

HBL

ASSET MANAGEMENT

ايسيت مينجمنت

HBL Mustahekum Sarmaya Fund 1

Half Yearly Report
December 31, 2015
(Un-audited)

TABLE OF CONTENTS

HBL MULTI ASSET FUND

Corporate Information	02
Fund Information	03
Trustee Report to the Unit Holders	04
Auditors' Review Report To The Unit Holders	05
Condensed Interim Statement of Assets and Liabilities	06
Condensed Interim Income Statement	07
Condensed Interim Statement of Comprehensive Income	08
Condensed Interim Distribution Statement	09
Condensed Interim Statement of Movement in Unit Holders' Fund	10
Condensed Interim Cash Flow Statement	11
Condensed Interim Notes to the Financial Information	12-19

CORPORATE INFORMATION

Management Company
HBL Asset Management Limited.

Board of Directors

Chairman	Mr. Tawfiq 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)
	Ms. Sima Kamil	(Non-Executive Director)
	Ms. Sadia Khan	(Independent Non-Executive Director)

Audit Committee

Chairman	Mr. Rizwan Haider	(Non-Executive Director)
Members	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 Shahra-e-Faisal, Karachi

Legal Advisors

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

Website

www.hblasst.com

Head Office

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

Registered Office

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

FUND INFORMATION

NAME OF FUND **HBL Mustahekum Sarmaya Fund 1**

FUND MANAGER **Mr. Emmad Hashmi**

NAME OF AUDITORS

External Auditors **KPMG Taseer Hadi & Co., Chartered Accountants.**

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

NAME OF BANKERS

Allied Bank Limited

Habib Bank Limited

**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 UNIT HOLDERS

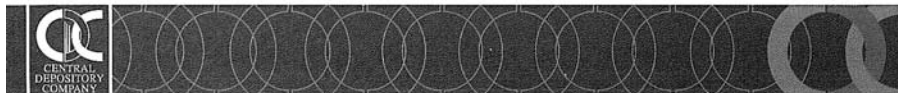
HBL MUSTAHEKAM SARMAVA FUND 1

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Mustahekam Sarmaya Fund 1 (the Fund) are of the opinion that HBL Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2015 in accordance with the provisions of the following:

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


Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited
Karachi: February 29, 2016





KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

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Report on review of Condensed Interim Financial Information to the Unit Holders

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **HBL Mustahekam Sarmaya Fund I** ("the Fund") as at December 31, 2015 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the accounts for the half year then ended (here-in-after referred to as the "interim financial information"). Management Company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

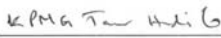
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

Other matters

The figures of the condensed interim income statement and condensed interim statement of comprehensive income for the quarter ended 31 December 2015, have not been reviewed and we do not express a conclusion on them.

Date: 9 February 2016

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

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

HBL Mustahekam Sarmaya Fund 1
Condensed Interim Statement of Assets and Liabilities
As at December 31, 2015

	Note	December 31, 2015 (Un-Audited) (Rupees in '000)	June 30, 2015 (Audited)
Assets			
Bank balances	4	7,070	101,022
Investments	5	1,867,480	1,832,182
Dividend receivable and accrued mark-up	6	71,799	6,343
Preliminary expenses and floatation costs		665	935
Advances, deposits and other receivables	7	2,620	2,600
Total assets		1,949,634	1,943,082
Liabilities			
Payable to HBL Asset Management Limited - Management Company	8	3,067	3,891
Payable to Central Depository Company of Pakistan Limited - Trustee		243	207
Payable to Securities and Exchange Commission of Pakistan		735	376
Accrued expenses and other liabilities	9	4,400	4,839
Total liabilities		8,445	9,313
Net assets		1,941,189	1,933,769
Unit holders' fund (as per statement attached)		1,941,189	1,933,769
		(Number of units)	
Number of units in issue		18,912,761	19,264,337
		(Rupees)	
Net assets value per unit		102.6391	100.3807

The annexed notes 1 to 17 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Mustahekam Sarmaya Fund 1
Condensed Interim Income Statement (Un-Audited)
For the half year ended December 31, 2015

	<i>Note</i> Half year ended December 31, 2015 (Rupees in '000)	Quarter ended December 31, 2015
Income		
Dividend income	3,976	2,606
Mark-up on deposits with banks	1,225	394
Mark-up / return on investments	64,702	32,351
Capital loss on sale of investments - net	(2,245)	(2,930)
	67,658	32,421
Expenses		
Remuneration of HBL Asset Management Limited - Management Company	19,428	9,728
Remuneration of Central Depository Company of Pakistan Limited - Trustee	1,451	815
Annual fee of Securities and Exchange Commission of Pakistan	735	368
Allocation of expenses related to registrar services, accounting, operation and valuation services	10 197	197
Auditors' remuneration	167	84
Settlement and bank charges	28	26
Amortisation of preliminary expenses and floatation costs	270	135
Other expenses	20	3
	22,296	11,356
Net income from operating activities	45,362	21,066
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	(620)	(571)
Provision for Workers' Welfare Fund	11 -	-
Net income for the period before taxation	44,742	20,495
Taxation	12 -	-
Net income for the period after taxation	44,742	20,495
Earning per unit	13	

The annexed notes 1 to 17 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Mustahekam Sarmaya Fund 1
Condensed Interim Statement of Comprehensive Income (Un-Audited)
For the half year ended December 31, 2015

	Half year ended December 31, 2015	Quarter ended December 31, 2015
	(Rupees in '000)	
Net income for the period	44,742	20,495
Other comprehensive income for the period		
<i>Items to be reclassified to income statement in subsequent periods:</i>		
Net unrealised (diminution) / appreciation on remeasurement of investments classified as available for sale	(3,216)	2,589
Total comprehensive income for the period	<u><u>41,526</u></u>	<u><u>23,084</u></u>

The annexed notes 1 to 17 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Mustahekam Sarmaya Fund 1
Condensed Interim Distribution Statement (Un-Audited)
For the half year ended December 31, 2015

	(Rupees in '000)
Undistributed income brought forward - realised	1,927
Net income for the period	44,742
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing income / (loss) that form part of unit holders' fund	(35)
Accumulated income carried forward - realised	<u><u>46,634</u></u>

The annexed notes 1 to 17 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Mustahekam Sarmaya Fund 1
Condensed Interim Statement of Movement in Unit Holders' Fund (Un-Audited)
For the half year ended December 31, 2015

	<i>Note</i> (Rupees in '000)
Net assets at beginning of the period [Rs. 100.3807 per unit]	1,933,769
Redemption of 351,576 units	(34,726)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - transferred to income statement - net	620
Net income for the period	44,742
Net unrealised (diminution) on remeasurement of investments classified as available for sale	(3,216)
Total comprehensive income for the period	41,526
Net assets at end of the period [Rs. 102.6391 per unit]	1,941,189

The annexed notes 1 to 17 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Mustahekam Sarmaya Fund 1
Condensed Interim Cash Flow Statement (Un-Audited)
For the half year ended December 31, 2015

	<i>Note</i> (Rupees in '000)
CASH FLOW FROM OPERATING ACTIVITIES	
Net income for the period	44,742
Adjustments	
Amortisation of preliminary expenses and floatation costs	270
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	620
	<u>45,632</u>
(Increase) in assets	
Investments - net	(38,514)
Dividend receivable and accrued mark-up	(65,456)
Preliminary expenses and floatation costs	-
Advances, deposits and other receivables	(20)
	<u>(103,990)</u>
Increase / (decrease) in liabilities	
Payable to HBL Asset Management Limited - Management Company	(824)
Payable to Central Depository Company of Pakistan Limited - Trustee	36
Payable to Securities and Exchange Commission of Pakistan	359
Accrued expenses and other liabilities	(439)
	<u>(868)</u>
Net cash (used in) operating activities	<u>(59,226)</u>
CASH FLOW FROM FINANCING ACTIVITIES	
Payment against redemption of units	(34,726)
Net cash (used in) financing activities	<u>(34,726)</u>
Net decrease in cash and cash equivalents	<u>(93,952)</u>
Cash and cash equivalents at beginning of the period	101,022
Cash and cash equivalents at end of the period	4 <u><u>7,070</u></u>

The annexed notes 1 to 17 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Mustahekam Sarmaya Fund 1
Notes to the Condensed Interim Financial Information (Un-Audited)
For the half year ended December 31, 2015

1. LEGAL STATUS AND NATURE OF BUSINESS

HBL Mustahekam Sarmaya Fund 1 Fund (the Fund) was established under a Trust Deed, dated April 10, 2014, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) as a unit trust scheme on April 29, 2014.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24-C, Khayaban-e-Hafiz, Phase VI, D.H.A, Karachi, Pakistan.

The Fund is an open ended mutual fund and subsequent to initial offer, the offer of units was discontinued. The initial public offer period was from January 30, 2015 to March 27, 2015 (both days inclusive). The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on Lahore Stock Exchange.

The primary objective of the Fund is to protect Initial Investment Value of investors at maturity with secondary objective of providing growth over the period. The duration of the Fund is two years from the commencement of the Fund.

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

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

2. STATEMENT OF COMPLIANCE

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, the Non- Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of the IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

The condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the financial statements of the Fund for the period from January 30, 2015 to June 30, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund for the period from January 30, 2015 to June 30, 2015, except for the following standards which became effective during the period.

3.1 New, Amended And Revised Standards And Interpretations of IFRSs

IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities' and IFRS 13 'Fair Value Measurements'. These standards became applicable from January 1, 2015, as per the adoption status of IFRS in Pakistan.

The application of IFRS 10, IFRS 11 and IFRS 12 did not have any impact on the financial statements of the Fund.

IFRS 13 Fair Value Measurement, consolidates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exit price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. The application of IFRS 13 did not have an impact on the financial statements of the Fund, except certain additional disclosures.

4. BANK BALANCES	Note	December 31, 2015	June 30, 2015
(Rupees in '000)			
Savings accounts	4.1	<u>7,070</u>	<u>101,022</u>

4.1 Mark-up rates on these accounts range between 4.00% - 6.00% p.a (June 30, 2015: 5.65% - 6.00% p.a).

5. INVESTMENTS	Note	December 31, 2015	June 30, 2015
(Rupees in '000)			
Available for sale			
- Listed equity securities	5.1	167,480	132,182
Loans and receivables			
- Placements	5.2	1,700,000	1,700,000
		<u>1,867,480</u>	<u>1,832,182</u>

5.1 Listed equity securities - Available for sale

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

Name of the Investee Company	Number of shares				As at December 31, 2015	Market value as a percentage of		Par value as a percentage of issued capital of the investee company
	As at July 1, 2015	Purchases during the period	Bonus / Rights issue	Sales during the period		Total Investments	Net Assets	
(Rupees in '000)								
Commercial Banks								
Bank Alfalah Limited	-	-	-	-	-	-	-	-
Habib Bank Limited	-	25,000	-	-	25,000	5,003	0.27%	0.26%
United Bank Limited	48,000	36,000	-	-	84,000	13,016	0.70%	0.67%
	<u>48,000</u>	<u>61,000</u>	<u>-</u>	<u>-</u>	<u>109,000</u>	<u>18,019</u>	<u>0.97%</u>	<u>0.93%</u>
Construction and Materials								
Cherat Cement Company Limited	40,000	-	-	-	40,000	3,607	0.19%	0.19%
D.G.Khan Cement Company Limited	47,500	22,000	-	-	69,500	10,258	0.55%	0.53%
Fecto Cement Company Limited	145,000	-	-	-	145,000	11,319	0.61%	0.58%
Pioneer Cement Limited	60,000	39,000	-	-	99,000	8,995	0.48%	0.46%
Maple Leaf Cement Factory Limited	-	60,000	-	-	60,000	4,475	0.24%	0.23%
	<u>292,500</u>	<u>121,000</u>	<u>-</u>	<u>-</u>	<u>413,500</u>	<u>38,654</u>	<u>2.07%</u>	<u>1.99%</u>
Electricity								
K-Electric Limited (Rs. 3.5 each)	935,000	850,000	-	-	1,785,000	13,280	0.71%	0.68%
Hub Power Company Limited	-	45,000	-	-	45,000	4,617	0.25%	0.24%
Pak Elektron Company Limited	-	235,000	-	235,000	-	-	-	-
	<u>935,000</u>	<u>1,130,000</u>	<u>-</u>	<u>235,000</u>	<u>1,830,000</u>	<u>17,897</u>	<u>0.96%</u>	<u>0.92%</u>
Oil and Gas								
Pakistan Oilfields Limited	16,000	-	-	16,000	-	-	-	-
Pakistan State Oil Company Limited	22,500	-	-	22,500	-	-	-	-
Pakistan Petroleum Limited	-	45,000	-	-	45,000	5,481	0.29%	0.28%
Mari Petroleum Company Limited	-	12,000	-	-	12,000	8,366	0.45%	0.43%
	<u>38,500</u>	<u>57,000</u>	<u>-</u>	<u>38,500</u>	<u>57,000</u>	<u>13,847</u>	<u>0.74%</u>	<u>0.71%</u>
Foods Producers								
Engro Foods Limited	39,700	-	-	29,700	10,000	1,466	0.08%	0.08%
	<u>39,700</u>	<u>-</u>	<u>-</u>	<u>29,700</u>	<u>10,000</u>	<u>1,466</u>	<u>0.08%</u>	<u>0.08%</u>

Name of the Investee Company	Number of shares				As at December 31, 2015	Market value as at December 31, 2015	Market value as a percentage of		Par value as a percentage of issued capital of the investee company
	As at July 1, 2015	Purchases during the period	Bonus / Rights issue	Sales during the period			Total Investments	Net Assets	
(Rupees in '000)									
Chemicals									
Engro Corporation Limited	29,000	24,000	-	-	53,000	14,808	0.79%	0.76%	0.01%
Engro Fertilizer Limited	394,500	-	-	204,500	190,000	15,985	0.86%	0.82%	0.01%
Fauji Fertilizer Bin Qasim Limited	171,000	-	-	-	171,000	9,008	0.48%	0.46%	0.02%
Fatima Fertilizer Company Limited	110,000	-	-	110,000	-	-	-	-	-
	<u>704,500</u>	<u>24,000</u>	<u>-</u>	<u>314,500</u>	<u>414,000</u>	<u>39,801</u>	<u>2.13%</u>	<u>2.04%</u>	
Automobile Assembler									
Hinopak Motors Limited	-	7,600	-	-	7,600	7,813	0.42%	0.40%	0.06%
Pak Suzuki Motor Company Limited	14,000	-	-	-	14,000	5,448	0.29%	0.28%	0.02%
	<u>14,000</u>	<u>7,600</u>	<u>-</u>	<u>-</u>	<u>21,600</u>	<u>13,261</u>	<u>0.71%</u>	<u>0.68%</u>	
Media									
HUM Network Limited (Rs. 1 each)	375,000	-	-	-	375,000	4,927	0.26%	0.25%	0.04%
	<u>375,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>375,000</u>	<u>4,927</u>	<u>0.26%</u>	<u>0.25%</u>	
Engineering									
Crescent Steel & Allied Products Limited	-	-	25,000	-	25,000	3,109	0.17%	0.16%	0.03%
	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>3,109</u>	<u>0.17%</u>	<u>0.16%</u>	
Pharma and Bio Tech									
Searl Company Limited	-	20,000	-	-	20,000	7,915	0.42%	0.41%	0.02%
GlaxoSmithKine Limited	-	27,000	-	-	27,000	5,941	0.32%	0.31%	0.01%
	<u>-</u>	<u>47,000</u>	<u>-</u>	<u>-</u>	<u>47,000</u>	<u>13,856</u>	<u>0.74%</u>	<u>0.72%</u>	
Industrial Transportation									
Pakistan National Shipping Corporation Limited	-	29,700	-	3,000	26,700	2,643	0.14%	0.14%	0.02%
	<u>-</u>	<u>29,700</u>	<u>-</u>	<u>3,000</u>	<u>26,700</u>	<u>2,643</u>	<u>0.14%</u>	<u>0.14%</u>	
	<u>2,447,200</u>	<u>1,477,300</u>	<u>25,000</u>	<u>620,700</u>	<u>3,328,800</u>	<u>167,480</u>	<u>8.97%</u>	<u>8.62%</u>	
Cost of investments at December 31, 2015						<u>166,098</u>			

5.1.1 Investments include shares having market value aggregating to Rs. 20.685 million that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular 11 dated October 23, 2007 issued by the SECP.

5.2 Loans and receivables - Placements

Name of Bank	As at July 1, 2015	Placements made during the period	Matured during the period	As at December 31, 2015	Percentage of total value of investments	Percentage of Net Assets
----- (Rupees in '000) -----						
Habib Bank Limited	<u>1,700,000</u>	<u>-</u>	<u>-</u>	<u>1,700,000</u>	<u>91.03%</u>	<u>87.58%</u>

5.2.1 The placement carries mark-up at the rate of 7.55% per annum and matures on March 28, 2017.

5.3 Net unrealised appreciation on remeasurement of investments classified as available for sale	<i>Note</i>	December 31, 2015	June 30, 2015
(Rupees in '000)			
Market value of investments	5.1	167,480	132,182
Cost of investments		<u>(166,098)</u>	<u>(127,584)</u>
		<u>1,382</u>	<u>4,598</u>
6. DIVIDEND RECEIVABLE AND ACCRUED MARK-UP			
Dividend receivable		744	238
Mark-up accrued on deposits with banks		308	60
Mark-up / return accrued on Term Deposits Receipts		<u>70,747</u>	<u>6,045</u>
		<u>71,799</u>	<u>6,343</u>
7. ADVANCES, DEPOSITS AND OTHER RECEIVABLES			
Security deposit with National Clearing Company of Pakistan Limited		2,500	2,500
Security deposit with Central Depository Company of Pakistan Limited		100	100
Prepaid annual listing fee		<u>20</u>	<u>-</u>
		<u>2,620</u>	<u>2,600</u>
8. PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Management fee	8.1	2,465	2,382
Sindh Sales Tax	8.2	399	414
Listing fee		-	20
Preliminary expenses and floatation costs		-	1,075
Allocation of expenses related to registrar services, accounting, operation and valuation services		<u>197</u>	<u>-</u>
Sales load payable		<u>6</u>	<u>-</u>
		<u>3,067</u>	<u>3,891</u>
8.1 Under the revised Non-Banking Finance Companies & Notified Entities Regulations 2008, notified on November 25, 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding one percent of average annual net assets. The Management Company has charged its remuneration at the rate of one and half percent per annum (June 30, 2015: one and half percent per annum) for the current period since the revised regulations requires compliance latest by May 23, 2016.			
8.2 The Sindh Government has levied Sindh Sales Tax at the rate of 14% (June 30, 2015: 15%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.			
9. ACCRUED EXPENSES AND OTHER LIABILITIES	<i>Note</i>	December 31, 2015	June 30, 2015
(Rupees in '000)			
Auditors' remuneration		166	300
Federal Excise Duty	9.1	3,557	1,206
Withholding tax payable		8	2,290
Provision for Workers' Welfare Fund	11	605	605
Payable to brokers		64	396
Other payable		<u>-</u>	<u>42</u>
		<u>4,400</u>	<u>4,839</u>

9.1 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of law. In 2014, the Honourable High Court of Sindh in a Constitutional petition relating to levy of FED on Mutual Fund has granted a stay order for the recovery of FED. As a matter of abundant caution, the Management Company has made a provision aggregating to Rs. 3.557 million. Had the provision not been made, the Net Asset Value per unit of the Fund as at December 31, 2015 would have been higher by Rs. 0.1880 per unit (June 30, 2015: 0.0626 per unit).

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

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

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

11. PROVISION FOR WORKERS' WELFARE FUND

There has been no change in the status of litigation relating to Workers' Welfare Fund as reported in annual financial statements of the Fund for the period from January 30, 2015 to June 30, 2015.

However, after the exclusion of the Mutual Funds from federal statute on Workers Welfare Fund, from 1st July 2015, the Fund has discontinued making the provision in this regard. Had the provision not been maintained, the Net Asset Value (NAV) per unit of the Fund as at December 31, 2015 would have been higher by Rs. 0.0320 per unit (June 30, 2015: Rs. 0.0314 per unit).

12. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company intends to distribute at least 90 percent of the Fund's accounting income for the year ended June 30, 2016 as reduced by capital gains (whether realised or unrealised) to its unit holders in the form of cash.

13. 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 earnings per unit is not practicable.

14. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

Transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

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

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

14.1 Transactions during the period	Half year ended December 31, 2015 (Rupees in '000)	
HBL Asset Management Limited - Management Company		
Management fee		19,428
Allocation of expenses related to registrar services, accounting, operation and valuation services		197
Habib Bank Limited - Sponsor		
Profit on bank deposits and investment		65,790
Profit received on bank deposits and investments		1,079
Bank charges paid		3
Central Depository Company of Pakistan Limited - Trustee		
Remuneration		1,451
Service charges		10
14.2 Transactions involving shares of connected persons:		
Habib Bank Limited - Sponsor		
Purchase of 25,000 shares		4,960
14.3 Amounts outstanding as at period end		
	December 31, 2015	June 30, 2015
	(Rupees in '000)	
HBL Asset Management Limited - Management Company		
Management fee	2,465	2,382
Sindh Sales tax	399	414
Listing fee payable	-	20
Preliminary expenses and flotation costs payable	-	1,075
Allocation of expenses related to registrar services, accounting, operation and valuation services	197	-
Sales load payable	6	-
Habib Bank Limited - Sponsor		
Investment held in the Fund: 5,067,323 units (2015: 5,067,323 units)	520,105	508,661
Bank balances	1,704,190	87,591
Profit receivable on bank deposits and investments	70,816	6,105
Executives and their relatives		
Investment held in the Fund: 100 units (2015: Nil units)	10,301	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	243	207

15. 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.

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 period end date. The quoted market price used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements: Disclosures' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

		December 31, 2015							
		Carrying amount			Fair Value				
Note		Available-for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)									
On-balance sheet financial instruments									
Financial assets measured at fair value									
	Investments								
	- Listed equity securities	167,480	-	-	167,480	167,480	-	-	167,480
		167,480	-	-	167,480	167,480	-	-	167,480
Financial assets not measured at fair value									
15.1	Bank balances	-	7,070	-	7,070	-	-	-	-
	Investments								
	- Placements	-	1,700,000	-	1,700,000	-	-	-	-
	Dividend receivable and accrued mark-up	-	71,799	-	71,799	-	-	-	-
	Advances, deposits and other receivables	-	2,620	-	2,620	-	-	-	-
		-	1,781,489	-	1,781,489	-	-	-	-
Financial liabilities not measured at fair value									
15.1	Payable to HBL Asset Management Limited - Management Company	-	-	3,067	3,067	-	-	-	-
	Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	243	243	-	-	-	-
	Payable to Securities and Exchange Commission of Pakistan	-	-	735	735	-	-	-	-
	Accrued expenses and other liabilities	-	-	238	238	-	-	-	-
		-	-	4,283	4,283	-	-	-	-

	June 30, 2015							
	Carrying amount				Fair Value			
	Available-for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments	(Rupees in '000)							
Financial assets measured at fair value								
Investments								
- Listed equity securities	132,182	-	-	132,182	132,182	-	-	132,182
	<u>132,182</u>	<u>-</u>	<u>-</u>	<u>132,182</u>	<u>132,182</u>	<u>-</u>	<u>-</u>	<u>132,182</u>
Financial assets not measured at fair value								
Bank balances	-	101,022	-	101,022	-	-	-	-
Investments								
- Placements	-	1,700,000	-	1,700,000	-	-	-	-
Dividend receivable and accrued mark-up	-	6,343	-	6,343	-	-	-	-
Advances, deposits and other receivables	-	2,600	-	2,600	-	-	-	-
	<u>-</u>	<u>1,809,965</u>	<u>-</u>	<u>1,809,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value								
Payable to HBL Asset Management Limited - Management Company	-	-	3,891	3,891	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	207	207	-	-	-	-
Payable to Securities and Exchange Commission of Pakistan	-	-	376	376	-	-	-	-
Accrued expenses and other liabilities	-	-	3,028	3,028	-	-	-	-
	<u>-</u>	<u>-</u>	<u>7,502</u>	<u>7,502</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

15.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

16. DATE OF AUTHORISATION FOR ISSUE

The condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on **February 09, 2015**.

17. GENERAL

Figures have been rounded off to the nearest thousand rupees.

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

Chief Executive

Director

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HBL Asset Management Limited



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