5,232)	(16,986)	(15,476)	(37,694)
Advances, deposits, prepayments and other receivables	-	-	-	-	5,369	-	-	5,369
	(5,747)	(3,782)	31,910	22,381	137	(16,986)	(15,476)	(32,328)
Increase / (decrease) in liabilities								
Payable to HBL Asset Management Limited - Pension Fund Manager	21	19	4	44	50	22	9	81
Payable to the Central Depository Company of Pakistan Limited - Trustee	6	3	2	11	2	8	7	17
Payable to the Securities and Exchange Commission of Pakistan	8	5	-	13	12	4	4	20
Accrued expenses and other liabilities	1,105	284	362	1,752	(2,526)	176	152	(2,198)
	1,141	311	388	1,820	(2,462)	210	172	(2,080)
Dividend income received	(8,178)	(6,412)	30,823	17,233	(5,363)	(18,402)	(16,666)	(40,421)
Mark-up income received	5,855	-	-	5,855	4,009	-	-	4,009
Net cash (used in) / generated from operating activities	(1,723)	(2,316)	33,518	29,479	(791)	(12,789)	(12,203)	(25,783)
CASH FLOWS FROM FINANCING ACTIVITIES								
Amount received on issue of units	8,841	12,980	5,256	28,087	10,540	11,838	4,372	26,560
Amount paid on redemption of units	(1,125)	(5,483)	(3,897)	(10,506)	(5,543)	(9,461)	(2,533)	(11,537)
Reallocation among sub-funds	(4,898)	3,612	1,288	-	853	356	(1,209)	-
Net cash generated from financing activities	2,817	11,109	3,655	17,581	5,850	8,533	630	15,013
Net (decrease) / increase in cash and cash equivalents	1,094	8,793	37,173	47,060	5,059	(4,256)	(11,573)	(10,770)
Cash and cash equivalents at the beginning of the year	13,986	10,223	3,665	27,874	8,927	14,479	15,238	38,644
Cash and cash equivalents at the end of the year	15,080	19,016	40,838	74,934	13,986	10,223	3,665	27,874

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

DNK

For HBL Asset Management Limited
(Pension Fund Manager)

Chief Executive

Director

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

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

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

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

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

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

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2-' (2015: '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, the provisions of the Voluntary Pension System Rules, 2005 (the VPS Rules) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the VPS Rules or directives issued by the SECP differ with the requirements of the IFRS, the requirements of the VPS Rules or the directives issued by the SECP 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, 2016

The following standards and improvements are effective for the year ended June 30, 2016. 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.

IFRS 10 – Consolidated Financial Statements	Effective from accounting period beginning on or after January 01, 2015
IFRS 11 – Joint Arrangements	Effective from accounting period beginning on or after January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	Effective from accounting period beginning on or after January 01, 2015
IFRS 13 – Fair Value Measurement	Effective from accounting period beginning on or after January 01, 2015
IAS 27 (Revised 2011) – Separate Financial Statements	Effective from accounting period beginning on or after January 01, 2015
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	Effective from accounting period beginning on or after January 01, 2015

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

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

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

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	Effective from accounting period beginning on or after January 01, 2018
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective date is deferred indefinitely. Earlier adoption is permitted.
Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception	Effective from accounting period beginning on or after January 01, 2016
Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations	Effective from accounting period beginning on or after January 01, 2016
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative	Effective from accounting period beginning on or after January 01, 2016
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	Effective from accounting period beginning on or after January 01, 2017

Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	Effective from accounting period beginning on or after January 01, 2017
Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization	Effective from accounting period beginning on or after January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants	Effective from accounting period beginning on or after January 01, 2016
Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements	Effective from accounting period beginning on or after January 01, 2016

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

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

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

2.6 Critical accounting estimates and judgments

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

b) Basis of valuation of equity securities

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

c) Loans and receivables

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

3.2.6 Derecognition

Financial assets are 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' 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, sukuku, 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	2016				2015				
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	
	(Rupees in '000)				(Rupees in '000)				
Savings accounts	4.1	15,080	19,016	40,838	74,934	13,996	10,223	3,665	27,874

4.1 This represents bank accounts held with various banks. Mark-up rates on these accounts range between 4% to 7% (2015: 3.14% to 9.25%) per annum.

5. INVESTMENTS - NET

Note	2016				2015				
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	
	(Rupees in '000)				(Rupees in '000)				
Investments by category									
Available-for-sale investments									
Listed equity securities	5.1	151,084	-	-	151,084	139,609	-	-	139,609
Unlisted equity securities	5.2	695	-	-	595	-	-	-	-
Government of Pakistan - Ijarah Sukuks	5.3	-	64,914	19,810	84,724	-	63,046	54,895	117,941
Sukuk certificates - Unlisted	5.4	-	3,949	3,000	6,949	-	2,155	-	2,155
Redeemable Preference Shares		-	-	-	-	245	-	-	245
		151,979	68,863	22,810	243,352	139,854	65,201	54,895	259,950

5.1 Listed equity securities

5.1.1 Held by Equity Sub-Fund

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

Name of the investee company	As at July 1, 2015	Purchases during the year	Bonus/ Right Issue during the year	Sales during the year	As at June 30, 2016	Market value	Market value as a % of net assets of the sub-fund	Market value as a % of total investment of the sub-fund	% of paid-up capital of the investee company
Oil and Gas Exploration Companies									
Pakistan Petroleum Limited	-	136,000	-	77,000	59,000	9,148	5.59	8.83	0.30%
Asian Petroleum Company Limited	2,809	23,900	-	23,200	3,560	3,179	1.94	2.10	0.32%
Pakistan Oilfields Limited	11,009	52,000	-	48,100	15,990	5,326	3.35	3.64	0.67%
	13,800	212,900	-	148,300	78,400	17,652	10.61	11.77	
Oil and Gas Marketing Companies									
Pakistan State Oil Company Limited	15,800	28,000	-	43,800	-	-	-	-	0.00%
Attock Petroleum Limited	9,140	-	-	9,140	-	-	-	-	0.00%
	24,940	28,000	-	52,940	-	-	-	-	
Fertilizer									
Engro Corporation Limited	37,900	47,800	-	59,200	33,000	10,488	6.72	7.24	0.83%
Engro Fertilizers Limited	165,000	77,500	-	165,000	77,500	4,987	3.05	3.29	0.58%
Fauji Fertilizer Bin Qasim Limited	-	240,500	-	174,500	35,000	1,855	1.13	1.22	0.37%
Exima Fertilizer	-	149,000	-	148,000	-	-	-	-	0.00%
Fauji Fertilizer Company Limited	49,200	-	-	46,200	-	-	-	-	0.00%
	243,100	467,800	-	591,400	143,500	17,340	10.90	11.76	
Chemical									
ICI Pakistan Limited	17,200	-	-	17,200	-	-	-	-	0.00%
	17,200	-	-	17,200	-	-	-	-	
Cement									
Kohat Cement Company Limited	-	18,000	-	-	16,000	4,191	2.56	2.76	1.04%
Lucky Cement Limited	9,300	25,900	-	14,000	20,800	13,554	8.28	8.94	0.65%
Fauji Cement Company Limited	124,500	120,000	-	236,500	-	-	-	-	0.00%
Maple Leaf Cement Factory Limited	-	148,000	-	141,000	-	-	-	-	0.00%
G G Khan Cement Company Limited	89,000	77,000	-	102,000	44,000	6,382	5.12	5.51	1.00%
Pioneer Cement Limited	-	103,000	-	96,500	46,608	4,894	3.05	3.28	2.05%
	202,800	487,900	-	571,000	127,408	31,121	19.62	20.52	
Engineering									
Amrit Steels Limited	-	286,000	-	165,000	123,000	5,783	3.53	3.81	4.14%
Chascent Steel & Allied Products Limited	-	152,000	-	80,300	81,709	7,671	4.32	4.66	7.95%
Mughal Iron And Steel Industries	-	96,000	-	46,000	50,006	3,380	2.05	2.22	3.97%
	-	534,000	-	391,300	254,709	16,214	9.91	10.69	
Pharmaceuticals									
Gleasonkhano Pakistan Limited	-	32,000	-	-	32,000	6,628	4.05	4.37	1.00%
The Seal Company Limited	-	19,600	1,360	11,500	9,460	5,072	3.10	3.34	0.77%
Ferozon Laboratories	-	5,000	-	5,000	-	-	-	-	0.00%
	-	56,600	1,360	16,500	41,460	11,700	7.15	7.71	
Food & Personal Care Products									
Engro Foods Limited	41,500	114,800	-	131,400	25,000	4,083	2.50	2.88	0.80%
National Foods Limited	32,750	-	-	32,750	-	-	-	-	0.00%
	74,250	114,800	-	164,150	25,000	4,083	2.50	2.88	
Power Generation & Distribution									
The Hub Power Company Limited	75,133	180,500	-	118,133	118,500	13,967	8.55	9.22	1.01%
K-Electric Limited	935,000	1,815,000	-	1,685,000	865,000	6,872	4.29	4.60	0.31%
Hafiz Abul Power Company Limited	-	44,000	-	44,000	-	-	-	-	0.00%
Nahai Churnag Power Limited	45,000	-	-	45,000	-	-	-	-	0.00%
	1,055,133	1,819,500	-	1,893,133	983,500	20,839	12.81	13.82	
Cable and Electrical Goods									
Pak Election Limited	-	260,500	-	177,000	83,500	5,398	3.30	3.56	1.00%
	-	260,500	-	177,000	83,500	5,398	3.30	3.56	
Paper & Board									
Package Limited	-	11,400	-	-	11,400	7,253	4.43	4.78	1.26%
	-	11,400	-	-	11,400	7,253	4.43	4.78	
Transport									
Pakistan National Shipping Corporation	-	72,300	-	-	72,300	6,775	4.14	4.47	5.47%
	-	72,300	-	-	72,300	6,775	4.14	4.47	
Textile Composite									
Nishat Mills Limited	-	134,000	-	104,000	30,000	3,237	1.98	2.13	0.95%
	-	134,000	-	104,000	30,000	3,237	1.98	2.13	
Balance carried forward						142,432			

Name of the investee company	As at July 1, 2015	Purchases during the year	Bonus / Right Issue during the year	Sales during the year	As at June 30, 2016	Market value	Market value as a % of net assets of the sub-fund	Market value as a % of total investment of the sub-fund	% of paid-up capital of the investee company
Balance brought forward						142,432			
Automobile Assembly									
Pak Suzuki Motor Company Limited	21,500	12,200	-	39,700	-	-	-	-	-
Honda Ahsa Care (Pakistan) Limited	-	44,700	-	32,500	12,200	4,381	2.88	2.88	0.85%
Hino Pak Motors Company	-	2,800	-	7,800	-	-	-	-	0.00%
Indus Motor Company Limited	6,600	2,500	-	9,000	-	-	-	-	0.00%
	28,000	62,000	-	77,800	12,200	4,381	2.88	2.88	
Miscellaneous									
Synthetic Projects Enterprises Limited	43,500	-	-	43,500	-	-	-	-	0.00%
	43,500	-	-	43,500	-	-	-	-	
Automobile Parts & Accessories									
The General Tyre & Rubber Company Ltd Limited	-	24,000	-	-	24,000	4,271	2.61	2.62	4.62%
	33,000	-	-	33,000	-	-	-	-	0.00%
	33,000	24,000	-	33,000	24,000	4,271	2.61	2.62	
	1,735,733	4,311,800	1,380	4,181,223	1,887,398	151,984	92	100	
Carrying Value as at June 30, 2016						148,820			

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

5.2 Unlisted equity securities

GlaxoSmithKline Consumer Healthcare Pakistan Limited	-	-	8,600	-	8,600	595	0.36	0.36	0.00%
Carrying value as at June 30, 2016						695			

5.3 Government of Pakistan - Ijarah Sukuk

5.3.1 Held by Debt Sub-Fund

Note	Issue date	Face value				Amortized cost as at June 30, 2016	Market value as at June 30, 2016	Market value as a percentage of	
		As at July 1, 2015	Purchases during the year	Sales / matured during the year	As at June 30, 2016			Total investment of the sub-fund	Net assets of the sub-fund
(Rupees in '000)									
GoP Ijarah Sukuk	December 26, 2011	22,600	-	22,600	-	-	0.00	0.00	
GoP Ijarah Sukuk	April 30, 2012	4,000	-	4,000	-	-	0.00	0.00	
GoP Ijarah Sukuk	June 28, 2012	36,000	-	36,000	-	-	0.00	0.00	
GoP Ijarah Sukuk	5.3.1.1 December 18, 2015	-	13,000	-	13,000	13,102	13,103	19.03	14.86
GoP Ijarah Sukuk	5.3.1.2 February 15, 2016	-	51,000	-	51,000	51,131	51,811	75.28	58.75
		62,600	64,000	62,600	64,000	64,233	64,914	94.27	73.81

5.3.1.1 These carry mark-up at the rate of 5.89% per annum receivable semi-annually in arrears, maturing in December 2018.

5.3.1.2 These carry mark-up at the rate of 6.10% per annum receivable semi-annually in arrears, maturing in February 2019.

5.3.2 Held by Money Market Sub-Fund

Note	Issue date	Face value				Amortized cost as at June 30, 2016	Market value as at June 30, 2016	Market value as a percentage of	
		As at July 1, 2015	Purchases during the year	Sales / matured during the year	As at June 30, 2016			Total investment of the sub-fund	Net assets of the sub-fund
(Rupees in '000)									
GoP Ijarah Sukuk	December 26, 2011	16,000	-	16,000	-	-	0.00	0.00	
GoP Ijarah Sukuk	April 30, 2012	13,500	-	13,500	-	-	0.00	0.00	
GoP Ijarah Sukuk	June 28, 2012	25,000	-	25,000	-	-	0.00	0.00	
GoP Ijarah Sukuk	5.3.2.1 February 15, 2016	-	19,500	-	19,500	19,550	19,810	86.85	31.33
		54,500	19,500	54,500	19,500	19,550	19,810	86.86	31.33

5.3.2.1 These carry mark-up at the rate of 6.10% per annum receivable semi-annually in arrears, maturing in February 2019.

7. PRELIMINARY EXPENSES AND FLOATATION COST

Note	2016				2015			
	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)			
Opening balance	-	-	-	-	5	5	5	15
Less: Amortization for the year	-	-	-	-	5	5	5	15
	-	-	-	-	-	-	-	-

- 7.1 Preliminary expenses and floatation costs represents expenditure incurred prior to the commencement of operations of the Fund and are being amortized over a period of three years commencing from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and the VPS Rules.

8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2016				2015			
	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)			
Security Deposit with the Central Depository Company of Pakistan Limited	100	100	-	200	100	100	-	200
	100	100	-	200	100	100	-	200

9. PAYABLE TO HBL ASSET MANAGEMENT LIMITED - PENSION FUND MANAGER

Note	2016				2015			
	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)			
Management fee	200	108	78	386	180	90	74	344
Sindh Sales Tax	32	17	43	92	31	16	13	60
	232	125	91	448	211	106	87	404

- 9.1 As per rule 11 of the VPS Rules, the Pension Fund Manager is allowed to charge maximum annual management fee of 1.5% of the average of the values of the net assets of each of the sub-fund calculated during the year. Accordingly, the management fee has been accrued at 1.5% of the average annual net assets of each of the sub-funds.
- 9.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 14% (June 30, 2015: 15%) on the services provided by the Pension Fund Manager as required by Sindh Sales Tax on Services Act, 2011.

10. PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

Note	2016				2015			
	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)			
Remuneration payable to the Trustee	20	11	8	39	17	9	7	33
Sindh Sales Tax on remuneration	3	1	1	5	-	-	-	-
	23	12	9	44	17	9	7	33

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

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2016 is as follows:

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

- 10.2 The Sindh Revenue Board through Circular No. SRB-3-4/TP/01/2015/86554 dated June 13, 2015, amended the definition of services of shares, securities and derivatives and included the custodianship services within the purview of the Sindh Sales Tax. Accordingly Sindh Sales Tax of 14 % is applicable on Trustee fee which is now covered under section 2(79A) of the Sindh Sales Tax on Services Act, 2011.

11. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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

12. ACCRUED EXPENSES AND OTHER LIABILITIES

	2016				2015			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Note	(Rupees in '000)				(Rupees in '000)			
Auditors' remuneration	74	74	74	222	69	69	69	207
Payable to broker	290	-	-	290	-	5	4	9
Federal Excise Duty	12.1 879	480	383	1,750	513	289	236	1,038
Provision for Workers' Welfare Fund	18 1,397	269	223	1,889	1,397	269	223	1,889
Other payable	691	85	214	990	246	-	-	246
	3,331	816	894	5,141	2,226	632	532	3,389

- 12.1 As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on Pension Fund Manager's remuneration had been made applicable effective from June 13, 2013. In this regard, demand notices were received by some asset management companies, including the Pension Fund Manager, for collection of FED on management remuneration. Mutual Fund Association of Pakistan (MUFAP) took up the matter collectively and filed a petition with the Honorable Sindh High Court and was granted stay in this regard.

That time, the Pension Fund Manager took the view that since the remuneration was already subject to provincial sales tax, further levy of FED may result in double taxation, which did not appear to be the spirit of the law. Therefore, the Pension Fund Manager also filed a petition against the demand notice in the Honorable Sindh High Court and were granted stay on the basis of the pending constitutional petition from MUFAP in the said court as referred above.

During the current year, the Honorable Sindh High Court, in its judgement dated June 30, 2016, on Constitutional Petition instituted by MUFAP declared that the provisions of Federal Excise Act, 2005, insofar as they relate to providing or rendering of services, are ultra vires to the 18th amendment of the Constitution with effect from July 1, 2011, the date on which Sindh Sales Tax on Services Act, 2011 came into force.

However, the Federal Board of Revenue (FBR) has right to challenge the decision in the Supreme Court of Pakistan within 90 days of the above decision of the Court, therefore, as a matter of prudence, the Pension Fund Manager has recorded provision for the year amounting to Rs. 0.366 million, Rs. 0.199 million and Rs. 0.147 million for Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively and maintained the accumulated provision against FED amounting to Rs.0.879 million, Rs. 0.488 million and Rs. 0.383 million for Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively as of June 30, 2016.

13. CONTINGENCIES AND COMMITMENTS

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

14. NUMBER OF UNITS IN ISSUE

	2016				2015			
	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	462,955	589,580	463,203	1,515,738	442,284	520,412	457,919	1,420,615
Units issued during the year	28,514	95,607	45,731	170,852	35,205	93,792	35,829	164,826
Less: Units redeemed	(3,416)	(42,277)	(30,490)	(76,182)	(18,092)	(27,904)	(20,839)	(66,835)
Reallocation effect	(15,118)	28,291	10,237	23,410	3,558	3,280	(9,705)	(2,868)
Total units in issue at the end of the year	472,936	672,201	488,681	1,633,818	462,955	589,580	463,203	1,515,738

15. CONTRIBUTION TABLE

Contributions received are as follows:

	2016							
	Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund		Total	
	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)
From:								
Individuals	28,514	8,841	96,607	12,980	45,731	6,266	170,852	28,087

	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)
From:								
Individuals	35,205	10,540	93,792	11,636	35,829	4,372	164,826	26,550

16. MARK-UP / RETURN ON INVESTMENTS

	2016				2015			
	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	-	3,338	1,867	5,205	-	4,832	3,732	8,564
Sukuks - Unlisted	-	170	20	190	-	250	-	250
	-	3,508	1,887	5,395	-	5,082	3,732	8,814

17. AUDITOR'S REMUNERATION

	2016				2015			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
Annual Audit fee	46	67	67	180	46	67	67	180
Half yearly review fee	31	33	33	97	31	31	31	93
Shariah compliance certification	25	-	-	25	25	-	-	25
Out of pocket expenses	17	19	19	55	12	18	18	48
	119	119	119	357	114	116	116	346

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

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

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

Furthermore, in 2011 the Honourable 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 Honourable Lahore High Court, will lend further support to the Constitutional Petition which is pending in the Honourable 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 Honourable Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) have adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as *ultra vires* the Constitution.

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. 1,396,622, Rs. 269,187 and Rs. 223,311 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, 2016 would have been higher by Rs. 2.9539, Rs. 0.4002 and Rs. 0.4563 respectively.

19. TAXATION

No provision for taxation for the year ended June 30, 2016 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 Management Company, directors and officers of the Management Company 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 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

	2016				2015			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
HBL Asset Management Limited - Pension Fund Manager								
Management fee	3,019	1,644	1,208	5,871	2,603	1,374	1,128	5,105
Habib Bank Limited - Sponsor								
Bank charges	3	3	5	11	2	2	4	8
Profit earned on deposits with bank	465	212	264	941	509	329	383	1,221
Profit received on deposits with bank	405	195	253	853	531	330	322	1,183
Directors and Executives of the Pension Fund Manager and their relatives								
Executives and their relatives								
Issue of units	Number	-	-	-	85	4,111	6,171	10,367
Amount of units issued		-	-	-	22	498	738	1,258
Redemption of units	Number	-	-	-	-	3,923	5,955	9,878
Amount of units redeemed		-	-	-	-	476	714	1,190
Reallocation of units	Number	(139)	105	66	1,601	(848)	(2,567)	(1,814)
Amount of units reallocated		(14)	14	-	410	(103)	(307)	-
Central Depository Company of Pakistan Limited - Trustee								
Remuneration		267	140	103	500	195	109	804
Central Depository System Charges		16	3	-	18	22	6	46
Directors of connected persons								
Issue of units	Number	4,055	10,722	5,445	20,222	967	2,404	4,588
Amount of units issued		1,400	1,400	700	3,500	300	150	750
Redemption of units on retirement	Number	-	-	-	652	3,505	9,227	13,384
Amount of units redeemed on retirement		-	-	-	188	432	1,125	1,745
Reallocation of units	Number	(1,241)	2,230	1,088	2,078	(2,247)	2,220	2,859
Amount of units reallocated		(421)	284	137	(590)	325	265	-

20.3 Balances outstanding as at year end

	2016				2015			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
HBL Asset Management Limited - Pension Fund Manager								
Management fee payable	200	108	78	386	180	90	74	344
Sindh Sales Tax	32	17	13	62	31	16	13	60
Federal Excise Duty payable	678	488	383	1,549	513	269	235	1,017
Habib Bank Limited - Sponsor								
Units held	Number	300,000	300,000	300,000	300,000	300,000	300,000	900,000
Amount of units held		103,783	39,357	38,821	181,867	38,124	37,752	174,203
Profit accrued on deposits with bank		15	3	8	20	24	168	215
Balance in savings account		7,192	4,386	4,072	15,648	12,096	3,521	25,873
Directors and Executives of the Pension Fund Manager and their relatives								
Executives and their relatives								
Units held	Number	909	710	158	1,687	997	158	2,842
Amount of units held		314	83	29	427	553	20	700
Central Depository Company of Pakistan Limited - Trustee								
Remuneration payable		23	12	9	44	17	7	68
Security deposit receivable		100	109	-	209	100	-	309
Directors of connected persons								
Units held	Number	14,527	36,650	19,547	72,724	28,492	70,615	209,242
Amount of units held		5,026	5,070	2,529	12,625	12,613	8,914	34,152

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)									
Financial Assets										
Bank balances	15,080	-	15,080	19,016	-	19,016	40,838	-	40,838	74,934
Investments - net	-	151,679	151,679	-	68,863	68,863	-	22,810	22,810	243,352
Dividend and profit receivable	395	-	395	1,287	-	1,287	602	-	602	2,284
Advances, deposits and other receivables	100	-	100	100	-	100	-	-	-	200
	16,575	151,679	167,254	20,403	68,863	89,266	41,440	22,810	64,250	320,770

	2016				
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total	
	At amortized cost				
	(Rupees in '000)				
Financial liabilities					
Payable to HBL Asset Management Limited - Pension Fund Manager		232	125	91	448
Payable to the Central Depository Company of Pakistan Limited - Trustee		23	12	9	44
Accrued expenses and other liabilities		1,934	647	671	3,252
Participants' sub funds	153,617	88,185	63,236		315,038
	153,617	88,969	64,007		316,593

	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)									
Financial Assets										
Bank balances	13,096	-	13,096	10,223	-	10,223	3,665	-	3,665	27,974
Investments - net	-	139,854	139,854	-	65,201	65,201	-	54,895	54,895	269,950
Dividend and profit receivable	292	-	292	189	-	189	377	-	377	638
Advances, deposits and other receivables	100	-	100	100	-	100	-	-	-	200
	<u>14,378</u>	<u>139,854</u>	<u>154,232</u>	<u>10,492</u>	<u>65,201</u>	<u>75,693</u>	<u>4,042</u>	<u>54,895</u>	<u>58,937</u>	<u>288,882</u>

	2015			
	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total
	At amortized cost			
	(Rupees in '000)			
Financial liabilities				
Payable to HBL Asset Management Limited - Pension Fund Manager	211	166	87	464
Payable to the Central Depository Company of Pakistan Limited - Trustee	17	9	7	33
Accrued expenses and other liabilities	628	363	309	1,500
Participants' sub funds	<u>151,736</u>	<u>74,923</u>	<u>58,291</u>	<u>284,950</u>
	<u>152,792</u>	<u>75,401</u>	<u>58,694</u>	<u>286,887</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, 2016, 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, 2016, the Debt Sub-Fund and Money Market Sub-Fund hold GoP Ijarah Sukuks and Sukuk certificates which are classified as 'available-for-sale', exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in mark-up rates on June 30, 2016, with all other variables held constant, the impact on the net assets and total comprehensive income for the year is as follows:

	Effect on total comprehensive income and net assets					
	2016			2015		
	Debt Sub-Fund	Money Market Sub-Fund	Total	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)			(Rupees in '000)		
Change in basis points						
100	679	225	904	574	449	1,023
(100)	(679)	(225)	(904)	(574)	(449)	(1,023)

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, 2016 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

	June 30, 2014																		
	Equity Sub Fund					Debt Sub Fund					Money Market Sub Fund					Total			
	Exposed to yield / interest rate risk					Exposed to yield / maturity rate risk					Exposed to yield / interest rate risk								
Yield / interest rate	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	Total	Yield / rate	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	Total	Yield / rate	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	Total		
%	(Rupees in '000)					%	(Rupees in '000)					%	(Rupees in '000)						
On-balance sheet financial instruments																			
Financial assets																			
Bank balances	0.00 - 3.00	15,000	-	-	-	15,000	0.00 - 7.00	19,816	-	-	-	19,816	4.00 - 7.00	40,838	-	-	-	40,838	76,926
Investments - real		-	-	-	151,878	151,878	5.00 - 7.27	-	1,909	64,914	-	66,823	11 - 6.47	-	3,000	19,816	-	22,816	261,252
Accrued and profit receivable		-	-	-	396	396		-	-	-	1,287	1,287		-	-	-	602	602	2,264
Advances, deposits and other receivables		-	-	-	190	190		-	-	-	108	108		-	-	-	-	-	290
		15,000	-	-	152,374	167,374		19,816	1,909	64,914	1,397	86,936		40,838	3,000	19,816	602	64,256	320,770
Financial liabilities																			
Payable to Sub Funds																			
Payable to HBL Asset Management Limited - Pension Fund Manager		-	-	-	943,817	943,817		-	-	-	99,769	99,769		-	-	-	61,236	61,236	1,105,096
Payable to the Custodian Depository Company of Pakistan Limited - Trustees		-	-	-	23	23		-	-	-	12	12		-	-	-	9	9	44
Accrued expenses and other liabilities		-	-	-	1,934	1,934		-	-	-	447	447		-	-	-	671	671	3,557
		-	-	-	968,604	968,604		-	-	-	100,228	100,228		-	-	-	67,926	67,926	1,174,917
On-balance sheet gap		15,000	-	-	(11,832)	1,640		19,816	1,909	64,914	(87,582)	257		40,838	3,000	19,816	(81,489)	363	1,569
Off-balance sheet financial instruments																			
Off-balance sheet gap																			

June 30, 2015																
Equity Sub Fund					Debt Sub Fund					Money Market Sub Fund			Total			
Type of Investment	Exposed to yield / interest rate risk				ECL	Yield / Rate	Exposed to yield / interest rate risk			Total	Target Interest Rate	Exposed to yield / interest rate risk			Total	
	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk			Up to three months	More than three months and up to one year	More than one year			Not exposed to yield / interest rate risk	Up to three months	More than three months and up to one year		More than one year
%	(Percent of DD)				%	(Percent of DD)			%	(Percent of DD)			%			
On-balance sheet financial instruments																
Financial assets																
Bank balances	3.14 - 9.25	15,888	-	-	11,006	3.11 - 8.25	10,223	-	-	10,223	3.14 - 9.25	3,685	-	-	3,685	17,879
Investments - net	-	-	-	-39,854	139,854	6.04 - 6.69	-	65,846	2,115	68,201	6.04 - 7.84	-	54,599	-	54,599	239,950
Derivatives and swap contracts	-	-	-	292	292	-	-	-	189	189	-	-	-	377	377	838
Schedules, deposits and other receivables	-	-	-	190	190	-	-	-	190	190	-	-	-	-	-	200
		11,888	-	-	140,240		10,223	65,846	2,115	78,389		3,685	54,599	377	58,661	248,869
Financial liabilities																
Payables to Sub Funds				151,736	151,736				74,522	74,522				58,291	58,291	244,850
Payable to HSL Asset Management Limited - Pensions Fund Manager	-	-	-	241	241	-	-	-	199	199	-	-	-	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	-	-	-	626	626	-	-	-	383	383	-	-	-	300	300	1,500
		-	-	152,780	152,780				75,407	75,407				58,684	58,684	246,867
On-balance sheet gap		11,888	-	-	140,240		10,223	63,846	2,115	75,377		3,685	54,599	377	58,317	248,002
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	2016	
	Funds equity portfolio (%)	KMI-30 benchmark portfolio (%)
Cement	21%	26%
Power Generation & Distribution	14%	18%
Oil and Gas Exploration Companies	12%	16%
Fertilizer	12%	21%
Transport	4%	-
Pharmaceuticals	8%	4%
Cable and Electrical Goods	4%	2%
Others	25%	13%
Total	100%	100%

Sector wise portfolio	2015	
	Funds equity portfolio (%)	KMI-30 benchmark portfolio (%)
Fertilizer	23%	32%
Cement	14%	18%
Power Generation & Distribution	13%	17%
Automobile Assembler	13%	2%
Food & Personal Care Products	12%	2%
Oil and Gas Marketing Companies	8%	7%
Oil and Gas Exploration Companies	4%	16%
Others	13%	6%
Total	100%	100%

In case of 5% increase / decrease in KMI-30 Index on June 30, 2016, with all other variables held constant, the net assets of the sub-fund and other comprehensive income would increase / decrease by Rs. 6.556 million (2015: Rs. 7.096 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, 2016 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:

	June 30, 2016			Total
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	
(Rupees in '000)				
Bank balances by rating category				
A-1+ (JCR-VIS)	7,192	5,346	12,198	24,736
A1 +(PACRA)	-	7,820	10,322	18,142
A1 (PACRA)	2,262	5,091	7,088	14,441
A-1 (JCR-VIS)	5,626	759	11,230	17,615
	15,080	18,016	40,838	74,934
Sukuk certificates by rating category				
AAA	-	3,949	3,000	6,949
Dividend and profit receivable	395	1,287	602	2,284
Advances, deposits and other receivables	100	100	-	200
	15,575	24,352	44,440	84,367

	June 30, 2015			Total
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	
(Rupees in '000)				
Bank balances by rating category				
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
	13,986	10,223	3,665	27,874
Sukuk certificates by rating category				
AAA	-	2,155	-	2,155
Dividend and profit receivable	292	69	168	529
Advances, deposits and other receivables	100	100	-	200
	14,378	58,717	43,336	116,431

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 year.

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

	June 30, 2016												
	Equity Sub Fund				Debt Sub Fund				Money Market Sub Fund				Total
	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	
	(Rupees in '000)												
Financial Liabilities													
Payable to HBL Asset Management Limited - Parson Fund Manager	332	-	-	332	125	-	-	125	81	-	-	81	488
Payable to the Central Depository Company of Pakistan Limited - Trustee	23	-	-	23	12	-	-	12	9	-	-	9	44
Accrued expenses and other liabilities	1,934	-	-	1,934	447	-	-	447	871	-	-	871	3,252
Participants' sub-funds	162,617	-	-	162,617	85,185	-	-	85,185	63,236	-	-	63,236	315,038
	165,806	-	-	165,806	85,969	-	-	85,969	64,007	-	-	64,007	316,782
	June 30, 2015												
	Equity Sub Fund				Debt Sub Fund				Money Market Sub Fund				Total
	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	
	(Rupees in '000)												
Financial Liabilities													
Participants' sub-funds	151,736	-	-	151,736	74,923	-	-	74,923	58,291	-	-	58,291	284,950
Payable to HBL Asset Management Limited - Parson Fund Manager	211	-	-	211	136	-	-	136	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	478	-	-	478	363	-	-	363	309	-	-	309	1,500
	152,742	-	-	152,742	75,401	-	-	75,401	58,694	-	-	58,694	286,837

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 for 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 21, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption. Since the participants of the Fund have invested with long term objective, 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

	2016				2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				(Rupees in '000)			
Equity Sub Fund								
Financial assets available-for-sale								
Equity Securities	151,084	595	-	151,679	139,609	-	-	139,609
Debt Sub Fund								
Financial assets available-for-sale								
Government securities - GoP Ijarah								
Sukuk	-	64,914	-	64,914	-	63,046	-	63,046
Sukuk certificates	-	3,949	-	3,949	-	2,155	-	2,155
	-	68,863	-	68,863	-	65,201	-	65,201
Money Market Sub Fund								
Financial assets available-for-sale								
Government securities - GoP Ijarah								
Sukuk	-	19,810	-	19,810	-	54,895	-	54,895
Sukuk certificates	-	3,000	-	3,000	-	-	-	-
	-	22,810	-	22,810	-	54,895	-	54,895

25. FINANCIAL PERFORMANCE

25.1 Equity sub-fund

	Equity Sub Fund					
	2016	2015	% Change	2014	2013	2012
	(Rupees in '000)			(Rupees in '000)		
Net income for the year	23,945	31,185	-23%	25,902	9,308	2,028
Realized capital gains / (losses)	20,959	30,170	-31%	23,574	6,942	1,100
Unrealized capital gains / (losses)	(14,881)	(422)	3426%	8,621	12,639	4,062
Dividend income / profit on bank deposits	6,558	4,695	40%	5,118	3,953	1,498
NAV per unit (Rupees)	345.9646	327.7553	6%	260.2925	180.2516	119.9318
Transactions in securities						
Purchases	339,370	169,639	100%	172,340	43,603	37,275
Sales	333,622	134,511	148%	161,645	41,024	2,458
Total contribution received						
Individuals	8,841	10,540	-16%	13,741	4,403	6,362
HBL - Sponsor	-	-	-	-	-	30,000

25.2 Debt sub-fund

	Debt Sub Fund					
	2016	2015	% Change	2014	2013	2012
	(Rupees in '000)			(Rupees in '000)		
Net income for the year	1,503	3,852	-61%	3,257	3,652	1,558
Realized capital gains / (losses)	(770)	-	100%	(88)	-	-
Unrealized capital gains / (losses)	650	(465)	-240%	664	245	(327)
Mark-up income	4,214	5,565	-24%	4,819	4,793	2,108
NAV per unit (Rupees)	131.1891	127.0785	3%	121.0847	113.0976	104.0739
Transactions in securities						
Purchases	117,270	17,600	566%	88,570	17,000	36,600
Sales	50,235	-	100%	10,505	-	-
Total contribution received						
Individuals	12,880	11,838	12%	17,878	8,756	10,364
HBL - Sponsor	-	-	-	-	-	30,000

25.3 Money market sub-fund

	Money Market Sub Fund					
	2016	2015	% Change	2014	2013	2012
	(Rupees in '000)			(Rupees in '000)		
Net income for the year	1,087	3,009	-64%	2,548	3,656	1,537
Realized capital gains / (losses)	(378)	-	100%	5	-	-
Unrealized capital gains / (losses)	203	(84)	-342%	306	(31)	(135)
Mark-up income	2,920	4,431	-34%	3,771	4,823	2,022
NAV per unit (Rupees)	129.4022	125.8416	3%	119.5334	112.6871	104.6350
Transactions in securities						
Purchases	47,559	16,000	197%	71,555	35,000	41,000
Sales	24,825	-	100%	9,014	-	-
Total contribution received						
Individuals	6,266	4,372	43%	16,711	9,801	10,681
HBL - 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	
	2016	2015	2016	2015	2016	2015
	(Rupees in '000)					
Highest issue price	351.4108	336.8400	131.1891	127.0800	129.4022	125.8600
Lowest issue price	299.9012	238.5500	127.1904	120.7800	125.9450	119.3700

26. DATE OF AUTHORISATION FOR ISSUE

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

27. GENERAL

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

27.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. No significant reclassifications have been made during the current year.

For HBL Asset Management Limited
(Pension Fund Manager)



Chief Executive

Director