HBL ASSET MANAGEMENT

HBL Mustahekum Sarmaya Fund 1

Quarterly Report
March 31, 2015
(Un-audited)

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CORPORATE INFORMATION

Management Company
HBL Asset Management Limited.

Board of Directors		
Chairman	Mr. Towfiq Habib Chinoy	(Independent Non-Executive Director)
Directors	Mr. Rehan N. Shaikh	(Executive Director)
	Mr. Rizwan Haider	(Non-Executive Director)
	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Mr. Salim Amlani	(Non-Executive Director)
	Ms. Sima Kamil	(Non-Executive Director)
	Ms. Sadia Khan	(Independent Non-Executive Director)
Audit Committee		
Chairman	Mr. Salim Amlani	(Non-Executive Director)
Members	Mr. Rizwan Haider	(Non-Executive Director)
	Mr. Salahhuddin Manzoor	(Non-Executive Director)
Human Resource Committee		
Chairperson	Ms. Sima Kamil	(Non-Executive Director)
Members	Ms. Sadia Khan	(Independent Non-Executive Director)
	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Mr. Rehan N.Shaikh	(Executive Director)
Risk Management Committee		
Chairman	Mr. Rizwan Haider	(Non-Executive Director)
Members	Mr. Salim Amlani	(Non-Executive Director)
	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Mr. Rehan N.Shaikh	(Executive Director)

Company Secretary & Chief Financial Officer	Mr. Noman Qurban
External Auditors	KPMG Taseer Hadi & Co., Chartered Accountants, Sheikh Sultan Trust Building No 02 Beaumont Road, Karachi-75530,Pakistan
Internal Auditors	A.F.Ferguson & Co., Chartered Accountants, State Life Buliding No.1-C,I.I Chundrigar Road, P.O.Box 4716, Karachi.
Trustee	Central Depository Company of Pakistan Limtied (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,Clifiton,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.

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**

HBL Mustahekum Sarmaya Fund 1

Condensed Interim Statement of Assets And Liabilities

As At March 31, 2015

	Note	March 31, 2015 (Un-Audited) (Rupees in '000)
Assets		
Bank balances	*4*	**1,960,235**
Investments	*5*	**-**
Accrued mark-up	*11*	**729**
Preliminary expenses and floatation costs		**1,069**
Prepaid expenses		**19**
Advances, deposits, prepayments and other receivables	*6*	**2,600**
Total assets		**1,964,652**
Liabilities		
Payable to HBL Asset Management Limited - Management Company	*8*	**1,466**
Payable to Central Depository Company of Pakistan Limited - Trustee		**27**
Payable to Securities and Exchange Commission of Pakistan		**16**
Accrued expenses and other liabilities	*9*	**37,632**
Total liabilities		**39,141**
Net assets		**1,925,511**
Unit holders' fund (as per statement attached)		**1,925,511**
		(Number of units)
Number of units in issue		**19,213,186**
		(Rupees)
Net assets value per unit		**100.2182**

The annexed notes 1 to 18 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive **Director**

HBL Mustahekum Sarmaya Fund 1

Condensed Interim Income Statement (Un-Audited)

For the period from January 30, 2015 to March 31, 2015

	Note	From January 30, 2015 to March, 31, 2015
		- (Rupees in '000) -
Income		
Mark-up on deposits with banks		**3,471**
Mark-up / return on investments		**1,303**
		4,774
Expenses		
Remuneration of HBL Asset Management Limited - Management Company		**422**
Remuneration of Central Depository Company of Pakistan Limited - Trustee		**27**
Annual fee - Securities and Exchange Commission of Pakistan		**16**
Auditors' remuneration		**13**
Settlement and bank charges		**5**
Amortisation of preliminary expenses and floatation costs		**6**
Other expenses		**6**
		495
Net income from operating activities		**4,279**
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		
Provision for Workers' Welfare Fund	*10*	**(89)**
Net income for the period before taxation		**4,190**
Taxation	*11*	**-**
Net income for the period after taxation		**4,190**

The annexed notes 1 to 18 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive **Director**

HBL Mustahekum Sarmaya Fund 1

Condensed Interim Statement of Comprehensive Income (Un-Audited)

For the period from January 30, 2015 to March 31, 2015

	From January 30, 2015 to March, 31, 2015
	- (Rupees in '000) -
Net income for the period	**4,190**
Net unrealised appreciation in the market value of securities classified as available for sale	-
Total comprehensive income for the period	**4,190**

The annexed notes 1 to 18 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive **Director**

HBL Mustahekum Sarmaya Fund 1

Condensed Interim Distribution Statement (Un-Audited)

For the period from January 30, 2015 to March 31, 2015

	From January 30, 2015 to March, 31, 2015
	(Rupees in '000)
Total comprehensive income for the period	**4,190**
Undistributed income carried forward - realised	**4,190**

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For HBL Asset Management Limited
(Management Company)

Chief Executive **Director**

HBL Mustahekum Sarmaya Fund 1

Condensed Interim Statement of Movement in Unit Holders' Fund (Un-Audited)

For the period from January 30, 2015 to March 31, 2015

	From January 30, 2015 to March, 31, 2015
	(Rupees in '000)
Amount realised on issuance of 16,213,186 units	1,921,321
	1,921,321
Net income for the period	4,190
	-
Total comprehensive income for the period	4,190
Net assets at end of the period	1,925,511

The annexed notes 1 to 18 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive **Director**

HBL Mustahekum Sarmaya Fund 1

Condensed Interim Cash Flow Statement (Un-Audited)

For the period from January 30, 2015 to March 31, 2015

	Note	From January 30, 2015 to March, 31, 2015
		(Rupees in '000)
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period		**4,190**
Adjustments		
Amortisation of preliminary expenses and floatation costs		**(6)**
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		**-**
		4,184
(Increase) / decrease in assets		
Accrued mark-up		**(729)**
Investments - net		**-**
Prepaid expenses		**(1,082)**
Advances, deposits, prepayments and other receivables		**(2,600)**
		(4,411)
Increase / (decrease) in liabilities		
Payable to HBL Asset Management Limited - Management Company		**1,466**
Payable to Central Depository Company of Pakistan Limited - Trustee		**27**
Payable to Securities and Exchange Commission of Pakistan		**16**
Accrued expenses and other liabilities		**37,632**
		39,141
Net cash generated from operating activities		**38,914**
CASH FLOW FROM FINANCING ACTIVITIES		
Amount received on issue of units		**1,921,321**
Payment against redemption of units		**-**
Net cash generated from financing activities		**1,921,321**
Net increase in cash and cash equivalents		**1,960,235**
Cash and cash equivalents at beginning of the period		**-**
Cash and cash equivalents at end of the period	*4*	**1,960,235**

The annexed notes 1 to 18 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive **Director**

1. LEGAL STATUS AND NATURE OF BUSINESS

HBL Mustahekum Sarmaya Fund 1 (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 (the SECP) as a unit trust scheme on December 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 is listed Lohore Stock Exchange. The Units were offered to public subscription up to the end of public offering period. The Funds Coomence its operation from Janurry, 30, 2015 and the durattion of fund is twenty Five months then the funds shall be automatically dissolved. The units are transferable and can be redeemed by surrendering them to the Fund at the option of unit holders

The principal activity of the Fund is to earn a potentially high return for through dynamic asset allocation between equities and sovereign income / money market based collective investment schemes in order to provide capital preservation of the initial investment value at the completion of the duration of the Fund.

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2-' to the Management Company and the fund stability rating of 'AA(f)' to the Fund.

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

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

2.2 Standards, interpretations and amendments to approved accounting standards,

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after July 01, 2014:

- IFRIC 21 - Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after January 01, 2014). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Fund's financial statements.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments: Presentation'. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Fund's financial statements.

- Amendment to IAS 36 'Impairment of Assets' Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 01, 2014). These narrow-scope amendments to IAS 36 'Impairment of Assets' address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after January 01, 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria. The amendments are not likely to have an impact on Fund's financial statements.

- Amendments to IAS 19 'Employee Benefits' Employee contributions - a practical approach (effective for annual periods beginning on or after July 01, 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendments are not likely to have an impact on Fund's financial statements.

- Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after January 01, 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Fund's financial statements.

- IFRS 10 'Consolidated Financial Statements' - (effective for annual periods beginning on or after January 01, 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. The standard is not likely to have an impact on Fund's financial statements.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after January 01, 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments are effective for annual periods beginning on or after January 01, 2016. The standard is not likely to have an impact on Fund's financial statements.

- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after January 01, 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The standard is not likely to have an impact on Fund's financial statements.

- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after January 01, 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The standard is not likely to have an impact on Fund's financial statements.

- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after January 01, 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Fund's financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after January 01, 2016). Bearer plants are now in the scope of IAS 16 'Property, Plant and Equipment' for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 'Agriculture'. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Fund's financial statements.

  Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after July 01, 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of - 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition. The amendment is not likely to have an impact on Fund's financial statements.

- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves. The amendment is not likely to have an impact on Fund's financial statements.

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- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities. The amendment is not likely to have an impact on Fund's financial statements.

- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset. The amendment is not likely to have an impact on Fund's financial statements.

- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination. The amendment is not likely to have an impact on Fund's financial statements.

2.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise their judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments and impairment there against (note 3.2 and 5).

2.4 Accounting convention

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

2.5 Functional and presentation currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

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

3.2 Financial assets

3.2.1 Classification

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

The Fund classifies its financial assets in the following categories:

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables or (b) financial assets at fair value through profit or loss.

3.2.2 Regular way contracts

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

3.2.3 Initial recognition and measurement

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

3.2.4 Subsequent measurement

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

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

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

b) Basis of valuation of Government Securities

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

c) Basis of valuation of equity securities

The equity securities are valued on the basis of closing quoted market prices available at the stock exchange. Net gains and losses arising from changes in fair value of available for sale financial assets are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

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

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

3.2.5 Impairment of financial assets

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

a) Debt securities and other exposures

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

b) Equity Securities

The Fund assesses at each reporting date whether there is objective evidence that the financial asset or a group of financial assets is impaired. In case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as 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 recognised in income statement is reclassified from other comprehensive income to income statement. Impairment losses recognised on equity securities are not reversed through the income statement.

3.2.6 Derecognition

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

3.2.7 Offsetting of financial instruments

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

3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

3.4 Preliminary expenses and floatation costs

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

3.5 Provisions

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

3.6 Taxation

The income of the Fund is exempt from income tax 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 percent of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders.

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements

3.7 Issue and redemption of units

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

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

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

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

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

3.9 Net Assets Value per unit

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

3.10 Earnings per unit (EPU)

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

3.11 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.

- Unrealised gains / (losses) arising on marking to market of investments classified as ' Financial assets at fair value through profit or loss ' are included in the Income Statement in the year in which they arise.

- Dividend income is recognised when the right to receive dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.

- Mark-up on deposits with banks and mark-up / return on investments in debt securities are recognised using effective yield method.

3.12 Proposed distribution

Distributions declared subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the year in which such distributions are declared.

4. BANK BALANCES

	Note	March 31, 2015 (Rupees in '000)
Savings accounts	*4.1*	**197,735**
Term Deposit Receipts (TDRs)	*4.2*	**1,762,500**
		1,960,235

4.1 This represents bank accounts held with different banks at mark-up rates on these accounts range between 5.55% - 5.95%.

4.2 This represents TDRs placed with Habib Bank Limited for a period of two years and carry mark-up at the rate of 7.55% per anum.

5. INVESTMENTS	*Note*	**March 31, 2015**
		(Rupees in '000)
Available for sale		
- Government Securities	*5.1*	-
		-

5.1 Investment in government securities - Available for sale

Issue Date	Tenor	Face value: As at July 1, 2014	Face value: Purchases during the period	Face value: Sales / Matured during the period	Face value: As at March 31, 2015	Market Value as at March 31, 2015	Total Investments	Net Assets
		(Rupees in '000)						
Treasury bills								
March 20, 2014	One year		415,000	415,000	-	-	0.00%	0.00%
		-	**415,000**	**415,000**	**-**	**-**	**0.00%**	**0.00%**

Cost of investments at March 31, 2015	**-**

6. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	*Note*	**March 31, 2015**
		(Rupees in '000)
Security deposit with National Clearing Company of Pakistan Limited		**2,500**
Security Deposit with Central Depository Company of Pakistan Limited		**100**
		2,600

7. PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

Management fee	**316**
Sindh Sales Tax	**55**
Preliminary expenses and flotation cost cost incurred on behalf of the fund	**1,095**
	1,466

7.1 Under the provisions of the Non-Banking Finance Companies & Notified Entities Regulations 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of Fund, of an amount not exceeding three percent of average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of one percent per annum of the average annual net assets of the Fund for the current period.

7.2 The Sindh Government has levied Sindh Sales Tax at the rate of 15% (30 June 2014: 16%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011 effective from July 1, 2011.

8. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	*Note*	**2015 (Rupees in '000)**
Trustee's remuneration	*9.1*	**27**

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

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

Amount of Funds Under Management (Average NAV)	**Tariff per annum**
Average NAV	0.13% p.a. of NAV,

9. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	*Note*	**2015 (Rupees in '000)**
Annual fee	*10.1*	**16**

9.1 Under the provisions of the Non Banking Finance Companies & Notified Entities Regulations, 2008, a collective investment scheme categorised as balanced scheme is required to pay as annual fee to the SECP, an amount equal to 0.075% of the average annual net assets of the scheme. The Fund has been categorised as a balanced scheme by the Management Company.

10 ACCRUED EXPENSES AND OTHER LIABILITIES	*Note*	**March 31, 2015 (Rupees in '000)**
Auditors' remuneration		**12**
Federal Excise Duty	**11.10**	**51**
Provision for Workers' Welfare Fund		**89**
Sales load payable to Management Company		**37,480**
		37,632

10.1 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of law. The matter has been taken up collectively by Mutual Funds Association of Pakistan, where various options are being considered. On September 09, 2013, 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, without prejudice to the above, the Management Company has made a provision with effect from June 13, 2013, aggregating to Rs. 0.51 million. Had the provision not being made, the Net Asset Value per unit of the Fund as at March 31, 2015 would have been higher by Rs. 0.0265 per unit.

10.2 Federal Excise Duty payable was previously classified as payable to Management Company. This has now been reclassified under accrued expenses and other liabilities for better presentation.

11. MARK-UP ON DEPOSITS WITH BANKS

	March 31, 2015 (Rupees in '000)
Mark-up on savings accounts	**2,742**
Mark-up on term deposit receipts	**729**
	3,471

12. MARK-UP / RETURN ON INVESTMENTS

	March 31, 2015 (Rupees in '000)
Government Securities	**1,303**
	1,303

13. AUDITORS' REMUNERATION

Statutory audit fee	13
	13

14 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought with in 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 (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.

Subsequent to the year end June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry.

Subsequent to year ended June 30, 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs. 0.089 million (including Rs. 0.355 million for the current period). Had the provision not being made, the Net Asset Value per unit of the Fund as at March 31, 2015 would have been higher by Rs. 0.0046 per unit.

15 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of the accounting income, the income distributed through bonus units 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 unrealized 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 in cash at least 90 percent of the Fund's accounting income for the year ended June 30, 2015 as reduced by capital gains (whether realised or unrealised) to its unit holders.

16 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

16.1 **Transactions during the period**	**March 31, 2015 (Rupees in '000)**
HBL Asset Management Limited - Management Company	
Management Fee	422
Habib Bank Limited - Sponsor	
Mark-up earned during the period	**3,471**
Mark-up received during the period	**2,742**
Bank charges paid	**2**
Central Depository Company of Pakistan Limited - Trustee	
Remuneration	**27**
16.2 **Amounts outstanding as at period end**	
HBL Asset Management Limited - Management Company	
Management fee	**316**
Sindh Sales Tax	**55**
Preliminary expenses and flotation cost cost incurred on behalf of the fund	**1,095**
Habib Bank Limited - Sponsor	
Investment held in the Fund: 5,000,000 units	**500,000**
Mark-up receivable on deposits with bank	**729**
Central Depository Company of Pakistan Limited - Trustee	
Remuneration payable	27

17 DATE OF AUTHORISATION FOR ISSUE

The condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on April 28, 2015.

18 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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